

Building a resilient future

A Major Projects guide for investors



About this document

This document provides an introduction to the water and wastewater industry in England and Wales, including an overview of the legislative framework and regulatory environment. It sets out the challenges the sector is facing and explores the increasing need for vital strategic resource options to ensure future resilience.

There is a focus on the development of major new infrastructure projects including the strategic water resource solutions being developed through Regulators' Alliance for Progressing Infrastructure Development (RAPID). Significant investment is required over the coming years, and we encourage investors and other interested parties to get involved and learn more about the sector. We intend for this document to serve as a reference tool, part of a wider programme of stakeholder engagement by Ofwat's Major Projects team.

We outline the delivery models that may be considered for the delivery of major new infrastructure, focusing on the Direct Procurement for Customers (DPC) framework and the Specified Infrastructure Provider Model (SIPR). We detail 30 projects with lifetime totex of c. £50 billion (2022-23 prices) categorised as major projects, of which 27 are proposed to be delivered by DPC or SIPR, and three to be delivered in-house.

We conclude by setting out the opportunities for investors and the supply chain to participate in a significant forward capital programme, highlighting the key attractions of the investment proposition.

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1

Executive summary

Water resources are coming under increasing pressure from population growth, economic development, climate change and the need for environmental improvement. Company water resource management plans forecast a shortfall of nearly 5 billion litres per day between available sustainable water supplies and expected demand by 2050.

In its 2024 price review, PR24, Ofwat signalled the launch of a substantial pipeline of major projects focused on securing the long term water supply of England and Wales.

With over £50 billion in investment across 30 projects, this programme represents the

most ambitious delivery agenda the sector has ever seen. Each project has a total whole-life expenditure exceeding £200 million and 27 of them will be competitively tendered to third parties through either the Direct Procurement for Customers (DPC) or Specified Infrastructure Provided Regulation (SIPR) tender routes. The pipeline includes a mix of reservoirs, water transfers, water recycling and desalination projects spanning the next five to 15 years and beyond. The programme is underpinned by strong regulatory oversight and plays a critical role in advancing the Government's growth agenda – unlocking water capacity for new homes and business while supporting job creating in the communities where solutions are delivered.

c.£50 billion

total expenditure of the Major Projects to be delivered

30+

major projects with 27 being delivered by third parties outside of the water companies

£2.15 billion

development costs granted to water companies in 2024 price review

9

new reservoirs planned across England

5 billion litres

daily shortfall of water supplies from expected demand by 2050

11

projects with planned construction start dates during AMP8

>50%

of totex to start construction in AMP9 and beyond

2040

the year construction starts on the last project in the current pipeline

4

existing projects from PR19 already being competitively delivered

Why invest in this asset class?



No stranding risk

These projects benefit from long-term recovery mechanisms, are designed for climate change and have no exposure to competitive or market stranding risks.

Capped liabilities

Risk exposure is limited by the SPV (CAP/IP) structure and capped in line with regulatory funding arrangements and agreed delivery responsibilities.



Guaranteed revenues

Under DPC an allowed revenue directive (ARD) is issued to the Appointee to recover costs paid to the CAP. For SIPR, the IP will have its own license and therefore the right to collect revenue from customers.

Enhanced regulatory protections

Projects benefit from strengthened regulatory oversight and protections to support long-term delivery and investment certainty.



Significant growth opportunities

Additional schemes do not have to come through the five-year price review process. The government have confirmed that Defra will amend the Specified Infrastructure Projects Regulations (SIPR) to streamline delivery of these major water projects.

Impact investing

These projects offer long-term, stable returns with tangible environmental and social benefits.



2

An introduction to the water industry

Every day, over 50 million household and non-household consumers in England and Wales receive good quality water, sanitation and drainage services. These services are provided by privately-owned companies in England and Wales.

Water companies operating the public water networks hold appointments as water undertakers, and those operating the public wastewater networks hold appointments as sewerage undertakers, for the purposes of the Water Industry Act 1991. They also supply water and wastewater services direct to household customers (and in some cases to non-household customers) who are connected to their network.

There are 28 appointed companies, of which 16 are regional monopolies that provide either water services (water only companies (WOCs), or both water and sewerage services (water and sewerage companies (WASCs). There are 11 WaSCs and five WOCs. There are also 12 small water and sewerage undertakers providing services to specific sites or small geographic areas.

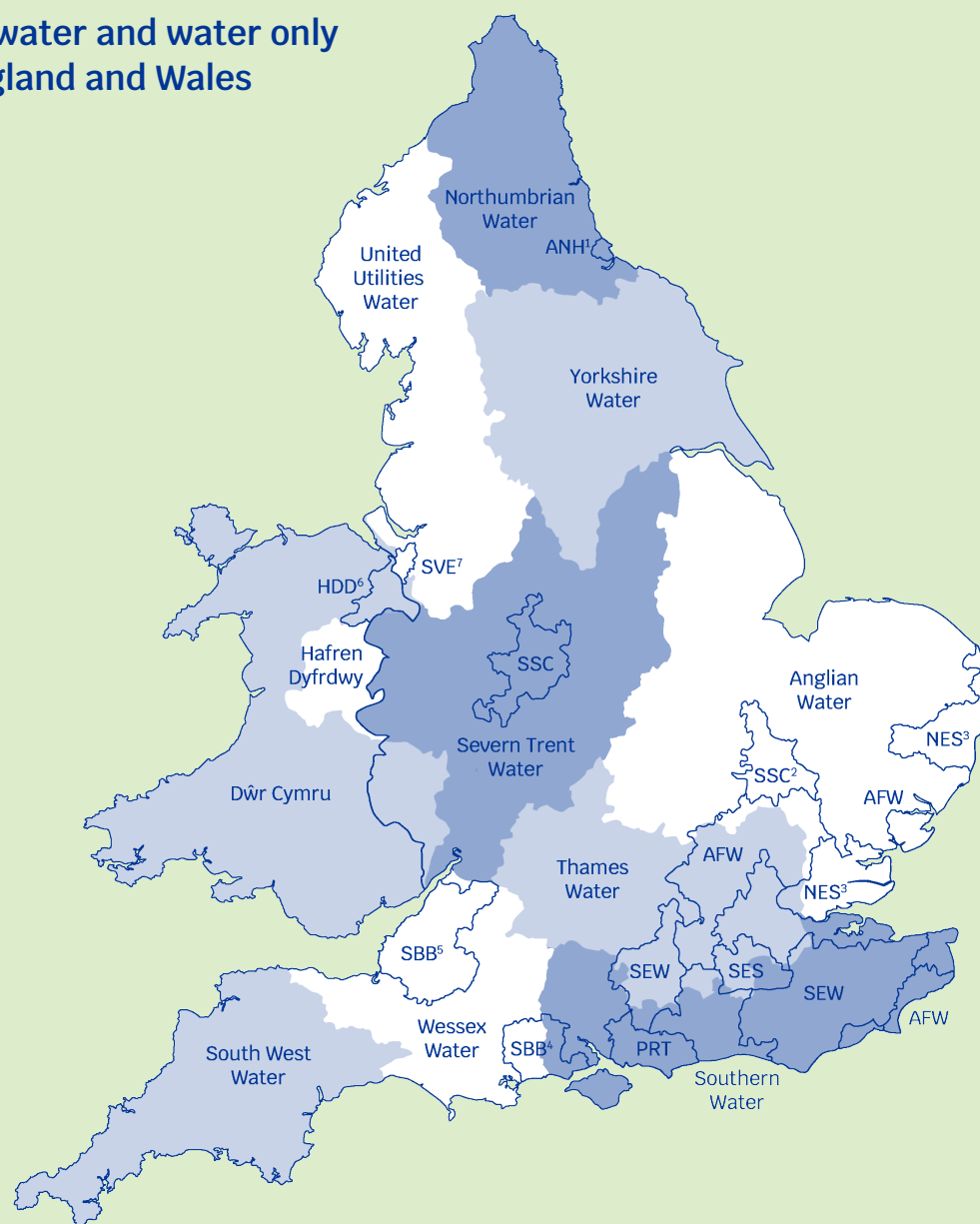
Companies can also be granted an infrastructure provider project licence to carry out a large or complex water or wastewater infrastructure project that has been specified under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SI 2013/1582). There is currently one such provider, Bazalgette Tunnel Limited, set up to finance, build, maintain and operate the Thames Tideway Tunnel.

Households are not able to choose their water supplier, but the business retail market in England and Wales was opened to competition on 1 April 2017, and eligible non-household premises are no longer restricted to buying water and sewerage services from their regional monopoly. A company is required to hold a water supply and/or sewerage licence to provide supplies of water and sewerage services to eligible non-household premises. Some licensees may be limited to providing water supplies or sewerage services to their own sites and those of persons associated with them (known as self-supply). A summary of the legislative evolution of the water sector is set out in Annex 1.

Regulatory framework

At privatisation, the roles of regulation and the provision of water and sewerage services were separated. Three independent bodies were established to regulate the industry and protect the interests of customers and the environment. These bodies were the National Rivers Authority (subsequently subsumed into the Environment Agency), the Drinking Water Inspectorate, and the Director General of Water Services supported by the Office of Water Services (Ofwat), which were replaced by the Water Services Regulation Authority in 2006. The organisation is still known as Ofwat.

Water and wastewater and water only companies in England and Wales



Water and wastewater companies

Anglian Water	ANH
Dŵr Cymru	WSH
Hafren Dyfrdwy	HDD
Northumbrian Water	NES
Severn Trent Water	SVE
South West Water	SBB
Southern Water	SRN
Thames Water	TMS
United Utilities Water	UUW
Wessex Water	WSX
Yorkshire Water	YKY

Water only companies

Affinity Water	AFW
Portsmouth Water	PRT
South East Water	SEW
South Staffs Water	SSC
SES Water	SES

1. Water services provided under the Hartlepool Water name.
2. Water services provided under the Cambridge Water name.
3. Water services provided under the Essex & Suffolk Water name.
4. Water services provided under the Bournemouth Water name.
5. Water services provided under the Bristol Water name.
6. Hafren Dyfrdwy provides water services only in this area.
7. Severn Trent Water provides water services only in this area.

The Department for Environment, Food and Rural Affairs (Defra) sets the overall water and sewerage policy framework in England, including standard setting, drafting of legislation, and creating special permits. In Wales, the Welsh Government is responsible for these matters. Regulation has evolved since privatisation, and environmental regulation, drinking water regulation and economic regulation of the water industry in England and Wales is now conducted by The Environment Agency, the Drinking Water Inspectorate, and Ofwat respectively. The water industry also works closely with a number of other organisations, notably the Consumer Council for Water (CCW) and Natural England. A summary of the responsibilities of these organisations is set out in Annex 2.

One of the ways in which Ofwat regulates is to set the price, investment and service package that customers receive, including setting controls that limit what companies can charge their customers. Ofwat carries out a review of these price limits every five years, issuing final determinations in the PR24 process in December 2024, effective for the period April 2025 to March 2030. The determinations allow total expenditure of £104 billion over the five-year period, known as AMP8, include an allowed return of 4.03% CPIH real, and will see average combined water and sewerage bills increase by £157 before inflation by 2030 vs. 2024–25 levels. Further detail on the price review process, the regulatory building blocks and the key components of PR24 determinations are available on the Ofwat website. The c. £50 billion for the pipeline of major projects is in addition to this and largely sits outside the price review process.

In 2019 the Regulators' Alliance for Progressing Infrastructure Development (RAPID) was established to help accelerate

the development of new water supply infrastructure and design future regulatory frameworks. The joint team is made up of the three water regulators, Ofwat, the Environment Agency and the Drinking Water Inspectorate. We now have a substantial pipeline of water supply resilience projects being assessed within the RAPID programme. The projects in the RAPID programme are often referred to as Strategic Resource Options (SROs).

Future of the water sector

Our water resources are coming under increasing pressure from population growth, economic development, climate change and the need for environmental improvement. Company water resource management plans highlight a shortfall of nearly 5 billion litres per day between available sustainable water supplies and expected demand by 2050. Reduction in consumption and leakage is expected to address over 65% of the supply demand deficit by 2049–50, but supply side solutions are necessary and major new investments, including large infrastructure projects, will be required.

This need was recognised by the National Infrastructure Commission's Second National Infrastructure Assessment which recommends that RAPID and the price review process ensures that at least 1,300 mega litres per day is provided by the mid 2030s through:

- additional strategic water transfers; and
- additional supply infrastructure.

