

January 2021

**Reference of the PR19 final determinations:
Elsham DPC scheme – response to
consultation paper**

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1. Introduction

- 1.1 On the 22nd December 2020 the CMA issued a consultation¹ relating to the treatment of the direct procurement for customers (DPC) Elsham scheme² within the redetermination process. This document sets out our response to the further assessment and updated view of the CMA set out in the consultation.
- 1.2 We will also provide a response to any new issues or further arguments raised by Anglian Water, or other parties, in response to the consultation.

¹ Competition & Market Authority. Ofwat PR19 Price Determination for Anglian Water. The Elsham scheme. 22 December 2020.

² The Elsham scheme is a water treatment, storage and transfer scheme proposed by Anglian Water and current being assessed through our direct procurement for customers (DPC) process. Through the DPC investment route a water company competitively tenders for a third party to potentially design, build, finance, operate and maintain the assets.

2. Our response

- 2.1 We agree with the view set out by the CMA in its consultation paper that the redetermination should not revise the scope of the Elsham DPC and that no consequential adjustments to totex allowances, performance commitments or ODIs are needed.³
- 2.2 We welcome the view expressed by the CMA that it may undermine the DPC process were it to take a view on the scope of the Elsham scheme.⁴
- 2.3 The concerns raised previously by Anglian Water regarding the reimbursement mechanism⁵ have been resolved.⁶ Our consultation on the relevant licence changes (including the DPC IDoK process) closed on the 4th January 2021. Anglian Water provided the consent that we require to make the licence modification by agreement. The responses on the consultation from all other interested parties were also supportive of the changes. We intend to modify the relevant licences before the end of February 2021.
- 2.4 The consultation provides a brief summary of our DPC assessment process.⁷ We agree with the CMA that there may be significant risks to customers should the CMA, at this late stage in the redetermination process, consider the detailed and wide-ranging issues relating to the delivery of the scheme.⁸ We can fully assess whether this scheme should be progressed via the DPC route through our multi-stage DPC process. Our DPC process is clearly defined and developed with close cooperation with water companies and other stakeholders.⁹ We have already approved the strategic outline case for one project and are set to decide on the Elsham project and a further project in February 2021.
- 2.5 We received the final version of the strategic outline case for the Elsham scheme from Anglian Water on 24th December 2020. We are currently reviewing the submission and will consider all the issues raised by the company and continue a dialogue with Anglian Water and other stakeholders, as necessary. The process

³ CMA, Elsham scheme consultation, paragraph 22.

⁴ CMA, Elsham scheme consultation, paragraph 21.

⁵ CMA, Elsham scheme consultation, paragraph 17.

⁶ CMA, Elsham scheme consultation, paragraph 18.

⁷ CMA, Elsham scheme consultation paragraph 13 and 20.

⁸ CMA, Elsham scheme consultation, paragraph 20.

⁹ Ofwat, [Appendix 5: Direct Procurement for Customers Briefing Note on the Procurement Process for 2020-2025](#),

allows for Anglian Water to bring forward any new information (such as potential new abstraction licence caps as referred to in the exchange of letters with the EA¹⁰) and the implications for project deliverability. The strategic outline case stage focuses on the strategic case and early economic appraisal¹¹ and concludes with a decision as to whether to proceed with a detailed economic appraisal. The process allows for the project to be de-scoped, and so we are able to take a decision early on whether or not to de-scope according to the recommendation in the strategic outline case, as long as sufficient evidence is presented to us supporting the case. We will provide a decision and our feedback to Anglian Water within 40 days of receipt of the final submission.

¹⁰ In previous evidence Anglian Water submitted two letters - 10th Nov 2020 Peter Simpson (ANH) to Sir James Bevan (EA) – filename “H11001 Anglian Letter to EA.pdf” and 25th Nov 2020 Sir James Bevan (EA) to Peter Simpson (ANH) – filename “H11002 EA letter to Anglian.pdf.”

¹¹ Ofwat, [Delivering Water 2020: Our final methodology for the 2019 price review. Appendix 9: Direct procurement for customers](#), p. 8.

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