

Appendix 11 – Water resources bid assessment framework: Response to IAP

Wessex Water

March 2019



Wessex Water
YTL GROUP

Summary

Based on the feedback in the IAP and developments in the Wessex Water Open System approach since submission in September, we have made a number of changes to our bid assessment framework.

The two material changes are as follows:

1. Following feedback from Ofwat in the IAP we have provided a new Annex that gives indicative questions that we might ask companies to answer when posing an outcome to the market (Annex 1). These also then allow market participants to provide bids outside of a formal process, indicating the information we require to conduct a high-level feasibility review. We have also then provided an example in Annex 2 to illustrate the sort of answers we might require for a water resource requirement to provide clarity to the market.
2. We have renamed the Open System approach the 'Wessex Water Marketplace'. In mid-April 2019 we will have a website go live – marketplace.wessexwater.co.uk – that will be the hub for this approach. This is referenced in our revised BAF.

We have then made minor amendments throughout to clarify or enhance elements of the BAF based on the 'Bid assessment framework information note' (IN 19/01 January 2019) to ensure we are clear on our actions and process.

Our revised Bid Assessment Framework is included in this document after this summary section. All changes since September 2018 are highlighted in yellow.

Supporting document 5.8 – Water resources bid assessment framework

Wessex Water

Updated

March 2019



Wessex Water

YTL GROUP

Business plan section	Supporting document
	Board vision and executive summary
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2	Addressing affordability and vulnerability
3	Delivering outcomes for customers
4	Securing long term resilience
5	Markets & innovation: wholesale
	5.1 Protecting and enhancing the environment
	5.2 Using water efficiently
	5.3 Providing excellent drinking water quality
	5.4 Minimising sewer flooding
	5.5 Bioresources
	5.6 Maintaining our services
	5.7 Accommodating growth and new development
	5.8 Water resources bid assessment framework
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6	Markets & innovation: open systems & DPC
7	Markets & innovation: retail
8	Securing cost efficiency
9	Aligning risk and return
10	Financeability
11	Accounting for past delivery
12	Securing trust, confidence and assurance
13	Data tables and supporting commentaries

Executive summary

For markets to develop bidders will need to be confident that there is a level playing field and understand how bids will be assessed. We set out in this document how we intend to engage with third parties regarding water supply/demand schemes, and how our processes will build confidence.

Wessex Water currently operates a competitive and auditable tendering process. Our processes are robust. In making changes to our process, we will ensure that we will comply with Ofwat's principles of transparency, equal treatment/non-discrimination and proportionality as well as the Utilities Directives.

In AMP7, we will be adopting an Open System Coordinator concept for delivering some of our core business outcomes. **We have launched the Wessex Water Marketplace – marketplace.wessexwater.co.uk – to share our market activity.** This is further detailed in section 6 of our business plan. This will be a distinct process within Wessex Water tasked with pro-actively identifying opportunities for third party delivery of services and ensuring that the most efficient and effective services are procured.

The Open System Coordinator will pro-actively engage with the market to increase supplier awareness, and to gain a greater level of third party input into future water resource plans.

The regulatory requirement for a Bid Assessment Framework for new water resources, demand management and leakage will therefore be incorporated into our wider open systems approach.

This will provide further confidence to third parties that any bids we receive will be treated in a non-discriminatory way. It is important to note that in procuring solutions to outcomes that it is possible a combination of solutions, rather than a single supplier, may be selected to ensure the best delivery of the outcome.

As the Open System Coordinator has not yet been established, this will be an evolving process. We will seek feedback on this and our regulatory Bid Assessment Framework which will be part of this from suppliers and third parties and look to improve it on a continuous basis.

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1. Background

1.1 Regulatory context

The purpose of the regulatory bid assessment frameworks is to support the bidding market for water resources, demand management and leakage services.

The bidding market is where third parties submit bids to incumbent water companies (like Wessex Water) to provide solutions to meet future water needs and other outcomes. Third parties can be independent entities, or other incumbents from outside the area.

Solutions can include new water resources (for example, reservoirs, boreholes, and abstraction licences), leakage reduction, and water efficiency measures.

Bids' and proposals can be made to Wessex Water in two ways; as part of a process whereby Wessex Water goes to the market to request bids for delivering specific outcomes and schemes, or through other means (for example, third parties could propose options as part of the water resource management planning process or engage with us within-period regarding potential opportunities).

As part of its PR19 methodology, Ofwat has set a requirement for water companies to produce bid assessment frameworks (BAFs). These frameworks need to set out:

- how companies are complying with Ofwat's key procurement principles of transparency, equal treatment, non-discrimination and proportionality, in assessing any third party option; and
- provide third parties with confidence and clarity about the integrity of the procurement process, and in so doing, mitigate the risk of any actual or perceived bias towards 'in-house' solutions.

1.2 Our water resource management planning processes

Our Water Resource Management Plan (WRMP) shows that given the investments already made in our water network, we consider that we have enough water supply to meet the needs of customers for at least the next 25 years without the need to develop new sources of water.

The schemes proposed in the WRMP are therefore demand-side schemes focused largely on reducing water demand through leakage reduction and engagement with customers and local communities using water efficiency and metering schemes. Reducing demand improves the resilience of our services, particularly during periods of dry weather and creates a surplus that could underpin new trading arrangements with areas of the country where water stress is a growing problem.

In developing our WRMP, we carried out a detailed analysis of demand projections, taking into account the factors of population growth, housing developments, changing patterns of household water use, and changing demands from customers. Additionally, we have undertaken severe drought tests and analysis into the potential impact of climate change on water yields to test our supply resilience.