At a time of great change in the water sector where maintaining the status quo is not an option, this apparent level of support from government appointed bodies is investment positive.

3

An overview of Major Projects and RAPID

Water companies have a duty, every five years, to produce water resource management plans (WRMPs) which set out how they will continue to supply water in their supply area over at least the next 25 years. Defra or the Welsh Government approve WRMPs and some of those covering the 2025–50 period are yet to be approved.

The Environment Agency's review¹ of the English water companies revised draft WRMPs for highlights a shortfall of nearly 5 billion litres per day between available sustainable water supplies and expected demand by 2050. Reduction in consumption and leakage is expected to address over 65% of the supply demand deficit by 2049–50, but supply side solutions are needed and the revised draft WRMPs include c.50 new >10Ml/d supply options. Major new investments, including large infrastructure projects, will be required. Many of these projects are of a size and complexity that water companies have not delivered since privatisation, and third-party providers and investors may be better placed to deliver them, with greater capacity, more experience and more appropriate resources, offering real benefits to customers. These could accrue from innovation and design, operational savings, performance improvements, and financial structuring.

The Regulators' Alliance for Progressing Infrastructure Development (RAPID) was established in 2019 to help facilitate the development and funding of new large scale strategic water supply options by the

water companies. RAPID is a partnership of the three water regulators – Ofwat, the Environment Agency and the Drinking Water Inspectorate. Natural Resources Wales (NRW) is involved in an advisory capacity and has a decision-making role for any solution involving Wales, Welsh policy and legislation.

Ofwat's Major Projects and Markets directorate is responsible for the policy and market development for the future pipeline of major infrastructure projects in the water sector in England and Wales, as well as Ofwat's role in the oversight of the development, procurement, and delivery of these projects. The directorate works closely with RAPID on early engagement in both water resources and wastewater planning.

Ofwat is of the view that for the RAPID programme of projects, significant benefits could be derived for customers through competitive tendering of major infrastructure projects. This would allow third parties to design, build, finance, and potentially operate and/or maintain major infrastructure. This policy forms part of Ofwat's PR24 methodology as it can result in better value for customers by driving down costs and increasing innovation, while maintaining quality. The PR24 methodology also provides for benefits to customers in areas exporting water: customers receive a 50% share of the economic profit calculated for any trade which therefore benefits those customers for supporting resilience for other companies' supplies.

1. [Summary of England's revised draft regional and water resources management plans](#)

Major water infrastructure projects in PR24 final determinations



Solid line = water transfers
Dotted line = connection
Circle = source

Major projects are defined as those with a whole life totex exceeding £200 million and a strategic resource option and/or meeting the criteria for delivery by competitively tendered models (Direct Procurement (DPC) or Specified Infrastructure Provider Model (SIPR). There are a small number of major projects that are strategic resource options but are not eligible for delivery through either the DPC or SIPR competitive tendering models and these will be delivered in-house by relevant companies using their own procurement processes but will have RAPID oversight. Ofwat's PR24 final determinations accepted a portfolio of 30 major projects. Total whole life totex for the 30 projects is estimated at £50 billion (2022-23 prices).

These are in addition to four existing major projects – Thames Tideway Tunnel, United Utilities' Haweswater Aqueduct Resilience Programme (HARP), and Dŵr Cymru's Cwm Taf water treatment works, all being competitively procured and delivered through SIPR or DPC, and Portsmouth Water's Havant Thicket reservoir which is being delivered in-house but subject to a 10-year price control.

Key

- Cheddar 2 reservoir and transfer
- Broad Oak reservoir
- Fens reservoir
- Lincolnshire reservoir
- Mendip Quarry reservoir
- New Arlington reservoir
- North Suffolk reservoir
- Rudyard reservoir and transfer
- South East Strategic Reservoir Option
- West Midlands raw water storage reservoir
- Bacton desalination
- Mablethorpe desalination
- Aylesford (Medway) and Ford (Littlehampton) water recycling
- London water recycling (Teddington DRA and Beckton)
- Hampshire transfer and water recycling
- Minworth water recycling
- Poole water recycling and transfer
- Severn Trent sources and transfer
- Grand Union Canal transfer
- Kielder SRO transfer
- Lower Thames to West London Reservoirs transfer
- Peterborough to Grafham transfer
- Severn to Thames transfer
- South Yorkshire sources and transfer
- Thames to Affinity transfer
- Thames to Southern transfer
- North West source and transfer
- Nottinghamshire mine water treatment and transfer
- West Yorkshire water treatment works

DPC – the default for discrete projects with whole life totex above £200 million

Ofwat's final methodology for PR24 set out that DPC applies by default for all discrete projects with whole life totex above £200 million, a change from the PR19 requirement to consider DPC for discrete schemes with expected totex over £100 million. Value for money (VfM) was one of the key reasons for Ofwat introducing DPC into the PR19 process, and a VfM assessment is required for all major projects except those being progressed under the RAPID process.

Appointees are required to assess the VfM of delivering the project via DPC as part of securing Ofwat's consent to put it out to tender. Appointees are required to model the difference in Net Present Value (NPV) of the revenue (in real terms) to be recovered from customers over the economic lifetime of the asset under DPC and under in-house delivery. Appointees are expected to have regard to Ofwat's standard modelling assumptions, current market conditions and intelligence from recent, relevant transactions.

DPC is the default position for large projects, and Ofwat's expectation is that most projects will be delivered by this route. If an Appointee considers that SIPR may be more appropriate, including meeting the legislative requirements for using SIPR and offering best VfM for customers, it needs to engage with Ofwat on the drivers for using SIPR over DPC. Ofwat has a formal role in specifying projects under the Water Industry (Specified Infrastructure Projects) (English Undertaker) Regulations 2013 and would need to agree with the Appointee's analysis before proceeding to specify a project

for delivery under SIPR. SIPR, however, generally has higher set up costs and lifetime regulatory costs are generally higher under SIPR. Consequently, Ofwat expects it only to be used for larger more complex projects, including where direct regulation may offer advantages, and where the potential benefits offset the higher costs.

However, in March 2025, the Government announced that Defra will amend the Specified Infrastructure Project Regulations to streamline delivery of major water projects and provide better value to billpayers following the success of the Thames Tideway Tunnel project. This may present an opportunity for wider use of SIPR across the pipeline of projects.

Gated approval process for RAPID projects

Projects in the RAPID programme progress through a gated process which enables the technical assessment of the projects to be carried out in parallel with the technical water resource planning work and includes assurance that the project is indeed viable. RAPID assesses the progress made in development of each project and provides recommendations to enable Ofwat to make decisions on continued ring-fenced funding for project progression. There are four RAPID gates:

- Gate one: initial concept design and decision making
- Gate two: detailed feasibility, concept design
- Gate three: developed design, finalised feasibility, pre-planning
- Gate four: planning applications, procurement and land purchase

Ofwat stage approvals for competitively tendered projects

All RAPID projects are categorised as major projects, but those not eligible for competitive tendering will be delivered in-house and form part of the price review process. Major projects that are not strategic resource options are not RAPID projects and are not required to go through the RAPID gated process. Projects which are delivered by competitive tendering must go through a four stage Ofwat approval process², managed by Ofwat's Major Projects team, and aligned where possible with the RAPID gated process to avoid duplication.

Stage one **Establishing the strategic case**

Appointees must establish the needs/strategic case for the project and assess whether the project will be suitable for delivery under DPC. Stage 1 assessment is not required for RAPID projects as this is deemed to be passed through the RAPID gate one process.

Stage two **Approach to procurement plans, outline of the commercial model and designation of the project**

This focuses on the procurement plans and is the start of the VfM assessment for non-RAPID projects. RAPID projects do not require a VfM assessment as they are of an order of scale and uniqueness that makes them less suited to in-house delivery, and it is accepted that competitive delivery will deliver VfM.

Stage three **Gaining consent to procure the project**

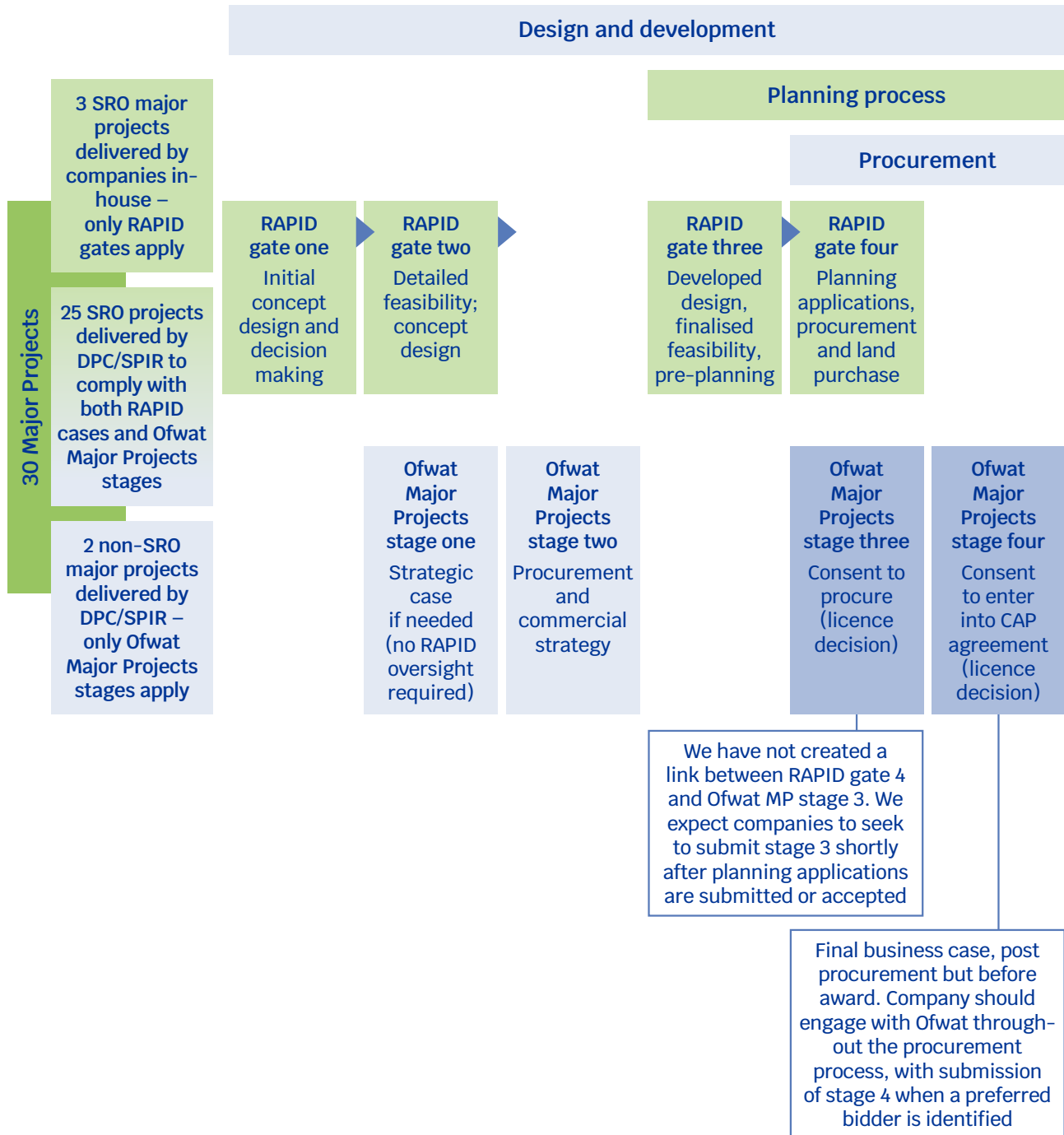
Ofwat's consent is required before a DPC project may be put out to tender, with a requirement for board assurance that the Appointee has sufficient resources, systems and capabilities to tender the project. Where applicable, full details of the VfM assessment are required.

Stage four **Gaining consent to enter into a CAP (Competitively Appointed Provider) agreement**

The Appointee is required to provide evidence including that the procurement process has been effective and competitive, and that DPC delivery still offers best value (where applicable). The Appointee is also required to provide a board assurance statement.

