

November 2024

Strategic regional water resource solutions: gate three draft decision for Hampshire Water Transfer and Water Recycling Project

Ofwat

Contents

1. Introduction	2
2. Solution summary	4
3. Solution assessment decisions	5
3.1 Solution progression to gate four	5
3.2 Solution funding to gate four	7
3.3 Evidence of efficient expenditure	8
3.4 Quality of solution development and investigation	8
4. Decisions on priority actions, actions and recommendations	16
4.1 Actions and recommendations from gate three assessment	16
4.2 Priority actions, actions and recommendations from gate two assessment	17
5. Decisions on Delivery Incentive Penalties	18
6. Decisions on proposed changes to partner arrangements	19
7. Decisions on gate four activities and timing	20
7.1 Gate four timing	20
8. Next steps	21
Appendix A: Gate three priority actions, actions and recommendations	22
Appendix B: Gate two priority actions, actions and recommendations	25

1. Introduction

The purpose of this publication is to set out our draft decision about whether the Hampshire Water Transfer and Water Recycling Project (HWTWRP)¹ solution should continue to receive development funding². The solution owners Southern Water and Portsmouth Water submitted their gate three reports on 31 July 2024 for assessment. Further information concerning the background and context of the HWTWRP can be found on the Southern Water website³.

This publication should be read in conjunction with the draft decision letter issued to each solution owner. Both this document and the draft decision letter have been published on our website.

The assessment process is overseen by RAPID, with input from the partner regulators; Ofwat, the Environment Agency and the Drinking Water Inspectorate. The Environment Agency together with Natural England, have reviewed the environmental sections of the submissions, and provided feedback to RAPID. The Consumer Council for Water provided input to the assessment on customer engagement.

The solution owners and other interested parties can now respond to the draft decision. Representations are invited by this [Microsoft Teams form](#) or by email to rapid@ofwat.gov.uk and the representation period will close at 6pm on 17 January 2025. When considering responding to the draft decision please refer to guide for representations on Ofwat draft decisions in the RAPID gated process. All representations will be considered before our final decision is published. Our current aim is to publish the final decision at 10am on 21 February 2025.

We will publish representations on our website at www.ofwat.gov.uk/regulated-companies/rapid, unless you indicate that you would like your representation to remain unpublished. We will also share representations with our partner regulators, Ofwat, the Environment Agency and the Drinking Water Inspectorate and with other organisations, bodies and individuals who have an interest in the information. These may include, but are not limited to, Natural England, Natural Resources Wales, the Consumer Council for Water, the Welsh Government, the Department for Environment, Food and Rural Affairs, the National Infrastructure Commission, local planning authorities and the Planning Inspectorate. Additionally, the representations will be made available to members of the public in various ways including, but not limited to, publication of the information on Ofwat's website.

Subject to the following exceptions, by providing a representation to this consultation, you are deemed to consent to it being shared and made available as described above.

¹ Referred to in 2019 price review final determination as "River Itchen Effluent Reuse"

² [PR19 final determinations: Strategic regional water resource solutions appendix](#)

³ [Water For Life – Hampshire Technical Documents \(southernwater.co.uk\)](http://southernwater.co.uk)

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed (and provide a redacted version of your response), which we will consider when deciding what information to share and make available.

In relation to personal data, you have the right to object to our sharing and making available the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to share and make available specific personal information that would enable you to be identified, our [privacy policy](#) explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation document, including personal data, may be disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, we may be obliged by law to disclose information. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

We would like to thank Southern Water and Portsmouth Water for the level of engagement, collaboration and innovation that they have exhibited during this stage in the gated process.

2. Solution summary

The HWTWRP is a RAPID Strategic Resource Option that, once operational, would be capable of providing up to 90 million litres of water a day.

The HWTWRP would take some of the treated wastewater from the existing Budds Farm Wastewater Treatment Works in Havant. This water would be purified at a new water recycling plant before being pumped into the Havant Thicket Reservoir, which is now being constructed. Here it would mix with spring water feeding into the reservoir.

A new 40 kilometre pipeline would then take water from the Havant Thicket Reservoir to Southern Water's Otterbourne Water Supply Works for treatment to drinking water standards before being sent into supply.

Figure 1. Hampshire Water Transfer and Water Recycling Project



3. Solution assessment decisions

Table 1. Draft decision summary

Recommendation item	HWTWRP
Solution owners	Southern Water and Portsmouth Water
Should further funding be allowed for the solution to progress to gate four?	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	Not for the gate three submission but see information in section 5
Is there any change to partner arrangements?	No
Are there priority actions for urgent completion?	Yes
Are all priority actions and actions from previous gates addressed?	Yes, except for action 5 in Appendix B
Suitable timing for gate four has been proposed	Yes

3.1 Solution progression to gate four

Decision 1: The solution should be funded to progress through the gated process to gate four.

Reason: We agree with the solution owners' view that the solution is aligned to strategic plans for water resources management and continues to meet the criteria for accelerated development and oversight and support.

For information: Figure 2 below summarises the area of any progression concerns for the HWTWRP, including indication of the significance. The reasons for this assessment conclusion are set out in Table 2 below.

Decisions on funding as a result of this progression decision, are set out in section 3.2.

