Hampshire Water Transfer and Water Recycling Project

Case for the Project

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Introduction

1. Southern Water Services Limited (the Applicant) is promoting the Hampshire Water Transfer and Water Recycling Project (the Project) through the Development Consent Order (DCO) process. The Project has been directed by the Secretary of State under section 35 of the Planning Act 2008 to be treated as a project of national significance (PNS), and development consent is therefore required.

2. The purpose of this Case for the Project is to identify and set out the need for the Project against the relevant legislative, regulatory and policy framework. It explains why the Project is required, how it has been selected as the preferred solution to an identified water supply deficit through established statutory and regulatory processes, how it delivers value for money, and the benefits and legacy it will provide. The document demonstrates there is a clear legislative, policy, environmental, economic and social need for the Project, and that it delivers benefits at national, regional and local levels.

3. The Project comprises the construction and operation of a new Water Recycling Plant (WRP) and associated pumping stations, underground pipelines connecting the recycling plant to Havant Thicket Reservoir and Otterbourne Water Supply Works (WSW), and above-ground infrastructure such as pumping stations and break pressure tanks. Through integration with the consented Havant Thicket Reservoir and associated transfer infrastructure, the Project will enable the transfer of recycled water to the reservoir and the onward transfer of source water to Otterbourne WSW, where it will be treated to drinking water standards and supplied to customers.

Need for the Project

4. Government policy consistently identifies a critical and urgent need to build resilience in the water sector. The National Policy Statement for Water Resources Infrastructure (NPSWRI) [1] confirms that additional water resources infrastructure is required to supplement demand management measures to meet future water needs. This need arises from a combination of climate change, population growth, and the need to protect and enhance the water environment.

5. The Environment Agency's (EA) National Framework for Water Resources [2] identifies that the water industry must plan for more resilient water supplies by developing additional water supply capacity and it must maintain this in the face of pressures from climate change, population growth and the need to improve environmental protection. A significant proportion of the water supply shortfall is forecast to arise in the South East of England. The largest driver of the national need is the requirement to deliver greater environmental protection and improvement in order to meet international and domestic legal obligations, alongside the need to plan for severe drought resilience.

6. National policy recognises that even with ambitious demand management, substantial new water supply infrastructure will be required. Water recycling and

water transfers are identified as important components of the national response, providing reliable and resilient sources of water that can reduce pressure on environmentally sensitive abstractions and diversify water supply portfolios.

South East regional strategy for water resources infrastructure

7. The South East of England faces the greatest pressures on water resources of any English region. The EA classifies the region as seriously water stressed due to high population levels and relatively low rainfall. To address these challenges, six water companies work collaboratively through the Water Resources South East (WRSE) regional group.

8. WRSE's Final Regional Plan (FRP) [3], published in 2025, assesses water supply and demand across the region and confirms that without significant reductions in demand and the development of new water resources infrastructure, the South East risks running out of water as early as 2030 in an extreme drought scenario. The Regional Plan forecasts a substantial supply-demand deficit across the region by the mid to late century and identifies that this deficit is driven by population growth, climate change impacts and the need to deliver enhanced environmental protection.

9. The WRSE FRP is based on extensive integrated modelling and best value assessment of a wide range of demand management and supply options. Nine long-term future pathways have been assessed, reflecting different assumptions about growth, climate change and environmental ambition. All pathways are considered equally likely, and the Plan has been designed to be adaptive over time.

10. Water recycling is identified as a critical component of the regional solution. The FRP confirms that six water recycling schemes are required by 2035, with a further two schemes needed by 2075. These schemes, including the Project, are required under all future planning scenarios and are therefore fundamental to securing long-term water resilience in the South East.

The Applicant's Western Area

11. The Applicant supplies water and wastewater services to over four million customers across the South East, including Hampshire and the Isle of Wight. The Applicant is a statutory water undertaker with legal duties under the Water Industry Act 1991 [4] to supply clean and safe drinking water and to prepare and maintain an up-to-date Water Resources Management Plan (WRMP) setting out how it will meet customer needs.

12. The Project is planned and designed to serve the Applicant's Western Area of supply, which includes parts of Hampshire and the Isle of Wight. All of the water currently supplied in the Western Area is derived from groundwater sources and river abstractions. The Rivers Test and Itchen are internationally rare chalk stream rivers and abstractions from these rivers currently provide a large proportion of existing supplies, particularly to the Hampshire Southampton East and West water resource zones and to the Isle of Wight via transfers from the mainland.

13. These chalk streams are internationally and nationally designated for their ecological importance. Both rivers have been subject to abstraction reviews and

licence changes driven by the EA's Restoring Sustainable Abstraction programme. The reductions in abstractions seeks to protect these rare and sensitive water environments and meet obligations under environmental legislation.

The need for additional water resources infrastructure in Hampshire

14. The primary driver of the water supply deficit in the Applicant's Western Area is the legally mandated reductions in abstractions from the Rivers Test and Itchen.

15. Licence changes since 2019 mean that approximately 166 million litres per day of water is no longer available from these sources during drought conditions, representing around 80% of the Applicant's former river-based supply. These reductions are permanent and significantly constrain available water resources in the Western Area.

16. To manage the transition period, the Applicant entered into an operating agreement with the EA under section 20 of the Water Resources Act 1991. The agreement enables limited use of drought permits and drought orders until 2030 but commits the Applicant to use all best endeavours to deliver an alternative longer-term water resources solution.

17. The Applicant's WRMP19 identified, and was required to resolve, a projected water supply deficit in its Western Area of 192Ml/d during a 1 in 200-year drought up to 2029/30. The Applicant's emerging WRMP24 is required to resolve an increased water supply deficit in the Western Area of 203Ml/d by 2040 during a 1 in 200-year drought.

The Western Area solution

18. New, reliable sources of water are required to replace water no longer available from chalk stream abstractions, eliminate reliance on drought measures and ensure long-term resilience of supply. Demand management is an important part of the Western Area solution already considered and incorporated in the 1 in 200 and 1 in 500 year scenarios, but cannot alone address the scale of the deficit created by abstractions reductions or planned and projected demand and need.

19. The Applicant's WRMP19 [5] originally identified desalination as the largest element of the preferred strategy for the Western Area, with water recycling identified as a strategic alternative.

20. Following an options appraisal process undertaken in 2021, and in response to environmental considerations and regulatory feedback, a water transfer and water recycling solution (i.e. the Project) emerged as the preferred long-term alternative solution to desalination. This was confirmed through the WRMP19 Annual Review 2020–21 [6] and subsequently included in later annual reviews.

21. The Project has since been incorporated into the WRSE Regional Plan and identified as the preferred Strategic Resource Option in the Applicant's emerging WRMP24 [7]. It is also progressing through the Regulators' Alliance for the Progression of Infrastructure Development (RAPID) gated process, demonstrating sustained regulatory support for its delivery and confirming the need for the Project as part of the national programme of strategic water resources infrastructure.

22. The Project is therefore firmly embedded within national, regional and company-level planning and regulatory frameworks and has been consistently identified as

a necessary component of the solution to the Western Area's water resources deficit. Regardless of whether the project applied for is included in a published final WRMP, need has been firmly established and should not need to be revisited or examined as part of the DCO application. To do so would undermine the baseline need already established in WRMP19 which continues to drive the requirement for an SRO through WRSE and emerging WRMP24, and against which other projects and measures are already being delivered.

Value for Money

23. Water resources planning is governed by a best value framework that seeks to deliver secure and resilient water supplies while maximising benefits for customers, the environment and wider society. Best value planning does not equate to minimal cost planning, but considers a range of factors including cost, environmental outcomes, resilience, adaptability and social benefits.

24. The WRSE Regional Plan and the Applicant's emerging WRMP24 have been developed in accordance with the Water Resources Planning Guideline and utilise advanced decision-making and adaptive planning techniques. The Project has been selected as part of the preferred plan at both regional and company level as it performs well across a range of future scenarios.

25. The Project has been subject to extensive regulatory scrutiny through the RAPID process, including detailed options appraisal, cost and benefit assessment and ongoing review of cost efficiency. At each stage, the Project has been confirmed as representing best value compared to alternative options capable of meeting the same needs.

26. Significant efficiencies are achieved through integration with the consented Havant Thicket Reservoir scheme. By sharing infrastructure with Portsmouth Water, the Project reduces construction impacts, avoids duplication and is expected to deliver substantial cost savings compared to the delivery of standalone infrastructure. These efficiencies contribute directly to value for money for customers.

27. Moreover, in combination with Havant Thicket Reservoir, the Project represents considerably better value for money for the quantity of water provided than for the reservoir on its own, along with significantly increased drought resilience.

Legacy and Benefits

28. The fundamental purpose of the Project is to secure resilient, long-term water supplies while enabling protection and recovery of internationally rare chalk stream environments. By reducing reliance on abstraction from the Rivers Test and Itchen, the Project enables compliance with environmental legislation and supports the long-term health of sensitive river ecosystems.

29. In addition to its primary water supply function, the Project delivers a comprehensive package of environmental, social and economic benefits. It will deliver, ahead of any statutory requirement to do so, at least 10% Biodiversity Net Gain through a combination of on-site habitat creation, off-site delivery aligned with local nature recovery priorities and long-term habitat management secured for a minimum of 30 years.

30. Environmental Mitigation and Enhancement Areas along the Pipeline route will deliver targeted landscape and habitat improvements, including river restoration, chalk grassland enhancements, wet woodland creation and improvements to public access. These measures contribute to wider landscape objectives and support protected landscapes, including the setting of the South Downs National Park.

31. The Project will also deliver significant employment and economic benefits. An Outline Skills and Employment Plan will promote local employment, workforce diversity, fair work practices, local procurement and skills development. This is supported by a Skills and Training Fund, contributing to the delivery of the Leigh Park Construction Training Academy and wider training opportunities aligned with industry and regional needs.

32. Place-based community benefits will be delivered through dedicated funding commitments, including contributions to Broadmarsh Coastal Park, Portsdown Hill and a Community Fund to support local nature, water conservation, resilience and education initiatives during construction. Volunteering commitments and a WRP visitor facility will further enhance community engagement, learning and awareness of water sustainability.

Conclusion

33. The Hampshire Water Transfer and Water Recycling Project addresses a critical, urgent and well-evidenced national, regional and local need for new water resources infrastructure. It is required to replace water no longer available through permanent abstraction reductions, eliminate reliance on drought permits, protect internationally designated chalk stream habitats and ensure resilient water supplies for customers.

34. The Project has been selected through established statutory and regulatory processes, represents best value for customers and society, and delivers substantial environmental, social and economic benefits. Failure to deliver the Project would risk undermining water supply resilience, environmental objectives and planned growth in an area already subject to acute water stress.

1. Introduction

1.1 The Project

1.1.1 Southern Water Services Limited (the Applicant) is promoting the Hampshire Water Transfer and Water Recycling Project (the Project) through the Development Consent Order (DCO) process.

1.1.2 The Project comprises the construction, operation and maintenance of the following components:

- Water Recycling Plant (WRP) and associated pumping stations.
- Underground Pipelines between Budds Farm Wastewater Treatment Works and the Water Recycling Plant.
- Pipelines between the Water Recycling Plant site and Bedhampton Springs, connecting into Pipelines being delivered by Portsmouth Water between Bedhampton Springs and Havant Thicket Reservoir.
- Underground Pipeline between the Water Recycling Plant site and Otterbourne Water Supply Works (WSW).
- Above Ground Plant comprising Intermediate Pumping Stations and Break Pressure Tanks located along the Pipeline between the Water Recycling Plant and Otterbourne Water Supply Works.

1.1.3 The Project will also make use of the following infrastructure:

- Havant Thicket Reservoir for the storage of recycled water.
- Eastney Long Sea Outfall, Eastney Pumping Station, and Eastney Transfer Tunnel for the release of reject water (containing impurities removed from the treated wastewater) from the Water Recycling Plant.
- Pipelines that are consented separately by Portsmouth Water for the transfer of recycled water and source water between Bedhampton Springs and Havant Thicket Reservoir.

1.1.4 The construction and operation of the Project would include other works such as landscaping, environmental mitigation measures and highways works.

1.1.5 The Pipelines delivered as part of the Project, and separately by Portsmouth Water, will enable the transfer of up to approximately 60 Ml/d (megalitres per day1) of recycled water between the WRP site and Havant Thicket Reservoir. This supply of additional water into the already consented 8.7 billion litre reservoir will ensure the optimal use of the reservoir's storage capability. This would allow up to approximately 90 Ml/d of source water (water that is used as a source for drinking water) to be transferred from the reservoir to Otterbourne WSW for treatment to strict drinking water standards before being sent into supply to customers through the existing distribution network.

[1] 1 megalitre = 1 million litres

1.2 Purpose of this report

1.2.1 This document has been drafted to support the DCO application, identifying and setting out the need and case for the Project against relevant legislative and policy tests. It provides the following information:

a. The need for the Project having regard to the requirements of paragraph 1.4.7 of the National Policy Statement for Water Resources Infrastructure (NPSWRI) where a project is not present in a final water resources management plan (WRMP). In identifying and addressing the need for the Project this document makes reference to the Applicant's WRMP and regulatory evidence and process.

b. An assessment of the proposal in the context of the Applicant's WRMP and summarising the results of the WRMP annual review process and anything relevant to the development consent application (as required by paragraph 2.5.12 of the NPSWRI).

c. A statement on how the Project delivers value for money in the context of the analysis in its WRMP (as required by paragraph 2.5.20 of the NPSWRI)[2].

d. The potential benefits and legacy that the Project will deliver that should be taken into account in considering the Proposed Development as required by paragraph 3.1.3 of the NPSWRI.

1.2.2 The information provided within this document collectively provides a compelling case for the Project in the public interest. It reports and concludes that there is a clear legislative, policy, environmental, economic and social need for the Project, and that the Project will deliver benefits at the national, regional and local levels.

1.2.3 This document informs, and should be read alongside, the Planning Policy Statement (Document reference 5.5, DCO Volume 5) which provides an assessment of the Project against relevant national and local planning policy and other important and relevant matters, including the overarching planning balance.

