

Gate two query process

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| Strategic solution(s) | T2ST |
| Query number | TST002 |
| Date sent to company | 05/12/2022 |
| Response due by | 07/12/2022 |

Query

- 1) In relation to the solution best value assessment, have Ofwat's public value principles been considered when assessing wider social benefits?

Solution owner response

We confirm that Ofwat's public value principles have been considered throughout the development of Gate 2, and specifically when assessing wider social benefits.

Please see T2ST Annex B1: The Environmental Appraisal Report, Section 7.2.1, which confirms:

“There is no specific methodology guiding wider benefits assessments for SROs. Approaches set out in WRMP Guidance¹ (on identifying benefits (both monetary and

¹ Available online at: <https://www.gov.uk/government/publications/water-resources-planning-guideline/water-resources-planning-guideline> [accessed April 2022]

non-monetary) for customers, environment and society) and Ofwat’s Public Value Principles² have influenced the methodology.”

We have developed our Gate 2 submission to align with the National Infrastructure Commission’s (NIC’s) design principles for NSIPs (see Section 3 of the Gate 2 report as well as Section 3.3 and Appendix A of the Concept Design Report in Annex A3) and the RAPID guidance for Gate 2, ensuring that the solutions adhere to the key elements associated with the principles of Climate, People, Place and Value. In the following section, we outline how we believe we have aligned our Gate 2 submission to Ofwat’s principles.

Aligning our Gate 2 solutions to Ofwat’s public value principles

With regard to the development of the SRO Gate 2 submission, the assessments that we have done on wider social benefits have considered both the Thames Water and Southern Water public value delivery policies^{3,4} and are well aligned to Ofwat’s public value principles, as follows:

- The concept design for the SRO has sought to consider the creation of further social and environmental value as part of the delivery of our core services, beyond the minimum required to meet statutory obligations. We have considered how we could deliver enhanced biodiversity net gain and natural capital value and have undertaken an initial assessment of the societal value that this conceptual scheme could deliver. This is reported in Section 6 of the EAR (Annex B1). This will be considered further as the design develops beyond Gate 2, as required by the Gate 3 Guidance.
- At the early stage of scheme development for this SRO, we have not been able to explicitly identify what the wider environmental and societal benefits from the scheme would be. However, as we progress with the development of the scheme we will ensure that any such benefits would be measurable, lasting and important to customers and communities. This would be further tested through engagement, consultation and design development as the scheme progresses.

² Available online at: <https://www.ofwat.gov.uk/about-us/our-strategy/ofwats-public-value-principles/> [accessed April 2022]

³ Thames Water policy available online at <https://www.thameswater.co.uk/about-us/responsibility>

⁴ Southern Water policy available online at [5887_corporate_responsibility_policy_strategcom-final-updated.pdf](https://www.southernwater.co.uk/5887_corporate_responsibility_policy_strategcom-final-updated.pdf) (southernwater.co.uk)

- We ensured that the information and insights we have provided in our Gate 2 submission are open and transparent with regard to operational performance and both positive and negative impacts. We hope that future plans for engagement and consultation on scheme choices will help to identify further opportunities for delivering additional social and environmental value.
- We have assessed customer response and willingness to pay for different societal and environmental benefits, through our SRO customer research projects, as reported in the Stakeholder and Customer Engagement Report (Annex D). As the design progresses, this insight will help to guide the development and design of the future scheme, help shape the design principles that guide it and ensure that the delivery of social and environmental value outcomes will have customer support.
- Throughout the Gate 2 process, we have collaborated widely with others to maximise benefits and try to align stakeholder interests. For example, we have engaged extensively with the Environment Agency and Natural England in particular, regarding environmental issues, and with the affected Local Planning Authorities regarding scheme concept design and option choices. These discussions will continue as the scheme is developed.
- Throughout, we have taken account of our capability, performance and circumstances when considering how this SRO could deliver greater social and environmental value, especially in how we might procure and operate the scheme and in how the scheme would be developed and impacts mitigated.

All of these aspects will be developed as the design develops through future engagement and consultation and in line with RAPID Gate 3 guidance.

Alignment within WRSE draft Regional Plan and draft WRMPs

The regional planning team from WRSE has confirmed that, in relation to the best value assessment they have undertaken, they have considered the 6 public value principles, as set out by Ofwat, that they have met and discussed these with Ofwat, and they are implicit throughout their work to develop the draft Regional Plan.

As an SRO team we have not been directly involved in the development of the best-value planning methodology but understand that they have built these principles into the methodology by:

- ensuring that social and environmental value is built into their assessment metrics,
- by measuring social and environmental benefits across both individual options and selected programmes,
- by applying customer research to ensure that the delivery of social and environmental value outcomes are supported by customers and
- by collaborating with others in the development of the draft Regional plan to optimise solutions and maximise benefits, seeking to align stakeholder interests.

Furthermore, the WRMP teams from within Thames Water and Southern Water have confirmed that although Ofwat’s public value principles were not explicitly considered within the assessment of social benefit when deriving their draft WRMPs, the principles are, however, well aligned with the approach taken to Best Value Planning. The reason for this slight misalignment is that these principles are not referenced in either the Water Resources Planning Guideline or the supplementary guidance on Environment and Society in Decision-Making.

Conclusion

In summary, our Gate 2 submission, is completely consistent with Ofwat’s public value strategy, ultimately targeted towards delivering more social and environmental value through our core services and through the delivery of the SRO. We plan to progress the scheme in this way after Gate 2, through the consideration of scheme specific design principles and future engagement and consultation in accordance with RAPID Gate 3 guidance.

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| Date of response to RAPID | 07/12/2022 |
| Strategic solution contact / responsible person | [REDACTED] |