Figure 2. Assessment of solution's progression concerns

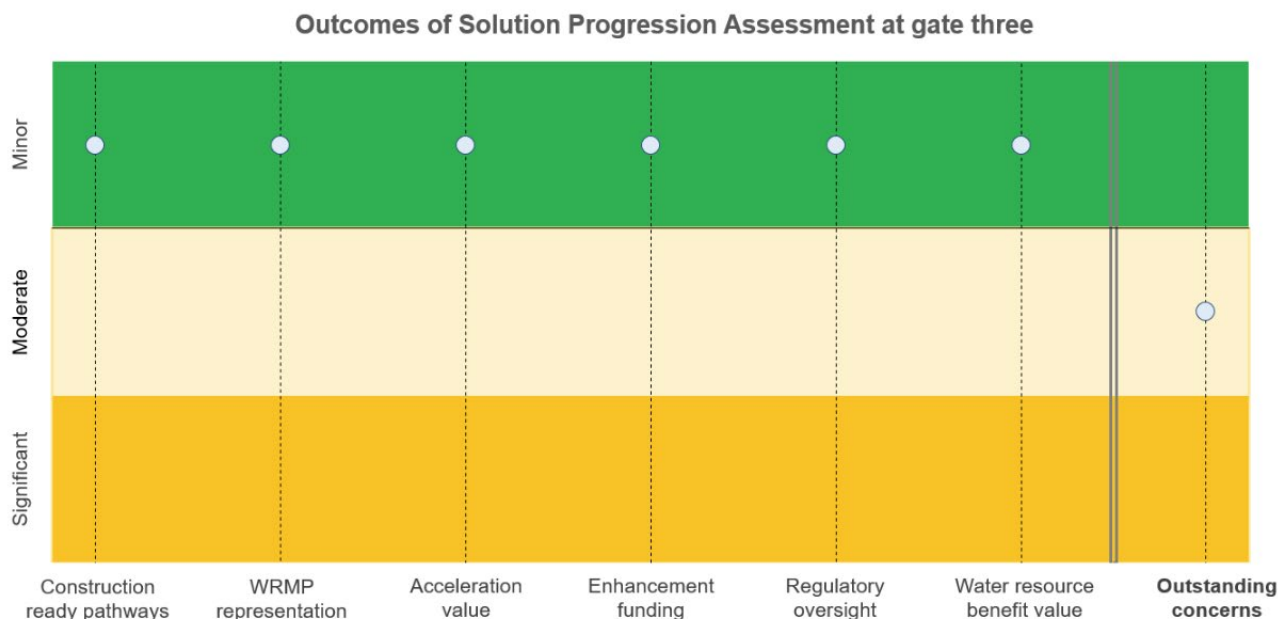


Table 2. Draft decision progression criteria

Progression criteria	HWTWRP
Solution owners	Southern Water and Portsmouth Water
Is the solution in a preferred or alternative programme in a relevant regional plan or Water Resources Management Plan (WRMP) (where applicable) to be construction ready by 2030?	Yes, the solution is chosen in Southern Water's revised draft WRMP24, as a solution on its preferred pathway, which is the relevant plan. The solution is also in the Water Resources South East (WRSE) draft regional plan. The solution is currently projected to be construction ready by December 2028. No further action is required on this progression criteria.
Do regulators have any significant concerns with the solution's inclusion or non-inclusion in a WRMP or regional plan or with any aspects that may impact its selection, to a level that they have (or intend to) represent on it when consulted?	No, the regulators do not have concerns about how the solution is represented, or the information about it, in Southern Water's revised draft WRMP24, or WRSE's draft regional plan. No further action is required on this progression criteria.
Is there value in accelerating the solution's development to meet a company's or region's forecast supply deficit?	Yes. A solution is required to address Southern Water's forecast deficit. No further action is required on this progression criteria.
Does the solution need continued enhancement funding for investigations and development to progress?	Yes. Continued funding is required to develop a solution to be delivered in time for the planned construction ready date. No further action is required on this progression criteria.
Does the solution need the continued regulatory support and oversight provided by the Ofwat gated process and RAPID?	Yes. The solution will continue to benefit from the regulatory support and oversight provided by being included in the RAPID programme. No further action is required on this progression criteria.

Does the cost to water resource benefit ratio for the solution cause any concern to regulators?	No, cost to water resource benefit ratio for the solution does not cause any concern.
Do regulators have outstanding concerns that have not been addressed or may not be addressed through the strategic planning processes and other consenting processes, taking into account proposed mitigation. If so, are regulators satisfied with the solution's plans (effectiveness and timeliness) to address significant outstanding areas of concern?	<p>Regulators do have some outstanding concerns that have not been addressed or may not be addressed through the strategic planning processes and other consenting processes.</p> <p>Concerns were raised in the Programme and Planning area, as neither the Direct Procurement for Customers (DPC) Stage 2 or updated Land and Planning Strategy were provided in (or before) the gate three submission.</p> <p>Regulators have concerns about the pace of progress and depth of technical engagement for the submission of environmental permit applications – this is not as mature as expected and carries additional risk for the programme.</p> <p>The Drinking Water Safety Plan (DWSP) is not as developed as regulators would have expected for this stage in the development, to ensure that any water quality risks that exist in the reservoir body can be fully assessed for the downstream treatment works and network.</p> <p>These progression concerns are addressed in sections 3.4.4, 3.4.5, and 3.4.6, as well as Appendix A, priority actions 2, 5, and 6.</p>

3.2 Solution funding to gate four

Decision 2: We are allowing expenditure up to £26.36m for progressing the solution towards gate four in the period to end March 2025. The additional allowances for completing gate four in the period 1 April 2025 to 31 March 2030 will be determined as part of the Price Review 2024 (PR24) process. The details of this funding decision are set out in Table 3 below and detailed on the forward programme in section 7.1.

Reason: Southern Water set out in the gate three submission that the original allowance for gate four of £10.8m (2017/18 prices) is not sufficient funding to achieve the maturity of planning required for a DCO application, which is a major deliverable for gate four. Having reviewed the evidence provided by Southern Water, we agree with this.

Table 3. HWTWRP funding allowances

	Gate one	Gate two	Gate three	Gate four ¹	Total
HWTWRP gated allowance	N/A	£1.13m	£40.60m	£26.36m	£68.09m
Comment	10% of development allowance calculated as 6% of total solution costs	15% of development allowance calculated as 6% of total solution costs	35% of development allowance calculated as 6% of total solution costs	40% of development allowance calculated as 6% of total solution costs	Total development allowance calculated as 6% of total solution costs

Previous Allowance	N/A	£1.13m	£21.99m	£10.83m	£33.95m
Change from Previous Allowance	N/A	£0.00m	£18.61m	£15.53m	£34.14m

1. Gate four funding allowance is the value for the period up to 31 March 2025.

3.3 Evidence of efficient expenditure

For information: The Price Review 2019 (PR19) final determination specified that any expenditure on activities outside the gate activities for the identified solutions (or solutions that transfer in) will be considered as inefficient and be returned to customers. We will consider whether gate activity is efficient by considering the relevance, timeliness, completeness, and quality of the submission which should be supported by benchmarking and assurance.

Our assessment of the efficient costs as spent on gate three activities results in an allowance for this solution of £39.40m (of £39.40m claimed). HWTWRP has therefore underspent its combined gates allowance by £1.20m and may take this amount of underspend forward to gate four activities, up until the end of March 2025.