We ran a pre-consultation engagement process with regulators and other stakeholders to discuss the WRMP planning process, forecasting methods and key emerging issues. In addition, we utilised the West Country Water Resources Group¹ to discuss potential opportunities for future water transfer/trade schemes between the water companies involved.

Our WRMP contains an unconstrained option list which identifies a wide variety of potential schemes that could increase supply or reduce demand to the potential benefit of our supply area and neighbouring company areas in the case of potential new transfers. This list includes entirely new water resources such as impounding reservoirs and borehole sources plus distribution network improvements, effluent reuse, water efficiency, leakage reduction and metering options. The unconstrained option set is screened to provide a feasible options list for further assessment. An initial qualitative screening reduces the circa 100 options in the unconstrained option set to a more manageable set of options for more detailed assessment.

In developing the WRMP, we applied UKWIR's decision-making process framework (UKWIR 2016) and the 'Risk based planning' guidelines (UKWIR 2016) – these are the best practice guidelines, recommended by the Environmental Agency, which provide an approach to decision making and the way risk is addressed in the WRMP.

In assessing supply-demand scheme options, each option was assessed on its supply-demand impact; the cost to deliver the option through average incremental costs; environmental, social and carbon impacts; and customer/stakeholder preferences.

In the development of our draft WRMP we engaged with third parties through our business planning customer scrutiny group (the Wessex Water Partnership, WWP) and our Catchment Panel. The WWP includes members from the Environment Agency, Consumer Council for Water, Citizens Advice, Age UK, Money Advice Trust and academic experts. Our Catchment Panel members include the Environment Agency, Natural England, academia, environmental NGOs and representatives from farming and local authorities.

During the public consultation period on our draft WRMP we held a stakeholder workshop to set out our proposals for demand management and our vision for exploring opportunities for new water trades. The session involved members of the WWP and Catchment Panel plus other third parties that are involved in relevant research, consultancy and demand management programmes.

On 9 March 2018, alongside our draft WRMP, we published market information on our water resources as required by Ofwat – it is available here:

<http://www.wessexwater.co.uk/waterplan/>. To date, we have not had any contact from third parties on this information.

Our WRMP and PR19 Business Plan set out proposals to deliver demand management programmes as below. These proposals link to our ambition to encourage the efficient use of water which is one of our key Business Plan outcomes. We are therefore planning to

¹ The members of the West Country Water Resources Group comprise Wessex Water, South West Water (and Bournemouth Water), Bristol Water and involves close liaison with Southern Water.

deliver ambitious performance commitments relating to water efficiency engagement with customers, reducing per capita consumption and leakage reduction between 2020 and 2025.

- Water efficiency engagement with customers: £3million
- Enhanced household metering: c.£11million to install 49,000 new meters by 2025 helping to reverse a rising trend in per capita consumption down to 128 litres
- Leakage reduction: c.£30m to deliver a 15% reduction in leakage by 2025.

New stakeholder requirements may become apparent and where they are agreed we will update our market information to ensure that relevant parties are able to express interest in the delivery of requirements in excess of our existing plans.

We also believe there may be other localised opportunities to provide capacity upstream. Annex 3 briefly summarises a situation we may consider seeking third party assistance with in areas of new housing development. Other areas will also be considered as they arise.

2. Open System Coordinator – the Wessex Water Marketplace

The Board is adopting an open systems approach to future delivery. As part of this we are adopting an Open System Coordinator (OSC) concept to enable efficient delivery of our core business outcomes. This will be branded as the Wessex Water Marketplace, the hub of which can be found on the following website - marketplace.wessexwater.co.uk. The OSC approach is further detailed in section 6 of our business plan.

The OSC will be a distinct process within Wessex Water tasked with pro-actively identifying opportunities for third party delivery of services, and ensuring that the most efficient / effective services are procured. We intend to offer opportunities to the market to help us deliver outcomes in alternative ways.

If viable solutions are found this will result in:

- more cost effective mechanisms for delivery;
- wider environmental and societal benefits beyond the water system improvement;
- developing innovative solutions that can be used elsewhere;
- identification of a 'market price' for outcomes and environmental improvements; and
- further opportunities for communities to engage with their water company.

The OSC will open up network information and access to allow the trade of suppliers and efficient procurement in the four service segments of:

- customers and communities;
- environment and place;
- circular economy; and
- networks (physical assets).

The OSC will build on our existing procurement rules, which follow the five EU principals of public utilities procurement; integrity, objectivity, non-discrimination, fairness and transparency. The procurement process followed complies with all relevant UK Regulations and EU Directives, as well as Health and Safety, Construction regulations and Competition Act laws.

There are three different paths that a market solution to an outcome may follow depending on its size and type of solution:

- large contributors to outcomes or schemes (i.e. those above the OJEU threshold) will follow a more detailed path in the open system;
- smaller schemes will follow a more typical procurement process but with a market discussion phase to encourage innovation; and
- market participants may also propose solutions to Wessex Water.

Further details on each of these paths are set out in sections 2.1 to 2.3 below.

The regulatory requirement for a Bid Assessment Framework for new water resources, demand management and leakage will therefore be incorporated into our wider open systems approach.

Part of the OSC will be made up of technical teams that will lead in the market discovery process and review of possible solutions to individual outcomes. These teams will have a core group of capabilities that will then be added to depending on the outcomes, but is likely to include members with expertise in:

- asset strategy and water resource planning;
- science and compliance;
- engineering and asset operation;
- environmental and regulatory compliance;
- risk management; and
- procurement.

