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10 May 2023

**BY EMAIL**

Dear [✂]

**North West Transfer SRO: Response to Gate 2 Assessment**

Thank you for the draft decision letter and the feedback provided for our Gate 2 submission for the North West Transfer (NWT) SRO project. We welcome your decisions that expenditure to date has been efficient and to allow the project to continue to Gate 3.

We wish to confirm acceptance of all priority actions, actions and recommendations identified in the draft decision. In Appendix 1 we have outlined how the priority actions will be addressed as part of our Gate 3 programme. Please note that as explained in the appendix not all mitigation actions related to priority action 3 (G20003) will be completed by December 2023 and therefore we ask for confirmation that the proposed environmental programme is acceptable.

We also agree with the proposed amendment to the timing of Gate 3, however it would be helpful if this were acknowledged by RAPID as the first quarter 2025 (i.e. by March 2025) which then coincides with the end of AMP7 and then aligns with other STT SRO end of Gate 3 dates. We welcome RAPID's agreement to our proposed introduction of a Conditional Review Point during Gate 3 to allow recalibration of the NWT SRO programme to reflect the outcome of Revised Draft WRMPs.

We acknowledge the increased funding allowance of £2.55m for Gate 3. At 65% of the amount requested this would be insufficient for us to develop a 'Full Solution' trade of 205 MI/d, although we recognise that the final round of regional reconciliation indicates a significantly lower volume will be selected in WRMP preferred plans and therefore the additional funding is unlikely to be called upon. However, the NWT SRO is also being considered in a number of adaptive pathways and should these become preferred plans requiring an increase in the volume traded and/or accelerated delivery we may seek further funding in future to enable this. We note that the funding for AMP8 (for any remaining

Gate 3 activities, Gate 4 and construction) will be determined through the PR24 process and that is expected to include mechanisms for managing uncertainty across the SRO portfolio. We request that RAPIDs final response confirms this principle as this will be essential to enabling us to fund additional work in this area, should it be required.

### Gate 2 Cost Reconciliation

We are pleased to advise that the final Gate 2 outturn expenditure is £3.23m, slightly below our allowance of £3.29m. The total Gate 1 and Gate 2 actual expenditure is summarised in the table below.

Table 1: Summary of Gate 1 and 2 actual expenditure

Activity	Funding Allowance (£,000)	Expenditure (£,000)	Underspend (£,000)
Gate 1 Actual Expenditure	£2,191	£1,633	£558
Gate 2 Actual Expenditure	£3,285	£3,232	£53
<b>Total</b>	<b>£5,476</b>	<b>£4,865</b>	<b>£611</b>

*All costs at 2017/2018 price base*

We look forward to continued engagement with you as we develop the North West Transfer project to Gate 3. Should you have any queries, please don't hesitate to contact me.

Yours sincerely

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Strategy, Policy and Regulation Director

