

## Gate 1 queries process

<b>Strategic solution(s)</b>	Thames to Southern Transfer
<b>Query number</b>	TST004
<b>Date sent to company</b>	22/07/2021
<b>Response due by</b>	26/07/2021

### Query

- 1) Please clarify how your projected solution cost estimates have changed between total solution costs submitted in WRMP19 or at PR19 (as T2ST was not a preferred solution in WRMP19) and the current Gate 1 submission, where possible providing a breakdown and comparison of the cost estimates. Please explain clearly any changes, added/eliminated cost items or activities, or developments that contributed to the difference.
- 2) In Table 10 of Section 14, there is a line item for "Stakeholder costs, third parties." Please clarify how stakeholder costs are different from the line item for "Stakeholder Engagement" directly above and what costs/parties are covered by the "third parties" description.
- 3) Please confirm that there was no spend on water resources analysis or legal support as reported in Table 10 and clarify the reason there was no need for both activities for gate one.

### Solution owner response

- 1) *Please clarify how your projected solution cost estimates have changed between total solution costs submitted in WRMP19 or at PR19 (as T2ST was not a preferred solution in WRMP19) and the current Gate 1 submission, where possible providing a breakdown and comparison of the cost estimates. Please explain clearly any changes, added/eliminated cost items or activities, or developments that contributed to the difference.*

In response to this query we asked RAPID what WRMP19 data should be used (i.e. is it from the Water Resources Market Information (WRMI) tables on the water company websites or directly from WRMP19 tables, or other sources). In response RAPID clarified that we were to use the data in WRMI tables where possible for a

more detailed cost comparison and to use the next best data source available where the costs have not been published in the WRMI tables.

T2ST was included in WRMI tables. However, T2ST was not developed to Concept Design in WRMP19 for the estimates used in the WRMI tables.

The main difference between the solution cost estimates from WRMP19 and current Gate 1 submission solution costs relate to:

- Cost base: WRMP19 costs are presented in 2017 cost base whereas Gate 1 is presented in 2020 cost base; this equates to c5% increase in costs.
- WRMP19 estimates included a capital cost allowance for the potential source of water from the South East Strategic Reservoir Option (SESRO) whereas the Gate 1 estimate did not.
- WRMP19 costs assumed a potable water transfer where the water was already treated and therefore no treatment costs were included in the estimate. Gate 1 estimates looked at both potable and raw water transfers separately and all options include costs for treatment.
- Costed Risk and Optimism Bias were allowed for in WRMP19 estimates but have been updated in accordance with the ACWG methodology. This results in a significantly larger allowance.

The development of the options between WRMP19 and the current Gate 1 submission has resulted in the refinement of the solution costs through various changes in scope of the scheme, such as:

- Only 30MI/d and 80MI/d potable transfers were costed for WRMP19 and a range of 50MI/d to 120MI/d capacities, including potable and raw water transfers, have been costed for Gate 1.
- Only a transfer from Culham to Otterbourne was looked at for WRMP19 and now a potential intake on the River Thames has been costed as well as a potential transfer to Testwood.
- The scheme was not developed to Concept Design for WRMP19, therefore some significant changes to infrastructure requirements have arisen as the options have been further developed. For example, these include:
  - Refinement of the route alignments and pipeline corridors to give increased confidence from the high-level assumptions made in WRMP19.
  - The inclusion of road, rail and river crossings in the Gate 1 estimates which were not part of the WRMP19 estimates.
  - Hydraulic analysis has been undertaken for Gate 1 which was not done for WRMP19. This resulted in a greater confidence around pipeline diameters, pump station and storage tank configurations, numbers and sizes.
  - Further development of the spurs and changes to the reception locations.

The information above provides an overview of the key changes between WRMP19 and Gate 1 but it should also be noted that as this option was not selected from WRMP19 the estimates were high-level and have been updated in significantly more detail for Gate 1. In our view, we therefore believe that the cost estimates in WRMP19 are not comparable to the Gate 1 cost estimates.

2) *In Table 10 of Section 14, there is a line item for "Stakeholder costs, third parties." Please clarify how stakeholder costs are different from the line item for "Stakeholder Engagement" directly above and what costs/parties are covered by the "third parties" description.*

The costs attributed to "Stakeholder costs, third parties" all relate to the direct costs from the EA and NE as part of the NAU.

The costs attributed to "Stakeholder Engagement" relate to all other stakeholder and customer engagement undertaken for T2ST for Gate 1.

3) *Please confirm that there was no spend on water resources analysis or legal support as reported in Table 10 and clarify the reason there was no need for both activities for gate one.*

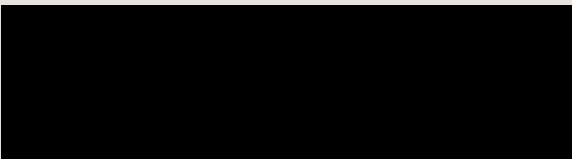
It should be noted that Table 10 was based on actual costs incurred at the end of April 2021 as well as forecasts to Gate 1 to allow for reviews and assurance.

We confirm that there was no costs charged to the T2ST SRO for Gate 1 for water resources analysis. All water resources analysis work was undertaken by the regional water resources team (WRSE) and not charged to this SRO.

At the time of finalising the costs in Table 10 of the Gate 1 report there were no legal support costs and no legal review was envisaged. However, a high-level external legal review was commissioned and undertaken in June 2021 after finalising Table 10 and the costs incurred were less than £15,000. This equates to approximately 1% of the outturn costs for Gate 1.

There were no other costs incurred to Gate 1 that were not forecast in Table 10.

Based on current costs incurred, we anticipate the final actual costs for Gate 1 to be less than the £0.796m reported as the total in Table 10. Final costs will be reconciliated in Q3 of the financial year.

<b>Date of response to RAPID</b>	26/07/2021
<b>Strategic solution contact / responsible person</b>	

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