2. [Guidance for Appointees delivering Direct Procurement for Customers projects](#)

Major projects by proposed delivery model and illustration of RAPID gates and Major Project stages



There are a range of possible tender models, with scope to tender at different stages in the project lifecycle. Ofwat is of the view that all models have the potential to drive significant consumer benefits, but Appointees are responsible for identifying the tender model best suited to the requirements of the DPC project. Justification of the choice of tender model and an explanation of why it provides best value for consumers form part of the initial stages of the assessment pathways outlined above.

DPC tender models

	Early	Late	Very late	Split
Identify need	Appointee			Appointee
Identify options, choose preferred				
Initial design	Tender	Appointee		Tender 1
Surveys and studies			Appointee	CAP
Planning and consents		Tender		Tender 2
Detailed design	CAP			
Procurement		CAP		CAP
Build			Tender	
Operate			CAP	

Restrictions on Appointees bidding for in area projects

In order to prevent real or perceived conflicts that could negatively impact the outcome for customers, an Appointee must not, without the prior written consent of Ofwat, bid in its own DPC procurement process, permit an associated company to bid in its DPC procurement process or award a CAP agreement to an associated company. This includes submitting a bid in its own name, being part of any consortium submitting a bid, or being named in any bid as the entity undertaking the DPC project.

There are similar prohibitions in place under The Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013. Provision 5 prevents an incumbent from undertaking a specified infrastructure project.

Provision 7 prevents an associated company of the incumbent company from bidding in tender process for a specified infrastructure project which relates to infrastructure for the use of the incumbent without the consent of the Secretary of State or Ofwat. Consent may only be given if Secretary of State or Ofwat is of the opinion that the participation of the associated company in the tender process will not have the effect of distorting competition or breaching the principles of non-discrimination or transparency in the process.

Companies can, however, bid for projects outside their area of appointment where they are not expected to be a beneficiary of the project, delivering the project as non-appointed business.

Competitively tendered projects sit outside the price review process

Major projects are more complex and challenging to develop and deliver than the business-as-usual capital programmes managed by water companies. Design, consenting and construction can span multiple Asset Management Periods, and consumer benefits might not be realised for many regulatory cycles. Ofwat recognised that a different regulatory approach is appropriate and developed DPC as part of PR19.

Under DPC (and SIPR) funding for the detailed design, building, operation and maintenance of competitively tendered projects sits outside the price review process, with these costs set by the competitive process and recovered from customers via an Allowed Revenue Direction for DPC projects and a Revenue Agreement for SIPR projects, the key features of which are detailed in section 4 of this guide.

However, Ofwat allocates funding in the price review to cover the efficient costs to fund the gates and stages associated with the development of the projects, including project development costs and the cost of developing the project for competitive delivery. There is a focussed incentive package for companies to run an efficient procurement process with both rewards and penalties, and an uncertainty mechanism proposal to manage the risk of material increase in costs during 2025–30 that could create financial constraints for the Appointee company. Ofwat’s PR24 final determinations make up to £2.15 billion (2022–23 prices) available to fund development and DPC/SIPR costs over the 2025–30 period, a material increase on the £469 million (2017–18 prices) made available at PR19 for the 2020–25 period.

Major projects which do not meet the requirements of DPC or SIPR will be delivered in-house, predominately treated as enhancement expenditure, with all their funding determined by the price review process

No explicit restrictions on overseas involvement in DPC or SIPR projects

Overseas investment has played a major role in the financing and delivery of UK infrastructure, including water, and is likely to do so in the future. There are no explicit restrictions on overseas involvement in DPC or SIPR projects, and while water is a Critical National Infrastructure sector, it is not one of the 17 sensitive areas of the economy subject to mandatory notification of acquisitions under the National Security and Investment Act (NSI). However, a call for evidence response³ published in April 2024 indicated that “the government is also exploring the possibility of adding water to the list of areas subject to NSI mandatory notification.” Furthermore, the government can scrutinise and intervene in acquisitions made by anyone, including businesses and investors, that could harm the UK’s national security.

The current pipeline of major projects is set out below. These are chronologically ordered by the current planned start date of construction, commencing from 2027.

3. [National Security and Investment Act 2021: Call for Evidence Response](#)

2027 • North West Transfer	2028 • Becton Water Recycling • Minworth • Teddington DRA	2029 • Aylesford and Ford re-use • Cheddar 2 Source and Transfer • Fens Reservoir • Grand Union Canal • Hampshire Water Transfer and Recycling • SESRO • West Yorkshire WTW
2030 • Bacton Desalination • Lower Thames to West London Reservoir • Mablethorpe • North Suffolk • Poole Water Recycling and Transfer • Severn to Thames Transfer	2031 • Broad Oak Reservoir • Lincolnshire Reservoir • South Yorkshire Sources	2032 • Kielder Transfer SRO • West Midlands Raw Water Storage
2033 • Thames to Southern Transfer	2034 • Severn Trent Sources	2035 • Mendips Quarry • New Arlington • Peterborough to Grafham • Rudyard Reservoir Augmentation
2038 • Nottinghamshire Mine Water Treatment	2040 • Thames to Affinity Transfer	

The Major Projects team is preparing a suite of documents to support Appointees in delivering these schemes, including updated DPC and SIPR guidance, standardised CAP agreements and cost estimation guidance. Additional guidance on compensation events, incentive and penalty mechanisms and bulk supply agreements will follow.

It is also expected that RAPID will update their gated guidance throughout the next 12 months.

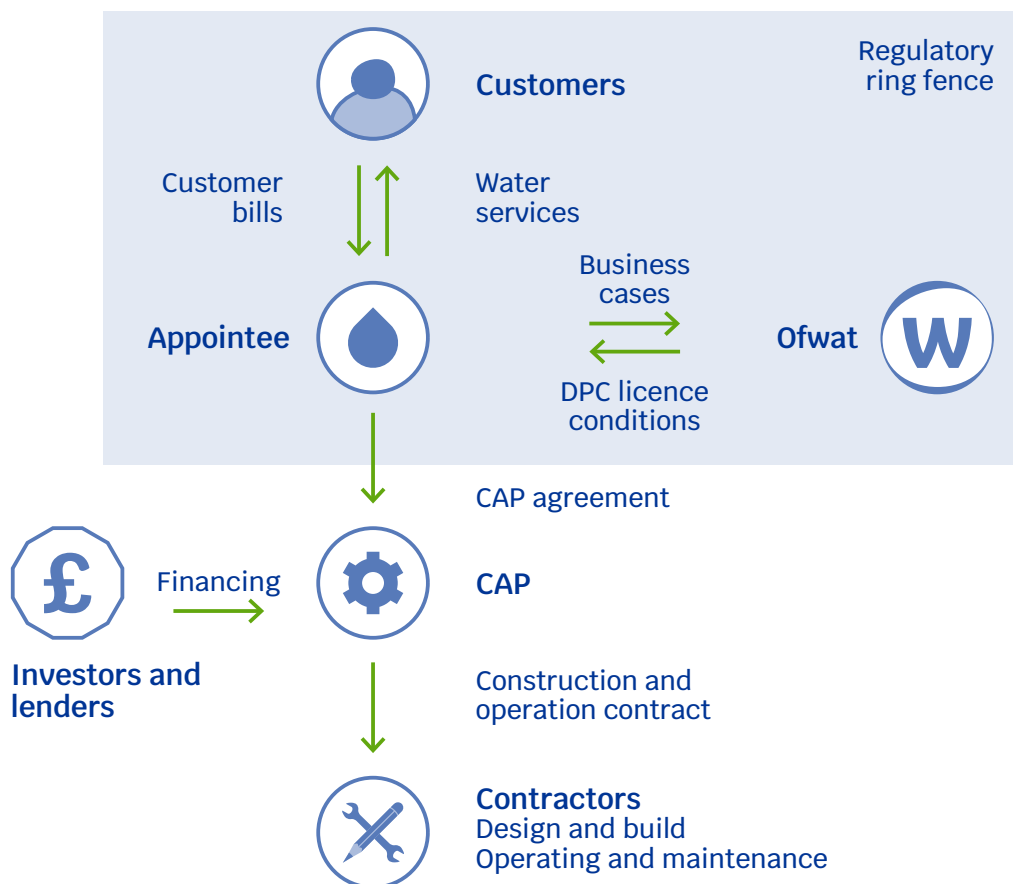
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Overview of the DPC and SIPR delivery models

Ofwat's final methodology for PR24 set out that DPC applies by default for all discrete projects with whole life totex above £200 million, and Ofwat's expectation is that most major projects will be delivered by this route. Of the 30 major projects accepted in PR24 final determinations, 24⁴ have DPC as their proposed delivery model, with two more (United Utilities' HARP and Dŵr Cymru's Cwm Taf) already in train.

In the DPC process, Appointees put major projects out to competitive tender for delivery by third parties. The successful bidder is known as a Competitively Appointed Providers (CAP) who will be responsible for designing, building, financing, and possibly operating and/or maintaining the infrastructure. The CAP could be a consortium of different organisations funded by investors and lenders for the upfront investment required. Ofwat regulates the Appointee who bills and collects payments from its customers, to pay the CAP subject to them complying with the CAP agreement.

The DPC structure



4. One project is proposed as in-house/DPC hybrid.

The alternative model for competitive delivery is SIPR, and under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013, the Secretary of State or Ofwat may specify projects for delivery under the Regulations if:

- the projects are of a size or complexity that threatens the incumbent undertaker's ability to provide services for its customers; and
- specifying the infrastructure project is likely to result in better value for money than would be the case if the infrastructure project were not specified.

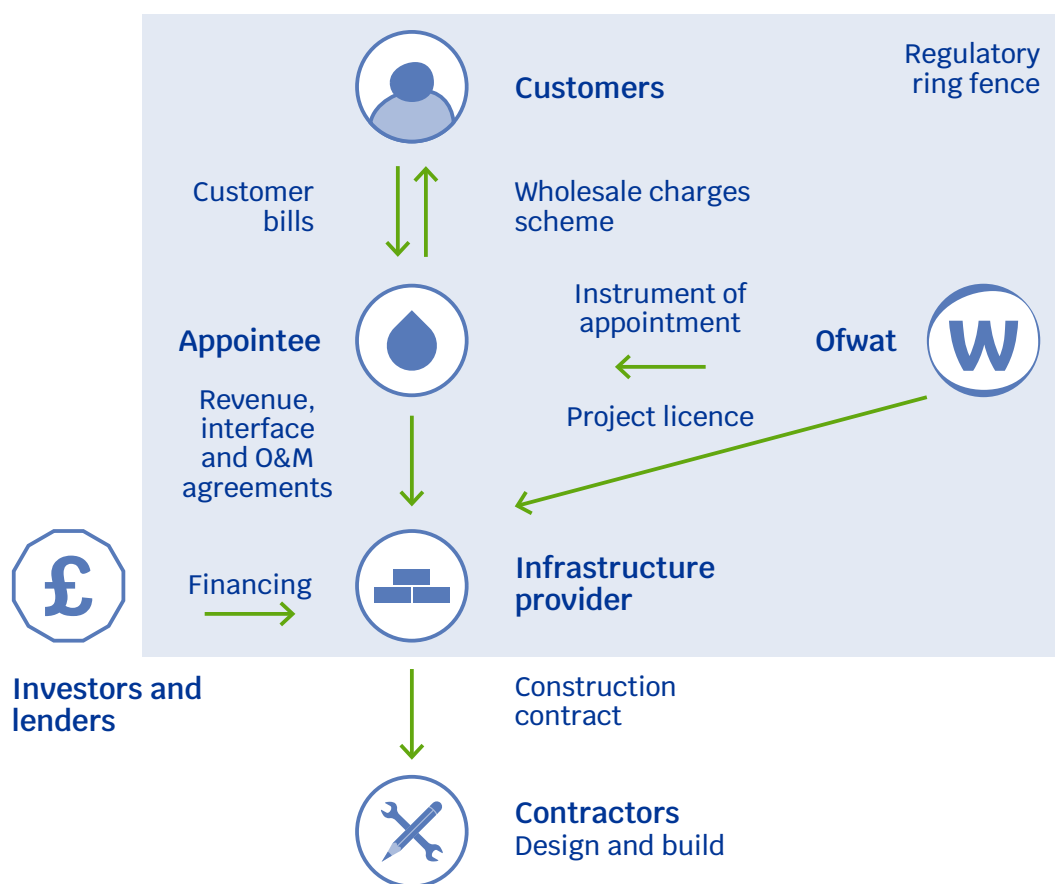
If an Appointee considers that SIPR may be more appropriate than DPC, including meeting the requirements above, it needs to engage with Ofwat on the drivers for using SIPR over DPC. Of the 30 major projects accepted in

PR24 final determinations, three are proposed to be delivered via the SIPR model in addition to Thames Tideway Tunnel, which is the only project to be delivered through SIPR to date.