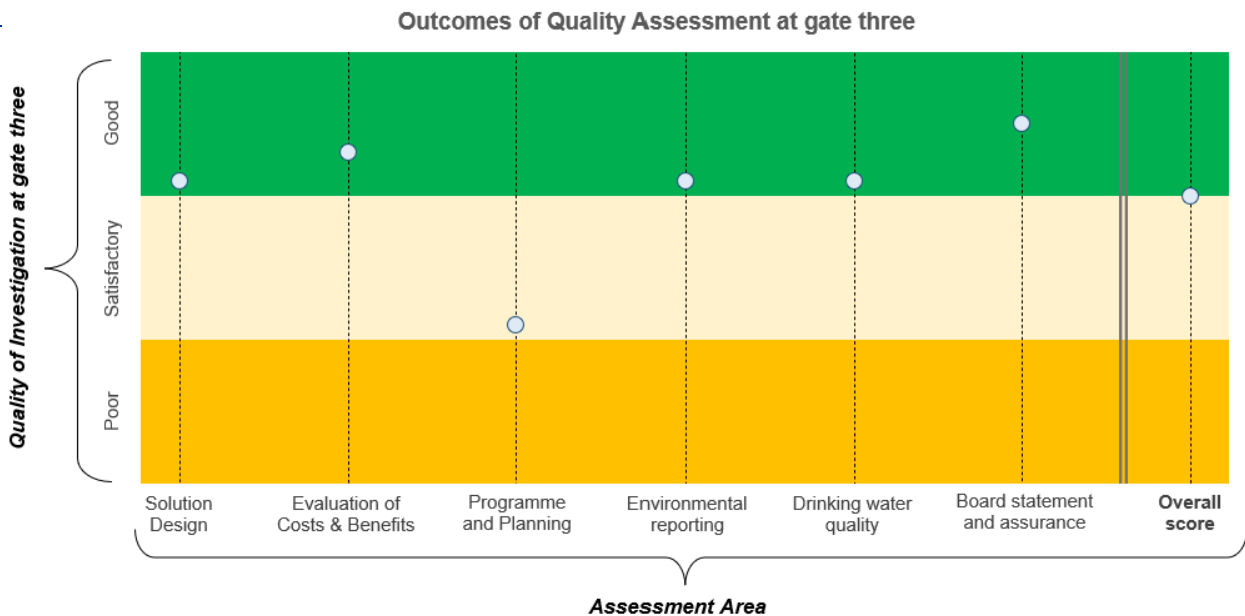
For gate three, we moved to look at the cumulative gate spend against the cumulative total allowance, across all gates consistent with the activities being undertaken. For example, any gate four allowance that is allocated for use towards gate three should be for the purpose of early gate four activities. Overspends and underspends are then to be managed through cost sharing between the water company and customers.

3.4 Quality of solution development and investigation

For information: The aim of the assessment was to determine whether gate three activities have been progressed to the completion and quality expected.

Figure 3 shows our assessment of the work completed on the solution, which was presented in the gate three submission. Our assessment was made against the criteria of robustness, consistency, and uncertainty to grade each area of the submission as good, satisfactory, or poor in accordance with the [gate three guidance](#), (updated version published on 11 January 2024). We also assessed the Board assurance provided.

Figure 3. Assessment of quality of investigation



Our overall assessment for the solution submission is that it is a satisfactory submission that meets the expectations of gate three in most areas.

In addition to the overall assessment score, there is some variance in expectations being met across the submission. In particular, the Programme and Planning area fell short of expectations in some areas and received a 'satisfactory' assessment rating.

We explain our assessment of each individual area, including any shortfalls in expectations, in the sections below. At this stage, we have not applied any delivery incentive penalties as a result of this assessment of quality. However, if priority actions 2 and 6, set out in Appendix A, are not completed by the required deadline, we may impose a delivery incentive penalty. This is detailed further in section 5.

3.4.1 Solution Design

For information: Our assessment of the Solution Design considered the quality of the evidence provided on the initial solution and sub-options; the anticipated operational utilisation of solutions; the interaction of the solution with other proposed water resource solutions and stakeholder and customer engagement. The assessment also considered whether information was provided on the context of the solution's place within company, regional and national plans.

We consider Southern Water and Portsmouth Water have provided sufficient evidence of progress in developing the solution design for gate three.

Decision 3: The solution owners should provide a rationale with supporting evidence to Ofwat's satisfaction for arriving at the preferred sub-option for the solution, justified in respect of Southern Water customers specifically. We have added action 1 in this respect.

Reason: The solution owners have provided design information about the preferred sub-option for the solution and evidence justifying its selection with respect to the range of sub-options considered in previous gates. However, the rationale beyond the WRSE model and the company level models for selecting the preferred sub-option was not set out in the submission. When region or company level models are used to select the preferred sub-option, appropriateness of the data entered into the model and the objectives set for the model need to be evidenced with respect to Southern Water customers. This element of the rationale was not set out in the submission.

Decision 4: At gate four, it is recommended that the solution owners provide further detail on the expected utilisation rates during peak demand scenarios. We have added recommendation 1 in this respect.

Reason: While uncertainties like climate change and transfer profiles are identified, utilisation rates for these scenarios have not yet been provided.

Decision 5: At gate four, it is recommended that the solution owners provide a more detailed explanation of the long term flexibility of supply and any associated constraints if and when the Thames to Southern Transfer (T2ST) becomes operational. We have added recommendation 2 in this respect.

Reason: The existing explanation is light on detail, particularly on Portsmouth Water's need post-2040 and any scheme flexibility for the zones that could be supplied (Southern Water and Portsmouth Water) if and when T2ST is operational.

Decision 6: At gate four, it is recommended that the solution owners provide a plan showing how Portsmouth Water's customers will be engaged with moving forward if they will receive water post-2040. We have added recommendation 3 in this respect.

Reason: It is not clear from the submission how Portsmouth Water's customers will be engaged with moving forward.

3.4.2 Solution costs

For information: Our assessment of the unit costs of delivering HWTWRP finds that the costs presented are reasonable at this stage. The assessment also considers the use of the solution as a drought resilience asset, and therefore cost per capacity is often a more appropriate metric than cost per projected utilisation. We will continue to scrutinise cost estimate changes from gate three to gate four.

