

# Accelerated infrastructure delivery project: draft decisions Southern Water's response

24 April 2023



from  
**Southern  
Water** 

# 1. Introduction

Thank you for the opportunity to respond to your draft decisions on the acceleration of infrastructure delivery. We are pleased that Ofwat supported Southern Water's proposals to accelerate our investment in reducing the use of storm overflows via piloting of sustainable interventions at scale. We look forward to commencing this work and delivering early benefits for our customers and the local environment.

We support the methodology for providing evidence by October 2023, the target date of March 2025 and your other requirements on methodology for evidence, quarterly reporting and 3rd party assurance. We do, however, have some concerns about some other aspects of the drafting of the associated Price Control Deliverable (PCD), which if unaltered would risk us not being able to deliver the improvements in the current AMP, due to the uncertainty of the funding in the event that we do not deliver the full reduction of 600 spills by 2030. We set out these concerns below. We would welcome the opportunity to discuss our concerns to ensure that the final PCD reflects the inherent uncertainty in our proposals.

## 2. Key concerns

### (i) Description of the PCD

The description of the PCD is written with an expectation that we spend £50m and deliver 600 spills. Whilst we aspire to £50m spend and reducing 600 spills, we cannot guarantee delivery of that reduction by 31 March 2025. As per our letter of 7 February 2023 we will commit to a tapered approach. Across 30 overflows we will reduce spills by 300 per annum for a spend of £25m. For any targeted spills beyond this, we will spend £85,000 per spill. It is proposed to have an executive level gated process for spend above £25m and the corresponding spills reduction.

This approach of setting a base level of investment (at £25m) and deliverable and including a unit rate for spills reduction above this was included in our proposals and we note that a similar unit cost model has been included within the PCD for Anglian Water.

Clarity of this expectation within the PCD is critical to our successful delivery.

### (ii) Conditions on scheme

The draft PCD includes a specific requirement for "hydraulic simulation modelling of the asset operation pre and post completion of the enhancement scheme".

We agree that evidence of enhancement is essential. However, hydraulic modelling will not always be appropriate, as traditional modelling techniques may not adequately replicate surface water removal measures across the catchment. We will hydraulically model any "grey" interventions, such as asset upgrades and optimisation, pre and post scheme. We therefore propose the following text amendment to these conditions:

*"The company must set out its method of providing this evidence for our approval either before or at the time of the submission of its PR24 business plan in October 2023. The evidence may include, but may not be limited to, hydraulic simulation modelling where improvements are at a pumping station or wastewater treatment works, of the asset operation pre- and post-completion of the enhancement scheme and an explanation of the methodology and assumptions underpinning both sets of modelling. If there is currently no permit in place, then the company should evaluate the enhancement scheme based on an assumed set of permit conditions that may typically be expected, e.g., the pass forward flow being set using formula A. It should provide the reasoning underpinning these assumptions."*