[2] Details of planned financial arrangements, as also required by paragraph 2.5.20 of the NPSWRI, are provided in the Funding Statement (DCO Document Ref 4.2, Volume 4)..

2 Need for the Project

2.1 Introduction

2.1.1 The NPWSRI outlines government national planning policy and the need for water resource infrastructure, identifying that *"There is a critical and urgent need to build resilience in the water sector to address pressures on water supplies."* (paragraph 2.1.3) and that *"To meet future needs, water resources infrastructure will be required to supplement demand management action."* (paragraph 2.4.1).

2.1.2 The NPSWRI sets different requirements in relation to the demonstration of "need" depending on whether a project is included in a final WRMP or not:

- Paragraph 1.4.5 states that "*For nationally significant infrastructure projects included in a published final water resources management plan, the 'need' for that scheme has been demonstrated in line with government policy. The applicable statutory requirements, for water resources management planning and 'need' will not be revisited as part of the application for development consent."*
- Paragraph 1.4.7 requires that *"Where a project that is not present in a final water resources management plan, development consent applicants will need to make the case for the need for the project on a case-by-case basis"* and that *"they should demonstrate that they meet the need for nationally significant water resources infrastructure as set out in section 2 and apply the assessment principles in the National Policy Statement. The National Policy Statement will apply unless the Secretary of State confirms it does not17, however the case for the 'need' may require examination".*

2.1.3 The Applicant's WRMP19 was prepared to meet a projected water supply deficit in its Western Area of supply (which includes parts of Hampshire and the Isle of Wight) of 192Ml/d during a 1 in 200-year drought up to 2029/30. The largest element of the Applicant's preferred strategy was a large desalination plant on the Solent which could be required to provide up to 75Ml/d when in full operation. WRMP19 also identified a strategic alternative involving a water recycling scheme to transfer highly treated wastewater to increase flows in the Lower Itchen (in effect a variant of the Project) should the desalination option not proceed.

2.1.4 WRMP19 is an adaptive plan, and the strategy and supporting information published in the plan specifically highlighted the risks and uncertainties relating to implementation, and that alternatives (for both interim and long-term solutions) would need to be investigated and potentially progressed in order to address the identified water supply shortfall.

2.1.5 The Project, subsequently emerged as the preferred strategic alternative long-term solution to desalination through the Regulators Alliance for Progressing Infrastructure Development (RAPID) gated process and was subsequently introduced through the WRMP19 Annual Review 2020-21 published in December 2021. The Project was also later included in the adopted WRSE FRP in 2025 and included as the preferred Strategic Resource Option (SRO) in the Applicant's

emerging WRMP243 which is required to meet an even greater water supply deficit in the Western Area of 203Ml/d by 2040 in a 1-in-500 year drought with requirement for an SRO to deliver 90Ml/d of the deficit.

2.1.6 The Project is also the subject of a direction from the Secretary of State under section 35 of the Planning Act 2008 (dated 19 November 2024) confirming that it is a 'project of national significance' (PNS). In order to authorise the Project, the Applicant will need to apply for development consent under the Planning Act 2008, and consent will need to be granted by way of a DCO.

2.1.7 Regardless of whether the project applied for is included in a published final WRMP, need has been firmly established and should not need to be revisited or examined as part of the DCO application. To do so would undermine the baseline need already established in WRMP19 which continues to drive the requirement for an SRO through WRSE and emerging WRMP24, and against which other projects and measures are already being delivered.

2.2 Legal and regulatory framework

2.2.1 This section summarises the legal and regulatory water resources planning framework to provide further context for the consideration of need in the context of paragraph 1.4.7 of the NPSWRI:

- Every statutory water undertaker (including the Applicant) has a duty, under section 37 of the Water Industry Act 1991, to supply water to customers by developing and maintaining an efficient and economical system of water supply in its area.
- Each water undertaker must (under section 37A of the Water Industry Act 1991) prepare, publish and maintain a water resources management plan (WRMP) which is a plan for how the water undertaker will manage and develop water resources so as to be able, and continue to be able, to meet its water supply obligations. The Applicant's current WRMP was published in December 2019 (WRMP19).
- A WRMP should address the water undertaker's estimate of the quantities of water required to meet those obligations, the measures it needs to take for this purpose and the likely sequence and timing for implementation of these measures. Under section 37A of the Water Industry Act 1991, each water undertaker is required to review its WRMP and send a statement of the conclusions of its review to the Secretary of State before each anniversary of the date of when its plan (or revised plan) was last published. The latest review of the Applicant's WRMP19 is Annual Review 2024-25 [8].
- In March 2018 the Applicant entered into an operating agreement with the EA under section 20 of the Water Resources Act 1991 (the s20 Agreement) to secure the proper management or operation of water in the Applicant's Western Area. The s20 Agreement is enforceable by the Secretary of State or Ofwat under section 18 of the Water Industry Act 1991. The agreement includes an 'all best endeavours' commitment by the Applicant to deliver the preferred strategy for the Western Area as set out in the Applicant's WRMP19 as may be

[3] The term 'emerging WRMP24' is used in this Case for the Project to represent the Applicant's WRMP24 collectively as it has progressed through the consultation process prior to the final plan being published

revised by future WRMPs. This agreement is a key delivery driver for the Project.

- Water undertakers must publish a revised plan at least every five years (or sooner if the annual review indicates a material change of circumstances or if directed to do so by the Secretary of State). The Applicant commenced preparation of its WRMP24 in 2020 with consultation on a draft between November 2022 and February 2023 and another consultation on a revised draft between September and December 2024. The Applicant submitted a final draft WRMP24 to the Secretary of State for Environment, Food and Rural Affairs (Defra) for approval in May 2025.
- The Applicant's emerging WRMP24 responds to significant changes to the way water undertakers are required to plan for water resources since WRMP19. In 2020, the EA published its first National Framework for Water Resources setting out the scale of action needed to ensure resilient supplies and an improved water environment – requiring water undertakers to work in regional groups to develop a cohesive set of regional plans that require water companies to work together to think more strategically about solutions, considering the needs of other sectors beyond public water supply.
- WRSE published its FRP in June 2025, the development of which has been fully integrated with the development of the emerging WRMP24.
- The second National Framework published in July 2025 builds on those regional plans with independent analysis of the water resources needed to protect and improve the environment, to support growth in housing and the economy, provide water for food and to meet the needs of the energy sector in delivering net zero.
- The EA's Water Resource Planning Guideline (WRPG) (first published in February 2021 and last updated in April 2026) [9] provides guidance on the preparation of WRMPs – including planning for resilience in a 1 in 500 drought event, identification of any forecast deficit in the supply-demand balance, identification of feasible options, compiling a best value plan, consultation requirements and Secretary of State approval. The supplementary guidance 'Planning to be resilient to a 1 in 500 drought' provides further guidance on planning for this level of resilience.
- The Project is progressing through the RAPID gated process which covers the development stage of SROs. RAPID is a regulatory alliance formed by Ofwat, the Drinking Water Inspectorate and the EA established in the previous business planning period Price Review 2019 (PR19) to provide funding approval and additional regulatory oversight to accelerate the delivery of new strategic water resource infrastructure, given its urgent need. At each gate, companies submit information about their work on a solution, which is assessed to ensure sufficient progress is being made and expenditure is being incurred efficiently. RAPID then decides whether companies should continue to be allowed funding to develop a solution to the next 'gate'.
- The Project has been supported by RAPID for continued development from Gate 1 through to Gate 4, which is expected to be 56 days after submission of the DCO Application into Examination. Gate 4 is the final RAPID gate for the Project and represents a closing of the RAPID gated process for the Project.

- The Project is to be delivered through the Direct Procurement for Customers (DPC) procurement model established by Ofwat at PR19. This DPC delivery model was introduced by Ofwat to help secure private-sector financing, drive operational efficiencies and deliver best value on the largest strategic water-sector investments.

2.2.2 The following sections of this report first provide introductory context to the Applicant and its responsibilities in maintaining water supplies. They then address the need for water infrastructure at the national, regional and local level and the role that the Project will play in providing crucial water supply resilience to the Applicant's Western Area. It is explained how the Project will protect nationally and internationally recognised chalk stream habitats, species and landscapes while enabling housing and economic delivery across a large geographic sub-region projected to experience significant growth.

2.3 The role of the Applicant

2.3.1 The Applicant supplies a mix of water and wastewater services to over four million customers in the South East. Its operations cover Hampshire, Kent, Isle of Wight and East and West Sussex, traversing over 700 miles of coastline, national parks, forests and national landscapes. The Applicant currently provides around 560 Ml/d to customers across its supply area in Kent, Sussex, Hampshire and the Isle of Wight.

2.3.2 The delivery of sustainable drought resilient water supplies is essential for securing water supplies for customers, supporting future population needs and delivering economic growth. If the Applicant does not ensure that there is sufficient supply and resilience in its network, the needs of existing communities and economic activities will not be sustained.

2.3.3 The Applicant is a statutory water undertaker, responsible for the abstraction, treatment and supply of clean, safe drinking water. It has a statutory duty under section 37 of the Water Industry Act 1991 to supply water to customers. It also has a statutory duty to prepare, publish and maintain a WRMP to identify how it will supply customers over at least a 25-year period, in accordance with Directions and detailed guidance produced by the Secretary of State for the Environment, Food and Rural Affairs and the EA.

Overview of existing water resource zones

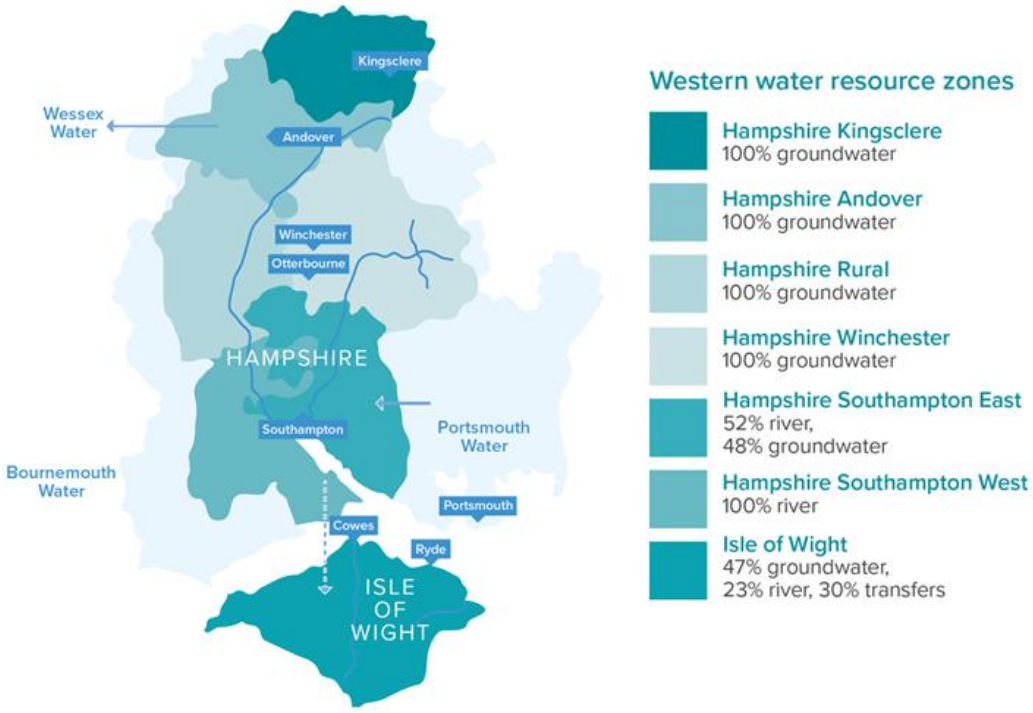
2.3.4 The Applicant's supply region is divided into 14 water resource zones (WRZs). The WRZs are geographical areas where water resources are shared and so all customers have the same risk of loss and security of supply due to resource availability4.The 14 WRZs are grouped into three larger, sub-regional supply areas: the Western, Central and Eastern areas, enabling the Applicant to manage demand for water for customers within these WRZs both individually, and at a sub-regional level.

[4] The definition from Environment Agency Water Resources Planning Guideline is "A water resource zone describes an area within which the sources of water and distribution of water to meet demand is largely self-contained (apart from any agreed bulk transfer.

2.3.5 Groundwater currently (as reported in the latest Annual Review 2024/24 in June 2025) makes up around 70% of the total water the Applicant puts into supply. River abstractions account for 23% of water supplies, and four surface water impounding reservoirs provide the remaining 7% [10].

2.3.6 The Project is planned and designed to provide supplies within the Applicant's Western Area, which is divided into seven WRZs: Hampshire Andover; Hampshire Kingsclere; Hampshire Winchester; Hampshire Rural; Hampshire Southampton East; Hampshire Southampton West; and Isle of Wight.

2.3.7 All of the water currently supplied in the Western Area comes from groundwater sources and river abstractions, as shown in Graphic 2-1.



Graphic 2-1: Sources of supply in the Western Area

2.3.8 The River Test and River Itchen are two of the world's most famous, internationally rare and sensitive chalk stream rivers. These rivers provide a large proportion of existing supplies for the Applicant's Western Area. The Hampshire Southampton West WRZ is 100% reliant on river abstractions for water supplies from the River Test, designated as a Site of Special Scientific Interest (SSSI). The abstraction from the River Test also provides around one-third of the Isle of Wight's supply which is pumped from the mainland. The Hampshire Southampton East WRZ is 52% reliant on river abstractions (from the River Itchen, designated as a Special Area of Conservation (SAC)) with the remainder coming from groundwater sources in the chalk aquifer, which itself feeds the chalk streams.

Overview of planned infrastructure programme

2.3.9 The Applicant's 'Water for Life' Hampshire programme is creating new sources of water for the region helping to protect the environment and safeguard future water supplies. The Project is one component part of the solution.

2.3.10 The Applicant also plans to develop another SRO with Thames Water. The Thames to Southern Transfer ("T2ST") project involves a new WSW and a new pipeline capable of transferring up to 120 Ml/d into Hampshire from Oxfordshire by 2040.

