

Wessex Water Services Ltd Response to Ofwat's PR19 Draft Determination – August 2019

Representation reference: Cost Assessment C14

Representation title: Strategic regional water resource solutions

Summary of issue

The draft determination includes an additional enhancement allowance for the evaluation of potential strategic regional water resources solutions, in partnership with other companies. The details of the potential solutions, the allowance and the process to be followed are given in the *Strategic regional water resource solutions appendix* published by Ofwat alongside the draft determination.

We are pleased that we have now been included in the group of companies that could potentially contribute to securing long-term resilience at a regional and national level. Our primary focus is exploring the opportunities to provide a bulk transfer to Southern Water's Hampshire zone to help meet the very significant deficits that they face in their area. We confirm that we are committed to playing our part in the development of potential solutions.

On 8 August 2019 we received an email from Ofwat stating that they were willing to consider further requests in this area from companies.

With our partners in the West Country Water Resources Group (South West water, Bristol Water and Wessex Water) we have developed a joint proposal for Ofwat's consideration, which is included as appendix C14.1 of this representation.

Our objective is to work collaboratively with our partners in the West Country, and with the potential recipient of the bulk transfer, Southern Water. We have had detailed discussions with all the partners and they are in agreement with the approach proposed.

Our aim is to maximise the opportunities from the West Country. We propose to expand the source and transfer capacity to 95 MI/d, compared with 50 MI/d at the draft determination.

Relevant values are summarised in the table below along with confirmation of the value we request in order to carry out the development work requested by Ofwat.

Strategic regional water resource solutions	£m
PR19 business plan	0
Draft determination	1.4
Representation request	4.23

Change requested

We request that Ofwat take our proposals and comments into account in the final determination. The proposed approach has been agreed with all the partners for the schemes.

Rationale (including any new evidence)

The accompanying appendix (C14.1) provides a joint proposal covering:

- Proposed solutions
- Costing to meet common reporting standards
- Comments and proposals on standard gateways, the reconciliation mechanism, and collaboration.

Based on the recommended expanded proposals we assess the total development cost as £14.4m.

Using the following split of costs we assess the Wessex Water component as £4.23m:

- The solutions schemes are split between four partners (Bristol Water, South West Water, Southern Water, Wessex Water)
- The transfer schemes are split between three partners (South West Water, Southern Water, Wessex Water).

We have included £4.23m in business plan table WS2 under a freeform enhancement cost line named 'Strategic regional water resource solutions'. The annual profile is based on the %s included in Ofwat's appendix.

Why the change is in customers' interests

It is in the best interests of the wider customer base to identify and develop the best long term water resources solutions.

Links to relevant evidence already provided or elsewhere in the representation document

New

Appendix C14.1 - Strategic water resources