SIPR structure

Under SIPR, a third-party service provider, known as the Infrastructure Provider, is granted its own licence by Ofwat who then regulate them directly, whereas under DPC, the activities of the CAP are regulated indirectly via the contractual relationship between the CAP and the Appointee.

The DPC and SIPR models have some common characteristics, but there are also key differences. The key characteristics for each model are set out in the table on pages 21 to 23.



DPC	Characteristic	SIPR
Competitively Appointed Provider (CAP) not licensed by Ofwat. Appointee can apply for an interim determination if a project is no longer being delivered by DPC.	Regulation	Infrastructure Provider (IP) licensed directly by Ofwat.
Whole life totex >£200 million, discrete project.	Threshold	Whole life totex >£200 million, discrete project of a size or complexity that threatens the incumbent undertaker's ability to provide services for its customers and likely to result in better value for money for customers.
Ofwat's consent required before an Appointee can put a DPC project out to tender or enter into a CAP agreement.	Approval	The Secretary of State or Ofwat may specify projects for delivery under SIPR, requiring the incumbent company to put the project out to tender.
Appointee run DPC tender process. Efficient costs of project development and the cost of developing the project for competitive delivery included in price review totex allowances.	Procurement process	Appointee run SIPR tender process. Efficient costs of project development and the cost of developing the project for competitive delivery included in price review totex allowances.
Required. The ITA may be appointed by the Appointee, or jointly by the Appointee/CAP. Tasks undertaken by the ITA are project specific, including having a role in agreeing the CAP charges.	Independent Technical Adviser (ITA)	Not specified, though Thames Tideway appointed an ITA.
CAP appointed to design, build, finance, and possibly operate and maintain the relevant infrastructure. Appointee enters into an agreement with a CAP to deliver the asset and relevant services. CAP agreement likely to be a long-term arrangement spanning multiple price review periods.	CAP agreement	N/A.

DPC	Characteristic	SIPR
N/A, licence obligations sit with the Appointee.	Project licence	Structured similarly to Appointee's licences with appendices setting out the conditions for calculating the IP's allowed revenues during construction, as well as any non-revenue related conditions.
Amended for those Appointees currently pursuing DPC projects and/or delivering DPC projects in AMP8.	Incumbent Appointee licence	N/A.
Ofwat 'Guidance for Appointees delivering DPC projects' sets out expectations for appointees but enables flexibility in its application.	Framework	Ofwat consulted ⁵ in March 2024 on updating 'Criteria for selecting specified infrastructure projects – Ofwat Guidance' (May 2015).
Benefits of standardisation recognised, but DPC at early stage and framework evolving.	Standardised model/ documentation	Bespoke licence. Thames Tideway's licence based on standard UK water and sewerage model.
General principle that risks are allocated to the party best placed to manage them. Delivery risk shared between Appointee and CAP, cost overruns shared between Appointee/ CAP/customers. Expectation that post construction refinancing gains are shared with customers. Customer bad debt risk sits with the Appointee.	Risk allocation	Bespoke enhancements in licence.
CAP Charges set out in CAP agreement and paid by the Appointee to the CAP for the delivery of the DPC project. Reflects the costs incurred by the CAP to deliver the DPC project including construction, operation, maintenance and finance costs, and the timing of commencement of payments.	Revenue entitlement	Bespoke regulatory regime set out in Revenue Agreement. Regulated revenue stream with no periodic reviews prior to Post Construction Review. Full periodic reviews thereafter.
Possible, though approach to indexation should secure best value for money for customers.	Indexation	Likely to be inflation linked.

5. [Criteria for selecting specified infrastructure projects](#) – Ofwat Guidance (May 2015) – a consultation on proposed updates

DPC	Characteristic	SIPR
Expectation of duration of c.25 years, with flexibility for longer durations.	Duration	Into perpetuity, with periodic reviews post construction, although conditions exist for revocation of the licence, including full depreciation of the regulated assets.
Typically post construction, though alternatives possible with Appointees required to demonstrate approach that delivers best value for customers.	Commence-ment of revenue stream	Typically begins on day one of the project.
Passed through to customers via Ofwat issued Allowed Revenue Direction (ARD) which mirrors the payments under the CAP agreement. ARD likely to be a long-term arrangement spanning multiple price review periods. The ARD will also recognise the Appointee's obligation to pay, if any, end of contract payments and will confirm that the Appointee will be able to recover these through future price controls.	Customer bills	Passed through to customers via a Revenue Agreement with Appointee. The Appointee can recover the IP charges under its Wholesale Charges Scheme.
Expectation that the special administrator would comply with bulk supply agreements, CAP agreements, ITA agreements, etc., and that all relevant agreements transfer to a new Appointee under a transfer scheme.	Appointee Special Administration	Ongoing compliance with Appointee obligations, including making payments in accordance with the Revenue Agreement would be an important consideration for the special administrator.
Flexible though CAP ownership likely via SPV.	Ownership	IP retains ownership of the asset into perpetuity unless licence revoked.
Options available for Appointee to retender, extend or transfer asset to Appointee.	Post concession period	N/A.

The Lead Party Model

The programme of water resource infrastructure solutions are regional schemes and multi-party in nature. They range from bilateral (bulk supply) water transfers between two water companies to those with multiple water companies (those selling the water – the exporters and those buying the water – the importers). For some solutions multiple water companies could be providing water to a lead water company who then exports to one or more importing companies. The diagram below sets out the high-level parties and process for a bulk supply transfer.

Basic representation of water transfer and parties



There is a need for commercial and regulatory frameworks to govern the design, construction, financing and operation of the infrastructure required to support the solutions, and where there is a transfer of water between an exporting water company and an importing water company there will be a need for agreements to govern that supply.

Multi-party and third-party contractual arrangements are relatively new for the sector, and the types of contracts needed will depend on the commercial model under which the solutions are delivered and operate, and the commercial risks that flow from those structures.

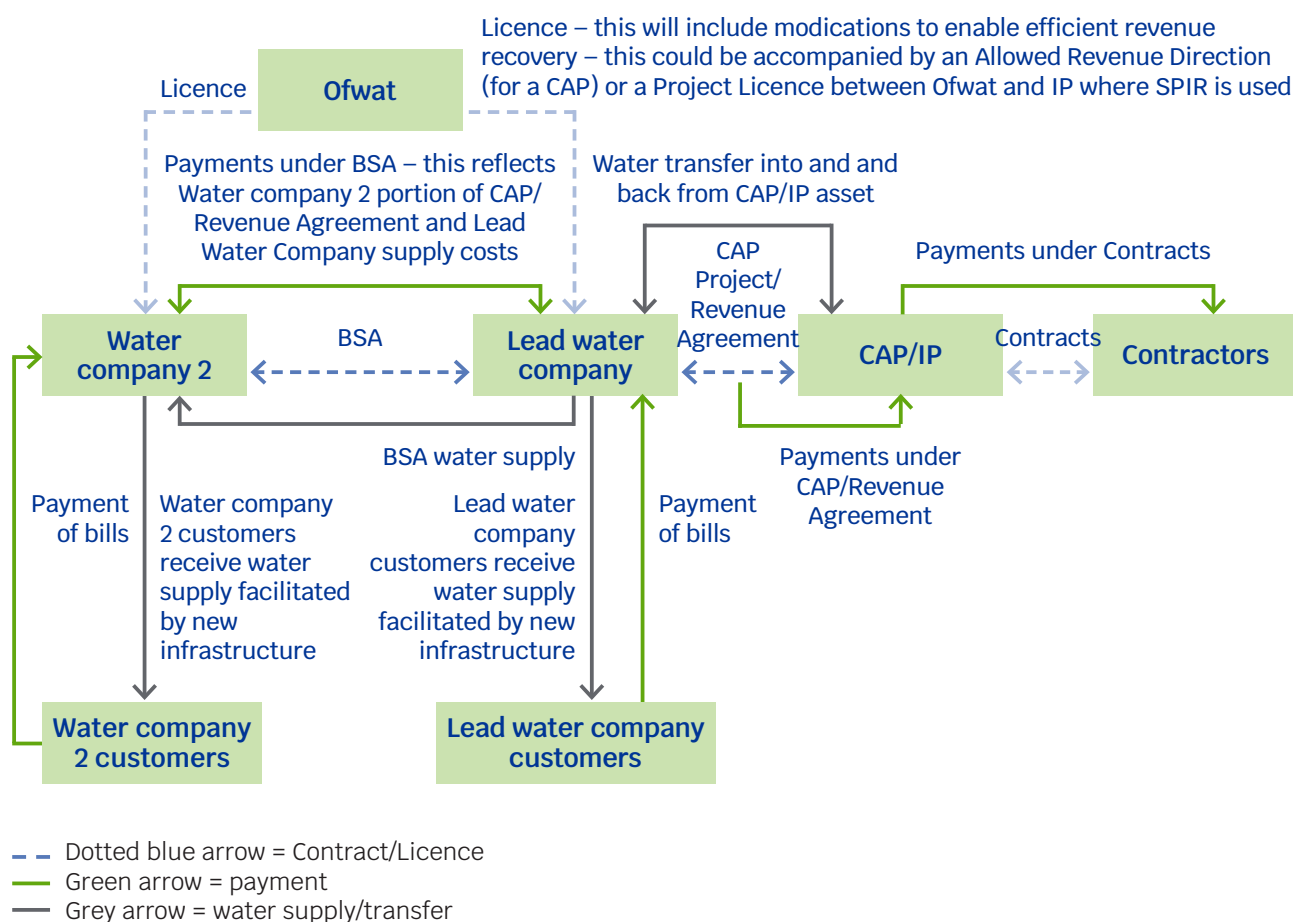
In November 2023, we consulted on the proposal for projects being delivered through a default Lead Party commercial model.

In the Lead Party Model, one water company ('Lead Water Company') 'delivers' the relevant infrastructure that facilitates a multi-water company supply. It develops this infrastructure both on behalf of itself and the other water companies who will benefit from the supply (i.e., the exporters and importers). Actual export and import would remain the responsibility of the Lead Water Company by way of a bulk supply agreement.

More specifically, the Lead Water Company procures and appoints (through competitive tender) a third-party provider (an IP or a CAP). The CAP/IP will enter into a contract (or contracts) with that Lead Water Company – these contracts will set out the obligation to provide the infrastructure and provide for payment to the CAP/IP.

Under a Lead Party Model, the CAP/IP may be responsible for the design, construction, completion, maintenance and operation of infrastructure that facilitates a supply (and the financing of those activities). The CAP/IP would enter into subcontracting arrangements for works with one or more contractors.

Lead Party Model



The role of the CAP/IP relates to the relevant infrastructure. The infrastructure will integrate into the network run by a water company (likely the Lead Water Company). To ensure the transfer of water from any exporters to any importers and appropriately allocate both the costs for any water supply and the costs of the infrastructure that facilitates it, there is a bulk supply agreement between the Lead Water Company and the other water companies.

5

Upcoming major projects

The water sector is facing significant challenges from climate change, population growth and aging infrastructure. Major new investments are required including large infrastructure projects. The complexities and challenges of delivering such projects, and the timing of consumer benefits requires a different regulatory approach to the five-yearly price review process, with major projects the responsibility of Ofwat's Major Projects and Markets directorate. Ofwat's PR24 final determinations accepted a portfolio of 30 major projects, of which 27 are proposed to be delivered by DPC or SIPR including one hybrid in-house/DPC model and, three to be delivered in-house. 28 of the projects are RAPID projects, with a further project subject to light touch oversight. The three major projects to be delivered in-house are all RAPID projects but are not eligible for delivery through either the DPC or SIPR competitive tendering models.

Details of the 30 projects can be found in the table below, while schematics for projects

that have passed through RAPID gates two or three can be found in Annex 3.

A further four projects (Colchester Water Recycling, Lowestoft Water Recycling, Sandown Water Recycling, Sittingbourne Water Recycling) do not meet the major project criteria but will be subject to RAPID oversight given potential environmental and water quality risks associated with the projects, and the influence of the development of new regulatory frameworks. Guidance on the light-touch approach is being developed but RAPID expects the projects to have regular high-level check in meetings to understand the progress of the project, and ensure risks are being identified and addressed.