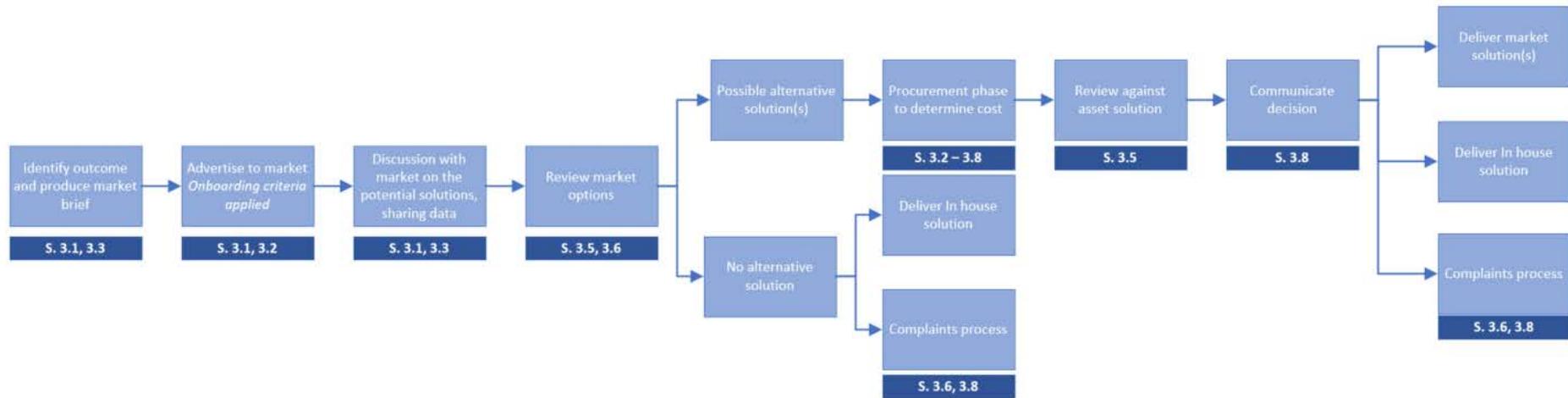
To ensure the best outcome for the company and for customers third parties need to be confident that individuals with current in-house delivery responsibility will not have an undue influence on the process. Under this process we will wherever possible limit the membership of these OSC technical teams to those without a delivery responsibility. However, input and membership may be required to ensure sufficient technical understanding and knowledge of the challenges in outcome delivery, but the governance processes detailed in section 3.6, together with the core team members, will avoid undue influence. Members of the group will be made aware of competition law and licence requirements, including those related to information flows.

2.1 Large tenders

Procurement of new outcomes through the OSC (currently those above OJEU limits, but this may be lowered in order to route more projects through the open system process), will follow the stages set out in detail in section 3. Figure 2-1 illustrates the key stages in this process and indicates where in section 3 they are explained.

A large emphasis will be placed on the market engagement and discovery phases to ensure that prior to any formal tender and procurement process commencing market solutions are reviewed extensively to understand whether there are viable alternatives to in-house delivery. **The discovery phase will also allow options that are unknown to Wessex Water to be evaluated before a more rigorous tender document is produced, giving fair consideration to all possible solutions.**

Figure 2-1: Process flow detailing the key stages in the process to evaluate whether there are market alternatives to in house solutions (section references for this document included in dark blue boxes)



2.2 Small tenders

Procurements of any outcomes exceeding £50,000 will be externally tendered, with providers selected in a fair and justifiable manner and the reasoning behind the selection noted on the tender list form. The list of suppliers (which will be a minimum of three where potential suppliers exist) are approved by at least two members of staff, one from the Purchasing or Supply Chain Team, and at least one from an independent authorised team.

For contracts of value over £5,000, quotations must be obtained from a minimum of three providers, who are selected in a fair and justifiable manner using the PQQ and onboarding criteria detailed in section 3.2 tailored to the requirement of the outcome. The providers selected will be approved by a member of the Purchasing or Supply Chain Team and registered, providing detail of the value of the quotations and reasons for award. In the case where a competitive tender between at least three providers is not undertaken, it is the responsibility of the Authorising Manager to demonstrate that best value is achieved.

For contracts where the value is not expected to exceed £5,000, there is no obligation to engage in a formal tender process. In this case, it is down to the discretion of the Authorising Manager to choose the method of procurement and to demonstrate that the best value is obtained.

The division of contracts into separate lots to avoid the need of compliance with our own procurement regulations or UK Regulations is prohibited.

All potential providers are subject to on-boarding and prequalification vetting to ensure they satisfy Wessex Waters minimum standards as well as the legal minimum, in areas including:

- For onboarding: Financial capacity; Insurances; Health and Safety statements; Modern Slavery policy, Environmental policy,
- For prequalification: Quality of previous work; Technical competence; Resource capability.

These criteria will be applied in proportionate way according to the item being tendered. **The level of investigation into market engagement and discovery phases will be proportional to the spend proposed, but will be encouraged where possible to give full consideration to a range of market solutions, wider than the minimum three potential suppliers detailed above.** Onboarding and prequalification are discussed further in section 3.2.

All suppliers invited to tender are provided consistent information at the same point in time. The complexity of the requirements are reflected in the tender process lengths.

2.3 External approaches for providing services

We will publish on the Marketplace website a timetable for when we might expect bids for water resources to be made in line with the WRMP cycle. Based on the current timeline from the EA we expect this to be by the end of 2021, However, we are open to being approached at any point by third parties offering supply-demand opportunities, or if we become aware of any opportunities that deviate from the schemes identified as part of our WRMP / business plan, we would assess these against the criteria detailed in section 3.5. Any potential

solutions will be considered relative to our planned schemes, and the outcomes that they deliver. Annex 1 details questions that we would suggest third parties answer when proposing any solutions outside of any market exploration instigated by Wessex Water to ensure we are able to quickly do an initial review, with Annex 2 providing some example answers for guidance. Further information would be sought from companies that have potentially viable solutions later in the process.