3.4.3 Evaluation of Costs and Benefits

For information: Our assessment of the evaluation of costs and benefits considered the quality of the information provided on initial solution costs, the social, environmental and economic cost and benefits, water resource benefits and wider resilience benefits. The assessment also considered whether evidence was provided on how the solution delivers a best value outcome for customers and the environment.

We consider that Southern Water and Portsmouth Water have provided sufficient evidence of evaluating the costs and benefits of the solution to an appropriate standard for gate three.

Decision 7: At gate four, it would be useful to see greater detail on the societal benefits of the scheme, including amenity value and community impact. This includes the benefits associated with the Havant Thicket Reservoir. Additionally, further evidence on the benefits related to the chalk streams would be helpful. Given that one of the key objectives of the project is to protect the chalk streams by reducing abstraction, it would be useful to see this more prominently addressed at gate four, with a clear explanation of the associated environmental and societal benefits. We have added recommendation 4 in this respect.

Reason: While the submission includes some environmental costs and benefits (e.g. Biodiversity Net Gain, Natural Capital, Strategic Environmental Assessment) it does not address societal benefits such as amenity value or community impact. As reducing chalk stream abstraction is one of the key objectives of this project, it would be useful to see this more prominently addressed at gate four.

3.4.4 Programme and Planning

For information: Our assessment of the Programme and Planning considered whether Southern Water and Portsmouth Water presented a programme with key milestones and whether its delivery is on track. The assessment also considered the quality of the information provided on risks and issues to solution progression, the procurement and planning route strategy, and subsequent gate activities with outcomes, penalty assessment criteria and incentives.

We consider the evidence provided by Southern Water and Portsmouth Water regarding the programme and planning, risks and issues and the procurement and planning route strategy for this solution to be of satisfactory quality however it lacked detail in some important areas.

Decision 8: The following elements of the Land and Planning Strategy must be provided:

1. Identify the types of Special Category Land within the proposed Development Consent Order (DCO) limits as at 31 October 2024 and detail the results of the engagement with respect to that land carried out to that date.

2. An explanation of any conflicts with land allocated for other development and how these conflicts are being resolved, including whether any co-location solutions are being explored.
3. The latest draft needs case for use if a final WRMP including the solution is not available.

We have set priority action 1 to address this.

Reason: A Land and Planning Strategy fulfilling all of the requirements of the gate three guidance was absent from the submission.

Decision 9: A DPC Stage 2 report must be provided in accordance with the Guidance for Appointees delivering DPC projects. We have set priority action 2 to address this.

Reason: The solution did not provide a DPC Stage 2 report, which is a requirement at gate three.

For information: Southern Water and Portsmouth Water provided very limited information in regard to procurement. The details provided focused on the procurement plan and strategy and the summary of changes due to Havant Thicket Reservoir. The initial heads of terms included only limited and very high level commercial topics.

For information: Southern Water and Portsmouth Water provided enough detail about their operational ready dates, key activities and decisions, estimates of overall project delivery timescales for subsequent gates, and key dependencies.

Decision 10: The solution must provide an assumptions list in accordance with section 6.1 of the RAPID gate three guidance. We have set priority action 3 to address this.

Reason: The submission did not include an adequate assumptions list in accordance with gate three guidance.

Decision 11: The solution must provide a draft heads of terms for the updated bulk supply agreement or second bulk supply agreement between Southern Water and Portsmouth Water, reflecting the updated project scope and capex. These heads of terms should be agreed by both water companies. We have set priority action 4 to address this.

Reason: Progress of the bulk supply agreement must be on track to secure this arrangement in time for commencement of solution operation.

3.4.5 Environment

For information: Our assessment of Environment considered the initial option-level environmental assessment, the identification of environmental risks and an outline of potential mitigation measures, the detailed programme of work used to address environmental assessment requirements and the initial outline of how the solution will take into account the carbon commitments.

We consider Southern Water and Portsmouth Water to have provided sufficient evidence of progress in the environmental assessment, potential mitigations, future work programmes and embodied and operational carbon commitments for gate three.

Decision 12: The solution should make better progress on preparing for its environmental permit applications and should make use of the Environment Agency's pre-application advice service for water recycling permits. Priority action 5 and action 2 have been added to address this.

Reason: The submission fell short of expectations relating to environmental permitting. The solution's environmental permit application preparation process needs to be strengthened to ensure that robust environmental permit applications can be submitted in parallel with the solution's Development Consent Order (DCO) application.

For information: In the area of carbon assessment, the submission indicates that carbon mitigation measures are still being developed. A decision on these mitigation measures is needed to demonstrate how policies, frameworks, and approaches have been used to focus on reducing carbon. In Annex 5.10 of the submission, next steps are outlined with regard to carbon mitigation opportunities.

Decision 13: The solution should provide details of the process and reasoning for the decisions to be made on the choice of carbon mitigation measures, as a result of implementing the steps set out in Annex 5.10 of its gate three submission. Action 3 has been included to address this.

Reason: Justification for the chosen mitigation measures needs to be provided by reference to the policies, frameworks and approaches used to develop those measures.

Decision 14: The solution should provide a clear plan to monitor and evaluate the outcome of the carbon mitigation measures chosen as a result of implementing the steps set out in Annex 5.10 of its gate three submission. Action 4 has been included to address this.

Reason: The plan is needed to comply with Water Resources Planning Guidelines.

3.4.6 Drinking water quality

For information: Our assessment of Drinking Water Quality considered drinking water quality and risk assessments, evidence of well-developed Drinking Water Safety Plans (DWSPs) and details of the design associated with mitigation of the risks identified: for example emerging contaminants or source water changes.

We consider that the information provided in this submission on liaison with company Drinking Water Quality teams, Regulation 31 and Regulation 15 considerations, and alignment with the [Resilience of water supplies in Water Resource Planning – Guidance Note](https://www.dwi.gov.uk/guidance/resilience-of-water-supplies-in-water-resource-planning-guidance-note) (dwi.gov.uk) on long term planning, and [The Water Supply \(Water Quality\) Regulations 2016](https://www.legislation.gov.uk/ukreg/2016/1200) (legislation.gov.uk) for England is satisfactory.

The DWSPs are not as developed as we would have expected at gate three, therefore we would like to see more technical work in this area. Whilst it is acknowledged that work is ongoing to further develop the DWSPs, it is evident that these are not yet developed sufficiently to be able to assess any downstream risks. It is noted that the submission has identified that this outstanding work is required to fully assess any downstream risks.

