

United Utilities Sources SRO

Response to Gate 1 Assessment

October 2021

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Dear [✂],

United Utilities Sources SRO: Response to Gate 1 Assessment

Thank you for the draft decision letter and the feedback provided for our Gate 1 submission for the UU Sources SRO project. We welcome your decision that expenditure to date has been efficient and to allow the project to continue to Gate 2. We also note your agreement to amalgamate the UU Sources and Vyrnwy Aqueduct solutions as we move to Gate 2 and as a result we are progressing the new combined North West Transfer project.

We acknowledge the reasons provided for our overall satisfactory score, in particular the uncertainty around the solution scope. Our wide range of options is a reflection of the inherent uncertainty at this stage in the wider water resources planning process and our flexible approach at Gate 1 provides a solution that can be adapted once the needs of the industry become better defined.

We welcome the specific actions provided for Gate 2 and we have included our response to each of these in Table 1 below, in addition to incorporating the associated activities within our Gate 2 delivery programme.

With respect to our Gate 2 programme, we would also like to raise awareness of emerging financial pressures. These are primarily related to potential increases in the scope of environmental studies and inflated third party costs due to high demand for consultancy support across the sector. We are working to mitigate these impacts, however we believe it would be prudent to request access to our underspent funds from Gate 1 as a contingency measure. If these risks do not materialise we would return these funds and in accordance with the PR19 final determination they would be used to further develop the scheme post Gate 2 (if we are successfully approved) or returned to customers.

We look forward to continued engagement with you as we develop the North West Transfer project to Gate 2. Should you have any queries, please don't hesitate to contact me.

Yours sincerely

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Head of Water Trading

Table 1 – Actions to be addressed in Gate 2

Action	Section	Detail	Reponses
G1001	Solution Design	Refine the list of source options down to a preferred suite early in the gate two process, combining in portfolios as necessary for supply capacities. A manageable suite will allow for a full and detailed assessment to be completed during gate two. Progress and decisions on this action, including manageable numbers of preferred supply options, should be shared with regulators during checkpoint meetings.	Our wide range of options is a reflection of the inherent uncertainty at this stage in the wider water resources planning process and our flexible approach at Gate 1 was intentional as it provides a solution that can be adapted once the needs of the industry become better defined. We have started the process of working to a smaller number of well-defined options for assessment at Gate 2 and will share progress at the next checkpoint review meeting.
G1002	Solution Design	Ensure that further detailed utilisation calculations are undertaken early in gate two in order to feed into the Environmental Impact Assessment (EIA).	More detailed water resources modelling has started and will continue to develop in Gate 2 as we further understand the required overall in-conjunction utilisation for our solution. This can inform the overall operating philosophy for any new sources which in turn will inform the Gate environmental assessments.
G1003	Solution Design	Ensure Welsh stakeholders and customers are included in solution specific engagement.	We will continue to work with stakeholders in Wales, such as NRW, in relation to source options that impact that region.
G1004	Cost and Benefits	Further work is required on elements of the solution which impact on Welsh ecosystem resilience. This will achieve sustainable management of natural resources as well as helping to achieve goals set out in the Well-being of future Generations Act. Any proposal which has implications for Wales must meet the requirements of this Act and the Environment (Wales) Act. This is in addition to the natural capital and biodiversity net gain requirements for England.	We will ensure any source options in Wales will meet the requirements of the Welsh Wellbeing of future generations act and Environment (Wales) act.
G1005	Cost and Benefits	Priority modelling and investigations should be carried out in relation to the 10 source options that concern Water Industry National Environment Programme (WINEP) studies and those source options with an impact on the River Dee SAC.	We have already started work to assess the impact of environmental restrictions on groundwater options and are using this information to refine our Gate 2 option selection and update the costs and benefits accordingly.

Action	Section	Detail	Reponses
G1006	Programme and Planning	Provide further detailed evidence to support the programme plans and identify key milestones	We have developed a detailed Gate 2 programme plan illustrating key deliverables, owners, dependencies and timescales. The plan has factored in the Gate 2 requirements outlined in the PR19 Final Determination, the Accelerated Gate 2 template and the actions identified in the Gate 1 assessment. It also aligns with external programmes including regional planning and WRMP24. We will be happy to share this plan – and progress against it – in both the regular checkpoint meetings proposed by RAPID and through Quarterly Progress Reports.
G1007	Programme and Planning	Continue to develop assessment of Direct Procurement for Customers (DPC), including detailed assessment of suitability against technical criteria. The submission should consider whether elements of the system are suited to DPC, for example specific sources or bundles/phases of delivery.	At Gate 1 we employed an independent procurement consultancy to undertake a detailed assessment of suitability for DPC using the criteria developed by KPMG on behalf of Ofwat. Our initial assessment indicated that the UUS SRO options did not achieve the criteria for DPC but as we progress the solution in Gate 2 we will continue to reassess this.
G1008	Environment	Initial environmental assessment should prioritise the 10 source options that concern Water Industry National Environment Programme (WINEP) studies and those source options with an impact on the River Dee SAC.	We have already started work to assess the impact of environmental restrictions on groundwater options and are using this information to refine or Gate 2 option selection and update our environmental assessments accordingly.
G1009	Environment	Identify the specific environmental risks of preferred supply options. Ensure issues and mitigation measures are well understood	We have started the process of working to a smaller number of well-defined options for assessment at Gate 2 and will further develop our environmental assessments as part of that process.

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Water for the North West