In addition to these, Thames Tideway is being delivered under SIPR, United Utilities' Haweswater Aqueduct Resilience Programme (HARP) is being delivered under DPC, and Portsmouth Water's Havant Thicket reservoir is a subject to a 10-year price control.

North West Transfer (NWT)

Owners: United Utilities	Type: Transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £353 million (2022-23 prices)		Construction start date: 2027-30	

NWT enables a transfer of water from the North West of England to the South. The solution forms part of the wider Severn to Thames Transfer system composed of NWT, River Severn to River Thames Transfer and Severn Trent Sources. NWT is composed of a portfolio of individual groundwater and surface water source options to maintain appropriate additional water treatment works output capacity to offset water exported from Lake Vyrnwy and enabling works on the Vyrnwy aqueduct to maintain supply in the North West.

Minworth

Owners: Affinity Water /Severn Trent Water	Type: Water recycling	Delivery model: In-house	RAPID: Yes
Whole life totex: £640 million (2022-23 prices)		Construction start date: 2028-29	

Source of raw water flow augmentation to support the Grand Union Canal (GUC) Transfer and/or Severn Thames Transfer (STT) by diverting treated wastewater currently discharged into the River Tame and River Trent, with some additional treatment, then discharging into the River Avon and/or the Grand Union Canal system.

Beckton Water Recycling

Owners: Thames Water	Type: Water recycling	Delivery model: DPC	RAPID: Yes
Whole life totex: £3,511 million (2022-23 prices)		Construction start date: 2028-29	

The London Water Recycling Scheme aims to provide a reliable, sustainable supply of water to support river flows in London. The Becton Effluent Reuse Scheme proposes up to 300ML/d of recycled water conveyed by tunnel to the River Lee diversion for flow augmentation and abstraction to the Lee Valley Reservoirs supporting North East London. The scheme is an alternative to the Teddington DRA.

Teddington Direct River Abstraction (DRA)

Owners: Thames Water	Type: Water recycling	Delivery model: In-house	RAPID: Yes
Whole life totex: £989 million (2022-23 prices)		Construction start date: 2028-29	

The London Water Recycling Scheme aims to provide a reliable, sustainable supply of water to support river flows in London. The Teddington DRA proposes the discharge of up to 100 ML/d of recycled water into the River Thames at Teddington Weir replacing abstraction via the Thames Lea Tunnel (TLT) to support North East London.

Grand Union Canal (GUC)

Owners: Affinity Water/ Severn Trent Water/ Canal and River Trust	Type: Transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £1,540 million (2022-23 prices)		Construction start date: 2029	

Utilisation of the existing canal and a new pipeline to convey raw water from the Minworth solution in the Severn Trent Water supply area to areas of water deficit in Affinity Water's supply area.

Hampshire Water Transfer and Water Recycling (HWTWR)

Owners: Southern Water	Type: Transfer and water recycling	Delivery model: DPC	RAPID: Yes
Whole life totex: £3,031 million (2022-23 prices)		Construction start date: 2029	

HWTWR would take some of the treated wastewater from the Budds Farm WWTW in Havant as its source. This water would be purified at a new water recycling plant before being pumped to the Havant Thicket Reservoir. A new 40km pipeline would take water from the reservoir to Southern Water's Otterbourne water supply works to be treated and sent into supply.

Cheddar 2 Source and Transfer

Owners: Wessex Water/ South West Water	Type: Reservoir and transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £839 million (2022-23 prices)		Construction start date: 2029	

Construction of a second reservoir at Cheddar filled from Cheddar springs and the river Axe, under Bristol Water's existing licences. As an option to support Wessex Water for evaluation in its WRMP, water would then be treated at a new works before being transferred via a 55km pipeline to a strategic service reservoir in the east of Wessex Water's region.

Fens Reservoir

Owners: Anglian Water/ Cambridge Water	Type: Reservoir	Delivery model: SIPR	RAPID: Yes
Whole life totex: £4,071 million (2022-23 prices)		Construction start date: 2029-30	

Proposed development of a 55Mm³ reservoir with a useable volume of 50Mm³ and associated water infrastructure for abstraction, treatment and supply. The proposed reservoir site is between Chatteris and March, near to Doddington, Wimblington and Manea.

Aylesford re-use (Medway) and Ford re-use (Littlehampton) bundle

Owners: Southern Water	Type: Water recycling	Delivery model: DPC	RAPID: Yes (light touch)
Whole life totex: £1,295 million (2022-23 prices)		Construction start date: 2029-30	

Construction of a new water recycling plant to recycle some of the treated wastewater from the Aylesford WWTW, and associated pipelines to allow discharge into the River Medway. Construction of a new water recycling plant at Littlehampton's WWTW (Ford) and associated long distance pipelines to allow discharge into the River Rother.

South East Strategic Resource Option (SESRO)

Owners: Thames Water/ Affinity Water	Type: Reservoir	Delivery model: SIPR	RAPID: Yes
Whole life totex: £7,523 million (2022-23 prices)		Construction start date: 2029-30	

SESRO is a raw water storage option in the upper catchment of the River Thames. A site near Abingdon has been identified and six variants of reservoir size and configurations developed as options. The reservoir could be used by the customers of multiple water companies across the South East of England with SESRO linked to other RAPID solutions which will need to be considered in the final scheme design.

West Yorkshire Water Treatment Works

Owners: Yorkshire Water	Type: Water treatment works	Delivery model: DPC	RAPID: No
Whole life totex: £310 million (2022-23 prices)		Construction start date: 2029-30	

Proposed new greenfield 75Ml/d water treatment works with 150Ml co-located treated water storage. Early stage with no firm location.

Bacton Desalination

Owners: Anglian Water	Type: Desalination	Delivery model: DPC	RAPID: Yes
Whole life totex: £ 2,337 million (2022-23 prices)		Construction start date: 2030	

Potential abstraction licence changes could affect all of the water sources for Norwich and Norfolk. Desalination plant could have the capacity to supply in excess of 25Ml/d of water.

Mablethorpe

Owners: Anglian Water	Type: Desalination	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £2,205 million (2022-23 prices)		Construction start date: 2030	

Significant new demands for water emerging in the south Humber region. Desalination plant could have the capacity to supply in excess of 50Ml/d of water.

Poole Water Recycling and Transfer

Owners: Wessex Water/ South West Water	Type: Transfer and water recycling	Delivery model: DPC	RAPID: Yes
Whole life totex: £306 million (2022-23 prices)		Construction start date: 2030	

Diversion of final effluent from Wessex Water's Poole WWTW to the River Stour via a new pipeline, water recycling plant and wetland. The diverted final effluent will be treated at a new water recycling plant and discharged into a new wetland before entering the River Stour and re-abstracted at Longham Lakes alongside an existing intake to integrate with Bournemouth Water's existing supply system.

North Suffolk Reservoir

Owners: Northumbrian Water	Type: Reservoir	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £812 million (2022-23 prices)		Construction start date: 2030-31	

New winter storage reservoir to be built. Intake from the River Waveney/River Hundred when there is no spare capacity at the Barsham WTW. Water is transferred from the reservoir when supplies are short at the Barsham WTW.

Lower Thames to West London Reservoir (LT-WLR)

Owners: Thames Water	Type: Transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £1,729 million (2022-23 prices)		Construction start date: 2030-31	

Conveyance of raw water extracted from a new abstraction point on the lower River Thames at Surbiton to the Queen Mary Reservoir.

Severn to Thames Transfer (STT)

Owners: Thames Water/ Severn Trent Water / United Utilities	Type: Transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £4,310 million (2022-23 prices)		Construction start date: 2030-35	

STT enables a transfer of water from the River Severn to the River Thames. The solution forms part of the wider STT system composed of STT, Severn Trent Sources and North West Transfer. STT is composed of an interconnector to transfer water from the River Severn to the River Thames, and the River Vyrnwy bypass pipeline connecting flows from Lake Vyrnwy at Oswestry to the River Severn.

South Yorkshire Sources

Owners: Severn Trent Water/ Yorkshire Water	Type: Source and transfer	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £419 million (2022-23 prices)		Construction start date: 2031	

Project to increase the supply of water to South Yorkshire. Four candidate solutions proposed: (i) River Ouse treated water to South Yorkshire; (ii) Aire and Calder new river sources; (iii) Doncaster Wellfield sources and managed aquifer recharge; and (iv) River Don sources.

Lincolnshire Reservoir

Owners: Anglian Water	Type: Reservoir	Delivery model: SIPR	RAPID: Yes
Whole life totex: £4,158 million (2022-23 prices)		Construction start date: 2031-32	

Proposed development of a 55Mm³ reservoir with a useable volume of 50Mm³ and associated water infrastructure for abstraction, treatment and supply. The proposed reservoir site is south-east of Sleaford, about halfway between Grantham and Boston.

Broad Oak Reservoir

Owners: South East Water	Type: Reservoir	Delivery model: DPC	RAPID: Yes
Whole life totex: £1,092 million (2022-23 prices)		Construction start date: 2031-35	

Proposed development of a reservoir located to the north of Canterbury with a capacity of 5,126ML of water capable of supplying 22ML/d. Raw water would be taken from the Great Stour near Monkton and then held at the reservoir before being treated at the on-site water treatment works.

Kielder Transfer SRO

Owners: Yorkshire Water/ Northumbrian Water/ United Utilities	Type: Transfer	Delivery model: In-house /DPC	RAPID: Yes
Whole life totex: £1,146 million (2022-23 prices)		Construction start date: 2032	

Comprises a large (partially treated) water transfer pipeline to a WTW near York, with further treatment and onward distribution through Yorkshire Water's conjunctive use grid.

West Midlands Raw Water Storage

Owners: Severn Trent Water	Type: Reservoir	Delivery model: DPC	RAPID: Yes
Whole life totex: £491 million (2022-23 prices)		Construction start date: 2032-40	

Conversion of a third-party owned quarry into a pumped raw water storage reservoir. The scheme will enable raw water abstraction of 100 Ml/d at times of high flow in the River Severn that can be stored until such times as there are low flows when a return release of up to 50Ml/d can be made. This will be used to support existing abstractions downstream.

Thames to Southern Transfer (T2ST)

Owners: Southern Water	Type: Treatment and transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £2,188 million (2022-23 prices)		Construction start date: 2033	

T2ST will convey potable water from Thames Water's Swindon and Oxfordshire water resource zone to Southern Water's Hampshire area, with an earliest commissioning date of 2040. The solution is dependent on the prior development and commissioning of an additional water resource option – the River Severn to River Thames Transfer (STT) and/or the South East Strategic Reservoir Option (SESRO).

Severn Trent Sources (STS)

Owners: Severn Trent Water	Type: Treatment and transfer	Delivery model: In-house	RAPID: Yes
Whole life totex: £124 million (capex) (2022-23 prices)		Construction start date: 2034	

Discharge of treated final effluent from Netheridge wastewater treatment works at a location near to Deerhurst, currently identified as Haw Bridge to provide raw water support to the River Severn to River Thames Transfer (STT). STT will abstract the same volume of water and transfer it to the River Thames. The solution forms part of the wider River Severn to River Thames Transfer system composed of STS, STT and North West Transfer.

Rudyard Reservoir Augmentation

Owners: Severn Trent Water/ Canal and River Trust	Type: Reservoir	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £738 million (2022-23 prices)		Construction start date: 2035	

Provision of an additional source (6Ml/d) of raw water to increase the sustainable output of Tittesworth WTW through periods of drought.

Mendips Quarry

Owners: Wessex Water/ South West Water	Type: Reservoir	Delivery model: DPC	RAPID: Yes
Whole life totex: £1,728 million (2022-23 prices)		Construction start date: 2035	

Repurposing Torr Quarry to a 28.5Mm3 reservoir fed by a combination of groundwater and surface water from an enhanced River Avon abstraction licence. Two treatment and conveyance proposals: (i) potable water transfer to a Wessex Water surface reservoir near Warminster; and (ii) raw water transfer to the River Stour in Dorset for subsequent downstream abstraction by Bournemouth Water.