2.3.11 The Applicant is also building a network of new pipelines to link up key sites and WRZs, and also allow additional transfers of water from neighbouring water companies The Southampton Link Main and Andover Link Main, in the construction and planning phases respectively, are two such pipelines that will provide crucial supply resilience whilst reducing the impact of any burst pipes, mechanical failures or sudden increases in future demand across the WRZs.

2.3.12 The Applicant is also planning to build a WRP in Sandown on the Isle of Wight to reduce reliance on current supplies from the mainland (around a third of the Isle of Wight's water supply comes from the River Test).

2.4 National strategy for water resources infrastructure

Both the Government (in the 25 Year Plan [11] to Improve the Environment and in its first revision the Environmental Improvement Plan 2023 (EIP)) [12] and the EA (in its National Framework for Water Resources 2025) [13], make clear that the water industry must plan for more resilient water supplies by developing additional water supply capacity and must maintain this in the face of pressures from climate change, population growth and the need to improve environmental protection. This is reflected in current government policy in the NPSWRI and through the recent review of the water sector by the Independent Water Commission (IWC) (July 2025) commissioned by the UK Government [14].

2.4.1 Back in April 2018 the then National Infrastructure Commission (NIC) set out England's water infrastructure need in its Preparing for a Drier Future publication. It highlighted that the water supply system was already strained and that the pressure from climate change, an increasing population and need to protect the environment will only rise over coming decades. The report stressed the limitations of the current water resource planning system and called for a twin-track approach combining demand management (including leakage reduction) with long-term investment in supply infrastructure. The NIC analysis found that the cost of proactively building additional water supply capacity would be significantly less expensive than emergency measures in the event of a severe drought. The NIC report advised that even with ambitious action to reduce demand, plans should be put in place to deliver additional supply and demand reduction of at least 4,000 Ml/d, including a minimum of 1,300 Ml/d additional supply infrastructure.

2.4.2 The EIP included the goal of ensuring clean and plentiful water, with a series of policies, targets and commitments. It recognises that "*having enough water in the environment to sustain wildlife whilst also ensuring a secure supply to homes and business is becoming increasingly challenging*" and also identifies the need for significant additional water by 2050 to meet future pressures on water supply, stating that half will need to be delivered through reducing demand for water and the remainder through increased supply. The EIP sets out ambitious targets for water companies to reduce customer demand and leakage.

2.4.3 The more recently published National Framework identified that, as of 2025, if no action to reduce demand and increase water supplies is taken, England could need

around 5,000 Ml/d by 2055 for public water supplies to address future pressures, with just over 2 billion litres of that need in the South East. The largest driver for this scale of resources required at a national level is the need to deliver additional environmental protection and improvement to meet international and national legal and regulatory obligations. Other essential drivers include the need to meet drought resilience, the challenge of climate change and responding to population growth. The National Framework notes that significant strategic and local resource development to provide new supply options, including water recycling, is vital for achieving secure and sustainable water supplies into the future.

2.4.4 These findings are reflected in government policy in the NPSWRI, which explains that this level of need results from combined pressures from climate change, population and economic growth, and protecting the environment. It identifies that "*there is a critical and urgent need to build resilience in the water sector to address pressures on water supplies"* (paragraph 2.1.3).

2.4.5 The IWC review in July 2025 reflected on the potential projected need of 5 billion extra litres a day (in the EIP and National Framework) noting that "*this forecast does not include new or emerging demands associated with wider public policy objectives, such as the water needed for both the transition to delivering the UK government's clean energy superpower mission, or the likely water needs of AI".*

2.4.6 The forecasted shortfall is being met by significant investment of over £1 billion by water companies in the current business planning period (Price Review 2024 or PR24 which covers the period 2025 - 30) [15] for the investigation and development of new large-scale water resources infrastructure solutions to application-readiness (which is in addition to the investment of £469m Ofwat made available to water companies at PR19 when RAPID was established). The solutions (i.e. the SROs), are passing through the gated assessment process led by RAPID, formed to help accelerate the provision of new strategic water resources infrastructure given its urgent need.

2.4.7 The IWC reported in its review that "*through Price Review 2024 the water industry in England and Wales will increase enhancement expenditure to £44 billion, around 4 times the level of Price Review 2019. Higher levels of investment will continue well into the future. For drinking water infrastructure alone, draft Water Resource Management Plans (WRMPs) set out the need for 9 new desalination plants, 10 new reservoirs and 1 reservoir enlargement, 7 new water recycling projects and multiple internal and inter-company transfer projects to be delivered by 2050".*

2.4.8 In summary, there is a critical and urgent national need to plan and develop additional water resources infrastructure to maintain supplies to customers and protect the environment.

The recognised role of water recycling infrastructure

2.4.9 The NPSWRI, NIC Report and National Framework identify potential types of new water resources infrastructure, including new reservoirs, water recycling and desalination and the contribution these could make as part of the overall water resources solution identified in regional plans and WRMPs.

2.4.10 The NPSWRI (para 2.6.2) recognises that infrastructure schemes that meet the definition of a nationally significant infrastructure project or that are the subject of a direction under section 35 of the Planning Act 2008, are of a scale where these schemes can deliver *"a significant volume of the extra capacity needed to meet future needs"*.

2.4.11 The NPSWRI confirms that it is for water companies to determine which specific options are required to meet the need in their WRMPs (paragraph 2.3.6).

2.4.12 Water transfers are identified in the NPSWRI (para 2.6.8) as important for enhancing the resilience of water supplies by improving connectivity between areas of higher water availability to those where water availability is low. Transfers may be through existing rivers and canals, or through new channels, pipes and other supporting infrastructure. The NPSWRI (paras 2.6.8 and 2.6.10) recognises the research undertaken in both the National Framework and the NIC Report which highlighted the importance of strategic transfers in meeting resilience needs, and the potential for transfers to provide significant extra capacity within the water supply system. The NPSWRI (para 2.6.11) states that "government expects neighbouring water companies to work together when planning resources", and that the National Framework and work undertaken by RAPID will help to determine the potential for water transfers and address barriers to their development.

2.4.13 The NPSWRI (paragraph 2.6.16) recognises the constant, reliable supply of water that water recycling (called effluent reuse in the NPSWRI) provides regardless of weather conditions, which may reduce water abstraction from the environment and supplement river flows, as a key benefit. The NPSWRI states that large scale water recycling projects may be likely to result in large transfers and that the transfer may qualify as nationally significant automatically, or that such projects may be directed into the DCO process through a Section 35 direction.

2.4.14 The recent policy paper from the EA *"Water recycling for public water supply: Environment Agency position statement"* (October 2025) [16] is very clear on why water recycling is needed: *"Water recycling is needed to meet the mounting challenges facing our national water resources. The impacts of climate change, population growth and the need to increase resilience to drought mean that action is needed now. This will ensure resilient water supplies are available to meet the needs of all users in the future".* The paper highlights the benefits of water recycling, including:

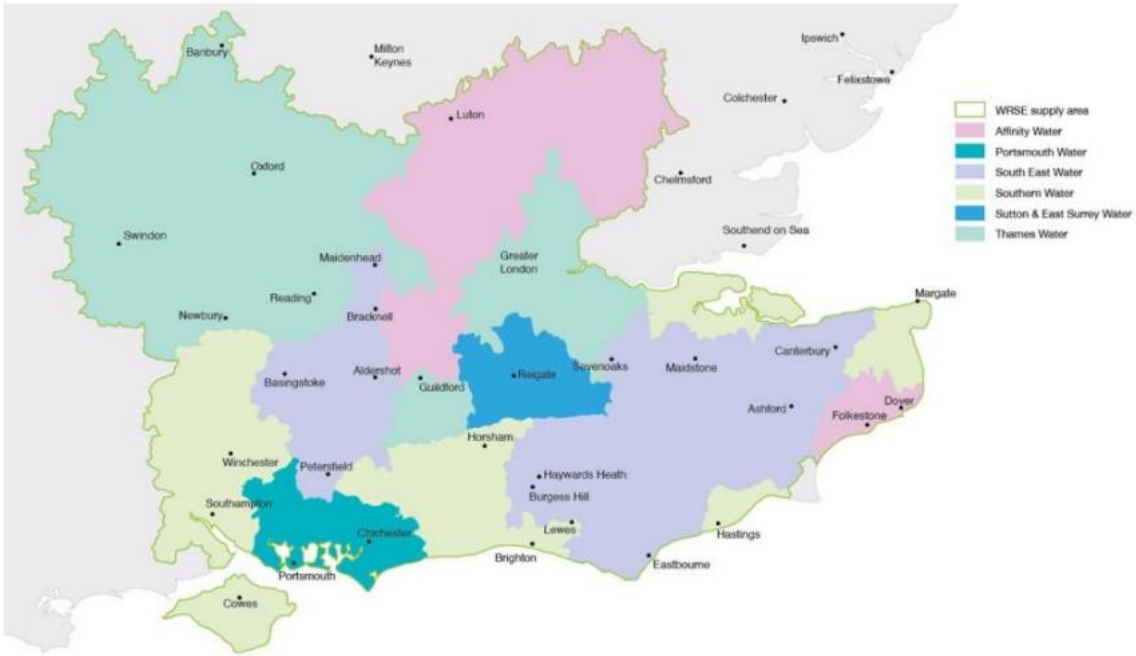
- *"Increased resilience to drought by providing reliable supplies that are less vulnerable to weather patterns*
- *Complementing or providing an alternative to large-scale infrastructure developments, such as reservoirs and desalination schemes*
- *Maximising water available for public water supply, particularly where there are abstraction pressures on other sources or water is scarce, or both*
- *Diversifying the water resources available and providing a resilient source*
- *Being cost effective and avoid potential environmental damage that may occur at new sources of groundwater and surface water supply".*

2.5 South East regional strategy for water resources infrastructure

2.5.1 The South East of England faces the greatest pressures on water resources of all the English regions. The region has a large population and receives little rainfall in comparison with other regions and so is considered by the EA to be 'seriously water stressed [17].

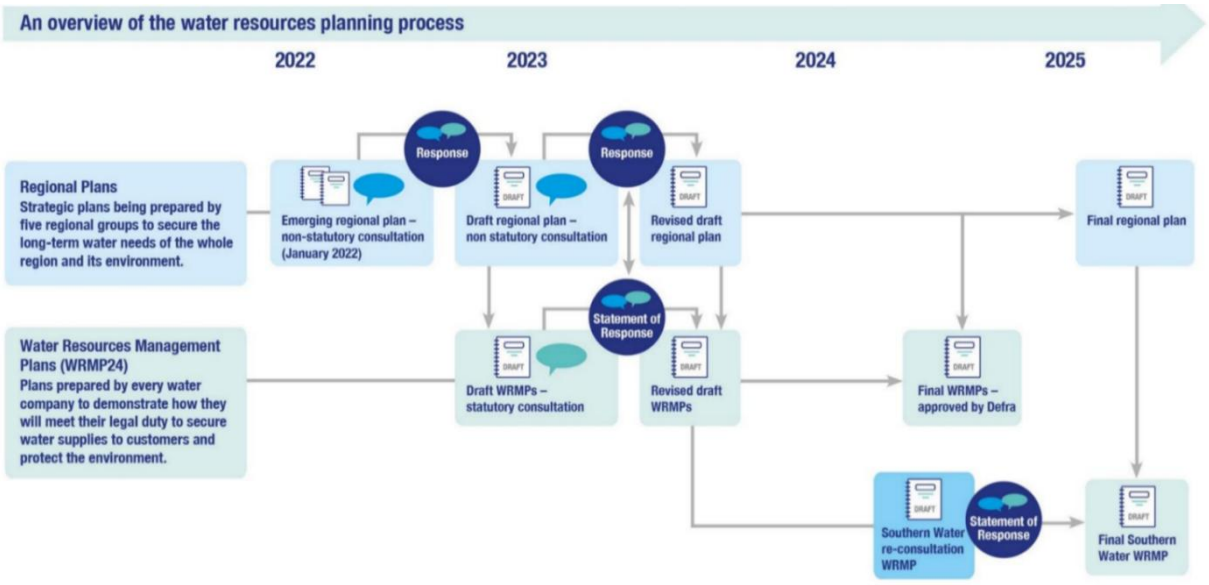
Regional plans

2.5.2 The six water companies in the region work together as the (WRSE regional group [18] to prepare a regional plan for the South East and to co-ordinate and collaborate over their individual WRMPs. Given the extent of the challenge in the region, WRSE has been at the forefront of regional planning for more than 15 years. The FRP, published in 2025, reflects the holistic understanding of the supply challenges across the region and how the companies can work collaboratively to deliver SROs alongside other supply schemes and demand reduction programmes as part of a best value plan to manage water resources over the next 50 years.



Graphic 2-2: Plan showing WRSE area and member water companies

2.5.3 Following revisions to the delivery dates of some of the Applicant's solutions, WRSE developed a two-step approach for development of its Revised Draft Regional Plan in order to limit re-consultation to the Applicant's revised draft WRMP24 only. This meant that the Applicant was the only company out of the six WRSE partner companies that did not have a final published WRMP24 in Autumn 2024 and in advance of the FRP being published. This is demonstrated in Graphic 2-3.



Graphic 2-3: Overview of the water resources planning process (from the WRSE Final Regional Plan)

2.5.4 This graphic, extracted from the WRSE FRP (published in 2025), remains accurate at the time of DCO submission with the exception that the Applicant's final WRMP24 is awaiting approval for publication from Defra.

2.5.5 The National Framework and NPSWRI support and recognise the role of regional groups such as WRSE. The National Framework states that such groups should identify *"a diverse portfolio of supply and demand side options, including significant supply side infrastructure by 2050. Supply side infrastructure, including options to increase storage, reuse water and move water to where it is needed, is required..."*.

2.5.6 A key aim of the regional plan process is to develop optimal solutions for the South East region as a whole regardless of water companies' boundaries. The WRMPs of member companies are expected to align with any published FRP proposals unless otherwise justified. The Applicant's emerging WRMP24 has been fully integrated and aligned with the development of the WRSE FRP.

