

March 2023

**Strategic regional water  
resource solutions:  
standard gate two draft decision  
for North West Transfer**

**Ofwat**

## Contents

1. Introduction .....	3
2. Solution Summary .....	5
2.1 Solution summary .....	5
3. Solution assessment summary .....	6
3.1 Solution progression to standard gate three .....	6
3.2 Solution funding to standard gate three .....	8
3.3 Evidence of efficient expenditure .....	9
3.4 Quality of solution development and investigation .....	10
3.4.1 Solution Design .....	11
3.4.2 Solution costs .....	12
3.4.3 Evaluation of Costs and Benefits .....	12
3.4.4 Programme and Planning .....	13
3.4.5 Environment .....	14
3.4.6 Drinking water quality .....	14
3.4.7 Board Statement and assurance .....	15
4. Actions and recommendations .....	16
4.1 Actions and recommendations from gate two assessment .....	16
4.2 Actions and recommendations from gate one assessment .....	16
5. Delivery Incentive Penalty .....	18
6. Proposed changes to partner arrangements .....	19
7. Gate three activities and timing .....	20

7.1 Gate three timing..... 20

8. Next steps ..... 21

Appendix A: Gate two actions and recommendations ..... 22

Appendix B: Gate one actions and recommendations..... 25

# 1. Introduction

The purpose of this publication is to set out our draft decision about whether the North West Transfer<sup>1</sup> solution should continue to receive development funding<sup>2</sup>. The solution owner United Utilities (UU) submitted their standard gate two reports on 14 November 2022 for assessment. Further information concerning the background and context of the United Utilities North West Transfer can be found in the North West Transfer publication document on the United Utilities website<sup>3</sup>.

This publication should be read in conjunction with the draft decision letter issued to each solution owner. Both this document and draft decision letters have been published on our website.

The assessment process is overseen by RAPID, with input from the partner regulators Ofwat, the Environment Agency and the Drinking Water Inspectorate. The Environment Agency together with Natural England, have reviewed the environmental sections of the submissions, and provided feedback to RAPID. The Consumer Council for Water provided input to the assessment on customer engagement. Natural Resources Wales is involved in an advisory capacity and has a decision-making role for any solution involving Wales, Welsh policy and legislation.

The solution owners and other interested parties can now respond to the draft decision. Representations are invited by email to [rapid@ofwat.gov.uk](mailto: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 is published at 10am on 28 June 2023.

We will publish representations on our website at [www.ofwat.gov.uk/regulated-companies/rapid](http://www.ofwat.gov.uk/regulated-companies/rapid), unless you indicate that you would like your representation to remain unpublished. We will also share representations with our partner regulators, Ofwat, the Environment Agency and the Drinking Water Inspectorate and with Natural England. Subject to the following exceptions, by providing a representation to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed (and provide a redacted version of your response), which we will consider when deciding what information to publish. As minimum, we would expect to publish the name of all organisations that

---

<sup>1</sup> Referred to in PR19 final determination as "North West Transfer"

<sup>2</sup> [PR19 final determinations: Strategic regional water resource solutions appendix](#)

<sup>3</sup> [United Utilities - Water Transfers – RAPID Submission](#)

provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our [privacy policy](#) explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation document, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

We would like to thank United Utilities for the level of engagement, collaboration and innovation that they have exhibited during this stage in the gated process.

