

# SRN-DDR-047: WINEP - Bioresources Additional Cake Storage Enhancement Cost Evidence Case

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Version 1.0



from  
**Southern  
Water** 

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# 1. Introduction

This document provides an update to the October 2023 submission of our WINEP Bioresources Additional Cake Storage document (SRN43). The enhancement case is to invest £51.1m (TOTEX in AMP8) in building additional covered cake storage across our operation.

## 1.1. Issue

Ofwat's proposed allowance at Draft Determination for our WINEP Cake Storage is £38.15m. This is for the delivery of additional cake storage across our whole operational area (66,735m<sup>2</sup>). However, not all costs were assessed by Ofwat.

Our initial submission (as per SRN43 WINEP Cake Storage document) was as follows:

- TOTEX through regulated delivery (CWW3.139) cake storage in Hampshire and Sussex: £31.6m – Assessed
- TOTEX through Alternative Delivery (SUP12) cake storage in Kent : £19.5m – Not assessed
- TOTEX Total: £51.1m

Our costs have not changed since our October submission.

## 2. Our proposed response

We are still planning on delivering cake storage in Kent through Market Based Delivery. However, as part of the draft determination Ofwat only included costs associated with the CWW3 table and did not take into account costs included in SUP12 table in its assessment. Whilst the total surface area of storage to be built across our operation has not changed (66,735m<sup>2</sup>), we are now proposing to include the full cost in CWW3.139 Data Table so that full cost of the work can be assessed.

We are also updating the PCD section of the original submission (Section 5). Update version below takes into account general updates since our October 2023 submission.

## 2.1 Supporting Evidence

Comparison with the rest of the industry from Draft Determination data (Table 1) shows our updated costing is still efficient compared to other companies. Our updated unit cost (£'000/m<sup>2</sup>) is still below the updated average industry unit cost (1.08 £k/m<sup>2</sup> – including SRN) and close to the updated industry calculated median (0.72 £'000/m<sup>2</sup>) from the updated range of unit cost in the table below.

	Unit	Amount assessed <sup>(1)</sup> (£m)	Surface to build <sup>(2)</sup> (m <sup>2</sup> )	Unit cost (£'000/m <sup>2</sup> )
ANH	£m	42.36	101,944	0.416
WSH	£m	16.83	25,128	0.670
NES	£m	64.59	26,625	2.426
SVE	£m	7.54	54,839	0.138
SRN	£m	51.1 <sup>(3)</sup>	66,735	0.766
NWT	£m	109.54	44,455	2.464
WSX	£m	44.67	31,340	1.425
YKY	£m	37.78	109,577	0.345
<b>Total</b>	<b>£m</b>	<b>354.92</b>	<b>460,642</b>	<b>0.770</b>

**Table 1: Industry comparison table with our full costing**

<sup>(1)</sup> Amount assessed is extracted from Ofwat's Enhancement feeder model for Sludge storage cake – "Allowance" tab

<sup>(2)</sup> Surface to build is extracted from Ofwat's Enhancement feeder model for Sludge storage cake – "Final Input" tab

<sup>(3)</sup> Updated TOTEX, now including Alternative Delivery

Updated PCD (Section 5 in our SRN43 document – Table 11) is below (Table 2), in-line with all other PCDs across our PR24 submission post-Draft Determination. Costs have not been updated as they already include the full TOTEX (£51.1m). The updates include:

- Addition of a *Materiality of future scope alterations* section
- Addition of a *Condition on allowance* section
- Addition of an *Assessment of PCD* section
- Removal of late penalty

Component	Output based on Capacity of Biosolids
Description	Delivery of additional cake storage across all of SWS operational area
Output	66,735m <sup>2</sup> total surface capacity built as part of this enhancement
Total cost	£51.1m
Unit cost	£0.77k per m <sup>2</sup> surface capacity (total cost / m <sup>2</sup> surface capacity)
Penalty rate	£0.77k per m <sup>2</sup> surface capacity (no cost sharing)
Materiality of future scope alterations	£5.1m (1% of total cost)
Scheme Delivery Date	31 <sup>st</sup> of March 2030
Gated dates	Assurance of the scheme will be delivered on time at 31 <sup>st</sup> March 2028/29
Condition on allowance	Should we receive confirmation from a regulator of a necessary change to the timing or scope of a scheme, or in fact the change of scheme design to address the core issue being it, either change in the benefit delivered or the solution being more expensive, the implication of this change would be reflected in the PCD. Where this change leads to a material variance greater than 1% of the original enhancement investment, then the PCD would symmetrically account for this change in a reconciliation at the end of the AMP.
Assessment of PCD	In the event of not delivering the output by the end of AMP8 (i.e., by 31 <sup>st</sup> March 2030), but the need is still required, this PCD remains in place until the end of AMP9 (i.e., 31 <sup>st</sup> March 2035). Ofwat will assess the completion of this PCD by 31 <sup>st</sup> March 2035 as part of the PR34 process.
Late penalty	No late penalty is applicable
Measurement	Surface capacity reported in APR
ODIs to be netted off in the event of non-delivery	N/A
Assurance	Third party assurer will assure conditions have been met

Table 2: PCD Summary

### 3. Business Plan Dependencies

Chapters	
Business cases	
Technical annexes	
Enhancement cases	SRN43 WINEP Bioresources – Additional Cake Storage
Cost adjustment claims	
Ofwat test areas	
Assurance	
Other – please specify	

Data Tables impacted by the representation:

Table/s Impacted	Data Lines Impacted
CWW3	CWW3.137 CWW3.138 CWW3.139
SUP12	

All documents and tables referenced above can be found on our website here: [Business Plan 2025-30 - Southern Water](#)