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By email

Louise Beardmore
Chief Executive Designate
United Utilities

30 March 2023

Dear Louise,

Strategic regional water resource solution: gate two draft decision for United Utilities

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

- North West Transfer (NWT)
- River Severn to River Thames Transfer (STT)

The RAPID partner regulators would like to thank United Utilities for its submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression of these solutions.

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 document were published on our website on 30 March 2023.

Following the publication of our draft decisions, solution owners and other interested parties have the opportunity to respond to the draft decisions. 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 decisions, 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 each of United Utilities-sponsored solutions. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of United Utilities-sponsored solution(s)

Recommendation item	North West Transfer	River Severn to River Thames Transfer
Solution owners	United Utilities	United Utilities Severn Trent Thames Water
Should further funding be allowed for the solution to progress to gate three?	Yes, subject to any decisions taken at a Conditional Review Point.	Yes, subject to any decisions taken at a Conditional Review Point.
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes
Delivery incentive penalty?	No	No
Is there any change to partner arrangements?	No	Yes
Are there priority actions for urgent completion?	Yes	Yes

Solution progress and funding

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

North West Transfer NWT

Funding is allowed for the North West Transfer to continue to be developed to gate three, subject to any decisions taken at a Conditional Review Point. The fourteen options specified in the gate two submission for this solution should continue to be investigated.

River Severn to River Thames Transfer

Funding is allowed for the River Severn to River Thames Transfer to continue to be developed to gate three, subject to any decisions taken at a Conditional Review Point.

The following options are to continue to be investigated:

- Option 1 - Deerhurst to Culham Pipeline
- The proposed further engagement around the Cotswold canal options

Evidence of efficient expenditure

We determine that all expenditure on each of these solutions is efficient and appropriate, and we allow it in full. The efficient costs allowance for the solutions are given below.

- North West Transfer - £3.23 million
- River Severn to River Thames Transfer - £7.21 million

Submission quality

North West Transfer NWT

Our overall classification is that the submission for the North West Transfer is that it is satisfactory overall, but falls short in some important areas.

River Severn to River Thames Transfer

Our overall classification of the submission for the River Severn to River Thames Transfer is that it is "Good (meets expectations)" but falls short in some important areas.

Remediation

A list of remediation issues is provided in Appendix A of each 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 each 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 conclude that there are issues for remediation for these solutions. Priority actions have been identified, and 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 Appendix A of each draft decision document.

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 United Utilities for the work that it has carried out over the gate two period.

Yours sincerely

David Black
Chief Executive

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