The regional need

2.5.7 WRSE has taken the National Framework statements of need and undertaken further, more detailed modelling and assessment at the regional scale, working closely with non-public water supply sectors, and with other regions preparing their own plans. This forecasts the demand and available supply of water across a range of future environmental and growth scenarios.

2.5.8 The FRP states that *"the South East of England will run out of water unless demand is reduced and additional resource schemes are developed"* (paragraph 9.2) and that this shortfall could happen as early as 2030 in an extreme drought or by 2050 under average climatic conditions. The forecasts produced by WRSE in its FRP [19] are that by 2075, in a 1-in-500 year drought, the South East region faces a deficit of available supplies of between approximately 1,200Ml/d and 3,000Ml/d under the least and most challenging futures.

2.5.9 The FRP advises (at paragraph 1.18) that *"the scale of the deficits we have forecast is very significant, and requires significant action and investment on the*

part of our member companies, the Government and customers to ensure that water supplies will be protected into the future, whilst at the same time ensuring greater protection for the environment".

The regional solution

2.5.10 The WRPG mandates that adaptive planning should be used to address high-complexity, long-term uncertainty in, for example, population growth, climate change, and environmental destination. This applies to the WRSE region where the scale of the deficit is large and requires a range of future scenarios to be considered.

2.5.11 The investment modelling and options appraisal process that informed the WRSE Regional Plan and the six companies' WRMPs applied a range of best value criteria to select solutions to address the region's water supply needs, whilst maximising social, environmental and economic value of the investment. All the companies' options were appraised across a suite of associated metrics and their data loaded, alongside their cost and water supply values, into the investment model. The model then selected and sequenced options to meet all the supply needs across all water resource zones of the six companies to produce an integrated, best value plan for the region.

2.5.12 The investment model assessed nine different long-term pathways, or situations, based on the range of forecasts for the three key drivers of population growth, climate change and environmental destination. The long-term situations stem from branches at key decision points in the future, such that investment choices can adapt to the increasing certainty in the forecasts.

2.5.13 Whilst WRSE is required to select a single reported pathway for regulatory purposes, all nine pathways are considered to be equally likely. The FRP is capable of adapting to each of the pathways and respond to future changes in growth, environmental ambition and climate change.

2.5.14 Situation 4 (of the nine included in the investment model) was selected by WRSE as the reported pathway as it *"meets the WRPG growth forecast requirements, incorporates environmental ambition, and takes account of potential climate change impacts. WRSE reviewed the potential pathways with regulators and WRSE's Strategic Leadership Team approved Situation 4 as being the most appropriate reported pathway for the plan".*

2.5.15 The outputs from the investment model have been agreed by each water company making up WRSE and then included in each individual water company's WRMP 2024. This regional planning approach enables solutions which have been developed and agreed at a regional level to be delivered as a coherent network across the individual water company supply areas.

Supply and demand management options

2.5.16 In response to the scale of challenge, WRSE and its member companies have identified ambitious plans for significant investment in demand management and new infrastructure development. Both demand management (for example leakage reduction, water efficiency and metering) and new resource options (such as

imports, transfers, water recycling, desalination, reservoirs etc) were considered for selection in the investment modelling.

2.5.17 By 2050, WRSE forecasts that around half of the additional water needed will be met by reductions in water used by domestic and business customers by promoting water efficiency, and through significant reductions in leakage (paragraph 1.21). The other half of the water needed will be developed through new imports of water into the South East region, major new transfers between water companies and within water companies in the South East, and through the development of additional storage (both above and below-ground), water recycling schemes, desalination plants, and new groundwater sources (paragraph 1.25).

2.5.18 In terms of demand management measures, the WRSE Regional Plan modelling was based on company level inputs in respect of leakage reduction (i.e. in both the distribution network and in customer supply pipes), water efficiency (i.e. behavioural change and physical interventions at household level), and metering (i.e. conversion from fixed rate to metered tariff, and the introduction of smart metering). Changes in national policies, in the form of government interventions, which would result in demand reductions, were also considered.

2.5.19 For new water supply options, the WRSE companies collaborated on their options screening and appraisal processes to generate a feasible options set that could be confidently considered on an equitable basis in producing the regional plan. The options appraisal included Strategic Environmental Assessment, Habitats Regulations Assessment and Water Framework Directive assessments. Options for the Regional Plan (and water company-level WRMPs) included water transfers between regions, new and expanded reservoirs, water recycling, enhancing groundwater and aquifer use, desalination, catchment management options, drought orders and permits, and multi-sector options (i.e. options involving water used for agricultural, power and other sectors). Many of the new resource options were included and assessed at different capacities and/or as single phase or multi-phase developments.

Role of water recycling and identification of the Project

2.5.20 The WRSE FRP states that water recycling will need to form an important part of the solution (paragraph 12.40) and identifies a need for six water recycling schemes by 2035 within the South East region, and a further two water recycling schemes by 2075, together with a series of strategic new water transfers into and within the region (paragraph 1.26).

2.5.21 The FRP confirms that each of the six water recycling schemes, including the Project, is needed in all of the alternative future pathways (see paragraph 12.41) that the plan may need to adapt to.

2.6 The need for additional water resources infrastructure in Hampshire

2.6.1 Each water undertaker is required to prepare a WRMP to manage and develop water resources in order to meet its water supply obligations. WRMPs are highly regulated statutory plans which must comply with the requirements of the Water Industry Act 1991, any secondary legislation made including the Water Resources

Management Plan Regulations 2007and any ministerial directions given under that legislation.

2.6.2 The WRMP process requires water undertakers to undertake extensive engagement with the EA and Ofwat before submission to Defra for approval for publication. Whilst the Applicant's final WRMP24 has not yet been published it is well progressed through the regulatory process with a longstanding recognition of a substantial need for new water resources infrastructure, continuing on from the Applicant's WRMP19.

The Applicant's Western Area

2.6.3 The Applicant operates in an area where the sustainability of future water abstraction from the environment is being continually reassessed. Furthermore, climate change is anticipated to lead to a generally drier and warmer climate with an increased frequency of extreme events (storms, floods, droughts etc.). The Applicant is subject to increasing reductions to the amount of water it can abstract from its environmentally sensitive sources, and this affects resilience and increase the gap between supply and demand in parts of its supply area.

2.6.4 The Applicant's WRMP19 was prepared to meet supplies in a 1-in-200 year drought which forecast an overall water resource deficit in the Western Area of around 192Ml/d up to 2029–30 (as explained below the deficit is now predicted to have increased further as reported in the Applicant's emerging WRMP24).

2.6.5 Although there is a combination of factors that underpin this deficit, the primary cause is existing and forecast additional abstraction reductions and related licence changes. These are driven by the EA in accordance with its regulatory remit and as part of its Restoring Sustainable Abstraction programme, to secure appropriate environmental protection for nationally and internationally designated chalk streams and ensure compliance with Habitats Regulations and the Water Environment Regulations [3]. These place a legal obligation on the Government to prevent the deterioration of aquatic ecosystems; protect, enhance and restore water bodies to 'good' status; and achieve compliance with standards and objectives for protected areas.

2.6.6 The need for changes to abstraction was first identified by the EA in 2006 following its Habitats Review of Consents (implemented under the Habitats Regulations) [20]. Actions undertaken following subsequent WRMPs did not sufficiently address the need for changes to the river abstractions and in 2016 the EA started the process of imposing licence changes on the Rivers Test and Itchen. These internationally rare habitats are currently the main source of the Applicant's water supply in the Western Area, with abstraction from both ground and surface water sources.

2.6.7 While the Applicant accepted the environmental principles of reduced abstraction, it objected to the immediate imposition of the licence changes as an alternative source of water was not readily available and would mean disruption to public supplies if a drought occurred before a new source was brought online. As a result, an abstraction licence inquiry was held in 2018, at which the Applicant accepted the licence changes and entered into the s20 Agreement with the EA. The licence changes were subsequently approved by the Secretary of State with initial changes coming into force in 2019. The s20 Agreement acknowledged the threat

to customer supplies arising from planned licence changes, and the protection required for the environment, and committed both the Applicant and the EA to a series of measures to protect the environment and customers' supplies until an alternative solution was developed.

2.6.8 This means that 166 Ml/d of water from Hampshire's rivers is no longer available for public supply in Hampshire during drought conditions [21] – around 80% of the Applicant's available supply before licences were changed. Alongside other factors such as climate change, planned growth, and additional potential licence reductions to further protect the environment, this led to a broad range of interventions identified in WRMP19, including leakage reductions, significant demand management and new water resource developments.

2.6.9 The s20 Agreement enables the Applicant to use drought processes (i.e. through Drought Permits and Drought Orders) in a specified sequence to address its supply deficit and maintain customer supplies and protect the most sensitive habitats. This was agreed until 2030 at which point it was envisaged the new water resources infrastructure option set out in WRMP19 would be in place. The Applicant is engaging with the EA on interim measures for the period between 2030 and delivery of the Project. The s20 Agreement commits the Applicant to use *"all best endeavours"* to deliver this new infrastructure to replace water no longer available as a result of the licence changes.

2.6.10 The need for additional water resources in the Applicant's Western Area of supply is therefore directly derived from the licence changes impacting the River Test and River Itchen. These licences have already been changed and the deficit in available public water supplies needs to be urgently addressed through the Project alongside other infrastructure schemes, leakage reductions and demand management measures.

2.6.11 The Applicant's emerging WRMP24 forecasts that across the whole of its supply areas, under 1-in-500 year drought conditions, there would be a supply-demand deficit of around 280 Ml/d by 2035, increasing to around 500 Ml/d by 2050 [22]. Critically, water supplies over the supply area are also in deficit in normal weather conditions and non-severe drought events, risking the Applicant's ability to maintain essential daily supplies to customers. The normal year forecasts in the Applicant's emerging WRMP24 indicate a deficit of around 90 Ml/d by 2035 increasing to around 450 Ml/d by 2050 [23].

2.6.12 Within the Western Area the emerging WRMP24 indicates a water supply deficit of around 203Ml/d by 2040, rising to around 211Ml/d by 2050 in a 1 in 500 year drought. Under normal year forecasts, the Western Area faces a deficit of 156Ml/d in 2040, rising to 163Ml/d by 2050).

2.6.13 Furthermore, whilst forecasts are updated in five yearly WRMP and regional plan-making cycles, and variations in forecasts will be reflected in future plans, the scale of deficits in the Western Area is substantial and are expected to only increase over time.

The Western Area solution

2.6.14 The key driver for the Applicant's strategy in the Western Area is the need to eliminate reliance on drought options and ensure resilience in supply in

Hampshire. This has remained unchanged from WRMP19 through to the emerging WRMP24.

2.6.15 Consistent with the WRSE FRP for the entire region, the strategy for the Applicant's Western Area has from inception included significant proposals for new water resources infrastructure. As noted in the Applicant's WRMP19, the draft WRMP19 had *"led to the draft plan including large scale desalination, non-direct potable water re-use, pipeline transfer, demand management and catchment management measures…".*

2.6.16 The need for new supply options through large scale new infrastructure is a golden thread through the WRMP19 and WRMP24 processes alongside demand management measures. The precise nature of the proposed new supply options has evolved though the underlying need remains.

WRMP19 and annual reviews

2.6.17 The Applicant's WRMP19 was prepared to meet a projected water supply deficit in its Western Area of 192Ml/d during a 1-in-200 year drought up to 2029-30. The Applicant planned to meet this deficit through leakage and demand reduction, several new water resource schemes and the development of a strategic regional supply solution for the Western Area.

2.6.18 In response to the level of need established in WRMP19, the Applicant identified the largest element of its preferred strategy as a 75Ml/d desalination plant on the West Southampton Coast. WRMP19 also identified the potential for a water recycling scheme as an alternative or to reduce the scale of the desalination plant. This water recycling alternative proposed the treatment and transfer of highly treated wastewater to the lower River Itchen to enable continued abstraction downstream. WRMP19 was specifically designed as an adaptive plan and included a strategic alternative to the preferred strategy for a long-term water resource solution.

2.6.19 As part of the RAPID regulatory process to develop the desalination proposal further, the Applicant was required to investigate alternative options further in case desalination could not be delivered, including both water recycling and water transfer proposals. This is set out in detail in the Scheme Development Report (Document reference 5.10, DCO Volume 5). The Applicant carried out a public consultation in early 2021 to seek views on both its WRMP19 planned desalination solution and these alternative long-term solution proposals.

2.6.20 The Applicant then undertook an extensive options appraisal of the desalination proposal and these alternative solutions against a range of planning, environmental and best-value criteria. In late 2021, the options appraisal identified desalination as the least preferred option because of its potential impacts on the marine environment, which is a European designated area, and the New Forest National Park. A water transfer and water recycling option, previously referred to as Option B.4 (which is the Project) was selected as the new preferred option and the long-term solution for the Western Area. This was a variant to the strategic water recycling alternative identified in WRMP19 and involved sending recycled water to the planned Havant Thicket Reservoir rather than the lower River Itchen.

2.6.21 This change to the preferred new strategic water resource was set out in full in the Applicant's Gate 2 submission [24] to RAPID in December 2021. This was

supported by the regulators in RAPID with funding subsequently provided to develop the solution further to Gate 3. Work subsequently ceased on the desalination scheme as the proposals for the Project were progressed.

2.6.22 The change from desalination to the Project (still referred to as option B.4 at that point) to meet the need identified in WRMP19 was subsequently reflected in the WRMP19 Annual Review 2020/21 (page 60) published in December 2021.

2.6.23 Subsequent annual reviews continued to include the Project within the supply side schemes in the Western Area and the latest WRMP19 Annual Review 2024/25 provided a summary of the evolutionary process described noting that "*the highest-ranking option from the options appraisal exercise, and our selected option, was the Hampshire Water Transfer and Water Recycling Project (HWTWRP)".* WRMP19 Annual Review 2024/25 also noted that the Project was being progressed through the pre-application process for a DCO and had been included in the draft WRMP24 published in October 2022.