## 2. Solution Summary

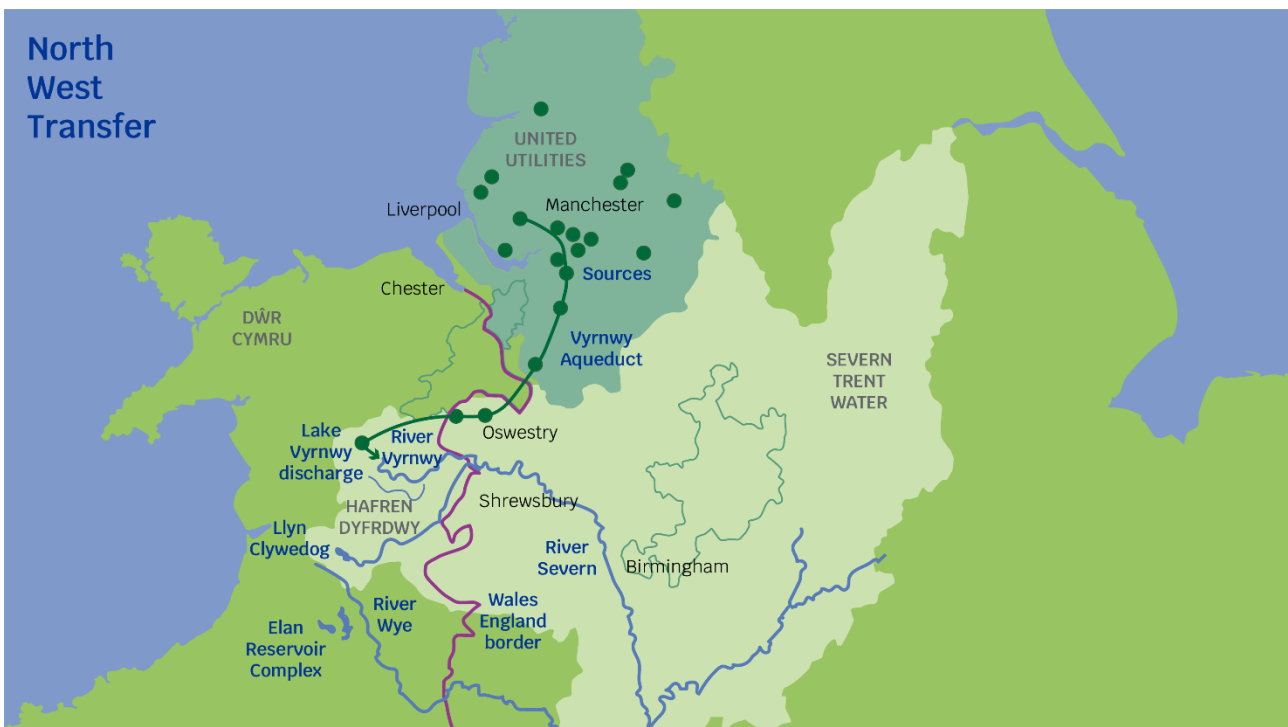
### 2.1 Solution summary

The North West Transfer (NWT) enables a transfer of water from the North West of England to the South. The solution forms part of the wider Severn to Thames Transfer system composed of NWT, River Severn to River Thames Transfer (STT) and Severn Trent Sources (STS). NWT is composed of:

- A portfolio of individual groundwater and surface water source options to maintain appropriate additional water treatment works output capacity to offset water exported from Lake Vyrnwy.
- Enabling works on the Vyrnwy aqueduct to maintain supply to customers in the North West.

NWT relies on the River Vyrnwy bypass pipeline and upgraded Shrewsbury Redeployment connection to deliver water to the River Severn and Shrewsbury, respectively. These construction works are promoted under STT.

**Figure 1. North West Transfer Solution Schematic**



### 3. Solution assessment summary

Table 1. Draft decision summary

Recommendation item	North West Transfer
Solution owners	United Utilities
Should further funding be allowed for the solution to progress to gate three?	Yes, subject to any decisions taken at a Conditional Review Point
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	No
Is there any change to partner arrangements?	No
Are there priority actions for urgent completion?	Yes, set out in section 4.1.
Are all priority actions and actions from previous gates addressed?	No, set out in section 4.2.
Suitable timing for gate three has been proposed	No. RAPID have decided a gate three of January 2025 to align with other solutions.

#### 3.1 Solution progression to standard gate three

The evidence suggests that the solution is a potentially valuable way of supplying water to customers. Based on our assessment of a wide range of areas that could concern the progression of the solution, we have concluded that the solution should progress through the gated process to gate three, subject to the possibility that, after considering United Utilities' submissions in response to the priority actions set out in Appendix A at the regular checkpoint with United Utilities in December 2023, we may decide to set a conditional review point (Conditional Review Point) at which we may decide that the solution should not progress beyond the Conditional Review Point or should only progress subject to further priority actions, actions or recommendations. Figure 2 below summarises the area of any progression concerns, including indication of the significance. The reasons for this assessment conclusion are set out in table 2 below.

Decisions on funding as a result of this progression decision, are set out in section 3.2.

