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## By email

Liv Walton  
Regulation and Strategy Director  
Affinity Water Limited

9 October 2023

Dear Liv,

## Accelerated Infrastructure Delivery Project

We are writing following our publication of our [Accelerated Infrastructure Delivery Project final decision](#) in June 2023. Our final decision allowed Affinity Water (the “Company”) PR24 transition expenditure funding to accelerate five schemes<sup>1</sup> in accordance with the conditions and requirements set out in the Accelerated Infrastructure and Delivery Project final decision. These included a requirement that the Company provide us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its PR19 enhancement programme as a condition of receiving transitional expenditure funding.

To deliver customer and environmental benefits, acceleration schemes need to be delivered on time and not distract companies from the delivery of the existing significant 2020–25 investment programme.

To help us decide whether the Company has met the condition included in our final decision that it is on track to deliver its PR19 enhancement programme, we asked the Company to submit a report on the progress that it has made against its own [action plan](#) (published in March 2023). We then held the action plan review meeting to discuss this report with company representatives on 11 August 2023. Following this meeting we raised further queries with the Company on its progress. We have also reviewed the data submitted by the Company in its 2023 Annual Performance Report.

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<sup>1</sup> Smart metering rollout scheme and four new treatment schemes (three for nitrate and one for perfluoro octane sulphonate (PFOS) to install new treatment processes that will allow continued supply of compliant water quality for customers and help maintain resilient supplies.

Chris Walters, Senior Director

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For the reasons set out below, while some risks remain on delivery, we consider that the Company has provided us with sufficient and convincing evidence to assure us that, overall, it is currently on track to deliver its PR19 enhancement programme.

- It is encouraging that the Company has made good progress in the delivery of its PR19 enhancement programme. In particular, the Company, in our action plan review meeting reported progress on two of the three schemes that the Company's action plan had identified as being at risk of not being delivered on time.<sup>2</sup> The Company confirmed that these two schemes are no longer at risk.<sup>3</sup>
- We have also seen progress in relation to the cumulative expenditure made against the enhancement allowances set out in the PR19 final determinations. In our [Water Company Performance Report 2022-23](#) we no longer identify the Company as significantly underspending against its enhancement allowances.
- The Company explained that although it is still behind in relation to its strategic water resources programme allowances, this is partly due to some of the projects not progressing further through the gated process. Customers are protected by arrangements which mean that where the Company does not spend the allowances, the funding is returned to customers.
- The Company confirmed that it is on track to deliver the remainder of its PR19 enhancement programme by March 2025.

We therefore consider that the Company has met the condition included in our accelerated infrastructure delivery project final decision to providing us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its PR19 enhancement programme. We also expect the Company to get on and deliver the five schemes for which transition expenditure funding has been allowed.

The Company should continue to progress delivery of all enhancement schemes funded to be delivered in 2020-25. We will monitor and challenge progress of delivery of acceleration schemes as well as other PR19 enhancement expenditure.

Yours sincerely

**Chris Walters**  
**Senior Director**

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<sup>2</sup> These are three resilience schemes. These are Egham to Iver, Chaul End Reservoir Construction and Preston Reservoir construction.

<sup>3</sup> Chaul End project is still at risk but the Company is working to bring commissioning back into AMP7.