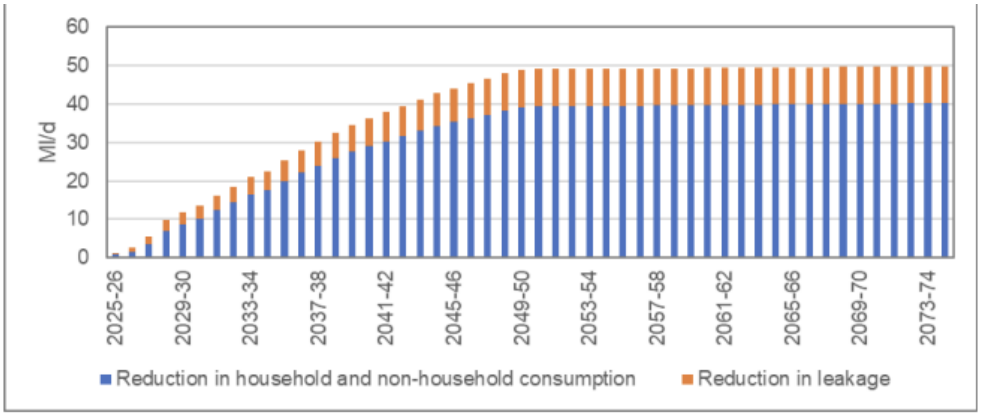
WRMP24

2.6.24 In developing the preferred best value plan through WRMP24, the Applicant continued with the twin track approach of reducing demand while developing new water resources to maintain supply-demand balance.

Demand management

2.6.25 The emerging WRMP24 states that demand management is a key component of the Applicant's long-term water resources management strategy. The Applicant's leakage and per-capita consumption have been among the lowest in the UK water industry.

2.6.26 The emerging WRMP24 identifies that through continuing demand management activities around 49 Ml/d can be saved in the Western Area by 2050. This would comprise of 39.2Ml/d from reduction in consumption by households and non-households and around 9.9Ml/d from reduction in leakage, as shown at Graphic 2-4.



Graphic 2-4: Reduction in total demand in the Western Area

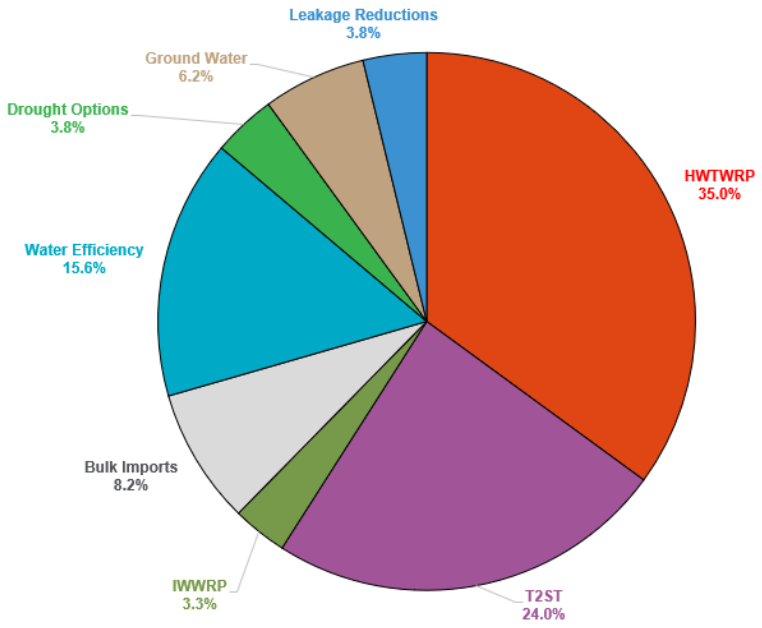
2.6.27 At 2050 this represents approximately 23% of the total supply deficit in a 1-in-500 year drought (i.e. 211Ml/d).

2.6.28 Whilst demand management is of vital importance it is not possible to meet future needs through demand management alone without twin tracked new supply options.

New supply options

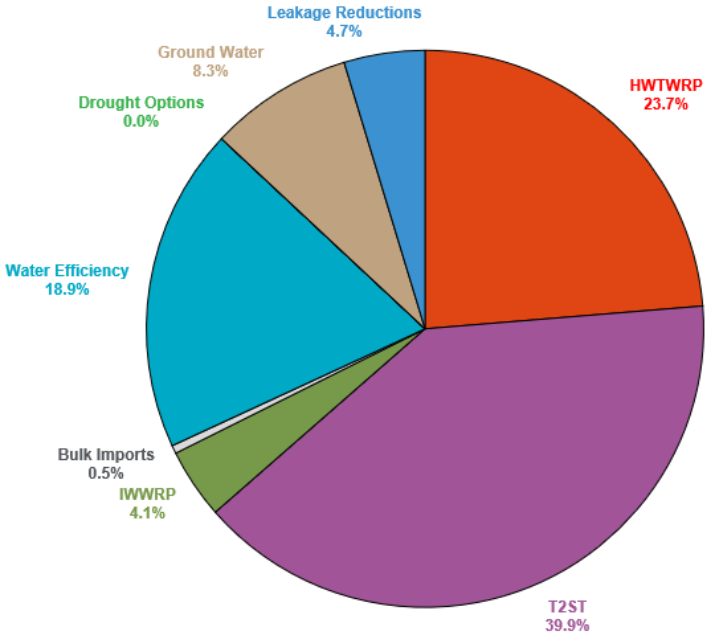
2.6.29 A large new reliable source of water is urgently needed to make up the majority of the water lost as a result of the abstraction licence reductions in the Western Area, and the modelling in WRMP24 demonstrates the need for the Project, in all situations, not only in providing the required water supply resilience in an extreme 1 in 500 year drought, but also in providing essential daily supplies in normal conditions.

2.6.30 Graphic 2-5 shows the contribution of different sources to the supply demand balance at 2050 in the Western Area in a 1-in-500 drought. This shows the contribution of demand side measures through water efficiency and leakage reductions as described above as well as the contribution of measures to increase yields from existing ground water sources and ongoing (but by 2050 limited) drought options. The majority of the contribution is made of the Project (HWTWRP) and Thames to Southern Transfer, (T2ST) (with a smaller contribution from the Isle of Wight Water Recycling Project (IWWRP)).



Graphic 2-5: Contribution to the supply demand balance in a 1 in 500 drought in the Western Area by 2050

2.6.31 Graphic 2-6 provides the same information but during normal conditions which shows that the Project reduces comparatively in relation to T2ST but would still provide almost a quarter of the total deficit at 2050.



Graphic 2-6: Contribution to the supply demand balance in normal conditions in the Western Area by 2050

2.6.32 The Applicant's emerging WRMP24 therefore continues to identify the Project as an urgent and essential part of the infrastructure solution required to meet the Western Area's water resources deficit, by enabling the transfer of up to 90Ml/d of new water resources from Havant Thicket Reservoir to Otterbourne WSW. This is consistent with the selection of the Project as part of the WRSE FRP described earlier in this report and the scale and immediacy of the need in the Western Area means the Project needs to continue to be delivered at pace, alongside the leakage and demand reduction programmes and other supply schemes as part of the Applicant's best endeavours to meet the s20 Agreement obligations.

2.6.33 As set out above, the Project is required to address a water supply deficit during both normal and drought conditions. In an extreme drought, the Project is forecast to predominantly operate at maximum capacity.

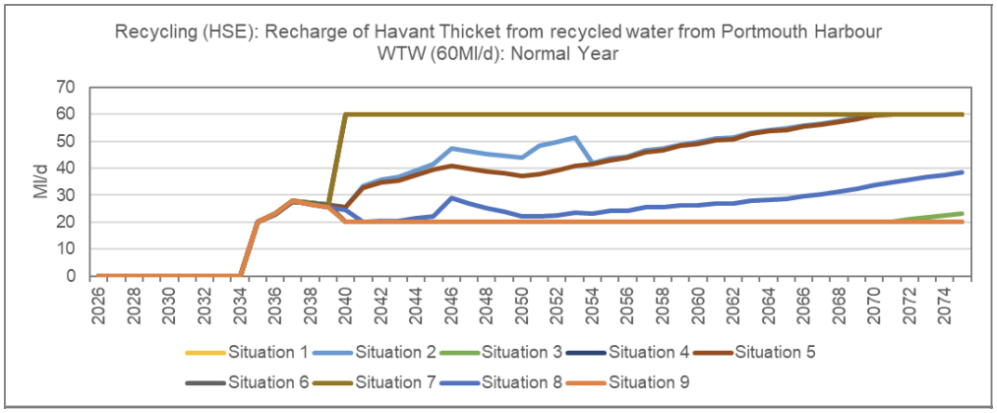
2.6.34 Situation 4 in the emerging WRMP245 shows that utilisation of the Project increases over time in both normal and drought conditions in response to increased water scarcity, principally due to sustainability reductions on abstractions. The WRP component of the Project is expected to operate predominantly at maximum output (approximately 60Ml/d) in both scenarios from the early 2040s onwards.

2.6.35 The transfer flow to Otterbourne is expected to reach its maximum flow (approximately 90Ml/d) constantly in extreme drought conditions from 2040 onwards, when drought orders/permits on the Rivers Test and Itchen (which enable increased abstractions during drought) are assumed to be no longer available. During normal conditions, to support essential daily water supplies, the transfer flow to Otterbourne, once operational, is expected to increase from an annual average of circa 23Ml/d in 2034/35 to almost 50Ml/d by 2050, with annual

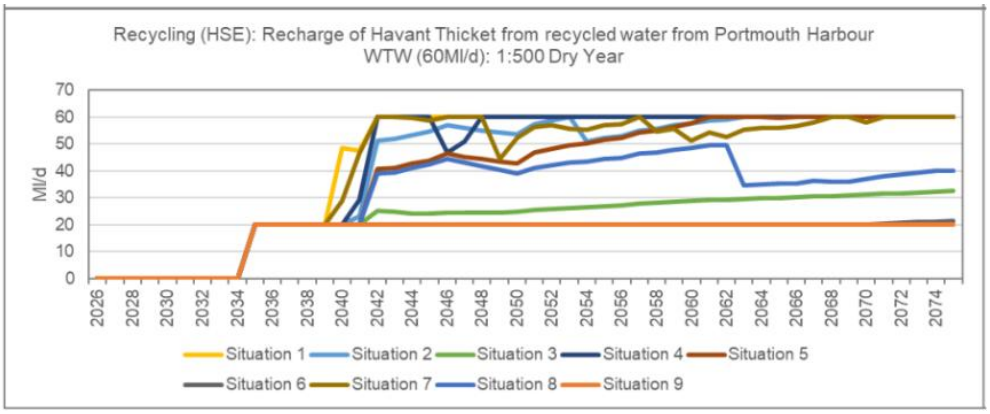
[5] As noted, the Project was consistently selected under different model runs and sensitivity tests that were undertaken and was selected in all nine future adaptive pathways.

average flows fluctuating thereafter between 40Ml/d and 50Ml/d up to 2075. Note that these are annual average figures and it is likely that the transfer will operate at capacity every year, on some days in the year i.e. the capacity of 90 Ml/d is not just required in an extreme drought event.

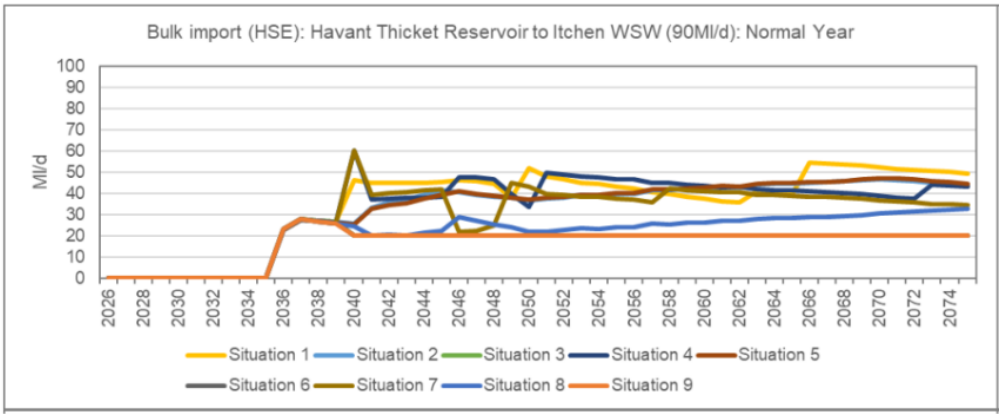
2.6.36 These utilisation figures for the WRP and Otterbourne transfer components of the Proposed Development are contained within the emerging WRMP24 and are reproduced at Graphics 2.7, 2.8, 2.9 and 2.10.



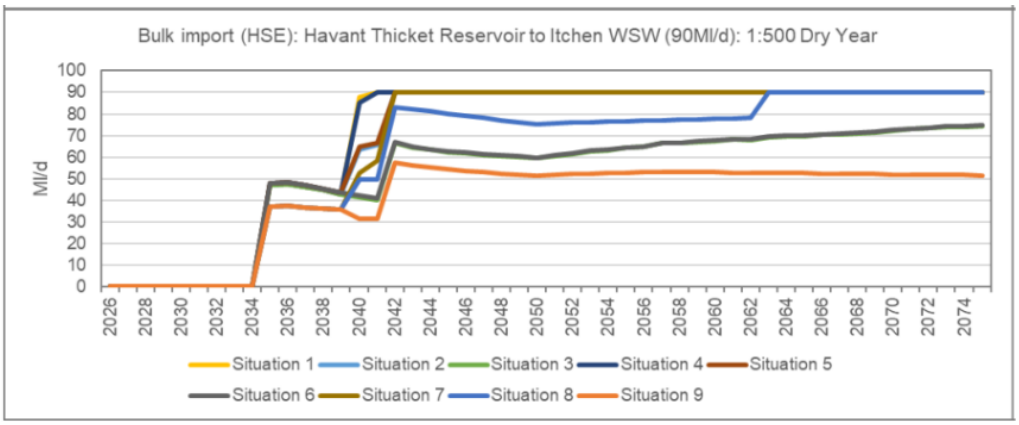
Graphic 2-7: Utilisation of the WRP to recharge Havant Thicket reservoir with recycled water under each supply-balance situation in normal year



Graphic 2-8: Utilisation of the WRP to recharge Havant Thicket reservoir with recycled water under each supply-balance situation in 1:500 Dry Year (Extreme Drought)



Graphic 2-9: Utilisation of the Otterbourne transfer under each supply-balance situation in normal year



Graphic 2-10: Utilisation of the Otterbourne transfer under each supply-balance situation in in 1:500 Dry Year (Extreme Drought)

2.6.37 Although Situation 4 is adopted as the reported pathway agreed at a regional water company level, the Project is selected (i.e. required) under all of the nine identified planning scenarios [25].