Figure 2. Assessment of solution's progression concerns

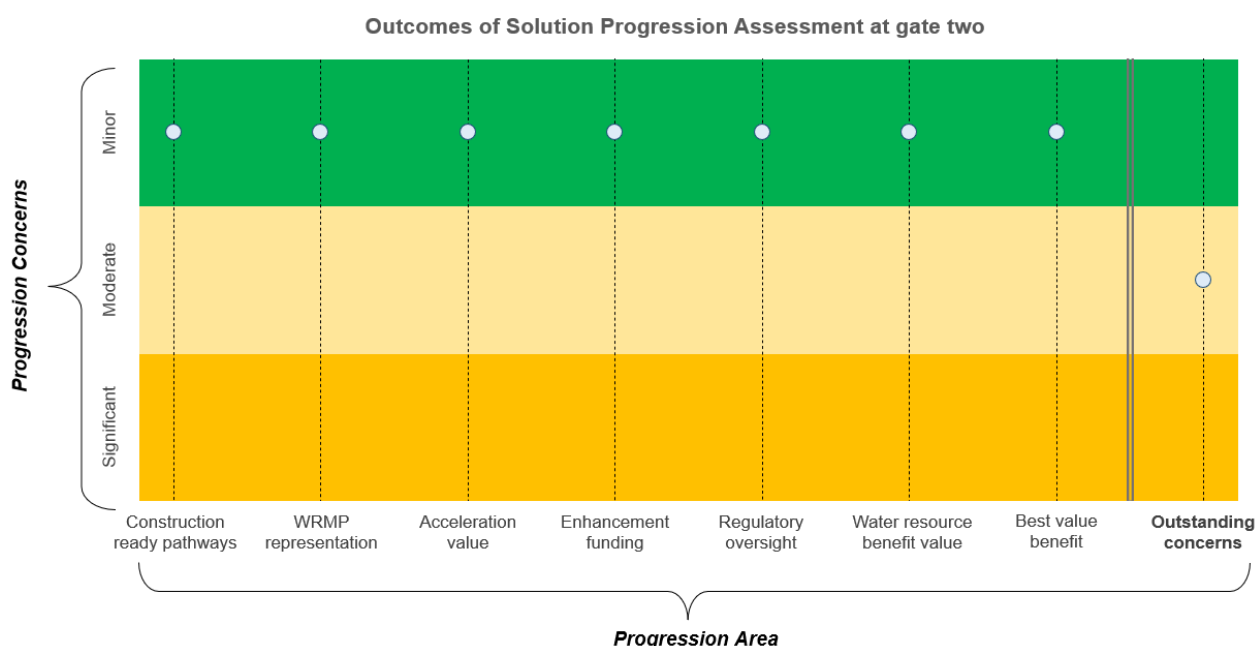


Table 2. Draft decision progression criteria

Progression criteria	North West Transfer
<b>Solution owners</b>	United Utilities
<b>Is the solution in a preferred or alternative pathway in relevant regional plan or WRMP (where applicable) to be construction ready by 2030?</b>	Yes, the solution is chosen in Thames Water, United Utilities' and Severn Trent Water's draft water resource management plans (WRMPs) as an option in the preferred pathway. The solution is also in the Water Resources South East (WRSE) and Water Resources West (WRW) draft regional plans. The solution will be construction ready by 2027.
	No further action is required on this progression criteria.
<b>Do regulators have any significant concerns with the solution's inclusion or non-inclusion in a WRMP or regional plan or with any aspects that may impact its selection, to a level that they have (or intend to) represent on it when consulted?</b>	No, the regulators do not have any significant concerns with how the solution is represented, or the information about it, in the WRMPs or regional plans.
	No further action is required on this progression criteria.
<b>Is there value in accelerating the solution's development to meet a company's or region's forecast supply deficit?</b>	Yes. A solution is required to address forecast deficits for Severn Trent Water, United Utilities, Thames Water, WRW and WRSE.
	No further action is required on this progression criteria.
<b>Does the solution need continued enhancement funding for investigations and development to progress?</b>	Yes. Continued funding is required to develop a solution to be delivered in time for the planned construction ready date.
	No further action is required on this progression criteria.



<b>Does the solution need the continued regulatory support and oversight provided by the Ofwat gated process and RAPID?</b>	Yes. The solution will continue to benefit from the regulatory support and oversight provided by being included in the RAPID programme.
	No further action is required on this progression criteria.
<b>Does the solution provide a similar or better cost / water resource benefit ratio compared to other solutions?</b>	Yes. This solution does provide a similar or better cost / water resource benefit ratio compared to other solutions.
	No further action is required on this progression criteria.
<b>Does the solution have the potential to provide similar or better value (environmental, social and economic value – aligned with the Water Resources Planning Guideline) compared to other solutions?</b>	Yes, this solution has the potential to provide similar or better value (environmental, social and economic value – aligned with the Water Resources Planning Guideline) compared to other solutions.
	No further action is required on this progression criteria.
<b>Does a regulator or regulators have outstanding concerns that have not been addressed through the strategic planning processes taking into account proposed mitigation?</b>	Outstanding concerns remain around stakeholder engagement, environmental assessments including Water Framework Directive (WFD) compliance, water quality monitoring and socio-economic benefits for Wales.
	This progression concern is addressed in priority actions in Appendix A of this document.

### 3.2 Solution funding to standard gate three

We are changing the funding of this solution. The details of this funding decision are set out in Table 3 below, and details on forward programme in section 7.1.

**Table 3. North West Transfer funding allowances**

	Gate one	Gate two	Gate three	Gate four	Total
<b>North West Transfer gated allowance</b>	£2.19m	£3.29m	£10.21m	£8.76m	£24.45m
<b>Comment</b>	10% of development allowance calculated as 6% of total solution costs	15% of development allowance calculated as 6% of total solution costs	65% of the forecast overspend has been added on top of the previous allowance determined at PR19	40% of development allowance calculated as 6% of total solution costs	Total development allowance calculated as 6% of total solution costs
<b>Previous Allowance</b>	£2.19m	£3.29m	£7.67m	£8.76m	£21.90m
<b>Change from Previous Allowance</b>	£0.00m	£0.00m	£2.55m	£0.00m	£2.55m

This funding has been revised to account for forecast costs at gate three. We have determined that across all solutions gate three costs have risen due to factors such as increases in solution design costs, changes in scope and additional funding required to develop the environmental impact assessment (EIA), water quality assessments, ground investigations and other environmental field studies and assessments. We determine that providing the original gate three allowance combined with 65% of their projected overspend at gate three is appropriate. We do not feel that it would be appropriate to provide solutions with their complete projected overspend at gate three as these projections are not fully mature, and we want to ensure that solutions are still incentivised to keep costs as low as possible.

In addition, we are changing the cost sharing rate that is applied to the solution. At gate three, the solution owners will be responsible for 80% of any overspend. Furthermore, solution owners will be able to retain 25% of any total underspend at gate three, while the remaining 75% will be returned to customers. This diverges from the 50% cost sharing that was outlined in the [PR19 final determinations: Strategic regional water resources solution appendix](#).

### 3.3 Evidence of efficient expenditure

The PR19 final determination specified that any expenditure on activities outside the gate activities for the identified solutions (or solutions that transfer in) will be considered as inefficient and be returned to customers. We will consider whether gate activity is efficient by considering the relevance, timeliness, completeness, and quality of the submission which should be supported by benchmarking and assurance.

North West Transfer carried forward £0.56m underspend from gate one, increasing the allowance available to them at gate two to £3.84m.

Our assessment of the efficient costs as spent on standard gate two activities results in an allowance for this solution of £3.23m (of £3.23m claimed). North West Transfer has therefore underspent its combined gates one and two allowance by £0.61m and may take this underspend forward to gate three, subject to any decisions taken at a Conditional Review Point, increasing the allowance available to them at gate three to £10.82m.