## 1. Appendix 1

**Table NWT SRO Priority Actions to be addressed in Gate 3**

Action	Section	Detail	Reponses
<b>G2001</b>	Solution Design	<p>Provide to RAPID a detailed plan for stakeholder and customer engagement (strategic and local). This plan should:</p> <ul style="list-style-type: none"> <li>• Explain how customer and stakeholder views have informed and will inform key decisions;</li> <li>• Demonstrate how relevant local, strategic and regulatory Welsh stakeholders are consulted e.g. Cadw/PEDW/Hafren Dyfyrdyw.</li> <li>• Explore the gate two engagement feedback that 25% of stakeholders were negative towards water transfers, identifying any implications for the solution progression.</li> <li>• Clarify the extent to which results from WRW online consultation on transfers through Idea Stream platform influenced solution design; and</li> <li>• Seek views from Consumer Council for Water and explain subsequent actions as a result of this engagement.</li> </ul> <p>This will be required by the regular checkpoint in December 2023.</p>	Stakeholder and customer engagement plans are being updated and will cover the points raised, the plans will also be aligned with the STT SRO and Water Resources West (WRW) to ensure a common approach to the joint outputs.
<b>G2002</b>	Costs and Benefits	Undertake sensitivity analysis to provide confidence that the total solution backfill provides the required supply benefits for United Utilities customers. This will be required by the regular checkpoint in December 2023.	We will arrange a technical meeting with RAPID, WRMP and NAU to explain in detail the methodology behind the modelling used to calculate the backfill volume.
<b>G2003</b>	Programme and Planning	Considerable risk remains to the environmental sustainability of the preferred sub-options with regards to complying with the Water Framework Directive. Mitigation measures, in the form of modelling, monitoring programmes and developing backup sub-option portfolios, have been identified in the gate two submission. The delivery of these mitigation measures is pivotal to ensure sustainable solutions are included in any final regional and water resources management plans. The mitigation measures should be completed by the regular RAPID checkpoint in December 2023.	We recognise and agree that there remain risks to the environmental sustainability of the NWT SRO Full Solution and that these risks have to be resolved before abstraction licences can be obtained for the river sub-options and one groundwater sub-option, and before abstraction is increased at the remaining groundwater abstractions. As noted in the action, we have a comprehensive plan of work underway to understand and mitigate these risks. This was set out at high level in the Forward Plan in the Gate 2 Initial Environmental Appraisal Report and since then a series

Action	Section	Detail	Reponses
			<p>of method statements and scoping reports have been drafted and consulted on with the National Assessment Unit (NAU) to ensure the surveys, modelling and assessments are sufficient to resolve the risks. Further details on programme for these investigations have been presented to the NAU during our regular monthly engagement meetings for the Environment Workstream in the early part of 2023.</p> <p>We have a two year programme of investigations which started in November 2022 with the first macroinvertebrate survey, and will continue to the end of 2024 before full Gate 3 in January 2025. This means that the mitigation measures will not be fully complete by the regular RAPID checkpoint in December 2023, but we anticipate that they will be progressed sufficiently that the risks to environmental sustainability of the SRO will be reduced to a low level.</p> <p>This process will involve working closely with the NAU to ensure the NAU is satisfied with the level of investigation that can be completed in 2023 and is on-board with the methodologies, the results produced, and the level of risk that will remain at the December 2023 checkpoint. This is underway through our monthly meetings plus additional meetings on technical topics. Key to this is population of the Joint Issues Log and agreement of this between UU and the NAU.</p>
<b>G2004</b>	Drinking Water Quality	Submit a monitoring plan that demonstrates how the uncertainty around the risk of polyfluoroalkyl substances (PFAS) and chemicals of emerging concern (CECs) will be reduced. This will be required by the regular checkpoint in December 2023.	PFAS analysis is included in our monitoring of the raw water sources currently underway as part of our Gate 3 programme, and will continue to evolve guided by the outcomes of this exercise. Appropriate mitigation plans will also be developed alongside this monitoring activity. As new and emerging contaminants of concerns are identified analysis will commence in alignment with our existing operational raw water sources and managed through the same process.

Action	Section	Detail	Reponses
<b>G2005</b>	Drinking Water Quality	Submit a plan to further develop the Drinking Water Safety Plan (DWSP) including sample locations, parameters and frequencies. This will be required by the regular checkpoint in December 2023.	Raw water DWSPs will be developed throughout the second half of 2023, based on raw water monitoring and desktop catchment assessments. High level treatment DWSPs will also be produced by December 2023 based on the latest solution design and comparable existing assets.
<b>G2006</b>	Solution Design	Confirm to RAPID that the solution aligns with Thames Water, United Utilities and Severn Trent Water's Water Resource Management Plans (WRMP) and relevant Regional Plans. This will be required by the regular checkpoint in December 2023.	The NWT SRO aligns with the regional reconciliation completed in April 2023. NWT will continue to work closely with Severn Trent Water, Thames Water and the relevant Regional Plans to ensure consistency.