

Gate 1 queries process

Strategic solution(s)	GUC
Query number	GUC003
Date sent to company	30/07/2021
Response due by	03/08/2021

Query

- 1 Please confirm the amounts charged for EA/NAU and Natural England costs included in the line item "Third Party Costs " in Table 14 1 and the amount agreed for these costs prior to the gate 1 submission Please also confirm which line item of Table 14 1 third party costs have been included in (the last line of Table 14 1 says they have been included in costs but are shown separately for transparency)
- 2 For the workstreams with less than £100k spend in Table 14 1 (stakeholder engagement, procurement and operations, planning and consent strategy, assurance and board statement), please provide the totals separately for those four activities
- 3 Please clarify how your projected solution cost estimates have changed between total solution costs submitted in WRMP19 or those proposed at PR19 and the current Gate 1 submission, where possible providing a breakdown and comparison of the cost estimates where they are comparable Please explain clearly any changes, added/eliminated cost items or activities, or developments that contributed to the difference Where possible, please use data in water resource market information (WRMI) tables for a more detailed cost comparison If costs have not been published in WRMI tables, please use the next best data source available.

Solution owner response

In all cases the documents submitted to RAPID contain information that is commercially confidential. Please ensure that appropriate steps and safeguards are observed in order to maintain the security and confidentiality of this information. Any requests made to RAPID or any organisation party by third parties through the Freedom of Information Act 2000, the Environmental Information Regulations 2004, or any other applicable legislation requires prior consultation and consent by each of Affinity Water Limited, Severn Trent Water Limited, and the Canal & River Trust in relation to the Grand Union Canal Strategic Transfer Project before information is released as per the requirements under the respective legislations.

Query 1

Please confirm the amounts charged for EA/NAU and Natural England costs included in the line item "Third Party Costs " in Table 14.1 and the amount agreed for these costs prior to the gate 1 submission. Please also confirm which line item of Table 14.1 third party costs have been included in (the last line of Table 14.1 says they have been included in costs but are shown separately for transparency).

Query Response

We confirm that the costs shown below for EA/NAU and Natural England are the amounts agreed prior to Gate 1 submission, and that these costs are included in the line item "Third Party Costs" of Table 14.1 of our Gate 1 submission:

[REDACTED]

Of these costs, the following amounts have been invoiced to the end of June 2021:

[REDACTED]

These amounts are included in the line item "Workstreams less than £100k spend" in Table 14.1 of our Gate 1 submission, as part of Stakeholder Engagement. This breakdown is shown in our answer to Query 2 below. The remaining [REDACTED] in that budget line is for our contribution to the collaborative project undertaken by WRSE.

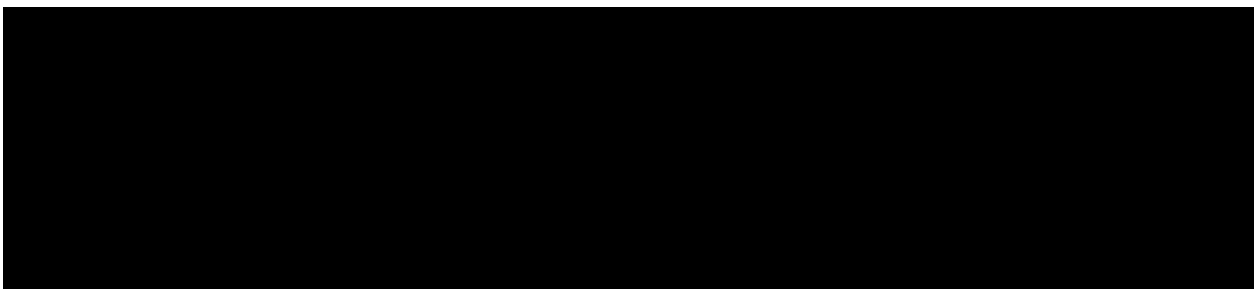
We will provide an actual Gate 1 spend, having clarified all forecast spend at the September 2021 QLM.