3. Our Assessment framework

3.1 Market engagement and discovery

Where appropriate, we will engage with the market prior to commencing the formal procurement process in order to gather market intelligence, ensure that there are viable market solutions to the outcomes, increase competition by raising supplier and third party awareness, and to consider feedback on the process. When engaging with the market we will ensure that the engagement will not impact the fair and equal treatment of suppliers or third parties by ensuring information about our own requirements is published in an open way, including on our [marketplace website \(commented on further below\)](#), and by providing a senior point of contact within the [Wessex Water Marketplace](#) process that is independent of delivery for expressions of interest.

Our market engagement will take a variety of different forms. This will include advertising via the Official Journal of the European Union (OJEU), seeking interest via Achilles Utilities Vendor Database (UVDB), and approaching known providers or innovators including groups such as universities and research organisations, including those who have approached Wessex Water and expressed an interest. [We will also promote our BAF and opportunities, as well as those of our neighbouring water companies, through the West Country Water Resources Group of which we are a core member.](#)

Where appropriate, [advertisements for engagement](#) may be published in subject specific publications and journals [as well as more generic publications, for example ENDS, Utility Week and WWT with further information on our Wessex Water Marketplace platform \(marketplace.wessexwater.co.uk – this is the new name for our Open Systems approach described in our business plan\).](#)

When we are seeking specific responses to outcomes we will ensure that any notices will be available for a minimum of 30 days to ensure market participants are able to engage. However, to ensure that the availability of information on our water resource position is non-discriminatory we will always publish it on our website.

Information about the water resources position of Wessex Water is already published on the Wessex Water website, alongside key information to support the bidding market for water resources, demand management and leakage services. We will also share information with other companies about supply-demand water availability and potential trading opportunities through the West Country Water Resources Group.

Depending on the size and complexity of the outcome, market participants will be provided with appropriate information to allow them to review the opportunity and establish whether they have an interest in providing an alternative offer. This could include:

- attending an outcome information session, where Wessex Water staff will give an overview of the challenge and the data available;
- access to supporting data via a [website \(marketplace.wessexwater.co.uk\)](#) for information sharing [– the update frequency of this data will be made clear. This will include information required through regulation \(e.g. information on the supply-](#)

demand balance position) as well as wider data relating to outcomes we are seeking to engage the market on; and/or

- face to face discussions and exploratory meetings;
- appropriate documentation and information detailing the outcome that is sought;
- the information required in any response to a discovery phase query (further details on the information that may be asked for initially is in Annex 1, with an example of potential responses for illustrative purposes in Annex 2); and
- the criteria at this stage for understanding whether a solution will meet the required outcome.

These engagement routes are currently being trialled under our Wessex Water Marketplace approach, with several methods being tested and improved upon after each exploration to improve future processes. More information can be found on our Marketplace website where we will regularly update the market on our approaches and outcomes we are seeking to deliver.

One of the approaches that we will trial between now and the start of AMP 7 will be an outcome covered by the BAF. This will ensure we test the specific requirements of the BAF process such as the impact of not including delivery teams in the review process.

At the end of this discovery phase Wessex Water will be in a position to evaluate whether there are any likely market alternatives available using the criteria set out in section 3.5. If market solutions are identified then a formal tender process will commence following the principles in sections 3.2 to 3.7. If it is decided that a market solution is not available or appropriate, the relevant governance paths in section 3.6 will be followed.

Wessex Water is keen to support development of more innovative solutions to outcomes. We recognise that when we first approach the market, solutions may not be at a viable stage at that point in time to deliver our outcomes. Where this occurs, we will provide feedback and if appropriate, further support, to allow those suppliers or third parties to develop their offers further for future outcomes that we may offer. We may also consider the viability of partnering arrangements to take potential solutions on to the next stage of development. We partner closely with Bath University already demonstrating our commitment to supporting such innovation.

3.2 Onboarding and prequalification

Prior to engaging in the market discovery stage all potential and existing providers will be required to evidence that they meet the legal minimum obligations for:

- health and safety systems and performance;
- environmental and sustainability policy.
- financial stability and insurance
- modern slavery policy.

Should we commence procurement the prequalification process will assess potential providers against the following criteria:

- if previous work has been undertaken for the company, that this was of appropriate quality;
- technical competence and expertise;
- resource capability and capacity
- quality systems and performance and
- geographical location.

The Achilles database may be used for prequalification but this will be made clear to potential suppliers in advance. The criteria will be proportional and relevant to the outcome being sought and will be no more onerous than those already in place for other procurement processes.

Any specific disqualifying criteria will be stipulated clearly.

Once we enter a formal tender process (after market exploration and the discovery phase have been completed), supplier engagement will be managed through our e-tendering system Bravo to ensure that interaction with the market is fair and efficient.

3.3 Need specification

Standard specifications are used in the tender process, with care taken as to avoid over-specification of the outcome required to ensure that innovative solutions to outcomes, rather than delivery of specific outputs, are proposed where possible. Specifications will be set by the Wessex Water Marketplace technical team assigned to the outcome. Assessment of the tender will take into account the significance of each requirement and will ensure that criteria are weighted appropriately.

At the time of writing we are in the process of agreeing our future targets and therefore our specific needs. In the context of our Water Resources Management Plan and on the basis of the Business Plan we submitted in September 2018 we are planning to be meeting a reduction in leakage of around 12 Ml/d, reversing a rising trend in average per capita consumption and reduce it by more than 1 litre per head per day and water efficiency savings amounting to 5 Ml/d by 2025. These could be proportioned into geographical regions or subdivided into smaller but complementary elements.