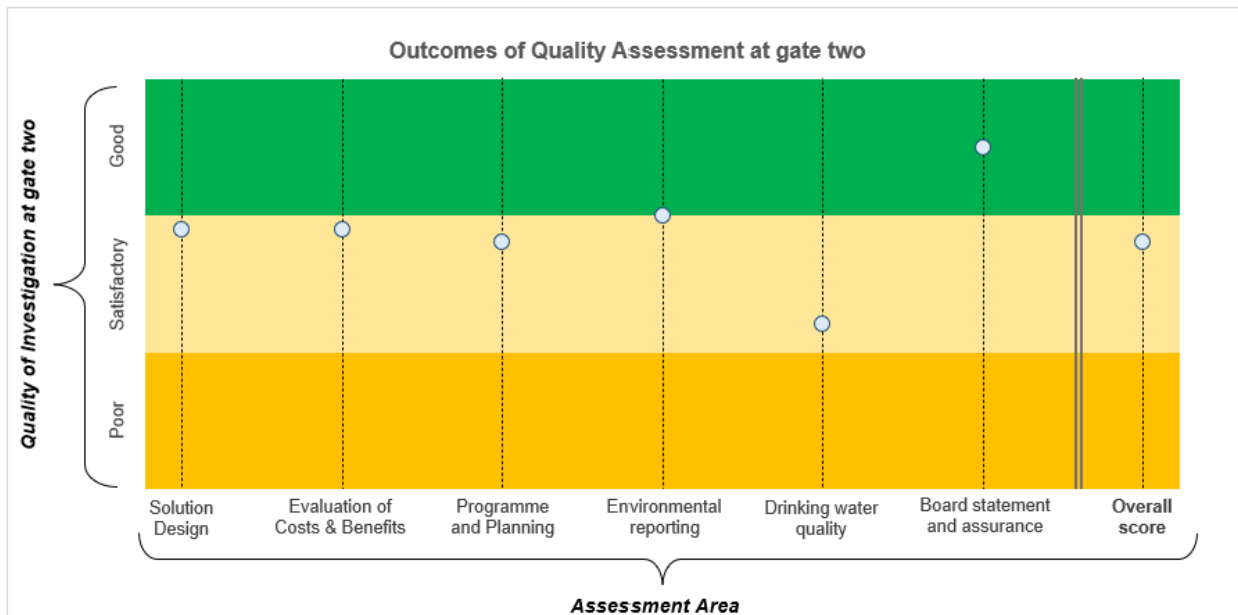
From gate two, we will move to look at the cumulative gate spend against the cumulative total allowance, across all gates consistent with the activities being undertaken. For example, any gate four allowance that is brought forward towards gate three should be for the purpose of early gate four activities. Overspends and underspends are then to be managed through cost sharing between the water company and customers. As North West Transfer is progressing to gate three, this will apply here, subject to any decisions taken at a Conditional Review Point.

### 3.4 Quality of solution development and investigation

The aim of the assessment was to determine whether gate two activities have been progressed to the completion and quality expected, for the continued development of the solution.

Figure 3 shows our assessment of the work completed on the solution, which was presented in the gate two submission. Our assessment was made against the criteria of robustness, consistency, and uncertainty to grade each area of the submission as good, satisfactory, or poor in accordance with the [standard gate two guidance](#), (updated version published on 12 April 2022). We also assessed the Board assurance provided.

**Figure 3. Assessment of quality of investigation**



Our overall assessment for the solution submission is that it is a satisfactory submission that meets expectations of gate two.

In addition to the overall assessment score, there is some variance in expectations being met across the submission, with the following areas falling short of expectations and not as developed as would be expected at gate two:

- stakeholder and customer engagement,
- wider resilience benefits,
- procurement and planning route strategy,
- identification of environmental risks and potential mitigation measures,
- drinking water quality considerations and risk assessments, and
- plans for future work to develop Drinking Water Safety Plans.

We explain our assessment of each individual area, including any shortfalls in expectations, in the sections below. We have not applied any delivery incentive penalties as a result of this assessment of quality, as further detailed in section 4.

### 3.4.1 Solution Design

Our assessment of the solution design considered the quality of the evidence provided on the initial solution and sub-options; the anticipated operational utilisation of solutions; the interaction of the solution with other proposed water resource solutions and stakeholder and customer engagement. The assessment also considered whether information was provided on the context of the solution's place within company, regional and national plans.

We consider United Utilities to have provided partially sufficient evidence of progress in developing the solution design for gate two. They have fallen short in providing enough evidence in the area of utilisation, therefore we recommend a discussion with RAPID early on in gate three to:

- clarify within-zone resilience needs and whether they are already considered, or may affect, the utilisation figures presented.
- understand the utilisation of Severn Trent Water's trade option to support future environmental assessments and permit requirements.

Stakeholder and customer engagement requires further development. We recognise and welcome the work carried out for gate two, including engagement with the Wales Water Forum. However, this related predominantly to strategic engagement and primarily uses the Water Resources West regional plan engagement work. The development of an engagement plan must occur before the gate three submission. This needs to include who, where, how and why Welsh stakeholders will be engaged. This should include the wider Welsh statutory regulators like Cadw/Planning and Environment Decisions Wales (PEDW) using a "no surprises" approach. The engagement plan should be provided by the regular checkpoint with United Utilities in December 2023 and ongoing updates provided through gate three regular checkpoints on its implementation, progress and how customer and stakeholder views have/will inform key decisions. This engagement plan, in conjunction with Severn to Thames Transfer, should address the 25% of stakeholder reported feedback that was negative towards water transfers.