Decision 15: Modelling for the blending and remineralisation workstreams should be completed and the DWSP should be developed sufficiently to identify any risks associated with raw water that may give rise to any residual risks at the raw water reservoir, receiving treatment works or downstream networks. Priority action 6 has been included to address this.

Reason: This is needed to fully assess if any downstream risks persist that will need further investigation or mitigation. Priority action 6 has been included to address this.

For information: The submission fell short of customer engagement expectations, specifically regarding consumer perception and acceptability targeted in the areas which may receive water from a different or blended source of water in future. Whilst it is evident that engagement with consumers has been carried out, the majority has been targeted at those who may be affected by the construction and operation of the project, rather than those who may receive a different or differently blended source of water supply in the future. It is acknowledged that the company has carried out some engagement on a company wide scale which has focussed on water scarcity and advanced water treatment and water recycling as a key part of a safe and sustainable solution. The submission outlines that further engagement (Phase 2), targeted at those who may receive a different or differently blended source of water supply from this scheme, will begin in 2025.

Decision 16: The solution should provide a detailed plan setting out how the solution will be informing and engaging with customers who will receive a different or differently blended source of water supply throughout Phases 2 and 3, which are outlined in the Engagement

Strategy included in Annex 9 of the submission. Priority action 7 has been included to address this.

Reason: To ensure engagement with customers who will be receiving a different or differently blended source of water rather than just customers affected by construction and operation of the solution.

For information: It was not clear from the gate three submission or the subsequent queries how the applicable requirements of Network and Information Systems (NIS) and Security and Emergency Measures Direction (SEMD) have been considered.

Decision 17: The solution should engage with DWI SEMD and NIS teams to ensure the outline design and assumptions used will meet the applicable requirements of the regulations. Priority action 8 has been included to address this.

Reason: To ensure the outline design and assumptions used will meet the applicable NIS and SEMD requirements.

3.4.7 Board Statement and assurance

For information: Our assessment of the submission on Board statement and assurance is that it is of a good standard. This part of the submission accords with the gate three guidance, except to an extent discussed with and approved by RAPID prior to submission.

RAPID is grateful for the time taken by the solution to propose draft wording for this element and to discuss it with RAPID prior to submission. That process has enabled this element of the submission to be of a good standard.

Decision 18: It would be useful to see the actual external assurance letter, rather than just a summary of the letter. Recommendation 5 has been included in this respect.

Reason: Including the Jacobs external assurance letter itself rather than a summary of the letter would have improved the submission.

4. Decisions on priority actions, actions and recommendations

For information: Where the submission has not been assessed as ‘meeting expectations’ in the quality assessment, or progression concerns have been raised, we have provided feedback on where we will seek remediation of the issues. We have also identified specific steps that Southern Water and Portsmouth Water should take in preparing for gate four.

We have categorised these remediation issues and steps into priority actions, actions and recommendations.

Priority actions are those that should have been completed at gate three, or which for other reasons need to be completed before gate four, and must now be addressed on a short timescale to make sure the solutions stay on track or for other solution management reasons.

Actions are those that should be addressed in full in the gate four submission. The response to these actions will influence the assessment of the gate four submission.

Recommendations are issues where additional information or clarification could improve the quality of future submissions.

We have also assessed progress on actions and recommendations from gate two.

4.1 Actions and recommendations from gate three assessment

For information: Nine priority actions have been identified for HWTWRP, which should be delivered no later than the dates stated against each priority action. If solution owners cannot meet this deadline please explain this in the representation.

Four actions and five recommendations have been identified for HWTWRP. The actions should be fully addressed at the gate four submission. Progress against actions will be tracked as part of regular checkpoints the solution holds with us whilst undertaking gate four activities.

Decision 19: The solution owners must comply with the full list of priority actions, actions and recommendation for HWTWRP which can be found in Appendix A.

Reasons: for each priority action, action and recommendation are given in Appendix A.

4.2 Priority actions, actions and recommendations from gate two assessment

For information: We have assessed whether HWTWRP has met actions that were set out as a result of our gate two assessment.

There were 16 priority actions associated with this solution from gate two.

17 actions and 14 recommendations were identified for HWTWRP, which were expected to be fully addressed at the gate three submission.

Decision 20: Our decisions against each individual action is shown in Appendix B.

Reasons: for each decision are given in Appendix B.

5. Decisions on Delivery Incentive Penalties

Decision 21: Currently we have not applied delivery incentive penalties to this solution.

Reason: The overall quality assessment carried out on the gate three submission was sufficient.

For information: We may impose a delivery incentive penalty if the solution does not complete priority action 2. Priority action 2 requires the solution to provide a DPC Stage 2 report of sufficient quality by 31 March 2025. The solution did not provide a DPC Stage 2 report, which is a requirement at gate three. Stage 2 is a critical stage in the commercial and procurement development of the solution and Ofwat continues to have concerns that the solution is not on track to deliver it as planned.

We may impose a delivery incentive penalty if the solution does not complete priority action 6. Priority action 6 requires the solution to complete the modelling and submit the report for the remineralisation and blending workstreams by 31 March 2025. It also requires a further development of the DWSP. The DWSP should be developed sufficiently to identify any risks associated with raw water that may give rise to any residual risks at the raw water reservoir, receiving treatment works or downstream networks. This is needed to fully assess if any downstream risks persist that will need further investigation or mitigation and it is critical to progress this before the DCO application.

Any delivery incentive penalty would be determined in a manner that is proportionate to the extent to which the solution has fallen short in meeting these actions and the implications for delivering the solution in a timely and efficient manner.

This information is given without prejudice to any future decisions we may make with regard to delivery penalties for these matters or for any other matter.

6. Decisions on proposed changes to partner arrangements

For information: There are no changes to partner arrangements from gate three.

7. Decisions on gate four activities and timing

For information: The HWTWRP solution will continue to be funded to gate four.

For its gate four submission, we expect Southern Water and Portsmouth Water to complete the activities listed in [PR19 final determinations: strategic regional water resources solutions appendix](#), as expanded on in section 6.3 of the solutions gate three submission. Activities are expected to be completed in line with delivery incentives and expectations set out in RAPID's gate four guidance. We also expect the actions listed in Appendix A to be addressed.