New stakeholder requirements may become apparent and where they are agreed we will update our market information to ensure that relevant parties are able to express interest in the delivery of requirements in excess of our existing plan proposals.

3.4 Time limits and bid clarification

All of Wessex Water tenders are time-limited (i.e. the time a tender offer has to stay open for acceptance is stipulated in the tender document) with indicative time frames explicitly stated in the tender information up front. This will include timeframes for post tender negotiations and bid clarification. These will vary depending on the complexity of the tender. Framework Agreements tend to be established where we require rates and prices to be available for a

longer duration, subsequent projects may be awarded against a Framework Agreement using the agreed rates and prices.

Where there is a bid approach to deliver an outcome that has not been specifically tendered by Wessex Water, we will notify the bidder the outcome of the pre-qualification process within four weeks of bid submission and set out the subsequent steps and timescales particularly if a feasibility study is required owing to an innovative bid proposal.

3.5 Evaluation

The solutions will be evaluated by the Wessex Water Marketplace technical team assigned to the outcome with assistance from other staff where necessary.

As detailed in previous sections, the technical team will only include staff who are involved in the delivery of in house alternatives if this is required for the assessment to be fair. In some instances, expertise may be required from delivery teams to evaluate a solution. The governance detailed in section 1.1 explain how we will ensure a level playing field between third party proposals and in-house solutions.

The evaluation will take place on the basis of the criteria specified before potential suppliers are invited to participate, with criteria and appropriate weightings disclosed to those suppliers invited to tender.

These will vary depending on the outcome sought but will likely include elements such as those detailed below. Included in the table below are how these criteria map to the qualitative screening (scoring) criteria used in the assessment of the initial unconstrained option list for the WRMP to identify feasible options.

Once a solution has been identified, we will publish a summary report on our Marketplace website detailing the range of bids received and the reasons for the decision.

Criteria summary	Detail	WRMP screening criteria
Cost	Is the market solution cost effective when compared to alternatives?	<i>The initial qualitative screening of the unconstrained options list does not account for scheme cost – that is assessed in the subsequent quantitative screening phase that accounts for average incremental social costs.</i>
Provider credentials	A large part of these will have been resolved as part of the pre-qualification section. However, Wessex Water may consider reviewing these depending on the risk/reward balance of the solution, as long as suppliers meet our statutory requirements.	<i>Not applicable in the context of the WRMP qualitative screening</i>
Solution scale	Does the solution provide a solution to a sizeable portion of the outcome (if not all of it) to invest further time in investigating?	<i>Not applicable in the context of the WRMP qualitative screening</i>
Certainty/efficacy and timescale	<p>How certain is it that the proposed solution will deliver the required outcome, or proportion of, (and additional benefits as required) year on year?</p> <p>How measurable is the outcome/additional benefits?</p> <p>How complex is the solution which may add additional risk?</p> <p>How tested is the solution?</p> <p>Are there any pre-cursors required for the solution to be implemented? How important are these?</p> <p>How quickly (if needed) can the solution be implemented?</p>	<p>Yield uncertainty: Score to reflect the risk and uncertainty of the option delivering the estimated yield/savings identified within the option.</p> <p>Lead time: Score to reflect the likely time between scheme becoming the preferred solution and being fully commissioned or delivering the full savings.</p> <p>Technical difficulty: Score to reflect the technical complexity, engineering practicability and the difficulty of implementing the scheme.</p> <p>Suitability: Score to reflect how well the scheme meets the needs of any potential deficit or improving the supply demand balance.</p>

Criteria summary	Detail	WRMP screening criteria
Resilience, longevity and flexibility	How resilient is the solution to changes in things such as population increase, climate change, effluent make up change (where applicable)? How flexible is it to changes in these?	Flexibility: Score to reflect the adaptability of scheme e.g. for further enlargement or use in combination with other schemes. Security of supply: Score to reflect likelihood of scheme yield/saving varying over time due to potential licence reductions, reduced savings or water quality issues.
Market impact	How likely is it that the environment in which the solution works will change? E.g. changes to farming rules/finance, businesses failing to continue due to political or market changes.	
Regulatory context	Would regulators accept the solution as delivering the desired outcome?	Promotability: Score to reflect how easy it would be to promote the scheme to the public, regulators and to obtain the necessary consents and funding
Incentive and penalty opportunity	Does the funding of the solution ensure the long-term delivery of the outcome? How do we ensure long term compliance and provision of the solution? What is the route for resolving non-compliance, if any?	<i>Not applicable in the context of the WRMP qualitative screening</i>
Wider positive impacts	What wider benefits does the solution provide beyond the required outcome for Wessex Water that may be of benefit to the environment or society such as reduced flood risk, enhanced biodiversity? Can a value be ascribed to these?	Environmental impact: Score to reflect magnitude of environmental impacts, based on high level assessment of the nature of the scheme and its location using a Strategic Environmental Assessment (SEA) approach.
Wider negative impacts	Are there any negative impacts of the solution that may be to the detriment of environment or society? Can a value be ascribed to these?	Sustainability: Score to reflect the impact of the scheme on wider sustainability, energy use, social impacts etc.

3.6 Governance

The OSC team will be led by a senior manager in the business with no direct delivery responsibility. The technical team identified in section 3.5 is responsible for reviewing the market solutions and will have access to all company financial and operational information necessary to appraise the solution against internal delivery if required.

