

The Hub,
Tamblin Way,
Hatfield,
Hertfordshire
AL10 9EZ

21 October 2021

Dear RAPID,

The Grand Union Canal (GUC) Strategic Resource Option (SRO) –Response to Gate 1 Draft Decision

We write in response to the recommendation by RAPID to Ofwat, published in September 2021, that the Grand Union Canal (GUC) Strategic Resource Option (SRO) should continue to progress past Gate 1.

We are delighted to read that the Gate 2 funding has been allowed, and that all Gate 1 expenditure has been deemed efficient and allowed and GUC is recognised as having the top rating of ‘Good’ We are similarly pleased to learn that as solution sponsors, neither Affinity Water nor Severn Trent Water will receive any delivery incentive penalty and that there is no proposed need for a remediation action plan.

Costs

Section 2.2 of the “*Strategic regional water resource solutions: Standard gate one draft decision for Grand Union Canal Transfer*” reiterates the amount of expenditure published in our Gate 1 submission. At the time of submission, this included an estimate for the final few months as costs were reconciled and invoices received.

We are pleased to say this total Gate 1 expenditure has now reduced to show a c10% saving and we will confirm final Gate 1 costs with RAPID once we receive final invoicing from the Environment Agency and confirmation of Natural England costs.

Recognising there is an underspend at Gate 1 within the GUC budget spend above, we have had several positive conversations with RAPID regarding the possibility of utilising this underspend at the next Gate stage where we have the need to deliver much more driven by regional planning needs and our regulators expectations.

Quality

Section 2.3 of the draft decision document shows 5 of the 6 assessment areas for GUC as having the top rating of ‘Good’, and an overall score for the SRO as having the same ‘Good’ mark. Whilst this is very pleasing, we notice the environmental score to be ‘satisfactory’ and would welcome further discussion to understand the rationale behind this, to ensure we can improve for Gate 2 and address your concerns effectively.

We note that a huge amount of effort has been put into generating environmental data to understand the current conditions associated with this relatively new SRO and appreciate that at Gate 1 a direct

comparison with other more mature SROs is not yet possible. Whilst that is the case, our forward plan looks to address any uncertainties which remain, and we will continue to work collaboratively and closely with all of the environmental regulators and relevant stakeholders.

Actions and Recommendations

We are pleased to note that RAPID have not identified any priority actions for the GUC SRO.

We have reviewed the actions & recommendations in the draft decision document as a Programme Management Board (PMB) and are able to confirm that we have no concerns with any of the items listed, and that we will proceed to Gate 2 intending to resolve each item.

Following the previously mentioned GUC/RAPID meeting, we have shared a short presentation which outlines each of these actions/recommendations alongside a brief summary of our solution so that RAPID will have confidence that we are on track to a resolution. We are more than willing to factor this into future engagement with RAPID, and/or any of its member organisations, specifically the Environment Agency given the specificity of items 2 and 3 in the action list.

Summary

We would like to take this opportunity to thank RAPID, EA, Ofwat & DWI for their engagement and collaborative working throughout Gate 1, and for their positive draft response to our Gate 1 submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S Plumb'.

Steve Plumb (Director of Asset Strategy, Affinity Water)

A handwritten signature in black ink, appearing to read 'B Stear'.

Bob Stear (Chief Engineer, Severn Trent Water)