Query 2

For the workstreams with less than £100k spend in Table 14.1 (stakeholder engagement, procurement and operations, planning and consent strategy, assurance and board statement), please provide the totals separately for those four activities.

Query Response

Please see below a breakdown of the line item “Workstreams less than £100k spend” from Table 14.1 of our Gate 1 submission:



Note:

- 2021/2022 costs are for Gate 1 spend to 5th July 2021.

Query 3

Please clarify how your projected solution cost estimates have changed between total solution costs submitted in WRMP19 or those proposed at PR19 and the current Gate 1 submission, where possible providing a breakdown and comparison of the cost estimates where they are comparable. Please explain clearly any changes, added/eliminated cost items or activities, or developments that contributed to the difference. Where possible, please use data in water resource market information (WRMI) tables for a more detailed cost comparison. If costs have not been published in WRMI tables, please use the next best data source available.

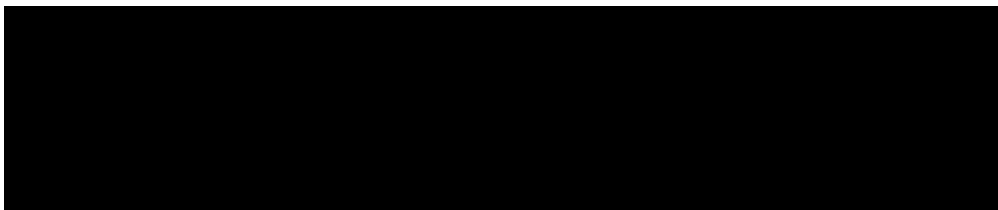
Query Response

This response is in line with the information presented to RAPID when the project team met on the 20th of July 2021, to have a post submission catch up. The headline is that solution costs have decreased since WRMP19. There are a few reasons why this is the case:

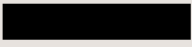
- a. There is now a range of costs at Gate 1, whereas the WRMP19 submission was a single figure. This is reflective of the fact the RAPID process is in place to enable detailed investigations, and requests all sub-options are considered.

For the GUC project, sub-options refer to routes to get water from Minworth WwTW into the canal network. At Gate 1 we undertook a screening exercise to get from a long-list (6 routes), to a short-list (3 routes), and at Gate 2 we expect to present one single solution.

- b. The breakdown of these 3 routes for transferring flow from Minworth WwTW to the canal network is telling. 2x of these routes rely on longer stretches of canal in comparison with the 3rd route which uses a much longer pipeline. This third route is much more expensive and pushes the range out to the higher end.
- c. At WRMP19, the treatment works at the downstream end were scoped to reflect the unknown quality of the water in the canal system. Gate 1 has given the opportunity to test the water quality, and as a result, we have been able to reduce the required treatment. This cost element has decreased by [REDACTED] from the WRMP19 estimate for the 100MI/d option.
- d. At WRMP19, a cost was provided to Affinity Water by the Canal & River Trust, which was based on a jointly commissioned study (2017) into the required works to upgrade the canal to enable a transfer. Gate 1 allowed further opportunity to review and reassess these values, which included a value for optimism bias. At Gate 1 we have now adopted the ACWG-generated cost consistency methodology which has outturned a much lower optimism bias, contributing to a lower Gate 1 total scheme cost. We expect continued work for Gate 2 will further to enable us to reduce our costed risk, which currently sits as optimism bias.



In summary, the RAPID funding process for projects has allowed us to generate much greater certainty on our costs through investigations such as our water quality sampling programme, which has allowed us to dispell some large assumptions. To reiterate, the range presented above relates to the fact we have 3x option routes available, and the next stage of the gated process will allow us to further remove 2x option routes therefore allowing us to present one single solution cost.

Date of response to RAPID	03/08/2021
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