Alignment with company, regional and national plans requires improvement, as there are inconsistencies between the information presented in the submission and the WRMPs. We expect an update on final alignments and proposals at the regular checkpoint in December 2023. We recommend that this update includes justifying the needs case for the transfer and describes the interactions with the Severn to Thames Transfer system in more detail, including any assumptions and dependencies.

### 3.4.2 Solution costs

Our assessment of the unit costs of delivering North West Transfer finds that the costs presented are reasonable at this stage. Cost changes from gate one to gate two have been sufficiently explained and are as a result of detailed development of the solution or changing market conditions. For instance, in order to achieve the required minimum backfill of 167 megalitres per day (Ml/d), further sub-options were included in the gate two assessment that were more costly to implement. The assessment also considers the use of the solution as a drought resilience asset, and therefore cost per capacity is often a more appropriate metric than cost per projected utilisation. We will continue to scrutinise cost estimate changes from gate two to gate three.

### 3.4.3 Evaluation of Costs and Benefits

Our assessment of the evaluation of costs and benefits considered the quality of the information provided on initial solution costs; the social, environmental and economic cost and benefits, water resource benefits and wider resilience benefits. The assessment also considered whether evidence was provided on how the solution delivers a best value outcome for customers and the environment.

We consider that United Utilities have provided partially sufficient evidence of evaluating the costs and benefits of the solution to an appropriate standard for gate two.

They have fallen short in providing enough evidence in social, environmental and economic costs and benefits, as the best value metrics and weightings may not fully deliver for wider socio-economic and cultural costs/benefits. By gate three we expect United Utilities to have considered wider benefits including, but not limited to, jobs, health, supply chain, local economies and community regeneration. If there are any aspects in or affecting Wales, then these broader aspects must be considered for the [Well-being of Future Generations \(Wales\) Act 2015 \(legislation.gov.uk\)](#) and as part of the ecosystem services costs and benefits under the [Environment \(Wales\) Act 2016: biodiversity and resilience of ecosystems | GOV.WALES](#). We also recommend that for the gate three assessment United Utilities should present the quantitative steps used to assess the ecosystem services, such as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) for climate regulation, visitor numbers for recreation and tourism, and an asset register of habitats for the scenarios pre- and post- construction, and with off-site mitigation and for any additional ones brought in.

The solution falls short in some areas regarding water resources benefits. Additional evidence for water resources benefits is required by gate three. United Utilities should justify that a smaller volume of water would be insufficient and why the additional 25 Ml/d is required. Sensitivity analysis must be undertaken to provide confidence that the total solution backfill of 167 Ml/d is sufficient to provide the required supply benefits to its customers.

We welcome that United Utilities discusses a range of potential wider resilience benefits. The solution would benefit from progressing these potential opportunities further to give site or source-specific opportunities, including linking through to work on biodiversity opportunity mapping.

We would welcome a deep dive session early in gate three across all three STT system solutions (including STT and STS) to explore how environmental metrics have been considered and gain more clarity around the wider socio-economic benefits, including all ecosystem service benefits and cultural benefits in relation to Wales, rather than just environmental benefits. This session would clarify how best value metrics link to the wider benefits study and where WRMP24 best value guidance and the public value principles from Ofwat have been followed. For example, what has been considered for socio-economic metrics and how this has scored. For example, local markets, labour, skills, jobs, supply chains etc. and how would these benefits be maximised through development and delivery of the solution.

### **3.4.4 Programme and Planning**

Our assessment of the Programme and Planning considered whether United Utilities presented a programme with key milestones and whether its delivery is on track. The assessment also considered the quality of the information provided on risks and issues to solution progression, the procurement and planning route strategy and subsequent gate activities with outcomes, penalty assessment criteria and incentives.

We consider the evidence provided by United Utilities regarding the programme and planning, risks and issues and the procurement and planning route strategy for the North West Transfer to be partially sufficient in terms of its detail and quality for gate two. However, additional work is required around risks and issues to solution progression due to concern around the environmental sustainability of sub-options and non-compliance with the Water Framework Directive.

While the programme and planning score has been marked down as requirements that solution owners were funded to meet have not been met, we have made a decision that there is no longer a need for value for money assessments for RAPID solutions and therefore no associated gate two action is required.

The evidence provided for subsequent gate activities with outcomes, penalty assessment criteria and incentives is lacking to an extent. There are several key risks which the solution proposes will be mitigated by stakeholder engagement. United Utilities should provide a more detailed explanation of how these mitigation activities are incorporated into the gate three plan. Overall, United Utilities should clarify the impact of all residual risks on their programme delivery.

We welcome United Utilities' progress on the gate one action to "identify the specific environmental risks of preferred supply options [and] ensure issues and mitigation measures are well understood". However, we have significant concerns about the considerable programme risk that remains because of uncertainty around the environmental sustainability of the preferred sub-options with regards to complying with the Water Framework Directive. Mitigation in the form of modelling, monitoring programmes and back up options have been identified but any delays to these programmes will put the solution delivery at risk. Mitigation measures should be completed by the checkpoint in December 2023. This is to allow time for unresolved risks to be managed by the end of gate three.

### **3.4.5 Environment**

Our assessment of Environment considered the initial option-level environmental assessment; the identification of environmental risks and an outline of potential mitigation measures; the detailed programme of work used to address environmental assessment requirements and the initial outline of how the solution will take into account the carbon commitments.