Peterborough to Grafham (P2G)

Owners: Anglian Water	Type: Transfer	Delivery model: DPC	RAPID: Yes
Whole life totex: £389 million (2022-23 prices)		Construction start date: 2035-40	

Decoupling of treated water transfer scheme from associated infrastructure of the Lincolnshire reservoir. New 45km, 100ML/d transfer between Peterborough and Grafham.

New Arlington

Owners: South East Water	Type: Reservoir	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £268 million (2022-23 prices)		Construction start date: 2035-40	

New reservoir next to the existing Arlington reservoir in East Sussex to yield an extra 18ML/d.

Nottinghamshire Mine Water Treatment

Owners: Severn Trent Water/ Yorkshire Water/ Coal Authority	Type: Water treatment and transfer	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £755 million (2022-23 prices)		Construction start date: 2038	

Exploring the potential to treat mine water to provide a new source of treated water for the East Midlands / South Yorkshire area.

Thames to Affinity Transfer (T2AT)

Owners: Affinity Water	Type: Transfer	Delivery model: DPC	RAPID: Yes (proposed)
Whole life totex: £387 million (2022-23 prices)		Construction start date: 2040	

Water transfer by underground pipeline from Thames Water's Lower Thames Reservoir system to Affinity Water, supported by new water resource from the South East Strategic Reservoir Option (SESRO).

6 Investor opportunities

The majority of the upcoming pipeline of major projects are considered to be suitable for delivery via DPC or SIPR, with aggregate whole life totex of c.£50 billion (2022-23 prices). These projects provide investors with the opportunity to participate in the English and Welsh water and wastewater sector in a meaningful way and help deliver long term strategic projects which are vital to meeting customers' future needs. The likely commercial structure of DPC/SIPR projects, with risk allocation and sharing, and the magnitude of the forward pipeline suggests an attractive proposition for investors.

Characteristic	Investor proposition
Regulatory backing	• Stable regulatory framework with track record of supporting substantial investment • DPC/SIPR enjoy regulatory backing from Ofwat through regulatory framework (DPC) or direct regulation (SIPR) • Efficient costs of project development and the cost of developing projects for competitive delivery included in price review totex allowances
Significant growth opportunities	• 27 major projects with proposed delivery under DPC/SIPR • Aggregate whole life totex of c.£48 billion (2022-23 prices) • Individually, projects are high value and strategically important • Staggered construction start dates spread investment need
Procurement	• Transparent process overseen by RAPID and Ofwat's Major Projects team
SPV structure	• Project delivered independently of Appointee • Project risk is ring-fenced to SPV
Revenue	• Highly visible DPC revenue stream with c. 25-year concession duration expected, no periodic reviews • Visible revenue stream during construction for SIPR assets, periodic reviews in operational phase
Inflation	• Indexation of revenues allowed, providing inflation protection
Asset transfer	• Approach to residual value of DPC projects not fully depreciated at end of concession period set out in CAP agreement • Possibility of DPC service contract being extended • RCV regulation, with IP ownership of SIPR asset in perpetuity unless licence revoked
Risk sharing	• Under DPC, risks are allocated between the Appointee, the CAP and consumers • Ability to flex the incentive and risk allocation package, specific to projects, to ensure there is efficient allocation of risk • Bespoke enhancements in IP licence for SIPR projects • Provides opportunities for upside

Characteristic	Investor proposition
Counterparty risk	• Low as water companies are required to maintain investment grade credit ratings • SIPR revenue agreement is pass-through, exposing project to the underlying collection risk of the appointee (check)
Legacy water sector issues	• Needed standalone projects do not face the legacy challenges of incumbents
Multiple entry points	• Nascent asset class with debt and equity opportunities initially at financial close/ contract award stage • Secondary market opportunities likely as asset class matures, through re-financings and ownership changes
ESG alignment	• Projects likely to deliver environmental and sustainability benefits, meeting investor environmental, social and governance criteria

This document, while a reference tool, is part of a wider programme of stakeholder engagement by Ofwat's Major Projects team aimed at investors and the supply chain. The programme will include a range of events, panel appearances at relevant industry conferences, and other opportunities to meet with senior members of the team and Ofwat's leadership. Participation will be publicised well in advance.

Interested parties are invited to contact the team at RAPIDinvestors@ofwat.gov.uk to find out more and/or request a meeting .

Legislative evolution of the water sector

Legislation/event	Overview
Water Resources Act 1963	Recognising the importance of a co-ordinated approach to water resource planning, the Act introduced an administration system for the right to remove groundwater. This was intended to make sure that existing and future water resources were adequately conserved.
Water Act 1973	The Act established 10 new regional water authorities responsible for managing water resources and supplying water and sewerage services on a fully integrated basis. Control passed from local authorities and the area served by each water authority was broadly based on river catchment areas. Authorities were required to operate on a cost recovery basis, investment funded by revenues and borrowing from central government.
Water Act 1983	In response to increase environmental demands and investment challenges, the Act made some constitutional changes, reduced the role of local government in decision making, and gave the water authorities scope to access the private capital markets.
Water Industry Act 1989	The Act provided for the privatisation of the water authorities, separating the functions of providing water and sewerage services and allowing the privatised water authorities to borrow money to invest in water and sewerage services.
Privatisation 1989	The 10 regional water authorities were privatised in 1989 by transferring the water supply and sewerage assets, and relevant staff, into limited companies. This was accompanied by a one-off injection of public capital, the write-off of significant government debt, the provision of capital tax allowances, and a capital raise from listing the parent companies on the London Stock Exchange in November 1989.
Water Industry Act 1991	The Act consolidated water related legislation, including the Water Act 1989, setting out the main powers and duties of the water and sewerage companies, and defining the powers of the Director General of Water Services (now the Water Services Regulation Authority (Ofwat)).
Water Resources Act 1991	The Act set out the functions of the National Rivers Authority (now the Environment Agency) and introduced water quality classifications and objectives for the first time.
Water Act 1999	The Act amended the Water Act 1991, notably removing a company's right to disconnect domestic customers for non-payment of bills, limiting the circumstances in which companies can start charging domestic customers on a metered basis, and securing that companies could continue to charge customers on the basis of rateable value.
Water Act 2003	The Act amended the framework for abstraction licensing, made changes to the corporate structure of economic regulation, and extended the scope for competition in the industry to large users.

Legislation/event	Overview
Flood and Water Management Act 2010	The Act encouraged the use of sustainable urban drainage systems (SUDs), modernised the list of activities that can be restricted by water companies in a drought, and made it easier for water companies to offer lower tariffs to certain groups.
Water Act 2014	The Act enabled greater competition for non-household customers, gave Ofwat new powers in respect of charging rules, as well as making provisions for flood insurance and drainage boards.
Environment Act 2021	The Act included a duty on water companies to monitor and report discharges from storm overflows, secure a progressive reduction in the adverse impacts of discharges from storm overflows, develop and maintain drainage and sewerage management plans, and introduced a system for setting legally binding long-term environmental targets.
Water (Special Measures) Act	The Act gives regulators new powers to block water company executive bonuses, bringing criminal charges against persistent law breakers, enabling automatic and severe fines for wrongdoing, and ensuring monitoring of every sewage outlet. Collectively, the measures are intended to ensure water companies are better held to account where they have failed to deliver for the environment and customers.
Review of water sector	In October 2024, the Government launched an Independent Commission into the water sector and its regulation, and a Call for Evidence was published in February 2025. The Commission will report back this year with recommendations on how to tackle systemic issues in the water sector to restore rivers, lakes and seas to good health, meet the challenges of the future and drive economic growth, these recommendations forming the basis of further legislation to attract long-term investment. The Commission's objectives are to recommend measures to ensure the regulatory system delivers (i) a clear vision; (ii) strategic planning; (iii) better regulation; (iv) empowered regulators; (v) improved delivery; (vi) a stable framework; (vii) consumer protection; and (viii) resilient infrastructure.

The Environment Agency is the environmental regulator of the water and sewerage sector in England. The Environment Agency's responsibilities include regulating water abstraction, monitoring storm overflow use, testing water quality, pollution control, flood defence and fisheries. In Wales, environmental regulation is the responsibility of Natural Resources Wales whose core purpose is to pursue the sustainable management of natural resources.

The Drinking Water Inspectorate (DWI) is the drinking water quality regulator. The DWI checks that the water companies in England and Wales supply water that is safe to drink and meets the standards set in the Water Quality Regulations. It undertakes this role by checking the tests that water companies carry out on drinking water and inspecting individual companies.

Ofwat is the economic regulator of the water sector with duties to protect the interests of consumers, promoting competition wherever appropriate, ensuring that the water companies properly carry out their functions, and that they can finance their functions. Ofwat must regulate in a way that promotes economy and efficiency, contributes to the achievement of sustainable development, and have regard to the desirability of promoting economic growth. Ofwat also has similar duties when regulating when regulating licensed infrastructure providers, as set out in the Water Industry (Specified Infrastructure Providers) (English Undertakers) Regulations 2013.

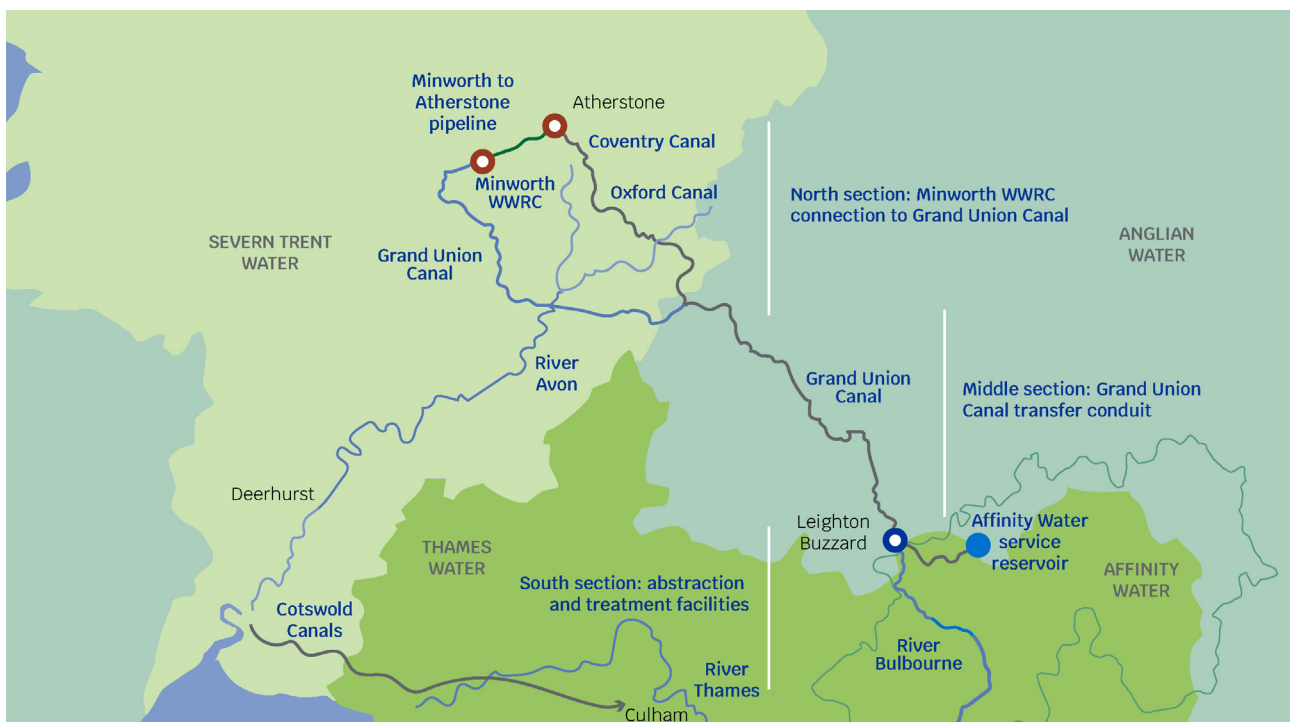
The Consumer Council for Water (CCW) is the independent voice for consumers in England and Wales. It is a non-departmental public body in England and a statutory body in Wales. CCW's primary functions are to provide advice and represent consumers on water matters and to investigate and handle complaints made against licensed water suppliers or companies.

Natural England is the government's adviser on the natural environment in England, with a purpose is to help conserve, enhance and manage the natural environment for the benefit of present and future generations, thereby contributing to sustainable development.