2.6.38 In summary, the Project is required to be increasingly utilised over its lifetime and in both drought and normal conditions.

2.7 Other needs

2.7.1 In addition to the principal need, the Applicant considers that the following additional requirements to consent and implement the Project add significant weight to the overall need for the development.

Legal need to secure the delivery of the Project

2.7.2 The Applicant has a statutory obligation to supply water (Section 37 Water Industry Act 1991) and signed a legally binding s20 Agreement with the EA in 2018. This acknowledged the threat to customer supplies arising from planned licence changes, and the protection required for the environment, and committed both the

Applicant and the EA to a series of measures to protect the environment and customers' supplies in drought conditions.

2.7.3 In particular, the s20 Agreement included commitments to secure the delivery of sustainable alternative long-term water resources solution for the Western Area, with the Applicant committing in the legal agreement to use "*all best endeavours … to implement the long-term scheme for alternative water resources set out in its final WRMP19, as may be revised by future WRMPs"*. The timely delivery of this planned new long-term water resources infrastructure is necessary to minimise impacts on nationally and internationally designated sites along the rivers Test and Itchen.

2.7.4 The water resources need which the Project will significantly contribute towards meeting is a direct result of the abstraction licence changes and the subsequent water supply deficits identified in WRMP19 and emerging WRMP24. The legal requirement for the Applicant to use its "all best endeavours" to implement the long-term scheme for alternative water resources is therefore being met through the delivery of the Project.

2.7.5 As a direct consequence of the Applicant's statutory duty to supply customers, the statutory duty to prepare a WRMP and identify water resources options to eliminate any deficit in supplies, and the s20 Agreement requirement to use all best endeavours to implement the water resources options in WRMP19 and emerging WRMP24, it is considered that there is a compelling legal need to secure the consenting and implementation of the Project.

Need for resilience and flexibility in operation to respond to different drought conditions

2.7.6 Broadening the types of water resources infrastructure available is an essential part of increasing the overall resilience of supplies to customers. This is particularly important in the Applicant's Western Area which are currently solely dependent on river abstractions and groundwater sources – both of which rely on underlying chalk aquifers that are vulnerable to multi-year droughts. A water recycling scheme, by comparison, provides a resilient and long-term source of purified recycled water that would be available to supplement existing supplies, increasing resilience to water resource driven supply interruptions in both normal and droughts conditions. The Project is an essential component part of the required diversification of the Applicant's sources of water supply.

2.7.7 Drought events in particular can be variable, requiring water supply infrastructure to be flexible to respond as a particular drought develops and is sustained. The Project meets this need by providing an adaptable and flexible water resource that is utilised during normal conditions but is also capable of responding to a range of drought events, with the transfer to Otterborne being able to respond as a drought develops up to a maximum of an additional 90 Ml/d greatly reducing the amount of water that needs to be taken from Hampshire's chalk streams while helping to address the significant water supply shortfall.

Need for resilience and flexibility to adapt to future challenges

2.7.8 The core need for the Project is as an essential piece of water resources infrastructure to meet needs within the Applicant's Western Area from 2034/35,

and to maintain resilient supplies to customers. Once the Thames to Southern Transfer Project is developed, water from the Project could then be used to support transfers beyond the Western Area. This is an outcome of the regional investment modelling and forms part of the FRP [26].

2.7.9 The development of the Project would work towards meeting the need for resilient and flexible water resource options as part of the overall FRP solution. Over the longer term, additional strategic water resource options will also be required as well as the Project, including the Thames to Southern Transfer Project which is to be delivered by 2040.

Economic need

2.7.10 The recently published Ofwat report *Economic Impact of Water Supply Infrastructure Investment* (March 2026) [27] highlights the critical importance of planning for water resources noting that "*without adequate water resources, the potential for population and economic growth, urban development and resilience to environmental shocks becomes constrained, directly curbing a nation's capacity for expansion and innovation".*

2.7.11 WRMP19 projected population growth in the Western Area to increase by 16% by 2045 from a 2020 baseline in the highest growth scenario. For those parts of the local authority areas supplied by the Applicant, WRMP19 estimated this at almost 87,000 additional households being connected to its Western Area water supply by 2045. Updated growth forecasts utilised in the Applicant's emerging WRMP24 [28] show a baseline growth projection (based on local plan household forecasts) for the Western Area of circa 72,000 new households between 2022 and 2045. Maximum growth projections for the same period forecast growth as high as circa 88,000 new households.

2.7.12 Both WRMP19 and the emerging WRMP24 forecast significant levels of housing growth, and additional households requiring new supply connections in the Western Area, by 2045. This housing development is itself an essential part of the overall growth planned for the sub-region through individual Local Plans, the work of the Partnership for Urban South Hampshire and the Solent Local Enterprise Partnership. The successful consenting and implementation of the Project is essential to support this planned growth within South Hampshire by ensuring that the availability of sufficient water resources does not become an impediment to such growth, and by making supplies to customers more 'drought proof'.

2.7.13 Ofwat's report makes clear that water supply is an enabler of economic growth and that investment in major water resource projects facilitates this by providing the required resources to grow. It advises that *"large-scale infrastructure acts as a catalyst for skills development. Investment in major water infrastructure across England will generate substantial temporary benefits such as employment growth, construction activity, and local economic uplift. However, a longer lasting outcome, such as the development of a skilled and adaptive workforce, emerges from this effort".* The Outline SEP (Document reference 7.9, DCO Volume 7) sets out a range of skills and employment measures that will help to maximise the opportunity the Project provides to local people and businesses.

2.7.14 The Project will also create direct and indirect construction related jobs itself, and there would be significant supply chain opportunities and support for national,

regional, and local businesses. Measures to ensure the localised realisation of such benefits within the area in which the Project is to be constructed are sought by paragraph 4.13.1 of the NPSWRI which states that "…*Applicants should look to maximise local employment opportunities during construction and operational phases…".*

2.7.15 As concluded in ES Chapter 17 Socio-economics, tourism and health, Volume I (Document reference 6.1, DCO Volume 6) the provision of essential infrastructure to guarantee future supply of drinking water and improved water supply is expected to have a major beneficial impact on economic development in the South East England region.

Environmental need

2.7.16 As mentioned above, the main driver of the water resources deficit in the Applicant's Western Area is the significant reductions in the company's abstraction licences, to provide additional protection to the River Itchen SSSI and SAC and the River Test SSSI. This environmental need underpins the water resources deficit and water resources need that the Project will contribute towards meeting.

2.7.17 Until the long-term water resources infrastructure for the Western Area, including the Project, is in place, the Applicant is reliant on Drought Orders and Drought Permits to ensure supplies to customers are maintained during drought events. No Drought Order or Drought Permit has yet been implemented in the Western Area under the framework established by the s20 Agreement. However, since the s20 Agreement took effect, the Applicant has made two applications for a Drought Permit applications on the River Test, in 2019 and in 2022 and one application for a Drought Order for the River Test in 2025, with a change in rainfall conditions meaning that public water supply could be maintained without these. The Applicant has also applied Temporary Use Bans (also known as hosepipe bans) twice in this period, in 2022 and 2025.

2.7.18 These Drought Orders and Drought Permits, if granted, facilitate abstractions from the River Itchen and River Test, allowing abstractions to continue beyond the new licence limits imposed, in order to maintain supplies. To offset the potential environmental impact of a Drought Order or Drought Permit (should one need to be implemented) – the Applicant has funded a c.£10m suite of environmental monitoring and improvement projects that are being developed and delivered by local environmental organisations. This work is ongoing and being funded regardless of whether or not a Drought Order or Drought Permit is implemented.

2.7.19 Whilst the s20 Agreement has provided a temporary solution through Drought Orders and Drought Permits to maintain customer supplies, the Applicant's ability to rely on the framework in the s20 Agreement is time limited to 2030 so there is a clear and urgent environmental need to secure the consenting and implementation of the Project at the earliest opportunity.

2.8 Summary conclusions on need

2.8.1 England's water supply is under severe pressure from the need to protect and enhance the environment, cater for a growing population and mitigate climate change. An additional five billion litres a day may be needed by 2050 to meet these

challenges. The need is particularly acute in the South East, where large new sources of water are needed.

2.8.2 The Applicant's WRMP19 (which remains the published WRMP) established the need for an SRO to address 75Ml/d of an identified 192Ml/d supply demand deficit within its Western Area. That need has not diminished and the Applicant's emerging WRMP24 indicates a water supply deficit of around 203Ml/d by 2040, rising to around 211Ml/d by 2050 in a 1 in 500 year drought. There would also be a deficit in normal conditions with a shortfall of 156Ml/d in 2040, rising to 163Ml/d by 2050). The SRO is now required to meet 90Ml/d of the forecast deficit.

2.8.3 The Project is a key SRO being progressed through the RAPID gated process to meet this shortfall. It has now progressed through three RAPID gates with regulators supporting the ongoing funding and development of the Project, and only the Project, to DCO application readiness and the early stages of procurement. Whilst this cannot pre-empt the outcome of the planning process, it highlights the regulatory acknowledgement of need and the chosen solution to address that need.

2.8.4 It is the largest water supply scheme over the next ten years to meet the needs within the Applicant's Western Area and forms an essential part of a wider, best value programme of demand management and new sources and transfers identified through the WRMP19 Annual Review process, the WRSE FRP and the Applicant's emerging WRMP24.

2.8.5 The Project is critical to maintaining essential water supplies to customers whilst protecting the environment, both during drought events and normal conditions. It has the resilience and adaptability to be flexible in the future to meet other sub-regional and regional needs.

2.8.6 The Project is essential water resources infrastructure for which there is an urgent national, regional and local need to achieve consents and secure implementation at the earliest opportunity.

2.8.7 Failure to deliver the Project would place further and unacceptable pressure on an already seriously water-stressed area. This would risk the provision of water resources to support planned housing and economic growth, extend the duration of the deficit in water resources for customers, and risk extending the consequential reliance on drought options with risks to sensitive chalk stream habitats that the Project is actively seeking to protect.

2.8.8 In summary, regardless of whether the Project is included in a published final WRMP, need has, therefore, been firmly established and should not need to be revisited or examined as part of the DCO application. To do so would undermine the baseline need already established in WRMP19 which continues to drive the requirement for an SRO through WRSE and emerging WRMP24, and against which other projects and measures are already being delivered.

3 Value for Money Statement

3.1 Introduction

3.1.1 Paragraph 2.5.12 of the NPSWRI states that *"when applying for development consent, the applicant must submit a statement with a clear assessment of the proposal in the context of the water resources management plan and summarise the results of the water resources management plan annual review process and anything relevant to the development consent application". Paragraph 2.5.20 requires that "the applicant should include in the statement in 2.5.12 planned financial arrangements, also explaining how the proposed infrastructure delivers value for money by reference to the analysis in the water resources management plan"* (our emphasis).

3.1.2 The statement relating to planned financial arrangements forms part of the Funding Statement (Document reference 4.2, DCO Volume 4). That document sets out how the Project and any compensation related to exercising compulsory acquisition powers would be funded. The content of that document is not repeated here. Accordingly, this section of the Case for the Project focuses solely on satisfying the latter part of NPSWRI paragraph 2.5.20 – i.e. how the Project (i.e. infrastructure) delivers value for money by reference to the analysis in the water resources management plan.

3.2 Drivers for value for money

3.2.1 The NPSWRI sets out the mechanisms through which water resources solutions are identified, assessed and selected as projects and then subject to economic regulation and scrutiny.

3.2.2 Paragraph 2.14 of the NPSWRI states that "*securing long term resilience involves planning for future events (such as drought events) as effectively as we can, to mitigate the impacts whilst ensuring value for money for consumers, in line with the government's strategic priorities for Ofwat's regulation…"* with reference to the Department for Environment, Food and Rural Affairs' Strategic Policy Statement for Ofwat [29] which sets out the government's priorities for Ofwat's regulation of the water sector in England. The current policy paper, the "*February 2022: The government's strategic priorities for Ofwat" advises that "the government expects the industry to plan, invest and operate to meet the needs of current and future customers. The industry should do so in a way which delivers value to customers, the environment and wider society over the long-term".*

3.2.3 Paragraph 2.14 of the NPSWRI continues, to note that *"this is achieved through the statutory water resources management plan process*".

3.2.4 This section sets out the requirements to demonstrate best value through the Applicant's economic and water resources planning regulatory process, including through preparation of its WRMP, its business plan and then securing funding through the price review process (which specify what water companies are expected to invest in – up to 2030 for PR24 - and apply controls on the customer price increases they can apply to fund those projects).

Regional plans

3.2.5 Regional plans assess the future need for water and identifies the set of options that present the best value to customers, society and the environment to secure long-term resilience. In doing this, it takes account of the likely effects of many individual factors, including climate change, population growth and changing environmental policy and legislation.

3.2.6 The FRP identifies WRSE's assessment of the need for additional water over the planning period to 2075, and the demand management and water resources options it has selected in its best value plan, including the Project.

Water Resource Management Plans

3.2.7 As set out in section 3.2 of this report, each water undertaker must prepare, publish and maintain a WRMP to plan for how the water undertaker will manage and develop water resources so as to be able to meet its water supply obligations

3.2.8 As summarised in the WRPG[6], WRMPs "*should deliver value for money for your customers. It should reflect wider societal values and government expectations*" [30]. The guidance notes that the aim of a regional plan and WRMPs is "*to present a best value plan, across the planning period, both in the short term and the long term"* and states that: *"A best value plan is one that considers factors alongside economic cost and seeks to achieve an outcome that increases the overall benefit to customers, the wider environment and overall society."*

- The WRPG advises that "*a best value plan should be efficient and affordable with distributional impacts, societal equity and intergenerational equity considerations transparently discussed. It should be clear that the additional benefits identified could not be delivered more efficiently through other means".* The best value plan should consider the most appropriate options taking into account various factors (as set out in the WRPG), including (amongst other considerations) regional plans, government policy and regulator expectations, environmental improvements, network resilience, impacts on customer bills, flexibility and adaptations and additional benefits.