The OSC team will report recommendations to and have access to the Managing Director who will ensure that it has sufficient resource available to it to fairly appraise solutions.

Members of the group will be made aware of competition law and licence requirements, including those related to information flows. Information that is submitted as part of the BAF will be treated in confidence, with access to only those involved in the review process through SharePoint and Bravo. Commercial details of tenders remain confidential post contract award.

The technical team will follow Wessex Water procurement processes that are regularly audited to ensure legal and company compliance, and will itself be subject to audit and to ensure it is engaging fairly and openly with the market and in accordance with company policy and any wider regulatory requirements for the bid assessment framework.

A summary of the activity of the OSC team will be published on an annual basis.

For certain outcomes the catchment panel that currently operates within Wessex Water to bring together wider stakeholders in the water catchments in which we operate may be informed as part of the process to ensure that opportunities to deliver wider outcomes are fully explored. The chair of the catchment panel will continue to sit on the Wessex Water Partnership, the company's independent Customer Challenge Group.

Once a decision has been reached the suppliers will be contacted as per section 3.8. If the suppliers disagree with the result they may challenge initially via the named OSC lead and if necessary can escalate to the Managing Director. The process for complaints will be made available to all participants at the start of the tender process.

3.7 Contract award

Our procurement processes are documented in our Company Procurement Rules and are subject to internal audit and external audit. We are currently in the process of moving our tendering processes to an e-tendering platform provided by Bravo in conjunction with our open system model. The intention is for all tendering to be run via this system which will result in all details and correspondence being recorded in a single place and accessible to only authorised Wessex Water personnel and the supplier via a secure portal.

3.8 Communication of decision

Non-successful bidders will be provided with the opportunity for formal feedback on their unsuccessful submission. Feedback may also be requested to improve a supplier's offer for future schemes. This may be in the form of a telephone conversation, email, or face to face meeting at the request of the supplier. Where an 'above threshold' tender has been

undertaken, feedback is provided in the form of a contract decision notice that will be issued by email to the unsuccessful suppliers containing their own scores and that of the winning tenderer, with additional commentary on the reasons behind the scoring of the award criteria and why the winning supplier has been successful.

We will also publish feedback on the process on the Marketplace website, being mindful of sharing commercial information but ensuring we report on how the engagement has progressed and learnings for future engagements.

Wessex Water is keen to encourage tenders from more innovative providers. Should such proposals fail to meet key thresholds, Wessex Water will highlight to the suppliers in the contract decision notice specific areas to improve their offerings for future tenders against the tender criteria.

4. Checklist of compliance

This section summarises how our BAF aligns to Ofwat’s principles, and the best practice recommendations set out in appendix 8 of the final methodology.

Requirement	How we comply
BAF principles	
Transparency	<ul style="list-style-type: none"> • We will undertake market engagement which should increase competition by increasing supplier awareness and considering supplier feedback. • We have set out within our BAF our assessment criteria. • The activity under the BAF will be subject to review on an annual basis and a summary of activity will be published annually as well as on our Marketplace website. • Feedback will be provided to all suppliers upon request. • Indicative questions are included in Annex 1
Equality/non-discrimination	<ul style="list-style-type: none"> • We will apply the same assessment criteria to all potential options. • The technical team will only have essential in-house delivery members. Ideally there will be no such team members. • All suppliers invited to tender are provided consistent information at the same point in time.
Proportionality	<ul style="list-style-type: none"> • Specifications will be set by the technical team to ensure they are not prejudiced by in-house delivery teams. • We are committed to avoiding over-specification. Specifications will be proportional to the outcome being sought. • We have three different paths to market depending on the size and type of solution. The process for smaller schemes is less onerous and therefore proportionate to the schemes in question.
Best practice recommendations	

<p>We recommend that a separate procurement team – one that does not include individuals who have been involved in any pre-tender engagement, or in the development of the incumbent's own in-house solutions – oversees the bidding process to:</p> <ul style="list-style-type: none"> • protect against conflicts of interest; • ensure there is no actual or perceived bias; and • safeguard against the misuse of commercially sensitive information disclosed by third parties as part of their bids. 	<ul style="list-style-type: none"> • The technical team will only include essential Wessex Water staff that are involved with the delivery of alternative in-house solutions. Ideally there will be no such team members. • All solutions will be reviewed by a group of senior managers and directors with no direct responsibility for delivery of alternative in-house solutions. • All members of the technical team will be reminded of their and the company's responsibilities under law and the licence, in particular for the sharing of information • Information that is submitted as part of the BAF will be treated in confidence, with access to only those involved in the review process through SharePoint and Bravo. Commercial details of tenders remain confidential post contract award.
<p>We would expect the separate procurement team to apply the principles of transparency, equal treatment/non-discrimination and proportionality both when assessing third party bids against each other and when assessing the bids against the incumbent's in-house solution.</p>	<p>We are committed to applying the principles of transparency, equal treatment/non-discrimination and proportionality, and have designed our processes to apply these.</p>
<p>We would also expect the procurement process to be documented and an audit of compliance to be retained and made available to Ofwat, should we require it. Incumbents should consider whether a separate compliance role is justified.</p>	<ul style="list-style-type: none"> • A summary of the activity under the BAF will be published annually. • Compliance with regulation, law and company policy is a BAU activity across our business. Assurance of compliance will be integrated into our three layers of defence framework. • Internal audit processes routinely identify new compliance requirements for review on a risk basis.
<p>We consider that incumbents should publish a clear and transparent complaints and appeals process which is accessible to third parties. Third parties who have grounds for complaint or wish to challenge the award of a contract may, as a first step, have recourse to the incumbent's internal complaints procedure.</p>	<ul style="list-style-type: none"> • If the suppliers disagree with the result they may challenge initially via the senior manager lead of the Marketplace approach, and if necessary, can escalate to the Managing Director. • The process for complaints will be made available to all participants at the start of the tender process.