Thames to Affinity Transfer Solution Schematic

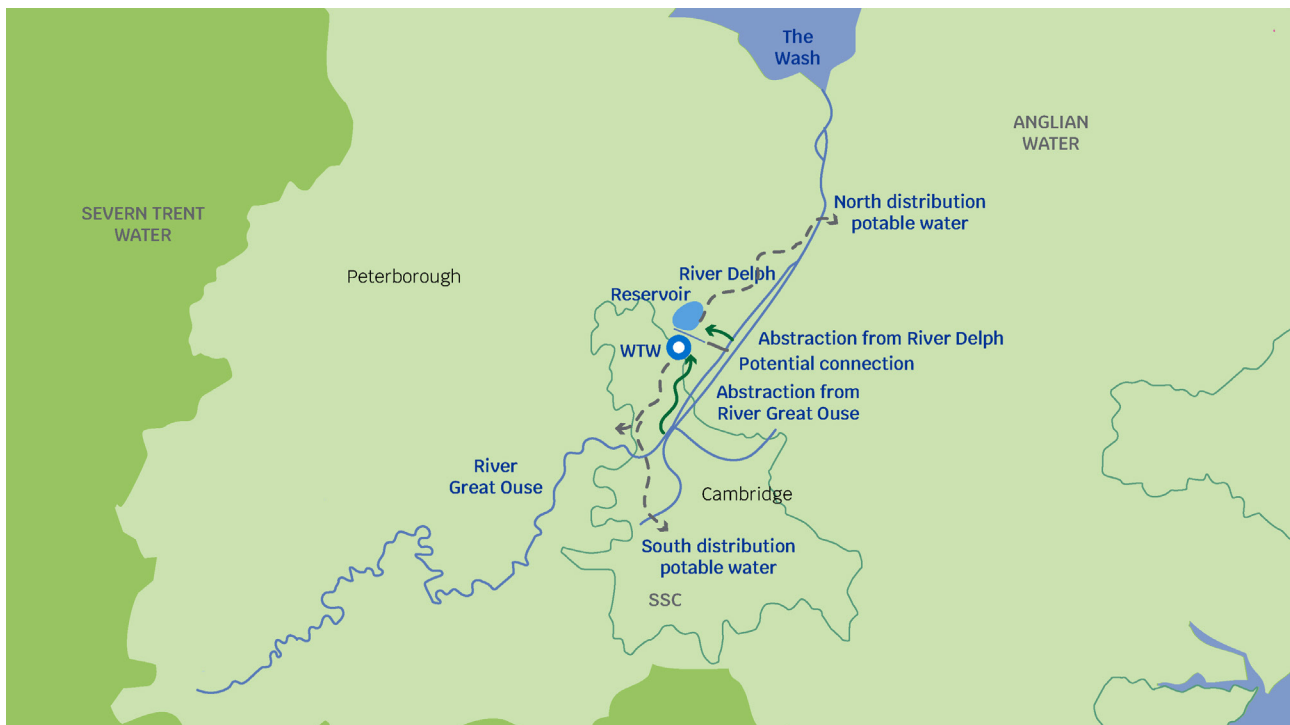


Minworth/Grand Union Canal Transfer Solution Schematic

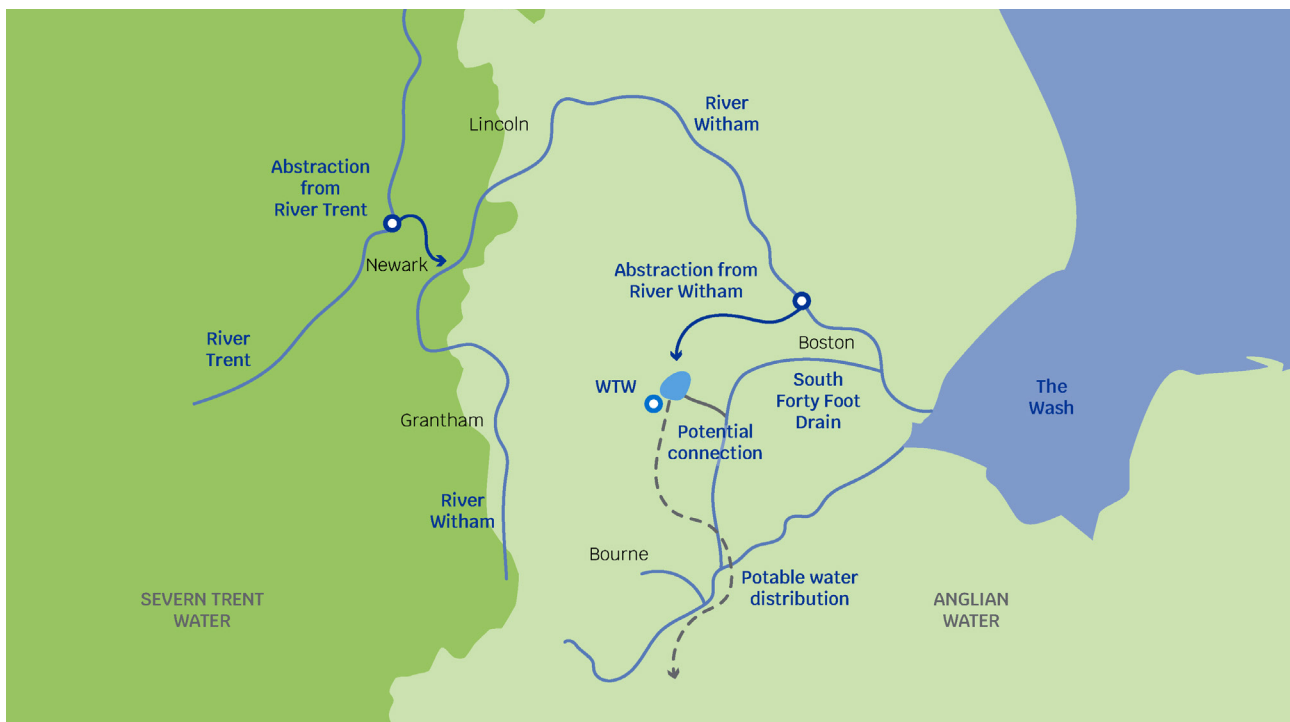


6. Projects that have passed through RAPID gates two or three

Fens Reservoir Solution Schematic



Lincolnshire Reservoir Solution Schematic



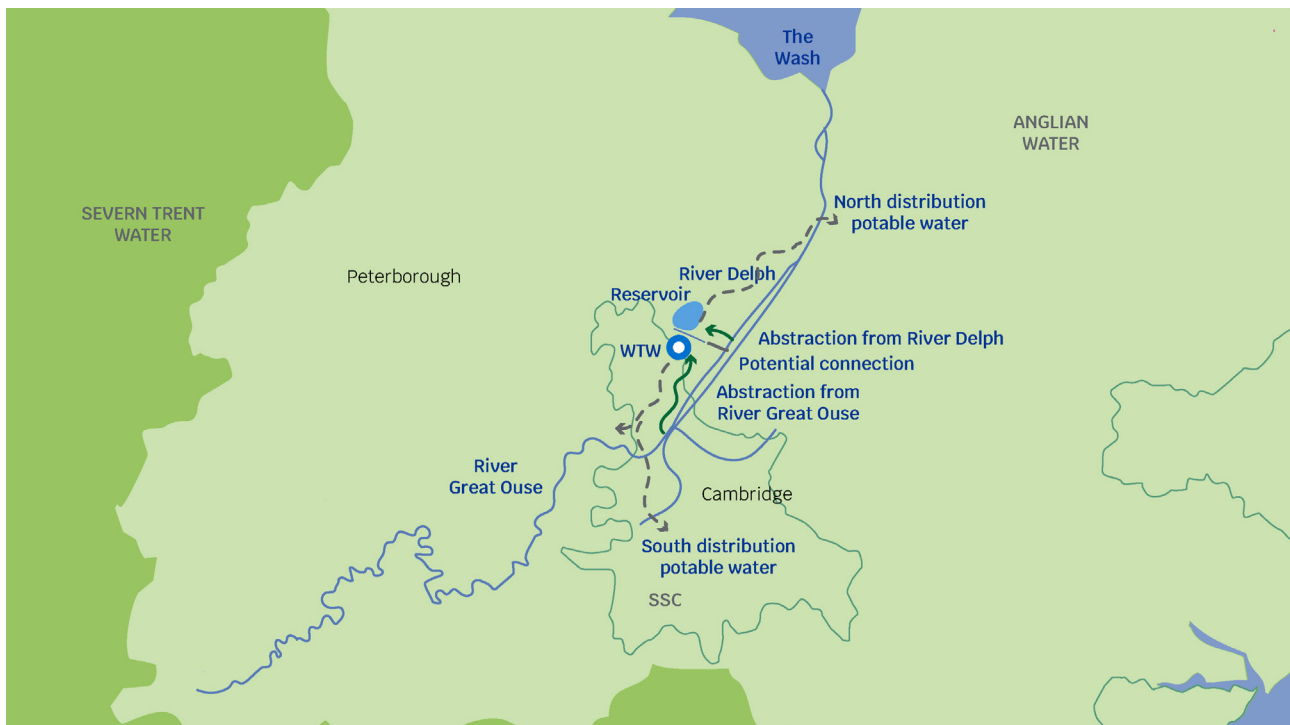
Peterborough to Grafham Strategic Transfer Schematic



Severn Trent Sources Solution Schematic



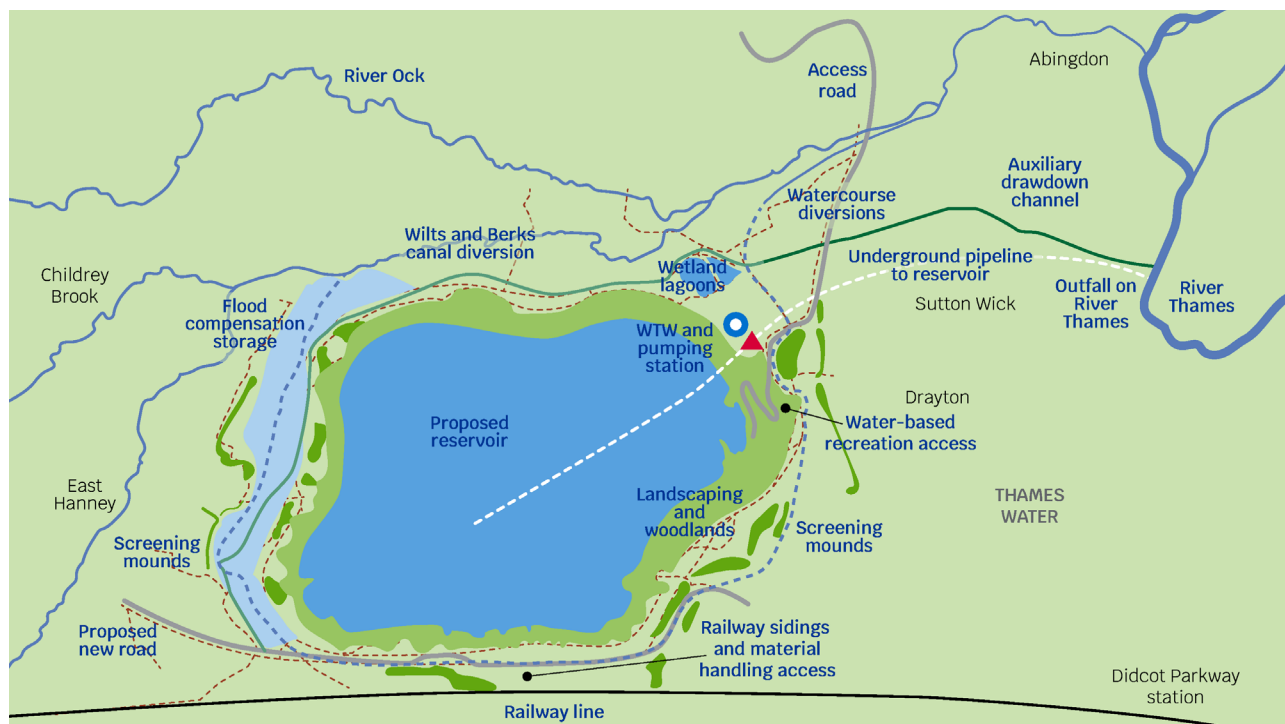
Hampshire Transfer and Water Recycling Schematic



