

Gate 1 queries process

Strategic solution(s)	Thames to Southern Transfer
Query number	TST006
Date sent to company	28/07/2021
Response due by	30/07/2021

Query

1. Please provide further detail on the wider social benefits that have been reviewed as mentioned in Section 5. Have any other economic benefits been considered for this submission? If so, please provide further information.
2. Please provide further information on whether any of the options, or combination of options, for this solution are considered to provide wider best value for customers beyond least cost (see section 10 of the template).
3. Table 6 notes that "In January 2021 NE advised that they did not have sufficient resources to participate in these meetings but would endeavour to comment on specific outputs." Were direct NE costs reduced relative to the amount agreed ahead of gate one due to this change in resource and is that reflected in the amount reported in the "stakeholder costs, third parties" line of Table 10?

Solution owner response

1. *Please provide further detail on the wider social benefits that have been reviewed as mentioned in Section 5. Have any other economic benefits been considered for this submission? If so, please provide further information.*

Wider social benefits have been considered during Gate 1. Types of social benefits reviewed include:

- (i) benefits to society of regional water resource planning – for example, the benefits of supply options that avoid placing pressure on groundwater sources in sensitive river catchments, and the benefits to public water supply and other multi-sector users of improved resilience and security of supply;
- (ii) customer perspectives on benefits – for example, findings from customer research showing support for SROs;
- (iii) benefits of additional water supply – for example, role in enabling development and growth, including local priorities such as affordable housing and supporting businesses and agriculture;
- (iv) water company programmes to deliver public value – for example, employee volunteering and helping underrepresented groups pursue careers in the water sector; and
- (v) opportunities for enhancement – for example, where community and social receptors may be affected by T2ST, reinstating land to achieve positive community effects and enhancing habitats.

The link between assessing social benefits in the context of natural capital and ecosystem service approaches has also been identified. Developing metrics for social benefits within the natural capital and ecosystem frameworks will form part of Gate 2 activities. The outcomes of the ecosystems services assessments are reported in paragraph 5.15 of the T2ST Gate 1 Report.

Further information is available in the Environmental Assessment Report, Section 6: Wider benefits which was provided in response to Query TST001.

No other economic benefits (in addition to those referred to here and presented in Section 10 of the T2ST Gate 1 Report) have been calculated at Gate 1.

2. *Please provide further information on whether any of the options, or combination of options, for this solution are considered to provide wider best value for customers beyond least cost (see section 10 of the template).*

In addition to least cost, wider best value for customers and the environment was also considered in the appraisal of the six identified options, including assessment of embedded and operational carbon values, resilience of supply, water resource benefit and environmental resilience and enhancement.

Embedded carbon and operational carbon values for each option are provided in Table 8 in Section 10 of the Gate 1 Report, as derived from Thames Water's Engineering Estimating System (EES) based on engineering quantities of each option. At this stage Option 4 has the lowest embedded and operational carbon impacts.

As detailed in Section 5.26 of the T2ST Gate 1 report, information on each of the six options was also provided to WRSE to meet the requirements of the WRSE resilience framework. Each option was scored against a defined number of resilience metrics in terms of reliability, adaptability and evolvability. Further assessment of resilience will be undertaken for Gate 2 as part of the final selection process to identify the preferred T2ST option, including a review of potential risks against each WRSE resilience metric. At this stage of the design, no significant difference in resilience has been established between the T2ST options for Gate 1.

As described under Section 10.12 of the Gate 1 Report, the water resource benefit provided by T2ST will depend on the determination of the scheme need, capacity and timing as a result of the WRSE Regional Plan and WRMP24 strategic planning by Thames Water and Southern Water. These issues are covered in Section 2 of the Gate 1 Report, including the interdependency of the T2ST transfer with other strategic resource options; and uncertainty around the long term water resource need for the Hampshire region including future demand growth and environmental ambition targets to protect the environment. Under some of the initial WRSE regional investment model adaptive plan scenarios, which consider a wide range of future uncertainties linked to population growth, climate change and environmental objectives, the T2ST SRO is selected. The preferred option for T2ST will be defined in Gate 2, to meet the needs of the WRSE Regional Best Value Plan, maximising water resource benefits for public water supply, multi-sector users and the environment. The Best Value Plan considers a wide range of factors alongside economic cost¹.

As referred to in Section 5.15 of the Gate 1 Report the ecosystem services assessment identified that the T2ST options all present an opportunity to improve existing habitats through post construction remediation and replacement of low value habitats with higher value habitats. The options also present an opportunity to plant new high value habitats within the Natural England habitat, Network Enhancement Zones. The preferred option in Gate 2 will be developed to maximise such opportunities for environmental enhancement and best value to customers.

¹ Water Resources South East, Developing our “Best Value” multi-sector regional resilience plan. Response to the consultation on our objectives, value criteria, and metrics, April 2021.

3. *Table 6 notes that "In January 2021 NE advised that they did not have sufficient resources to participate in these meetings but would endeavour to comment on specific outputs." Were direct NE costs reduced relative to the amount agreed ahead of gate one due to this change in resource and is that reflected in the amount reported in the "stakeholder costs, third parties" line of Table 10?*

We received the offer letter from Natural England (NE) which related to inputs over two quarters at a fixed cost of £1,106 per quarter, therefore the total was for £2,212. This was the amount included in the "stakeholder costs, third parties" line of Table 10 for NE. We have not yet had confirmation of the costs to be invoiced by NE but we expect this to be reduced by one quarter (from when engagement was reduced) and therefore expect this line item will reduce by £1,106.

We will be able to update on this position when all invoices and actuals are received for Gate 1, which we hope will be early autumn.

Date of response to RAPID	30/07/2021
Strategic solution contact / responsible person	