



FAO: Mr Paul Hickey
Regulators' Alliance for Progressing Infrastructure Development

11 May 2023

By email only

London Water Recycling (LWR) Strategic Resource Option (SRO) – Response to Gate 2 draft decision.

This response follows the recommendation by RAPID in its draft decision that Teddington Direct River Abstraction (DRA), Beckton and Mogden water recycling schemes contained within the London Water Recycling SRO should progress through the gated process towards Gate 3.

We agree that the London water recycling schemes provide a feasible and valuable way of providing an additional source of raw water for abstraction and treatment to supply water to customers during periods of prolonged dry weather. We note the draft decision proposes that further funding be allowed for the solution to progress to Gate 3; confirms that all Gate 2 expenditure has been deemed efficient and allowed; and recognises the quality of the submission as having the top rating of 'Good'.

In the Gate 2 submission we requested that schemes be split going forward to better reflect different delivery programmes. However, we note RAPID's desire to keep schemes as a single solution whilst accepting the need to be flexible in terms of individual progression and submission timeframes.

Both Beckton and Mogden recycling schemes are considered by Thames Water as alternative schemes as part of our adaptive draft Water Resource Management Plan (WRMP), with both contained within Section 7 of our draft WRMP and included in our constrained list of options. Sections 10 and 11 of our draft WRMP clearly state Beckton as the preferred alternative to Teddington DRA; however, Thames Water considers it appropriate to continue scheme development for Mogden alongside Beckton to a mid-Gate 3 checkpoint as both are viable alternatives with priority actions to address.

This response makes a number of representations in relation to the draft decision for RAPID's consideration; in particular, costs, priority actions and timing of Gate 3.

Costs

Section 3.3 of the draft decision refers to the amount of expenditure published in our Gate 2 submission. At the time of submission, this included an estimate for the final few months of Gate 2 activities as costs were reconciled and invoices received. Having finalised the assessment of Gate 2 costs, the actual costs were slightly less than the estimated figure. As a result, the total Gate 2 expenditure has been reduced from £5.71m estimate at Gate 2 to **£5.57m**.

By taking this amended underspend and our underspend from Gate 1 (£3.76m) this should enable an adjustment to our **Gate 3 allowance to £29.57m**.

We note in the draft decision that RAPID expect to adjust some expenditure in future gates due to a change in scope for the solution. We believe the scope for Gate 3 remains consistent with the PR19 final determination requirements to develop sub-options at Beckton, Mogden and Teddington and would welcome further discussion on the forecast expenditure and AMP7 reconciliation process. We note that the funding for AMP8 will be determined through the PR24 process and that is expected to include mechanisms for managing uncertainty across the SRO portfolio, including whether or not alternative options will be taken forward.

Gate 2 proposed that Teddington DRA is delivered directly rather than via DPC, nevertheless, we would expect DRA funding to remain part of the SRO funding in PR24.

Priority Actions

The draft determination includes a number of priority actions. Eight priority actions have been set for Teddington DRA and two each for Beckton and Mogden water recycling schemes (although one action is noted as a duplicate). A further priority action (Action 2) covers the overarching requirement to identify mitigation measures for all environmental impacts for each option before the final WRMP is published.

With regard to the latter, it has been demonstrated through Gate 1 and Gate 2 that the three remaining water recycling schemes are viable and feasible. There is still further work to be undertaken to assess the environmental effects and develop the level and scale of mitigation measures for schemes through Gate 3 and Gate 4; however, this work should not impede the finalisation of the WRMP, as a strategic plan. These matters are for the consenting and permitting process to develop and address. All SROs are in the unique position of having completed a significant amount of design, baseline data, modelling and assessment at a very early stage of planning. This knowledge and understanding of schemes should not prejudice the inclusion of a scheme within the WRMP, which requires all options to be feasible conceptual designs. This work has moved beyond the requirement for a WRMP and is aimed at development towards Gate 3.

Moreover, identifying all mitigation measures for a scheme by 31 August 2023 can only be done to a high-level across all environmental topics. The EIA and consultation processes that progress over the next few years will refine the impacts assessments, design and shape the mitigation measures required for that scheme. Our intention is therefore to provide as part of this priority action a list of scheme mitigation measures covering the main environmental topics that may be included within the scheme design once we have progressed the EIA process and consulted on a scheme.

We note the requirement to address priority actions by 31 August 2023 and have been working with the Environment Agency to set out a delivery plan for the Teddington DRA actions. Owing to the fact the Beckton and Mogden schemes are on a slower programme to Gate 3 with a Gate 3 checkpoint mid 2024 we request that further time is allowed to address the priority actions for these alternative schemes and propose submission by December 2023. This would allow us time to focus on the selected WRMP scheme through summer 2023.

Timing of Gate 3

In our Gate 2 submission we proposed a Gate 3 for Teddington DRA in November 2023, with mid-Gate 3 checkpoints for Beckton and Mogden in May 2024. However, as noted in the submission, Gate 3 will be based upon the delivery of a number of pre-application planning outcomes such as EIA scoping and scheme consultation. Given the number of

priority actions, feedback from Thames Water's WRMP24 consultation events and a number of new scheme considerations, we are re-evaluating our consenting programming over the coming few months. We will provide RAPID with an update on our Gate 3 timetable, via our regular check-in calls, should it change from that previously stated.

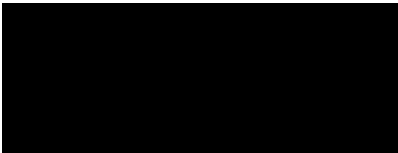
Actions and Recommendations

We note the limited number of actions and recommendations to be addressed at Gate 3 for the schemes.

Summary

We would like to take this opportunity to thank RAPID, EA, NE, Ofwat and DWI for their engagement and collaborative working throughout Gate 2.

Regards



Nevil Muncaster (Strategic Resource Director, Thames Water)