We consider United Utilities to have provided sufficient evidence of progress in the environmental assessment, potential mitigations, future work programmes and embodied and operational carbon commitments for gate two for the most part. It is recommended that further consideration on its carbon assessment is undertaken by gate three.

As explained in section 3.4.4, we have concerns around risks and potential mitigations which is reflected in a priority action. Until further assessment of the preferred mitigations has been completed by United Utilities and the priority action has been addressed this environmental risk remains.

### **3.4.6 Drinking water quality**

Our assessment of Drinking Water Quality considered drinking water quality and risk assessments; evidence that the solution has been presented to the drinking water quality team and a plan for future work to develop Drinking Water Safety Plans.

The submission does not meet the requirements of gate two and does not appear to have moved significantly from gate one. The strategic water quality risk assessments (SWQRA) are not as developed as would be expected. The submission acknowledges uncertainty around polyfluoroalkyl substances (PFAS) and Contaminates of Emerging Concern (CECs). However, there are no water quality data available for the limiting hazards – these are all assumed. We have therefore set a priority action for an extensive water quality monitoring plan, with timescales to ensure seasonal variation is captured, to be submitted. We expect United Utilities to demonstrate that this water quality monitoring plan will inform:

- its Drinking Water Safety Plan (DWSP);
- stakeholder engagement around source changes and
- a plan that includes sample location, parameters and frequencies in relation to further developing the DWSP.

We have also set two actions firstly, to complete the sampling programme to better inform the SWQRA and DWSP and secondly, to provide a more informative table to compliment the summary given in table 19. We expect United Utilities to address these actions by gate three.

### **3.4.7 Board Statement and assurance**

The evidence provided relating to assurance is sufficient for this stage of the gated process. We consider that the board of United Utilities has provided a comprehensive assurance statement and has clearly explained the evidence, information and external / internal assurance that it has relied on in giving the statement.

In the NWT gate two submission the board requested “regulators to significantly develop the economic, legal and regulatory frameworks that will underpin the delivery and operation of the infrastructure to support the proposed trade”. RAPID is working with water companies through the Regulatory & Commercial (R&C) Steering Group, of which United Utilities is a member, to prioritise R&C decisions needed in time for gate three submissions.



## 4. Actions and recommendations

Where the submission has not been assessed as ‘meeting expectations’ in the quality assessment, or progression concerns have been raised, we have provided feedback on where we will seek remediation of the issues. We have also identified specific steps that solution owners should take in preparing for standard gate three.

We have categorised these remediation issues and steps 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 the solutions stay on track. They require urgent remediation in full.

Actions are those that should be addressed in full in the standard gate three submission. The response to these actions will influence the assessment of the gate three submission.

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

We have also assessed progress on actions and recommendations from gate one.

### 4.1 Actions and recommendations from gate two assessment

Six priority actions have been identified for North West Transfer which should be delivered no later than the dates identified in appendix A as part of a remediation plan. If solution owners cannot meet these deadlines please explain this in the representation.

Thirteen actions and recommendations have been identified for North West Transfer, which should be fully addressed at the gate three submission or at an alternative or earlier date where this has been set in Appendix A. Progress against actions will be tracked as part of regular checkpoints the solution holds with us whilst undertaking gate three activities.

The full list of priority actions, actions and recommendations for North West Transfer can be found in Appendix A.

### 4.2 Actions and recommendations from gate one assessment

We have assessed whether North West Transfer has met actions that were set out as a result of our gate one assessment.

No priority actions were identified for North West Transfer.

Fourteen actions and recommendations were identified for North West Transfer, which were expected to be fully addressed at the gate two submission.

We have decided that the actions have not been fully addressed in the gate two submission. Further detail of our conclusion against each individual action is shown in Appendix B.

## 5. Delivery Incentive Penalty

We have not applied delivery incentive penalties to this solution, as a result of the assessment carried out on the gate two submission.

## **6. Proposed changes to partner arrangements**

There are no changes proposed to partner arrangements from gate two.

## 7. Gate three activities and timing

The solution will continue to be funded to gate three as part of the standard gate track subject to any decisions at any Conditional Review Point.

For its gate three submission, we expect United Utilities to complete the activities listed in [PR19 final determinations: strategic regional water resources solutions appendix](#), as expanded on in section 7.4 of the solutions gate two submission. Activities are expected to be completed in line with delivery incentives and expectations set out in [RAPID's gate three guidance](#). We also expect the actions listed in appendix A to be addressed.

### 7.1 Gate three timing

United Utilities have proposed a date for gate three of December 2024 with a proposed mid-gate three checkpoint in December 2023. This is proposed alongside a forward programme of gate four in October 2026, solution construction ready in early 2027, and solution operational in late 2033.

We have decided that North West Transfer's gate three should be January 2025. This is to align gate three with solutions on a similar programme, and for RAPID to efficiently assess progress of activities, ahead of the solutions proposed planning application.

We have also decided that there may be a Conditional Review Point. After we have considered United Utilities' submissions in response to the priority actions set out in Appendix A at the regular checkpoint with United Utilities in December 2023, we will confirm to United Utilities whether there will be a Conditional Review Point and the date of the Conditional Review Point, if there is to be one. Any Conditional Review Point will be in addition to the regular checkpoints that the companies hold with us.

We agree with your forward programme for gate four.

The forward programme proposed by the solution is in line with the principles of RAPID's standard programme. Funding arrangements are set out in section 3.2 of this document.

