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By email

09 February 2024

Dear Cambridge Water,

## Strategic regional water resource solution: conditional review point draft decision for Fens Reservoir

I am writing to inform you of our draft decision following the conditional review point (CRP) in respect of the following strategic regional water resource solution:

- Fens Reservoir

### Draft decision in respect of Cambridge Water – sponsored solution

	Fens Reservoir
<b>Solution owners</b>	Anglian Water and Cambridge Water
<b>Should further funding be allowed for the solution to progress to gate three?</b>	Further funding will be allowed for Fens Reservoir to progress to gate three.
<b>Reasons for this decision</b>	We included a priority action and set a CRP to consider the technical evidence that has informed the WRE regional plan and the selection of the Fens Reservoir as a ‘low regret’ and ‘must do’ option, including evidence that the timing and sizing of the reservoirs represent best value for the region. This information was provided by the solution team. Following a review by RAPID and its partner regulators, we are satisfied that Fens Reservoir can now progress to gate three.
<b>Should the timing of gate three remain unchanged?</b>	We would like to discuss gate three timing at the next monthly checkpoint to seek assurance that the solution team can deliver the requirements of gate three in September 2024 based on current progress against your programme of work, in particular in relation to environmental assessments. Whilst there is a focus on acceleration and efficiency during the gated process, as the gate two guidance sets out, there is flexibility in the timing of assessments and decisions. RAPID will consider suggestions put forward by solution owners on a case-by-case basis.
<b>Are there any additional priority actions for urgent completion?</b>	Yes. Additional Priority Action 1: By 21 <sup>st</sup> March 2024, provide to RAPID, and explain at a checkpoint meeting, a detailed programme that shows the work you are going to do to deliver the requirements of gate three by September 2024. In particular, the programme must incorporate the environmental assessments that will be needed to support the potential and likely pathways that the solution will need to go through in order to be compliant with the requirements of the Water Framework Directive (WFD) and Habitats Directive (HD). Additional Priority Action 2: By 31 <sup>st</sup> May 2024, provide to RAPID a complete draft report (for review ahead of gate three) that explores the solution’s potential and likely pathways to achieve compliance with the requirements of the WFD and HD, whether or

	not those pathways utilise a legislative derogation. The pathways included in the report should correspond to the pathways included in the programme provided pursuant to Additional Priority Action 1, The report should demonstrate that the solution has received advice from relevant professions that at least one of the pathways is likely to succeed in achieving compliance by the solution with the requirements of the WFD and HD. The report should demonstrate the consideration of alternative options, including the benefits/disbenefits and viability of a largescale desalination plant operational in the early 2030s.
<b>Are there any additional actions expected by gate three?</b>	Yes. Additional Action 1: Engage with and facilitate the setting up of a Working Group involving Severn Trent Water, Affinity Water, Anglian Water and Cambridge Water on the 'Grand Union Canal, Grafham Rede Pipeline and Cambridge Transfer Water Grid Sub Programme' during the development of Fens Reservoir. Through this group explore further how the 'system' of interdependent schemes can be optimised to deliver the best outcome for customers and the environment. Provide reports on the outcomes from this group at future checkpoint meetings.
<b>Are there any additional recommendations for the solution?</b>	No

New information available since we published the gate two decision has highlighted the likelihood of wider benefits to Anglian Water customers. As a result of this new information, we are reviewing the allocation of gate three allowances and beyond to recognise that distribution of benefits. Further work is required to confirm an appropriate allocation, but we are considering the possibility of moving away from the current 50:50 allocation. We will set out our proposed allocation of costs between companies in advance of the PR24 draft determination and implement this through the PR24 reconciliation.

This draft decision will be published on our website on 12 February 2024.

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](mailto:rapid@ofwat.gov.uk) and the representation period will close at 6pm on 04 March 2024. All representations will be considered before our final decision, which we intend to publish at 10am on 27 March 2024.

Ofwat would like to thank Cambridge Water for the work that they have carried out to provide information for the CRP.

Yours sincerely

**Paul Hickey**  
**Ofwat Senior Director**