7.1 Gate four timing

For information: Southern Water and Portsmouth Water have proposed a date for gate four of September 2025. This is proposed alongside a planning application submission date of July 2025, construction ready date of December 2028, and operational ready date of March 2034.

Decision 22: HWTWRP's gate four date should be September 2025.

Reason: This is set 56 days after the forecast DCO application submission date of July 2025, as required by the [RAPID gate four guidance](#).

Decision 23: We accept the solution's forward programme.

Reason: The forward programme proposed by the solution is in line with the principles of RAPID's programme.

8. Next steps

Following publication of this gate three draft decision, solution owners and other interested parties are invited to respond to the draft decision. Representations, including evidence from solution owners that priority actions (identified in Appendix A) have been addressed, can be made by completing this [Microsoft Teams form](#) or by email to rapid@ofwat.gov.uk and will close at 6pm on 17 January 2025.

When considering responding to the draft decision please refer to [guide for representations on Ofwat draft decisions in the RAPID gated process](#). We encourage anyone considering making a representation to read this before doing so.

All representations will be considered before our final decision is published. Our current aim is to publish the final decision at 10am on 21 February 2025.

Appendix A: Gate three priority actions, actions and recommendations

Priority Actions – to be addressed by the dates stated in each priority action.			
Number	Area	Detail	Reason
1	Programme and Planning	<p>Provide the following elements of the Land and Planning Strategy:</p> <ul style="list-style-type: none"> Identify the types of Special Category Land within the proposed DCO limits as at 31 October 2024 and detail the results of the engagement with respect to that land carried out to that date. An explanation of any conflicts with land allocated for other development and how these conflicts are being resolved, including whether any co-location solutions are being explored. The latest draft needs case for use if a final WRMP including the solution is not available. <p>These should be provided by 31 March 2025.</p>	A Land and Planning Strategy fulfilling all of the requirements of the gate three guidance was absent from the submission.
2	Programme and Planning	Submit a DPC Stage 2 report in accordance with the Guidance for Appointees delivering DPC projects by 31 March 2025.	A DPC Stage 2 report has not been provided, which is a requirement at gate three
3	Programme and Planning	Provide an assumptions list in accordance with section 6.1 of the RAPID gate three guidance by 31 March 2025.	The submission did not include an adequate assumptions list in accordance with gate three guidance.
4	Programme and Planning	Provide draft heads of terms for the updated bulk supply agreement or second bulk supply agreement between Southern Water and Portsmouth Water, reflecting the updated project scope and capex. These heads of terms should be agreed by both water companies and provided by 31 March 2025.	Progress of the bulk supply agreement must be on track to secure this arrangement in time for commencement of solution operation.
5	Environment	Use the Environment Agency's formal pre-application advice service for water recycling permits before the end of December 2024.	The submission fell short of expectations relating to environmental permitting. The solution's environmental permit application preparation process needs to be strengthened to ensure that robust environmental permit applications can be submitted in parallel with the solution's DCO application.
6	Drinking Water Quality	Complete the modelling and submit the report for the remineralisation and blending workstreams. The DWSP must also be developed sufficiently to identify any risks associated with raw water that may give rise to any residual risks at the raw water reservoir, receiving treatment works, or downstream networks. This must be done by 31 March 2025.	Blended and remineralisation modelling work is needed to fully assess if any downstream risks will persist that will need further investigation or mitigation.
7	Drinking Water Quality	Submit a detailed plan setting out how the solution will be informing and engaging with customers who will be receiving water from a different or blended	To ensure engagement with customers who will be receiving water from a different or

		source of water throughout Phases 2 and 3 (outlined in the Engagement Strategy included in Annex 9 of the submission) by 31 March 2025.	blended source of water rather than just customers affected by construction and operation of the solution.
8	Drinking Water Quality	Engage with the DWI Security and Emergency Measures Direction (SEMD) and Networks and Information Systems (NIS) teams by 31 March 2025.	To ensure the outline design and assumptions used will meet the applicable NIS and SEMD requirements.
9	RAPID and its partner regulators' gate assessment processes	<p>Provide a list of all Development Consent Orders ("DCOs"), consents for Developments of National Significance ("DNS"), Town and Country Planning Act ("TCPA") consents, consents for water abstraction or discharge and other statutory consents needed to enable the construction or operation of the solution ("Project Consents") that the solution expects to be applying for. The list must include a summary of what each application for the Project Consents will cover and the expected timing of each application. The list must be provided to RAPID six months prior to the date when the solution expects to make its first application for any of the Project Consents.</p> <p>Based on the list of Project Consents, RAPID will inform the solution which of these it considers to be significant consents ("Significant Project Consents"), in that the grant of these consents is likely to determine whether the solution proceeds to be constructed or operated. The solution must inform RAPID when it expects to make its first application for a Significant Project Consent, no later than three months prior to that expected date, and must keep RAPID informed of any subsequent changes to that date.</p>	To enable handover of gate assessment processes for the solution from RAPID to its individual partner regulators prior to the solution submitting its Significant Project Consent applications. This is in order to ensure the regulatory independence of individual partner regulators is maintained whilst Significant Project Consent applications are being considered.
Actions – to be addressed in gate four submission			
Number	Area	Detail	Reason
1	Solution Design	Provide a rationale to Ofwat's satisfaction (with supporting evidence to Ofwat's satisfaction) for arriving at the preferred sub-option for the solution, justified in respect of Southern Water customers specifically.	The rationale beyond WRSE model and company level models for selecting the preferred sub-option was not set out in the submission. When region or company level models are used to select the preferred sub-option, appropriateness of the data entered into the model and the objectives set for the model need to be evidenced with respect to Southern Water customers. This element of the rationale was not set out in the submission.
2	Environment	Add milestones to your programme to monitor progress on preparation of environmental permit applications required for the water recycling plant.	The submission fell short of expectations relating to environmental permitting. The solution's environmental permit application preparation process needs to be strengthened to ensure that robust environmental permit

