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By email

Lawrence Gosden
Chief Executive
Southern Water

30 March 2023

Dear Lawrence,

Strategic regional water resource solution: gate two draft decision for Southern Water

I am writing to inform you of our draft decision in respect of the following strategic regional water resource solution:

- Thames Water to Southern Water Transfer

As agreed in [RAPID's letter sent 27 May 2022](#) Southern Water are no longer involved in the Poole Effluent Recycling and Transfers and the Cheddar 2 Source and Transfers solutions.

The RAPID partner regulators would like to thank Southern Water for its submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression of this solution.

This letter should be read in conjunction with the draft decision documents for these solutions, which were published alongside this letter. Both this letter and the draft decision documents were published on our website on 30 March 2023.

Following the publication of our draft decision, solution owners and other interested parties have the opportunity to respond to the draft decision. Representations are invited by email to rapid@ofwat.gov.uk and the representation period will close at 6pm on 11 May 2023. All representations will be considered before our final decision, which we intend to publish at 10am on 28 June 2023.

Where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than the dates provided in the Appendix to each draft decision document.

Solutions funded in PR19 final determination

The table below summarises the elements of our draft decision in respect of the Southern Water-sponsored solution. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of Southern Water-sponsored solution(s)

Recommendation item	Thames Water to Southern Water Transfer
Solution owners	Thames Water Southern Water
Should further funding be allowed for the solution to progress to gate three?	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	No
Is there any change to partner arrangements?	Yes
Are there priority actions for urgent completion?	Yes

Solution progress and funding

Funding allowance is detailed in Table 3 in the draft decision document for each solution.

Funding is allowed for the Thames Water to Southern Water Transfer to continue to be developed to gate three.

The following options are to continue to be investigated:

- Option B – West of the A34 at Drayton, west of Newbury, remaining west of the A34 to Winchester
 - Option C – West of the A34 at Drayton, west of Newbury, crossing over the A34 to Winchester
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The following options are not to continue to be investigated as part of the RAPID process:

- Option A – West of the A34 at Drayton, west around Swindon to Winchester
- Option D – West of the A34 at Drayton, east of Newbury, crossing over the A34 to Winchester
- Option E – Between Reading and Pangbourne, south westwards via Basingstoke to Winchester

Evidence of efficient expenditure

We determine that all expenditure on this solution is efficient and appropriate, and we allow it in full. The efficient costs allowance for the solution is given below.

- Thames Water to Southern Water Transfer – £2.17 million

Submission quality

Our overall classification of the submission for the Thames Water to Southern Water Transfer is that it is "Good (meets expectations)".

Remediation

A list of remediation issues is provided in Appendix A of the draft decision document divided into priority actions, actions and recommendations. Priority actions are those that should have been completed at gate two and must now be addressed on a short timescale in order to make sure a solution stays on track.

We have also identified actions that should be completed in full in the gate three submission or at an alternative or earlier date where shown in Appendix A of the draft decision document. The response to these actions will influence the assessment of the gate three submission.

Recommendations relate to issues where additional information or clarification could improve the quality of future submissions.

We have not identified any priority actions in respect of the Thames Water to Southern Water Transfer and therefore Southern Water.

Should you have any questions about this letter or draft decision, please e-mail rapid@ofwat.gov.uk and someone from the team will be in touch.

Once again, Ofwat would like to thank Southern Water for the work that it has carried out over the gate two period.

Yours sincerely

David Black
Chief Executive

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