## 8. Next steps

Following publication of this standard gate two draft decision solution owners and other interested parties are invited to respond to the draft decision. Representations, including evidence from solution owners that priority actions (identified in the Appendix) have been addressed, can be made by email to [rapid@ofwat.gov.uk](mailto:rapid@ofwat.gov.uk) and will close at 6pm on 11 May 2023.

All representations will be considered before our final decision is published at 10am on 28 June 2023.

## Appendix A: Gate two actions and recommendations

Priority Actions – to be addressed by the dates specified		
Number	Area	Detail
1	Solution Design	<p>Provide to RAPID a detailed plan for stakeholder and customer engagement (strategic and local). This plan should:</p> <ul style="list-style-type: none"> <li>• explain how customer and stakeholder views have informed and will inform key decisions;</li> <li>• demonstrate how relevant local, strategic and regulatory Welsh stakeholders are consulted eg Cadw/PEDW/Hafren Dyfrydyw.</li> <li>• explore the gate two engagement feedback that 25% of stakeholders were negative towards water transfers, identifying any implications for the solution progression.</li> <li>• clarify the extent to which results from WRW online consultation on transfers through Idea Stream platform influenced solution design; and</li> <li>• seek views from Consumer Council for Water and explain subsequent actions as a result of this engagement.</li> </ul> <p>This will be required by the regular checkpoint in December 2023</p>
2	Costs and Benefits	<p>Undertake sensitivity analysis to provide confidence that the total solution backfill provides the required supply benefits for United Utilities customers. This will be required by the regular checkpoint in December 2023.</p>
3	Programme and Planning	<p>Considerable risk remains to the environmental sustainability of the preferred sub-options with regards to complying with the Water Framework Directive. Mitigation measures, in the form of modelling, monitoring programmes and developing backup sub-option portfolios, have been identified in the gate two submission. The delivery of these mitigation measures is pivotal to ensure sustainable solutions are included in any final regional and water resources management plans. The mitigation measures should be completed by the regular RAPID checkpoint in December 2023.</p>
4	Drinking Water Quality	<p>Submit a monitoring plan that demonstrates how the uncertainty around the risk of polyfluoroalkyl substances (PFAS) and chemicals of emerging concern (CECs) will be reduced. This will be required by the regular checkpoint in December 2023</p>
5	Drinking Water Quality	<p>Submit a plan to further develop the Drinking Water Safety Plan (DWSP) including sample locations, parameters and frequencies. This will be required by the regular checkpoint in December 2023</p>
6	Solution Design	<p>Confirm to RAPID that the solution aligns with Thames Water, United Utilities and Severn Trent Water's Water Resource Management Plans (WRMP) and relevant Regional Plans. This will be required by the regular checkpoint in December 2023</p>

<b>Actions – to be addressed in standard gate three submission</b>		
<b>Number</b>	<b>Area</b>	<b>Detail</b>
1	Solution Design	Provide to RAPID further information on the utilisation of Severn Trent Water's trade option to support future environmental assessments and permit requirements. This will be required by the regular checkpoint in December 2023.
2	Costs and Benefits	Progress work on the extensive range of potential wider resilience benefits discussed, to give site or source specific opportunities, including linking through to work on biodiversity opportunity mapping.
3	Costs and Benefits	<p>Ensure and evidence that all potential costs and benefits are considered across social, economic, environmental (and cultural where in or affecting Wales) when considering the wider costs/benefits. These should include, but are not limited to, jobs, health, supply chain, local economies and community regeneration.</p> <p>If there are any aspects in or affecting Wales, then these broader benefits must be considered for the Well-being of Future Generations (Wales) Act 2015 and as part of the ecosystem services costs and benefits under the Environment (Wales) Act 2016.</p>
4	Programme and Planning	<p>Provide a more detailed explanation of how the stakeholder engagement mitigation activities are incorporated into the gate three programme plan.</p> <p>Clarify and explain the impacts of residual risks (after mitigation) on programme delivery.</p>
5	Drinking Water Quality	Provide a summary of the current drinking water quality risks at Lake Vyrnwy to give greater understanding of current baseline risks.
6	Drinking Water Quality	Complete a sampling programme to better inform the Strategic Water Quality Risk Assessment (SWQRA) and DWSP.
<b>Recommendations</b>		
<b>Number</b>	<b>Area</b>	<b>Detail</b>
1	Solution Design	Justify the need for the transfer and describe the interactions with the Severn to Thames Transfer system in more detail, including any assumptions and dependencies.
2	Solution Design	Provide information on how within-zone resilience needs are already considered, or may affect, the utilisation figures presented.
3	Costs and Benefits	Present the quantitative steps used to assess the ecosystem services, such as tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) for climate regulation, visitor numbers for recreation and tourism, and an asset register of habitats for the scenarios pre- and post- construction, and with off-site mitigation.
4	Costs and Benefits	Explain the solution benefits in more explicit detail. RAPID would welcome a deep dive session before the regular checkpoint in December 2023 to understand the



		best value metrics in more detail across all three Severn to Thames Transfer system solutions (including Severn to Thames Transfer and Severn Trent Sources).
5	Costs and Benefits	Clarify why a smaller volume of water would be insufficient and why the additional 25 Ml/d is required.
6	Environment	<p>Future carbon assessments should include the following:</p> <ul style="list-style-type: none"> <li>• further information in the Carbon Annex on carbon estimations in different life cycle of the project;</li> <li>• further information on how they plan to seek the availability of low carbon materials in the supply chain;</li> <li>• further information in the Carbon Annex on carbon estimations in different life cycle of the project;</li> <li>• further evidence on how whole life carbon has been reduced within the design. United Utilities can provide the amount of carbon emissions that has been minimised by reusing the current infrastructure;</li> <li>• More information on whether they considered use of low carbon materials at gate two and any learning from that for what is proposed for gate three;</li> <li>• further information on how it plans to monitor the emissions post project completion;</li> <li>• a discussion on consideration of scope 1, 2 and 3 emissions (scope 3 emissions are missing).</li> </ul>
7	Drinking Water Quality	Provide a more informative table to compliment the summary given in table 19 of the main gate two submission report. This table should include sources of hazards to be included and what mitigation is expected to be used to bring the residual risk down or to the value given in table 19 of the main report.