<p>As part of the bid assessment framework, where procurement projects are not regulated by the UCR16, we propose that each incumbent voluntarily states in writing that it will comply with the principles of transparency, equal treatment/non-discrimination and proportionality.</p> <p>This written agreement would provide increased confidence in the framework, which could increase the likelihood of it achieving its aim: to stimulate the bidding market. This would have a positive impact on efficiency and affordability without being unduly costly or difficult for incumbents.</p>	<ul style="list-style-type: none"> • We will comply with the principles of transparency, equal treatment/non-discrimination and proportionality.
<p>To ensure the effectiveness of the company bid assessment framework, we consider incumbents should take ownership of decisions about when bids should be submitted, and so retain the flexibility to decide whether a particular bidding process should be 'open' or time limited. We expect incumbents to provide a rationale for these decisions. This is because we are mindful that while most bidding activity will occur when WRMPs are being prepared every five years, we want to encourage more bidding activity in-period, and an open bidding process will allow bids from new entrants who are able to submit a bid for a one-off trade.</p>	<ul style="list-style-type: none"> • All of Wessex Water tenders are time-limited (i.e. the time a tender offer has to stay open for acceptance is stipulated in the tender document). • Where there is a bid approach to deliver an outcome that has not been tendered by Wessex Water, we will notify the bidder the outcome of the pre-qualification process within four weeks of bid submission and set out the subsequent steps and timescales particularly if a feasibility study is required owing to an innovative bid proposal.

Annex 1 – Draft questions for market participants

The following sections detail the type of information that may be requested as part of the discovery phase. Criteria may be adjusted depending on the specific outcomes sought.

Section 1 – General information requirements

- Company name
- Company address
- Company reg number
- Details on any contracts held with WW in the last 5 years
- Lead contact details
- Confirmation they meet the legal minimum for:
 - o health and safety systems and performance;
 - o environmental and sustainability policy.
 - o financial stability and insurance
 - o modern slavery policy.
- Examples of two relevant instances where they have provided similar services (where possible)

Section 2 – Water resource outcomes

- Where is the resource located?
- What is the resource type (raw or potable water)?
- What is the volume (monthly and/or annual if there is seasonal variation)?
- What is the variability in volume? What effects it? What drought resilience does it have?
- How has this been assessed? under what drought events? has this been modelled for more extreme events?
- What hydrological records (length of record) are available for the source?
- Is there any indication that the resource volume may change in the future, for example climate/environmental impacts?
- What is the current licence situation, if any, for this resource?
- What is the current usage situation, if any, of this resource?
- Are there any environmental/sustainability issues that would arise as a result of Wessex Water using this resource?
- Are there any time restrictions on when this resource can be provided from?
- What assets are required to deliver this resource to the Wessex Water network?
- If you have one, please provide a full copy of your drinking water safety plan.
- Has your source been subject to a local authority risk assessment?
 - o If yes, please provide details including any notices.
- Please provide all the water quality sample results for the past 12 months from any tests you or the local authority have conducted.
- What is your proposed fee for this?

Section 3 – Leakage outcomes

- What is the solution proposed (technological, physical, community response or others)?
- What asset upgrades are required?
- What is the anticipated leakage reduction volume?
- What are the future risks that may influence the viability of this solution?
- What case studies are there in existence today?
- What data is produced in this solution? Who owns the data?
- How would the solution be implemented? What are the delivery times?

- Are there geographical restrictions on this solution?
- What assumptions have been made on the Wessex Water asset/estate status?
- Are there any additional benefits from this solution beyond the impact on leakage?
- What is the projected cost for this?
- Is this solution applicable to water companies outside of the Wessex Water area?

Section 4 – Demand side outcomes

- What is the solution proposed (technological, physical, community response or others)?
- What impact would this have on customer demand (l/day)
- What are the minimum asset / technology / infrastructure requirements that will be required to implement the potential solution?
- What case studies are there in existence today for this solution?
- How would the solution be implemented? What are the delivery times?
- Are there any reputational benefits or dis-benefits?
- What are the future risks that may influence the viability of this solution?
- What data is produced in this solution? Who owns the data?
- Are there any GDPR implications that need to be flagged?
- Are there geographical restrictions on this solution?
- Can you demonstrate how this is scalable?
- Are there any additional benefits from this solution beyond the reduction in customer demand?
- What is the projected cost for this?
- Is this solution applicable to water companies outside of the Wessex Water area?

Annex 2 – Example answers to market participant questions

The answers below are provided as examples to illustrate the sort of information we would like to see in responses to the questions in annex 1. These are for guidance where more information is available we encourage participants to submit it.

Water resource requirement example answers

These answers are illustrative of the sort of answers we might expect to see from a company such as a bottled water plant responding to a request for alternative resources.