			applications can be submitted in parallel with the solution's DCO application.
3	Environment	Provide details of the process and reasoning for the decisions to be made on the choice of carbon mitigation measures as a result of implementing the steps set out in Annex 5.10 of the solution's gate three submission.	Justification for the chosen carbon mitigation measures needs to be provided by reference to the policies, frameworks and approaches used to develop those measures.
4	Environment	Provide a clear plan to monitor and evaluate the outcome of the carbon mitigation measures chosen as a result of implementing the steps set out in Annex 5.10 of the solution's gate three submission.	To comply with Water Resources Planning Guidelines.
Recommendations			
Number	Area	Detail	Reason
1	Solution Design	Provide detail on the expected utilisation rates during peak demand.	While uncertainties like climate change and transfer profiles are identified, utilisation rates for these scenarios have not yet been provided.
2	Solution Design	Provide a more detailed explanation of the long term flexibility of supply and any associated constraints if and when the Thames to Southern Transfer (T2ST) becomes operational.	The existing explanation is light on detail, particularly on Portsmouth Water's need post-2040 and any scheme flexibility for the zones that could be supplied (Southern Water and Portsmouth Water) if and when T2ST is operational.
3	Solution Design	Provide a plan showing how Portsmouth Water's customers will be engaged with moving forward if they will receive water post-2040.	It is not clear from the submission how Portsmouth Water's customers will be engaged with moving forward.
4	Costs and Benefits	Provide greater detail on the societal benefits of the scheme, including amenity value and community impact. This includes benefits associated with the Havant Thicket Reservoir. Solution owners should also provide further evidence on the benefits related to reducing abstraction from chalk streams.	While the submission includes some environmental costs and benefits (e.g. Biodiversity Net Gain, Natural Capital, Strategic Environmental Assessment), it does not address societal benefits such as amenity value or community impact. As reducing chalk stream abstraction is one of the key objectives of this project, it would be useful to see this more prominently addressed at gate four.
5	Board statement and assurance	Include any external assurance letter rather than a summary of the letter.	Including the Jacobs external assurance letter itself rather than a summary of the letter would have improved the submission.

Appendix B: Gate two priority actions, actions and recommendations

Priority Actions				
Number	Area	Detail	RAPID assessment outcome	Reason
1	Solution Design	Provide a well-developed plan for detailed and focused customer engagement. This should include all demographics, well vs less informed consumers and types of engagement etc. Commence more focused consumer engagement particularly around recycling and customer acceptability - distinct from environmental benefit/impact.	Complete	RAPID confirmed complete in August 2022.
2	Solution Design, Programme & Planning	Engage regularly with environmental regulators to deliver a "no surprises" approach and to access their site specific knowledge of constraints, risks, avoidance and mitigation measures and opportunities for delivery of net gain to help identify deliverable options. As part of this regular engagement, progress Method Statements for environmental assessments rapidly to include specific detail needed to undertake site specific work and detailed assessment to provide a sufficiently robust evidence base.	Complete	Solution has had regular discussions with the Environment Agency and Natural England.
3	Evaluation of Costs & Benefits	Provide the water resource benefit (peak and average deployable output) available from the solution under 1 in 500 drought resilience and clear evidence of this. Provide the water resource benefit which has been included within initial regional model runs. Explain how the non-SRO 21Ml/d transfer from Portsmouth Water has been accounted for within the supply demand balance and that this has not been double counted as supporting the SRO water resources benefit to meet the need.	Superseded	Action developed further with Water Resources South East, superseding this priority action. Non-SRO 21 Ml/d transfer is included as separate element within modelling.
4	Evaluation of Costs & Benefits	Confirm resilience benefits for consumers able to be supplied by the options in 1 in 500 year scenario to help inform the viability of options.	Superseded	Agreed with RAPID in April 2023 as superseded.
5	Evaluation of Costs & Benefits	Undertake sensitivity testing around selected future needs horizon of 2040 to demonstrate best value option is being taken forward.	Complete	RAPID confirmed complete in September 2022.
6	Environment	Provide further justification for the shortlisting of pipeline routes 3 & 4 from Annex 3 Sections 2.4 and 2.5.	Complete	RAPID confirmed complete in August 2022.
7	Environment	Clearly consider and set out what is considered standard best practice in construction vs. mitigation of environmental impacts from the environmental assessments described in Annex 3 Section 2.5.	Complete	RAPID confirmed complete in August 2022.

8	Environment	Detail the metrics used to monetise the ecosystem services assessed in the Natural Capital Assessment.	Complete	RAPID confirmed complete in August 2022.
9	Environment	Characterise the impacts of the eventual discharge of water derived from Water Recycling Plant and spring sources mixed within Havant Thicket Reservoir post supply and use on the highly designated chalk catchments and their ecology where they may be the receiving water.	Superseded	Developed as part of the Preliminary Environmental Information Report and Environmental Statement.
10	Environment	Include Sites of Importance for Nature Conservation (SINCs) in the data sources for review of pipeline watercourse crossings.	Complete	RAPID confirmed complete in August 2022.
11	Environment	Proposed pipeline routes 1 & 2 need to be reviewed to avoid conflict with the agreed Article 4.7 compensation package for Havant Thicket Reservoir.	Complete	RAPID confirmed complete in August 2022.
12	Environment	Present stronger evidence to demonstrate that pipelines won't prevent delivery of mitigation measures - in particular, at the channel crossing locations or where the pipeline is close to the river corridor.	Complete	RAPID confirmed complete in August 2022.
13	Environment	Assess the impact of proposed pipelines on floodplain hydrology and any associated potential adverse impact on ecology	Complete	RAPID confirmed complete in August 2022.
14	Environment	Provide an appropriate level of supporting evidence for the conclusion that Likely Significant Effects on Marine Conservation Zones can be scoped out at this stage.	Superseded	Considered through the Environmental Impact Assessment.
15	Environment	Review with environmental regulators whether the current environmental monitoring programme proposals adequately address the needs to capture seasonal variability, spatial variation etc. to provide a sufficient database to support the required SEA, HRA and WFD.	Complete	RAPID confirmed complete in August 2022.
16	Environment	Review with environmental regulators whether currently planned assessments adequately cover potential in-combination effects. In-combination effects are those effects that may arise from the proposed solution in combination with other plans and projects proposed/consented but not yet built and operational.	Superseded	Engagement undertaken via Technical Working Groups.
Actions				
Number	Area	Detail	RAPID assessment outcome	
1	Solution Design	Confirm operability and the (required) design of the inlet/outlet pipework for Hampshire Water Transfer and Water Recycling at gate three to inform and confirm the overall design of the storage reservoir. This should be evidenced by a suitable methodology (e.g., CFD modelling or equivalent)	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
2	Solution Design	Provide a clear explanation and rationale for the triggers to utilisation of the solution. Assess the	Complete	Explanation included in gate three