## Appendix B: Gate one actions and recommendations

Actions – addressed in standard gate two submission			
Number	Area	Detail	RAPID assessment outcome
1	Solution Design	Refine the list of source options down to a preferred suite early in the gate two process, combining in portfolios as necessary for supply capacities. A manageable suite will allow for a full and detailed assessment to be completed during gate two. Progress and decisions on this action, including manageable numbers of preferred supply options, should be shared with regulators during checkpoint meetings.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action.
2	Solution Design	Ensure that further detailed utilisation calculations are undertaken early in gate two in order to feed into the environmental assessment	Partially complete. We consider United Utilities to have completed further detailed utilisation of surface water sources. However, further work should be undertaken to understand utilisation of groundwater sources in gate three.
3	Solution Design	Ensure Welsh stakeholders and customers are included in solution specific engagement.	We do not consider United Utilities to have provided sufficient evidence of progress in addressing this action. Whilst there was stakeholder engagement at a strategic level in gate two (mostly through the WRW engagement process) and this did include the Wales Water Forum and local authorities, wider stakeholders and regulators such as CADW, etc and local stakeholders were not engaged. An engagement plan must be provided in gate three (see priority action 1).
4	Costs and Benefits	Further work is required on elements of the solution which impact on Welsh ecosystem resilience. This will achieve sustainable management of natural resources as well as helping to achieve goals set out in the Wellbeing of future Generations Act. Any proposal which has implications for Wales must meet the requirements of this Act and the Environment (Wales) Act. This is in addition to the natural capital and biodiversity net gain requirements for England.	We do not consider United Utilities to have provided sufficient evidence of progress in addressing this action. Whilst the solution has changed in gate two and there is no direct alteration of physical construction work in Wales, it will still be important to comply with these requirements where the solution could affect water resources in Wales, other environments and people. United Utilities should demonstrate that the Welsh legislative requirements have been considered, even if shown not to be relevant.

5	Costs and Benefits	Priority modelling and investigations should be carried out in relation to the 10 source options that concern Water Industry National Environment Programme (WINEP) studies and those source options with an impact on the River Dee SAC.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action.
6	Programme and Planning	Provide further detailed evidence to support the programme plans and identify key milestones.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action.
7	Programme and Planning	Continue to develop assessment of Direct Procurement for Customers (DPC), including detailed assessment of suitability against technical criteria. The submission should consider whether elements of the system are suited to DPC, for example specific sources or bundles/phases of delivery.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action.
8	Environment	Initial environmental assessment should prioritise the 10 source options that concern Water Industry National Environment Programme (WINEP) studies and those source options with an impact on the River Dee SAC.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action.
9	Environment	Identify the specific environmental risks of preferred supply options. Ensure issues and mitigation measures are well understood.	We consider United Utilities to have provided sufficient evidence of progress in addressing this action. During gate two preferred suite of options refined further. Risk remains regarding WFD and Habitats Regulation Assessment compliance.

### Recommendations

Number	Area	Detail	RAPID assessment outcome
1	Solution Design	Stakeholder engagement at gate two should further explore customer acceptability into change of supply source	We consider United Utilities to have provided sufficient evidence of progress in addressing this recommendation. Information provided in NWT-G02-009-005 about customer acceptability.
2	Costs and Benefits	Studies should update all source option yields and model Deployable Output values from these yields, using WRMP19 figures. This work should be completed prior to the conclusion of the best value portfolios of source options. This work should be completed, as planned, during gate two.	We consider United Utilities to have provided sufficient evidence of progress in addressing this recommendation.

3	Costs and Benefits	Investigate source option-specific wider resilience opportunities at gate two. This will form part of the environmental resilience work planned for gate two.	The NWT team have provided further discussion on a number of areas that could see opportunities for wider benefits at the sources, and also note where there are limits to the wider benefit opportunities. The discussion does not provide detail of specific opportunities, and as such we recommend this work continues through gate three.
4	Programme and Planning	Include how interaction with other strategic solutions (particularly the River Severn to River Thames transfer) will be managed in the programme plan, including any key check-ins and alignment and sharing of key investigation outcomes.	We consider United Utilities to have provided sufficient evidence of progress in addressing this recommendation.
5	Environment	The main submission document needs to be clear on the methodologies and/or frameworks used to calculate, manage and mitigate GHG emissions. Clearly state how approach to carbon management is helping to deliver on WaterUK 2030 net zero route map and is aligned with the sector's ambition on carbon.	We consider United Utilities to have provided sufficient evidence of progress in addressing this recommendation. Gate two carbon assessment met expectations in most areas but further work required for gate three.

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham B5 4UA  
Phone: 0121 644 7500

© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at [www.ofwat.gov.uk](https://www.ofwat.gov.uk).

Any enquiries regarding this publication should be sent to [mailbox@ofwat.gov.uk](mailto:mailbox@ofwat.gov.uk).

**OGL**