Question	Example answer
<i>Where is the resource located?</i>	The resource is located near to Shaftesbury – grid ref: easting - 382617, northing 122486.
<i>What is the resource type (raw or potable water)?</i>	Potable water.
<i>What is the volume (monthly and/or annual if there is seasonal variation)?</i>	Please see the answer below
<i>What is the variability in volume? What effects it? What drought resilience does it have?</i>	8 MI/d (megalitres per day) in a normal weather year. Yield from the source is hydrologically constrained, meaning in dry years, yield and output is affected. In a dry year scenario, the source could output 5MI/d as an annual average, but would be constrained on output during dry periods and low groundwater levels. During a dry summer period following a dry winter), output would be constrained to 2 MI/d.
<i>How has this been assessed, for example under what drought events? Has this been modelled for more extreme events?</i>	The drought yield has been assessed under a modelled 1975/76 drought scenario.
<i>What hydrological records (length of record) are available for the source?</i>	Daily / weekly / monthly groundwater borehole level records going back to 1990.
<i>Is there any indication that the resource volume may change in the future, for example climate/environmental impacts?</i>	We have not yet assessed climate change impact.
<i>What is the current licence situation, if any, for this resource?</i>	The source is licenced for abstraction: 2920 MI per annum (1 st April to 31 st March), 10 MI/d maximum daily abstraction.
<i>What is the current usage situation, if any, of this resource?</i>	The source is currently in use, with current average use of 2 MI/d.
<i>Are there any environmental/sustainability issues that would arise as a result of Wessex Water using this resource?</i>	There are potential issues as Wessex Water using the sources could lead to a “no deterioration” issue under the Water Framework Directive, as abstraction from this source affects a nearby water course.

<i>Are there any time restrictions on when this resource can be provided from?</i>	Work would be required to upgrade the treatment facility to treat the licenced volume, which would need to be factored in to the date for availability.
<i>What assets are required to deliver this resource to the Wessex Water network?</i>	A new potable water main would be required to connect from the point of treatment into Wessex Water's network.
<i>If you have one, please provide a full copy of your drinking water safety plan.</i>	DWSP attached as part of this response.*
<i>Has your source been subject to a local authority risk assessment? If yes, please provide details including any notices served.</i>	Our risk assessment is attached. We have received no notices.*
<i>Please provide all the water quality sample results for the past 12 months from any tests you or the local authority have conducted.</i>	We have attached the most recent local authority test results and our own internal sample results taken daily.*
<i>What is your proposed fee for this?</i>	The CAPEX cost for upgrading our treatment facilities to provide the water is ~£5m. the ongoing cost for £100/MI.
<i>*For the purposes of these examples we have not included the documents as these would be standard and readily available for this type of response.</i>	

Annex 3 – Possible market engagement for new housing developments

Increased housing development is a key driver for the Government, with 250,000 homes per year as a target build rate. However, housing developers cite slow to act utilities as one reason why build rates are limited and preventing this target from being reached.

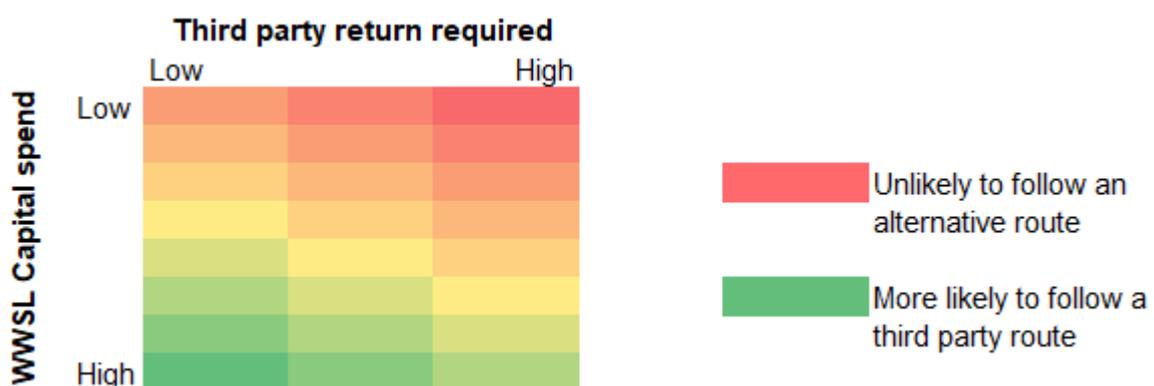
Wessex Water is supportive of the ambition to increase the provision of water efficient homes across the UK. From an analysis of Local Authority housing forecasts our Water Resources Management Plan accounts for the addition of around 60,000 new homes being built in the Wessex Water area over the next 10 years.

Our Water Resources Management Plan forecasts that we will have enough water to meet demand for the next 25 years, including the demand arising from new developments. Nonetheless each new development is appraised in turn to understand any network capacity constraints and investments that may be required in the upstream network to ensure demand can be satisfied at all times. Challenges may particularly occur for meeting peak demand for isolated new developments.

Over the next AMP we will follow our open system principle, as supported by the bid assessment framework, to work with the market in such instances. We believe there may be market opportunities available to offset costly capital works in areas where new developments are placing additional demands on a network at capacity, or would result in an undesirable impact on the environment.

For example, through working with third parties to reduce peak potable water demand through on-site non-potable supplies, we may be able to identify a solution that reduces expenditure in the long-run, provides the upfront and ongoing contributions that allow a third party to create a water reuse scheme, and give a faster response to the developer than a wider asset upgrade. The viability of this kind of approach depends on various factors such as the level of upfront and ongoing contributions in comparison to the typical solution's level of spend and the return required by the third party as illustrated by Figure A1 below. We will review our existing charging structures for new development and will consider publishing and applying alternative approaches if they can better facilitate alternative solutions.

Figure A1: Illustrates the likelihood of implementing a third-party solution in place of a traditional solution.



An alternative solution could be provided by communities themselves, which would be an adaptation of the abstraction incentive mechanism (AIM) where currently the company agrees to limit use of a sensitive local source in favour of a more expensive alternative. Going forward, in exchange for financial support, local communities could commit to reducing their potable water use of the sensitive source to create the additional capacity required; the housing developers themselves could even engage with this process and improve the water efficiency in their homes beyond the required per capita consumption figures.