		impact on Havant Thicket reservoir storage levels in a 1 in 200 year drought of potential abstraction changes in PW's Farlington demand zone.		submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
3	Solution Design	Explain how solution scalability to meet a needs envelope of 75 to 95Ml/d (Annex 13 section 3.1.2) has been accounted for within initial regional modelling.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
4	Solution Design	Further clarification around the interactions with Portsmouth Water's operating strategy and their water needs to ensure that the proposed operation of Havant Thicket will provide the sufficiency and 1:500 resilience required by the solution.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
5	Solution Design	Confirm consumer opinions of the options, in particular confirmation of consumer acceptability, should there be a need to use a recycling component in the receiving supply. The outputs of which need to be included in decisions as to which option will be taken forward.	Partially complete	Consumers have been informed through statutory consultation. However, priority action 6 in the gate three decision document requires a detailed plan of engagement with customers who will receive a different or differently blended source of water.
6	Evaluation of Costs & Benefits	Provide costs in the All Company Working Group template. Confirm how the solution will be able to meet the 1 in 500 year drought resilience and which upstream inputs will be used.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
7	Evaluation of Costs & Benefits	Confirm how the solution will be able to meet the 1 in 500 year drought resilience and which upstream inputs will be used.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
8	Programme and Planning	Provide a detailed assessment of the relative ratios of spring water and recycled water of the output from Havant Thicket Reservoir under a range of scenarios eg two successive dry winters.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations

				from gate two Final Decision
9	Programme and Planning	Assess the risk of constraints on timing of construction activities to protect fisheries and ornithological interests extend the timescale for delivery of the solution.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
10	Environment	Undertake monitoring and data collection to further support the conclusions drawn in the HRA and SEA process as to date many conclusions are not supported with relevant data and evidence.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
11	Environment	Assess the risk that during operation of WRP substances usually present with the WwTW final effluent may become more concentrated and exceed EQS for Eastney discharge.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
12	Environment	Provide more detailed assessment of potential ecological impacts of proposed pipeline route options.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
13	Environment	Re-assess the temporary and permanent habitat loss currently stated for Biodiversity Net Gain and Natural Capital Assessments.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
14	Drinking Water Quality	Complete effluent sampling to understand nature of the effluent throughout the year to confirm suitability of WRP which takes effluent from Budds Farm. Include details of chosen pre-disinfection design for Otterbourne as required by the DWI Notice. Note this is a statutory requirement as opposed to a 'target date' as referenced in 2.2.6 Page 43 of Technical Document.	Superseded	By Priority Action 5
15	Board Statement & Assurance	Southern Water must ensure that its Board provides effective oversight of its obligations under the section 20 agreement and that one or more solutions are in place and operating by the end of 2030. We expect Board assurance for gate three to include a statement that the Board is satisfied that progress on solutions is	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations

		commensurate with solutions being in place and operating by the end of 2030.		from gate two Final Decision
16	Board Statement & Assurance	Consider changes to assurance processes to ensure that shortfalls in the quality of the work are avoided at gate three.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
17	Board Statement & Assurance	Ensure that where external assurance identifies issues with the work it has undertaken that it addresses these issues and/or provides a response to these issues.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
Recommendations				
Number	Area	Detail	RAPID assessment outcome	Reason
1	Solution Design	Southern Water should work with Portsmouth Water to understand and update any changes to need and possible deficits following the modelling and revision to Portsmouth's WRMP19 planning tables.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
2	Solution Design	Reassess and refine utilisation assumptions up to 1 in 500 drought resilience for gate three using regional modelling outputs.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
3	Solution Design	Provide further information on how the solution represents the best option from a regional perspective and benefits it delivers for the region. Detail the degree of alignment between Southern Water, Portsmouth Water and WRSE decision making.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision
4	Solution Design	Reassess and refine conjunctive use assumptions for gate three using regional modelling outputs	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.

5	Evaluation of Costs & Benefits	Provide sensitivity analysis to understand how costs increase or decrease when different future scenarios of the solution are considered.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.
6	Evaluation of Costs & Benefits	The use of mapping linked to the Local Nature Recovery Strategy and Biodiversity Opportunity Area's (BOA's) should be used to identify opportunities for net gain.	Incomplete	Will be considered as part of the Biodiversity Net Gain Assessment submitted as part of the Environmental Statement and DCO submission.
7	Evaluation of Costs & Benefits	Southern Water should confirm with EA all mitigation measures already identified for WFD water bodies in order to consider mitigation for the solution.	Incomplete	Not mentioned in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.
8	Evaluation of Costs & Benefits	Reassess and refine deployable output calculation for gate two up to 1 in 500 drought resilience using regional model outputs.	Superseded	Unable to reassess and refine conjunctive use assumptions for HWTWRP, but could with the Pywr model. This was completed in February 2023.
9	Programme and Planning	Address the inconsistencies in plans within the submission for the gate three (e.g., the procurement plan does not align to the programme plan as well as other minor inconsistencies in milestones in appendices).	Incomplete	Not mentioned in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.
10	Programme and Planning	Provide more information on your land and planning strategy, including the land lifecycle and your strategy for effectively delivery and an explanation of how your approach will support the effective and efficient delivery of achieving planning consent, land acquisition and delivery of the solution. Within this we would also expect to see consideration given to the necessary systems, resources, processes and governance required to the deliver this key area of work as well as how you will ensure a good customer journey for all those effected by the delivery of the solution.	Incomplete	Land and Planning Strategy missing from the submission.
11	Environment	Assess the vulnerability of the solution to disruption of supply from incidents that may affect groundwater quality.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.

12	Environment	Extend factoring in trenchless construction at watercourse crossings beyond the Main River to include ordinary watercourses and other environmentally-sensitive areas.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.
13	Environment	Evaluate the potential benefits of cooperating with the catchment partnership's Test & Itchen INNS assessment.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.
14	Environment	Provide further details on the benefits that will be delivered from the renewable energy opportunities identified in respect of emission reductions, timings and costs. Provide further details of how you will seek to influence decarbonisation of supply chain emissions.	Complete	Explanation included in gate three submission: Supporting Annex 1B: Non-Priority Actions and Recommendations from gate two Final Decision.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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