3.2.9 The emerging WRMP24 is shaped by the best-value FRP for the South East which has been prepared by WRSE. The FRP provides an explanation of the approach to best value planning (paragraphs 6.12 to 6.21) with more detail in the Best Value Planning Method Statement. The FRP states that:

"Under our best value planning approach, we have identified four objectives for our regional plan to achieve, building on consultation and engagement on best value. This means our regional plan is not least cost, but it will deliver more to customers, the environment and society. Our best value objectives for the regional plan to meet are:

- *Deliver a secure and wholesome supply of water to customers and other sectors*
- *Deliver environmental improvement and social benefit*

[6] *These quotes are from the current April 2026 version of the WRPG but were also present in previous iterations.*

- *Increase the resilience of the region's water systems*
- *Deliverable at a cost that is acceptable to customers*

3.2.10 *Beneath each of these objectives are a number of criteria that we use to measure how our plan performs and to help us identify the 'best value' plan for the region. Some of these criteria are constraints within our plan so the plan must deliver them. This includes meeting the supply-demand balance, contributing to the Environmental Improvement Plan interim targets, reducing leakage by 50% by 2050, achieving levels of abstraction reduction and increasing resilience to a one in 500-year drought event. The remaining criteria are used to help compare how different water resource programmes perform so we can identify the one that delivers 'best value' to the region".*

3.2.11 This approach to embedding best value through the WRMP process is consistent and in parallel with the same through the regulatory process described in the following subsection.

Regulatory Approval

3.2.12 The Project has been identified as an SRO and subject to regulatory assessment through the RAPID gated process. There are four gates at which companies submit information about their work on a solution, which is assessed to ensure companies are making progress on investigation and development of solutions. Ofwat determines whether companies should continue to be allowed funding to further investigate and develop a solution to the next gate. The Project has been approved to progress to Gate 4, which is timed to occur approximately two months after the submission of the DCO application.

3.2.13 At each RAPID gate there has been an assessment of value for money for customers. At Gate 2 (December 2021) a full options appraisal process was reported to RAPID, which included an assessment of value for money for the Project based on a Multi-Criteria Discipline Analysis (MCDA) compared with five alternative options, including desalination options and other water recycling and transfer options. This concluded that the Project represented the best value for customers, as well as being considered the most adaptable and able to meet future needs, on account of the flexibility and evolvability afforded by its integration with Havant Thicket Reservoir. It was therefore at this stage confirmed as the Selected Option.

3.2.14 The Gate three final decision for Hampshire Water Transfer and Water Recycling Project (February 2025) noted that the RAPID assessment of the evaluation of costs and benefits "*considered the quality of the information provided on initial solution costs, the social, environmental and economic cost and benefits, water resource benefits and wider resilience benefits. The assessment also considered whether evidence was provided on how the solution delivers a best value outcome for customers and the environment"* (our emphasis).

3.2.15 In early 2026, the Applicant undertook a review of the options appraisal to take account of any changes which had taken place in the five years since the original options appraisal was undertaken to inform Gate 2. The aim of the review was to determine whether the outcome of the previous options appraisal remained valid. The intention was not, however, to re-run the process in its entirety, but to follow a proportionate approach focusing on changes that could have a material

impact on the optioneering. This included revisiting value for money including updated cost information for the Project and the next highest-ranking option from the previous options appraisal (the Backup Option), which were the only two options able to deliver on the project requirements and therefore in scope for the review. The outcome from the value for money element of the review was that the Project outperformed the Backup Option in every scenario across all of the five best value lenses considered through the review.

Business Plan

3.2.16 The Applicant's Business Plan sets out the level of investment and customer bills in the five year period from 2025 to 2030 and incorporates a 25-year long-term delivery strategy for the wider business. The Business Plan was approved by Ofwat in December 2024 and includes the necessary funding for the Project for the period from 2025 to 2030.

3.2.17 Investment for this period is controlled by Ofwat's Price Review PR24. The methodology for PR24 [31] explains that "*companies should deliver best value, so that they can deliver more for the funding that customers provide. This will require companies to take account of wider environmental and social benefits, costs, risks and affordability of customers' bills when developing their enhancement proposals".* The methodology advises that Ofwat "*are keen to promote best value as part of PR24. We want to support enhancement schemes that deliver additional environmental and social benefits which outweigh any additional costs. Not all schemes that generate additional benefits will necessarily be best value. Schemes where additional costs outweigh the additional benefits will not be best value. Least cost schemes can be best value where alternatives offer smaller net benefits (even when these alternatives are value for money). Therefore, companies should consider a variety of options to identify the best solution for customers, the environment and society".* The Project was given funding in PR24 having met the best value requirement through the regional planning modelling activity.

3.3 How the Project delivers value for money

3.3.1 A number of processes for identifying, selecting and delivering water resources projects interact to ensure that projects deliver value for money. Progression through RAPID's gated process has allowed Ofwat to ensure that the costs incurred to investigate and develop the Project are efficient, as there has been an efficiency of expenditure assessment carried out by RAPID at each gate.

3.3.2 The Applicant's emerging WRMP24 is based on the WRSE Regional Plan. Both the WRMP and Regional Plan have been developed based on the WRPG. As well as reflecting wider societal values and government expectations, the WRPG reflects Ofwat's requirement (as enforced through PR24 and the RAPID gated process) that the water resources infrastructure should deliver value for money for customers.

3.3.3 To meet this requirement, a best value approach has been adopted for both the Regional Plan and the WRMP. Best value in the context of water resource planning means seeking solutions that are cost efficient and secure supplies for customers, but also increase the overall benefit to customers, the wider environment and society as a whole. This means that the water resource programme that is chosen

may not necessarily be the cheapest in financial terms, but that it also delivers other areas of value as defined through the best value criteria, referred to as metrics.

3.3.4 Advanced decision-making techniques have been utilised to embed 'best value' within the Regional Plan and emerging WRMP24. Working with WRSE, the Applicant developed a set of best value planning objectives to inform the emerging WRMP24.

3.3.5 In conjunction with best value, the Regional Plan and WRMP24 follow an adaptive planning approach to ensure that plans address supply and demand uncertainties. An adaptive plan is useful when there are significant future uncertainties, as it shows how a programme of investment would change if and when those uncertainties are resolved. The aim is to develop a plan that can change to ensure that the needs of customers and the environment are met in a cost-effective way. Adaptive planning allows for consideration of multiple future supply-demand balance situations, enabling the development of a 'no regret' or 'low regret' strategy.

3.3.6 Applying the best value and adaptive planning methods processes, the Project has been selected as part of the preferred plan in both the Applicant's emerging WRMP24 and the FRP as a best value option.

3.3.7 The Applicant has also been working with Portsmouth Water to achieve significant efficiencies within the Project by utilising infrastructure to be delivered as part of the already consented Havant Thicket Reservoir. Both companies utilising the same pipelines to transfer water to and from Havant Thicket Reservoir will minimise disruption to residents and the environment, while efficiently delivering the required infrastructure and providing value for money for customers. This approach could save over £100 million in tunnelling and associated costs compared to installing separate new infrastructure for the Project at a later stage.

4 Project Benefits and Legacy

4.1 Introduction

4.1.1 The overarching legacy of the Project will be the manifestation of the Project Vision:

4.1.2 *"We're transforming the way we source, treat and supply water across Hampshire. Creating a new, resilient and sustainable water supply will protect and enhance the county's rare and sensitive chalk streams, while maintaining supplies for our communities and the local economy."*

4.1.3 This encapsulates the fundamental purpose of the Project, to meet the need for new water resources to ensure that the Applicant can continue to supply water to customers after reducing the amount of water abstracted from the region's rivers and the significant environmental benefits this will deliver.

4.1.4 Achieving this vision through the delivery of the strategic infrastructure required for the Project presents opportunities for additional or consequential benefits arising from the construction or operational phases.

4.1.5 The purpose of this benefits and legacy section is to present all the Project benefits in one place – including benefits to the economy, communities and the environment.

4.1.6 Full technical details of specific benefits and technical assessments mentioned are referenced throughout the section, and readers are signposted to relevant DCO documents, as appropriate.

4.2 Proposed benefits packages

4.2.1 The ten benefits packages are as follows:

1. Overarching environmental, social and economic benefits
2. Biodiversity Net Gain (BNG) benefits
3. Outline Skills and Employment Plan (Outline SEP) benefits
4. Skills and Employment Fund
5. Broadmarsh Coastal Park Improvement Fund
6. Portsdown Hill Improvement Fund
7. Community Fund
8. Volunteering commitments
9. Water Recycling Plant Visitor Facility
10. Environmental Enhancements

4.3 Overarching environmental, social and economic benefits

4.3.1 This package encapsulates the fundamental purpose of the Project in meeting the need to continue to provide customers with water – and the consequential social

and economic benefits of doing so – while reducing abstraction and protecting and enhancing Hampshire's chalk streams. This will only happen if the Project is delivered and cannot be separated out from the Project.

4.3.2 These intrinsic benefits of the Project align with national policy priorities including the 25 Year Environment Plan, as well as the National Framework for Water Resources (2025), and affected local authority strategies and policies.

Environmental need and benefits

4.3.3 The driver for the Project is to reduce abstraction derived from the licence changes impacting the River Test and River Itchen.

4.3.4 Chalk streams like the River Test and River Itchen are Internationally rare habitats. Over 85% of the world's chalk streams are found in England. These ecosystems are under threat from over-abstraction, pollution, and reduced flow levels. The Project will reduce pressure on these sensitive environments by enabling a more resilient and sustainable alternative water source, helping to maintain ecological flow, support biodiversity and reduce the risk of long-term harm.

4.3.5 More specific detail on the environmental benefits of the Project is set out in ES Chapter 8 Terrestrial and freshwater biodiversity, Volume I (Document reference 6.1, DCO Volume 6) including the predicted major beneficial impact on the River Itchen SSSI and Special Area of Conservation (SAC) and other benefits from downstream water quality changes from Havant Thicket Reservoir (Riders Lane Stream and Hermitage Stream).

4.3.6 The Project also contributes to meeting the UK Government's Water Framework Directive objectives, which aim for all water bodies to achieve *"good ecological status."* By supporting reduced abstractions, the Project supports compliance with abstraction licence conditions and enhances the resilience of local river systems.

National and local need for appropriate water resources infrastructure to address water security and drought resilience

4.3.7 The South East of England faces increasing pressure on its water supply due to climate change, population growth, and aging infrastructure. This Project is vital to improving water security and drought resilience across the region.

4.3.8 Within the Applicant's Western Area there is a projected water supply deficit of around 211Ml/d by 2050 in a 1-in-500 year drought. Demand side measures (reducing consumption / fixing leaks) are a crucial part of the solution but must be combined with new large scale supply options. The Project would provide a new sustainable source of water, delivering up to 90Ml/d of water into the Hampshire supply network.

4.3.9 The Project will help secure water supplies for the Applicant's customers and support long-term planning objectives set out in the National Framework for Water Resources and local Water Resource Management Plans (WRMPs). It aligns with government priorities to reduce reliance on unsustainable abstraction and increase strategic water transfers between regions.

Supporting future population needs

4.3.10 The South East is one of the fastest-growing regions in the UK. The Applicant's Western Area is expected to see significant population growth with up to 2 million additional residents projected by 2050. This growth will drive demand for housing, jobs, and infrastructure.

4.3.11 The Project will enable new housing developments to connect to a sustainable water supply, supporting local authorities in meeting housing targets. It also underpins economic development by ensuring that water availability does not become a constraint on growth.

Local economic benefits and resilience

4.3.12 In addition to environmental and infrastructure benefits, the Project will deliver direct economic gains. It is expected to support hundreds of construction jobs and generate long-term employment through operational roles and maintenance. It also strengthens the region's economic resilience by ensuring that businesses, schools, hospitals, and other essential services have reliable access to water.

Innovation

4.3.13 The Project uses innovative water recycling technology. Adoption of innovative technologies and systems will become increasingly important to address the climate emergency. The innovative technological approach was chosen through an optioneering processes to reduce impact and protect environmental assets. This creates a 'pioneer' effect that could help to provide a 'proof of concept' and therefore support delivery of other water recycling projects across the UK.

4.4 Biodiversity Net Gain (BNG)

4.4.1 The Project will deliver at least 10% BNG. BNG is a benefit to directly impacted areas and wider communities as it is designed to leave the environment with richer habitats and species and in a more climate resilient position than prior to the Project. This is expected to have positive indirect effects for wider communities including improved mental and physical health benefits gained from being able to access greater levels of nature that host BNG sites. BNG is not yet a mandatory requirement for projects consented through the DCO process, and therefore this currently represents a voluntary commitment by the Applicant to deliver this benefit.

4.4.2 BNG for the Project can be achieved in a number of ways. This includes:

- On-site habitat creation and enhancement measures will be delivered within the above ground plant (AGP) and at Environmental Mitigation and Enhancement Areas (EMEAs) adjacent to the Project that are within the Project BNG baseline area.
- Delivery of nearby off-site BNG measures aligning where possible with local Nature Recovery Strategies (LNRS).
- Where it is not possible to deliver on-site or local off-site schemes to fully meet the 10% BNG requirement, purchase of BNG credits from a habitat bank.

- A blend of all the above approaches.

4.4.3 The commitment to BNG will be secured through the Biodiversity Gain Plan (Document reference 7.11, DCO Volume 7) via a DCO requirement. The relevant requirement will provide that no part of the Project shall commence until a detailed biodiversity gain plan for that part has been submitted to and approved in writing by the relevant planning authority. This will establish the precise details of the measures that would contribute to the delivery of the minimum 10% for the whole development as well as details of habitat management and monitoring for a period of 30 years.

