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By email

Mel Karam
Chief Executive
Bristol Water

10 May 2023

Dear Mel,

Strategic regional water resource solution: gate two draft decision for Bristol Water

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

- Cheddar 2 Source and Transfer

The RAPID partner regulators would like to thank Bristol Water for submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression of this solution.

This letter should be read in conjunction with the draft decision document for this solution, which was published alongside this letter. Both this letter and the draft decision document were published on our website on 10 May 2023.

Following the publication of our draft decision, solution owners and other interested parties have the opportunity to respond to the draft decision. Representations are invited by email to rapid@ofwat.gov.uk and the representation period will close at 6pm on 21 June 2023. All representations will be considered before our final decision, which we intend to publish at 10am on 28 July 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 the Bristol Water-sponsored solution. Further details are contained in the accompanying draft decision document.

Draft decision summary in respect of Bristol Water-sponsored solution

Recommendation item	Cheddar 2 Source and Transfer
Solution owners	Bristol Water Wessex Water
Should further funding be allowed for the solution to progress to gate three?	Continued development funding will be available to progress the solution up to the Conditional Review Point referred to the section below. The funding for progression of the solution to gate three will depend on the outcome of the conditional review.
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

Solution progress and funding

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

Based on our assessment of a wide range of areas that could concern the progression of the solution, we have concluded that we should not confirm in this decision that the solution can progress through the gated process to gate three, as you have not demonstrated the need for the solution. However, we recognise that Cheddar 2 source and transfer is considered as an alternative, in region option to increase resilience in the West Country. This may result in the solution being selected in the final WRMPs and final regional plan. On that basis we will allow the solution owners to continue to develop the solution up to a conditional review point of 29 January 2024 ("Conditional Review Point"), after which partner regulators will make a final recommendation on progression beyond the Conditional Review Point to Ofwat. Funding is allowed for the Cheddar 2 Source and Transfer to continue to be developed up to the Conditional Review Point.

Evidence of efficient expenditure

For Cheddar 2 Source and Transfer we determine that all expenditure of £0.79 million is efficient and appropriate, and we allow it in full.

Submission quality

Our overall classification is that the submission for the Cheddar 2 Source and Transfer submission at gate two is that it is satisfactory overall, but falls significantly short in some important areas. We have decided not to impose a delivery incentive penalty for this solution.

Remediation

A list of remediation issues is provided in Appendix A of the 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. 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 this solution. Priority actions have been identified, and where we have identified issues requiring urgent remediation, we expect the solution owner to resolve them to a suitable quality no later than the dates provided in Appendix A of the 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 Bristol Water for the work that it has carried out over the gate two period.

Yours sincerely

David Black
Chief Executive

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