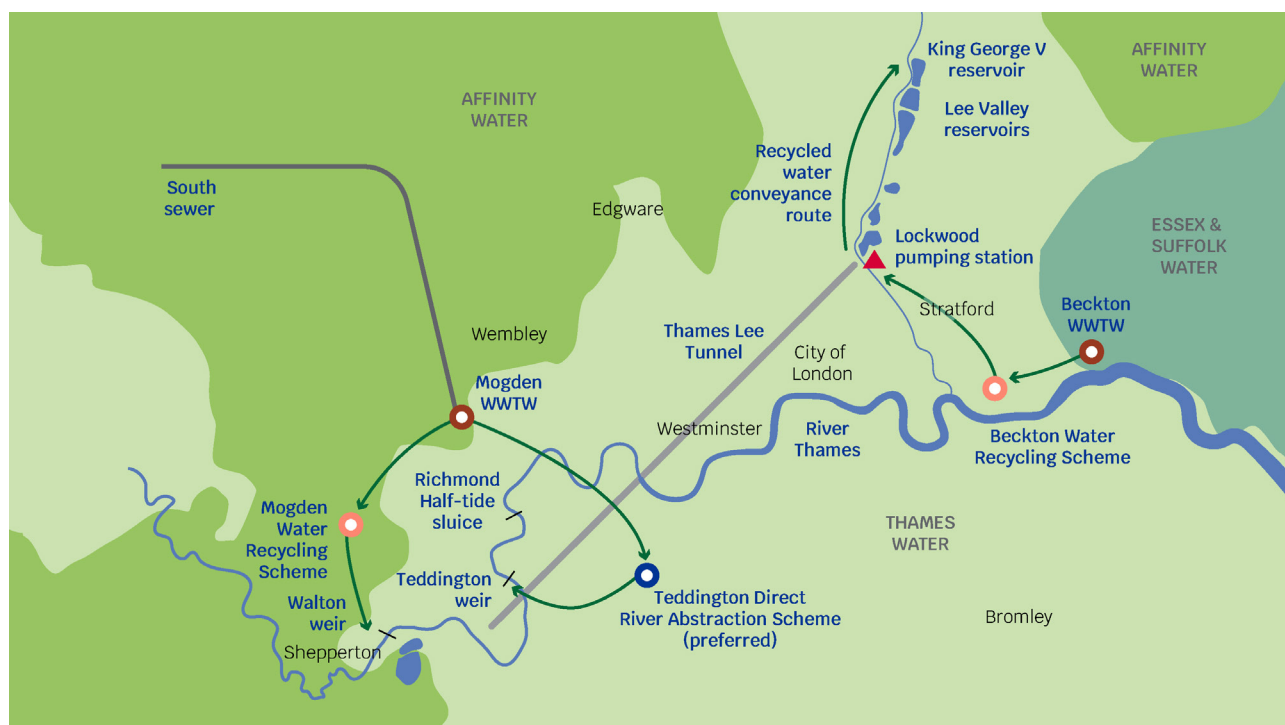
Thames Water to Southern Water Transfer Solution Schematic



South East Strategic Reservoir Solution Schematic



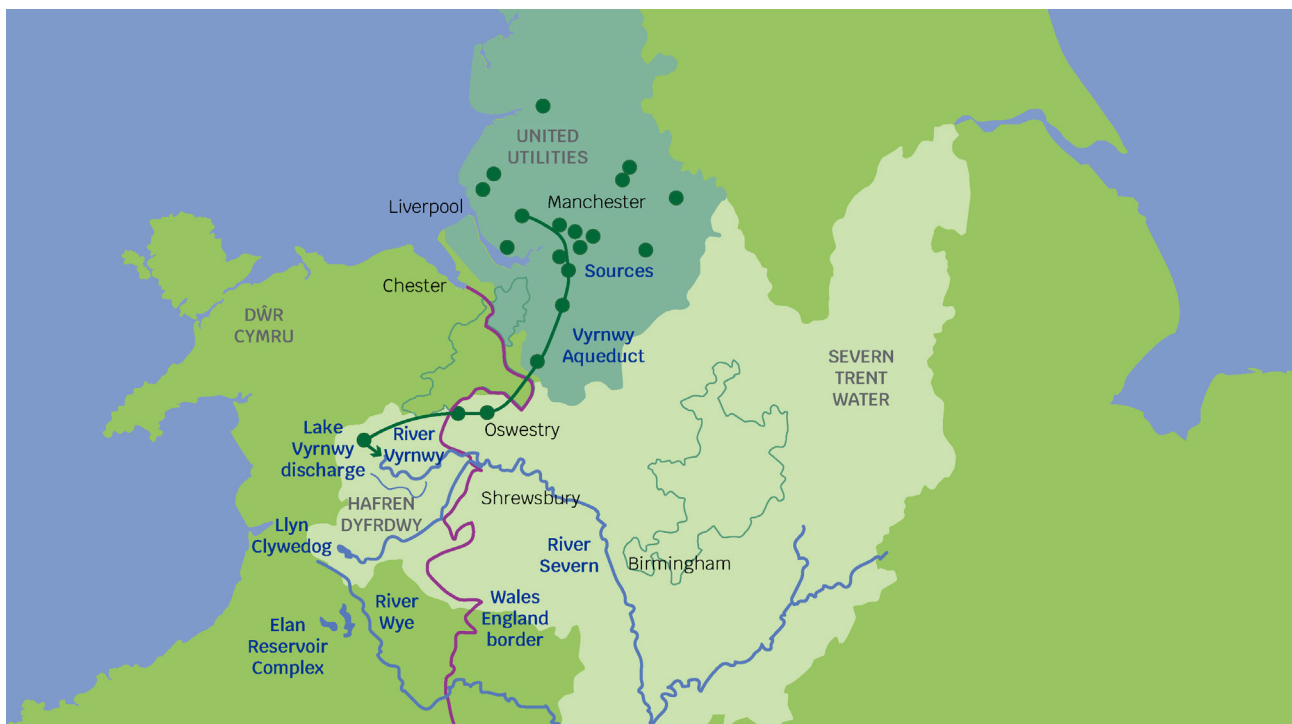
London Water Recycling Solution Schematic



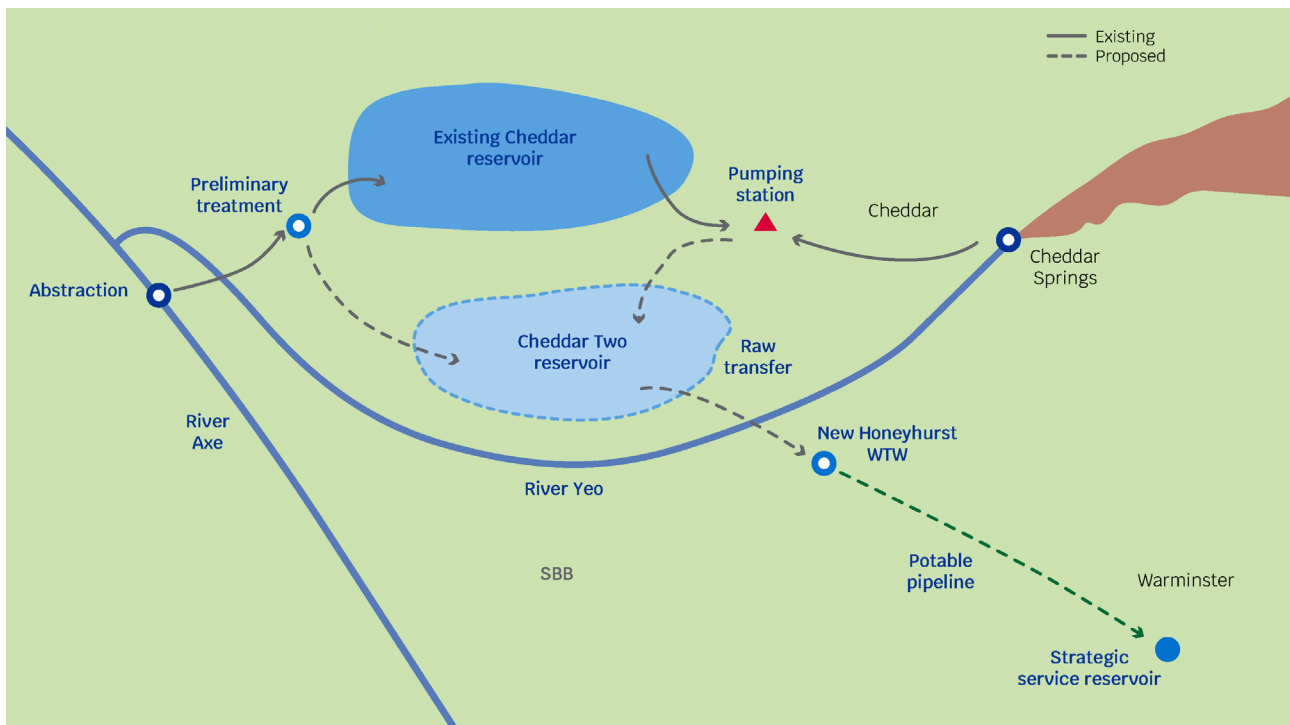
River Severn to River Thames Transfer Solution Schematic



North West Transfer Solution Schematic



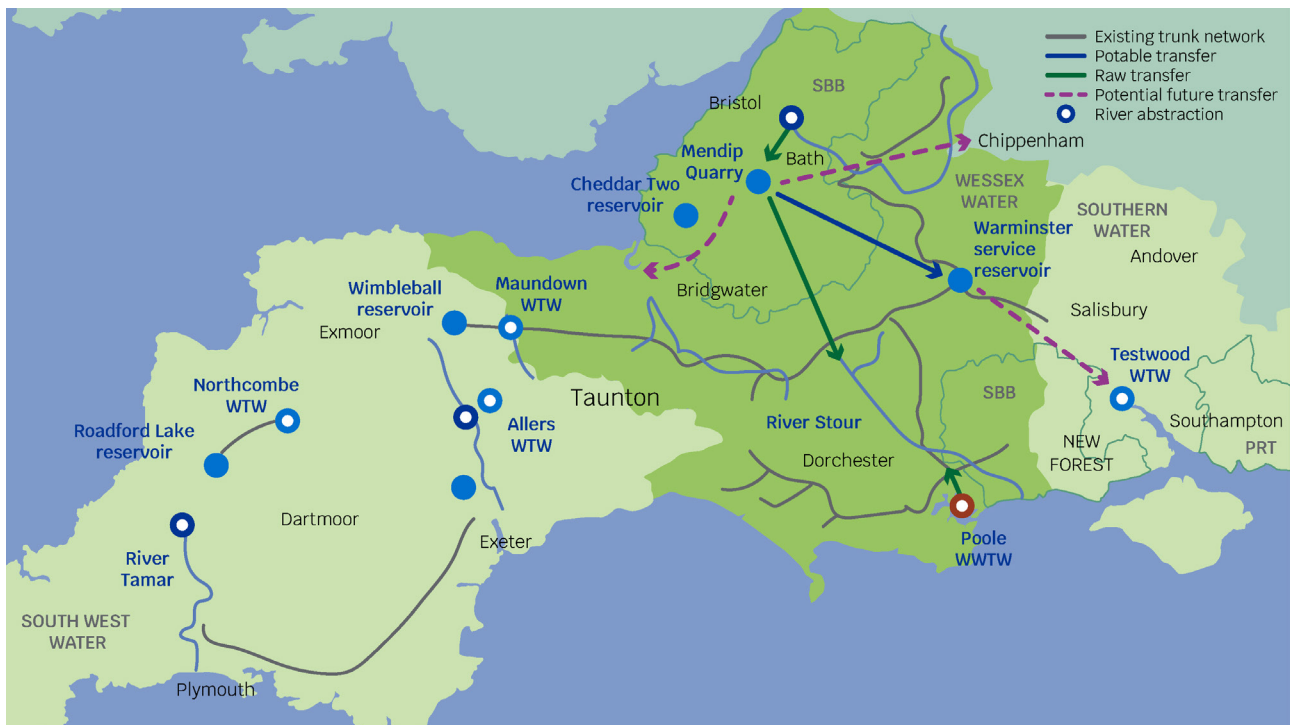
Cheddar Two Source and Transfer Solution Schematic



Poole Effluent Recycling and Transfers Solution Schematic



Mendip Quarries Solution Schematic



**Ofwat (The Water Services Regulation Authority)
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