4.5 Outline Skills and Employment Plan (Outline SEP) benefits

4.5.1 The Outline SEP (Document reference 7.9, DCO Volume 7) sets out a range of skills and employment commitments that will help to maximise the opportunity the Project provides to local people and businesses. The Outline SEP comprises a number of objectives and outcomes that are included in Benefit Package 3. The information below provides a summary of these measures.

4.5.2 The DCO will secure via requirement the delivery of and compliance with a SEP that must be substantially in accordance with the Outline SEP. The SEP will provide firm measures that will be delivered and which build on and provide more detail in respect of the measures set out in the Outline SEP. The SEP will be developed by the appointed contractor.

4.5.3 The Outline SEP/SEP will benefit wider communities across the areas affected through the furtherance of employment, skills and training opportunities within local communities.

4.5.4 These objectives have been summarised from the Outline SEP which provides further specific details on potential partners and target ambitions. The following employment and skills benefits are mainly expected to be delivered by the Contractor, apart from Objective 3: Intention to work with local partners to explore funding or co-funding apprenticeships, which the Applicant intends to deliver itself:

- Objective 1: Promote and facilitate local employment in Hampshire:
  - Work with local partners to maximise awareness of roles.
  - Advertise all roles widely (incl. both national and regional jobs boards).
  - Appoint an onsite Skills and Employment Manager.
  - Co-ordinate work experience within Hampshire.
  - Establish Monitoring and reporting mechanisms.
- Objective 2: Promote Workforce diversity and increase employment opportunities for disadvantaged and underrepresented groups:
  - Engage specialist support agencies to widen talent pool.
  - Require contractors to collect demographic data.
  - Cover travel expenses for interviewees.
  - Provide inclusive recruitment training to hiring teams.

- Objective 3: Support local skills development through education and targeted partnership:
  - Identify and support a group of STEM ambassadors within Project Team.
  - Coordinate a programme of outreach activities annually.
  - Work with local partners to explore funding or co funding relevant apprenticeships. This could include using unspent Southern Water Apprenticeship Levy (AL) monies.
  - Establish a Local Skills Working Group with secondary schools and colleges to align with project workforce needs
  - Collaborate with local vocational centres to support delivery of NVQ Level 2 construction-related qualifications
  - Organise onsite training weeks for individuals
- Objective 4: Maximise local economic impact through procurement:
  - Publicise invitations to tender to reach SMEs.
  - Promote use of Hampshire County Council supplier self-service portal, incl. delivering training sessions or workshops for SMEs.
  - Encouraging alternative routes into market for SMEs.
  - Form relationships with local partners to work closer with businesses.
  - Host at least one supplier engagement event.
  - Appoint a dedicated supply chain manager.
- Objective 5: Promote fair work and high employment standards across the Project:
  - The Contractor will be required to pay their employees at least the National Minimum Wage (NMW) and additional weighting will be applied in the procurement tender evaluation for those committed to paying at least the Real Living Wage.
  - The Contractor will ensure that all employees working on the Project are paid at least the Real Living Wage, in line with their role and responsibilities.
  - No zero-hour contractors.
  - Contractors required to follow CITB Be Fair Framework.
  - Appointed contractor to complete CITB Fairness, Inclusion and Respect Growth Assessment.
- Objective 6: Regularly engage with local planning authority stakeholders in the study area to optimise impact from the Project:
  - The Contractor will establish a Local Skills and Employment Working Group to oversee and monitor efforts related to local recruitment, training and employment throughout the duration of the construction programme, to be held every quarter starting six months prior to the enabling works and concluding when construction works finish.

4.6 Skills and Employment Fund

4.6.1 The Applicant is proposing to contribute £300,000.00 towards a Skills and Training Fund in addition to the Outline Skills and Employment Plan commitments. This fund is being provided as capital funding towards the construction of the Leigh Park Construction Training Academy which would provide training and ongoing opportunities for local residents. This provision is relevant to both future needs of the Applicant and wider projects in the region.

4.6.2 This measure has been discussed with Havant Borough Council who provided the business case for the proposed academy. The business case demonstrated that Havant Borough Council were making up the shortfall of funding for the Project from third party CIL and s106 contributions. This shortfall would instead be met by the Applicant's proposed Skills and Employment Fund which will help catalyse the delivery of the Project.

4.6.3 In addition to the Outline SEP commitments, this Skills and Employment Fund will provide a specific mechanism for the Applicant to contribute to local skills and employment initiatives that require additional funding or support and are relevant to skills required by the Project in the construction and operation phases. This provides benefits including contributing to local priorities such as providing skilled training pathways and opportunities to retain and develop a local workforce.

4.6.4 The Skills and Employment Fund is identified within the Outline SEP and the financial commitment will be secured via a separate legal agreement.

4.7 Broadmarsh Coastal Park Improvement Fund

4.7.1 A financial contribution of £500,000 is proposed to be provided by the Applicant to deliver positive interventions at Broadmarsh Coastal Park to the south of the WRP site (and other potential measures in the surrounding area).

4.7.2 The Havant Borough Council development plan policy BD11 (which relates to the allocation of the WRP site) contains a number of 'site opportunities' including opportunities to "*enhance the habitat of Broadmarsh Coastal Park and/or the surrounding area*" indicating these improvements are a key local priority.

4.7.3 The Broadmarsh Coastal Park Improvement Fund responds to these priorities by providing funding to be administered by Havant Borough Council.

4.7.4 Precise details of the allocation of funding will be determined between the Applicant and Havant Borough Council but it is likely to include elements such as:

- Surface and pathway improvements, including Public Rights of Way (PRoW) along waterways where appropriate.
- Improved lighting
- New benches
- Enhanced planting and landscaping

4.7.5 The Broadmarsh Coastal Park Improvement Fund would be secured via a separate legal agreement which would specify the measures that the contribution can be spent on and by when and would ensure that such measures are aligned to the relevant Local Nature Recovery Strategy (LNRS).

4.8 Portsdown Hill Improvement Fund

4.8.1 Portsdown Hill has been identified as a key area where interventions can be achieved that provide both ecological and social co-benefits related to the area directly impacted by the Project and also to the wider community.

4.8.2 In addition to measures to improve chalk grassland habitat to support the Portsdown SSSI to the south, a financial contribution of £50,000 is proposed to be provided by the Applicant to deliver interventions including signage and wayfinding improvements on Wayfarers Walk, and upgrades to local footpaths.

4.8.3 The financial contribution provided by the Applicant would be secured via a separate legal agreement which would specify measures that the fund can be spent on along with associated timeframes, ensuring that such outcomes are aligned to the relevant LNRS. These improvements can offer benefits because increasing standards and access to walking and cycling infrastructure can have physical and mental health benefits, as well as encourage use of nature and outside spaces that protect green environments.

4.8.4 There is also the potential as part of the BNG strategy that will be determined at the detailed design stage, to contribute to interventions such as improvements to chalk grassland, creating a dew pond related to the chalk escarpment and the integration of wetland habitat with sustainable drainage.

4.8.5 The precise details of the measures supported by the Portsdown Hill Improvement Fund would be agreed with Portsmouth City Council who it is expected would administer the funds.

4.9 Community Fund

4.9.1 A Community Fund to support water related projects across the affected host local authorities.

4.9.2 Community Funds offer multiple benefits to communities both directly and indirectly impacted by the Project, this may include supporting community resilience and increasing local autonomy in responding to climate and weather events.

4.9.3 The Community Fund would be intended to run for the 4-year construction period. It is likely that an independent community foundation would be appointed to operate the fund, including the awarding of specific grants. Alongside this, it is envisaged that a community panel would be established to act as community ambassadors and to help decide the funding priorities for the Community Fund. This would be supported by the creation of a specific Terms of Reference document which would specify the role and purpose of the panel, its membership, frequency of meetings and responsibilities.

4.9.4 The fund would comprise up to £400,000 worth of local project funding opportunities.

4.9.5 The exact criteria for funding allocation and management process will be determined following DCO consent and approval of the Project, alongside the identification and appointment of the operator of the fund. The funding allocation priorities will be refined to align with the community engagement priorities within

the Applicant's corporate strategy, including consideration of how this can support improved outcomes for young people. These will be refined alongside consideration of relevant local authority policy objectives and through input from the community panel. These would be aligned to the overall aims of the project, but would likely be targeted at projects and initiatives across the following themes:

- Nature enhancement
- Water conservation projects (e.g. water butts to recycle rainwater).
- Pollution reduction
- Increasing local knowledge regarding water conservation and scarcity.

4.9.6 The Community Fund would be secured, funded and delivered by the Applicant via a separate planning agreement.

4.10 Volunteering commitments

4.10.1 This benefit package is comprised of two volunteering commitments, that are categorised as additional benefits that would be secured, funded and delivered by the Applicant outside of the DCO. These demonstrate the Applicant's commitment to positively impact local communities across the Project, and also its approach to maximising the social value associated with the procurement of the contractor. The benefits of volunteering are felt by both those participating (i.e. the workforce) that can experience an increased sense of wellbeing, greater connection to place, and workplace satisfaction, as well as providing support and expertise to the organisations that offer the partnerships.

4.10.2 The two volunteering commitments are as follows:

- Volunteering requirement that will be pursued as part of the contractor procurement (this is already included in the Applicant's requirements for procurement).
- The Applicant would commit to dedicating a proportion of its existing company-wide volunteering commitments (up to two days a year per FTE employee) to volunteering initiatives within the local authority areas.

4.10.3 The exact nature of volunteering initiatives committed to will be determined by the Applicant's existing Environmental, Social and Governance (ESG) commitments and priorities.

4.11 Water Recycling Plant Visitor Facility

4.11.1 This benefit would include a dedicated space at the WRP site to deliver learning and community events to expand young people's and the local community's understanding of the importance of sustainable water infrastructure and environment related matters. The facility could help to inspire young people to pursue a career in an engineering or environmental sector.

4.11.2 The WRP Visitor Facility would be delivered and managed by the Contractor.

4.11.3 The facility would be active in the operational phase of the Project and would enable further social and community benefits. It would provide a space to showcase the legacy of the Project in terms of its intrinsic benefits relating to

innovation demonstrated by the water recycling technology within the Project and will enable outreach such as commercial and education talks and tours of the plant. This would enable specific Project-related Science Technology Engineering and Maths (STEM) learning initiatives for young people and school engagement in line with existing Applicant and local authority priorities and also build awareness of water scarcity and the importance of sustainable supplies.

4.12 Environmental enhancements

4.12.1 Specific Environmental Mitigation and Enhancement Areas (EMEAs) have been selected along the pipeline route, as outlined within the Design Principles Document (Document reference 5.11, DCO Volume 5).

4.12.2 These have been selected to deliver a range of interventions, covering both mitigations and enhancements. For the purpose of the benefits package, the EMEAs listed here are those that are for 'additional environmental enhancement', where the Applicant has identified interventions which go beyond mitigation (see section 1.2 of the Design Principles Document (Document reference 5.11, DCO Volume 5)).

4.12.3 The following EMEAs offer additional environmental enhancements: EMEA-WRP, EMEA-E-2b, EMEA-E-3; EMEA-K-1b; EMEA-K-2; EMEA-K-3; EMEA-K-4; EMEA-K-5; EMEA-L-4; EMEA-L-6b; EMEA-L-7; EMEA-M-1; EMEA-M-2.

4.12.4 Additionally, the following EMEAs would positively affect and enhance the South Downs National Park setting (EMEA-K-1b; EMEA-K-2; EMEA-K-3; EMEA-M-1). This has been specifically highlighted as they contribute to the duty to further its purposes as required by the National Parks and Access to Countryside Act 1949 as amended by s245 of the Levelling up and Regeneration Act 2023

4.12.5 Examples of the additional environmental enhancements set out in the Design Principles Document include the following:

- Chalk grassland habitat will be created to support the Portsdown SSSI to the south, in accordance with the Outline LEMP or the relevant approved LEMP as the case may be. This is in addition to the provision of chalk grassland within BPT / IPS E outside its operational area.
- Landscape reinstatement and enhancements will be delivered associated with the River Hamble and to improve connectivity between South Downs National Park and New Forest National Park. River bank restoration, riparian grassland creation and enhancement, and PRoW enhancements will be considered (as set out in the Outline LEMP or the relevant approved LEMP as the case may be). Where this EMEA borders the park lug, planting will consider impacts to and enhancements of the historic earthworks and planting associated with the Bishop's Waltham deer park.
- Wet woodland will be created to increase the area of the existing woodland parcel. The canopies and root protection areas of the veteran trees NW and NE of compound L-9, and the woodland to the SW of the limits of deviation for Work Number 4 will be protected from all construction activity, in line with the Outline CEMP or the relevant approved CEMP as the case may be.

- Enhancements to the Otterbourne Stream will be carried out, delivering improved habitat for southern damselfly. The existing Coastal and Floodplain Grazing Marsh HPI (NVC MG7d) will be enhanced from its current poor condition.

4.13 Securing benefits

4.13.1 The following table outlines a high-level roadmap of how each benefit package is to be secured within the DCO application and its delivery route (who is responsible for the delivery of this benefit).

Table 4-1: How benefits are secured

Benefit Package	How this is Secured in the DCO	Delivery Route
1: Overarching Benefits	Intrinsic to the Project	Applicant
2: BNG	Biodiversity Gain Plan (Document reference 7.11, DCO Volume 7) (DCO Requirement)	Contractor
3: Outline SEP	Outline SEP (Document reference 7.9, DCO Volume 7) (DCO Requirement)	Contractor
4: Skills and Employment Fund	Legal agreement	Contractor / Applicant Financial Contribution
5: Broadmarsh Coastal Park Improvements Fund	Legal agreement	Contractor / Applicant Financial Contribution
6: Portsdown Hill Improvements Fund	Legal agreement	Contractor / Applicant Financial Contribution
7: Community Fund	Legal agreement	Applicant
8: Volunteering Commitment	Not secured through the DCO – aligned with Applicant corporate responsibility.	Applicant and contractor
9: Water Recycling Plant Visitor Facility	Not secured through the DCO - delivered via project specification requirement with Contractor	Contractor
10: Environmental Mitigation and Enhancement Areas	Secured through the Design Principles Document	Applicant / contractor

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