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South West Water Bournemouth Water *Bid Assessment Framework*

November 2021



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1 Introduction

This is the South West Water Bid Assessment Framework (BAF) for assessing water resources solutions to support the bidding market for water resources, demand management and leakage services.

Third party providers can submit bids to provide solutions to help meet our future water needs, as set out in our water resources management plan (WRMP).

Options can be:

- Supply side: transfer of water between water companies, a water trade with a non-water company
- Demand side: a water efficiency scheme provided by a third party, a leakage reduction scheme provided by a third party or provision by a third party of reclaimed water

In this document the term South West Water includes our Bournemouth water area.

We have ensured our BAF process complies with Ofwat's principles of transparency, equal treatment/non-discrimination and proportionality, and assured compliance with Utilities Contracts Regulations 2016 (UCR16) and general competition law is maintained

This BAF should be read in conjunction with our:

- Trading and Procurement Code, which sets out the policies, principles and requirements that will apply should we enter into water trading arrangements with other companies
- Code of Conduct for Supply Chain Partners, which details our expectations of the way our suppliers operate their businesses in relation to their employees, the wider community and the environment.
- Water Resources Management Plan (WRMP)

2 Why we have a bid assessment framework

Ofwat is seeking to ensure an effective market for water resources. This includes schemes being proposed and/or delivered by third parties. Ofwat has stated that the purpose of a BAF is to 'support the bidding market for water resources, demand management, and leakage services by promoting bids and innovation'.¹

South West Water is actively seeking third party bids to all elements of our WRMP. We have involved third parties in the development of our plan, for example engaging with farmers and land owners through our Upstream Thinking initiative and engaging widely with other interested parties.

Water resources market information including information on our water resource zones (WRZ) is published on our website. This includes our projected supply-demand balance as per our WRMP,

¹ Ofwat (2017) 'Delivering Water 2020: Our final methodology for the 2019 price review. Appendix 8: Company bid assessment framework – the principles', page 4.

and the forecast costs and appropriate details of the various supply-demand interventions identified.

Our BAF is designed to ensure any third-party bids that are received are assessed in a structured manner with transparent processes that ensure equal treatment / non-discrimination and applies proportionality when assessing bids.

In this BAF, we summarise our processes, designed to support our active engagement with the market.

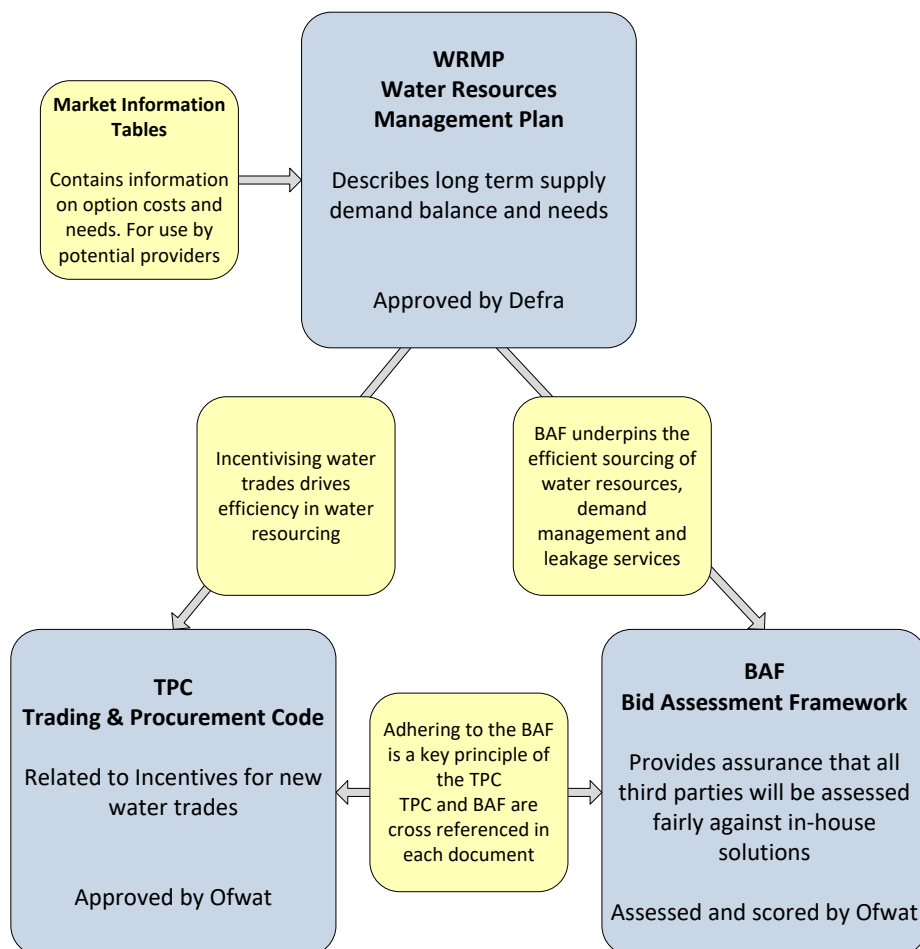
We set out how we will engage with third parties proposing schemes as well as how we will expand third party involvement in the water resource management planning process.

This framework will provide third parties with confidence and clarity about the integrity of our procurement process.

We see our BAF as a live document. If you are a supplier or another interested stakeholder, and have views on the content of this framework, then please contact us at marketenquiries@southwestwater.co.uk

We are keen to receive feedback, and where appropriate, will reflect suggestions received in further iterations of the BAF.

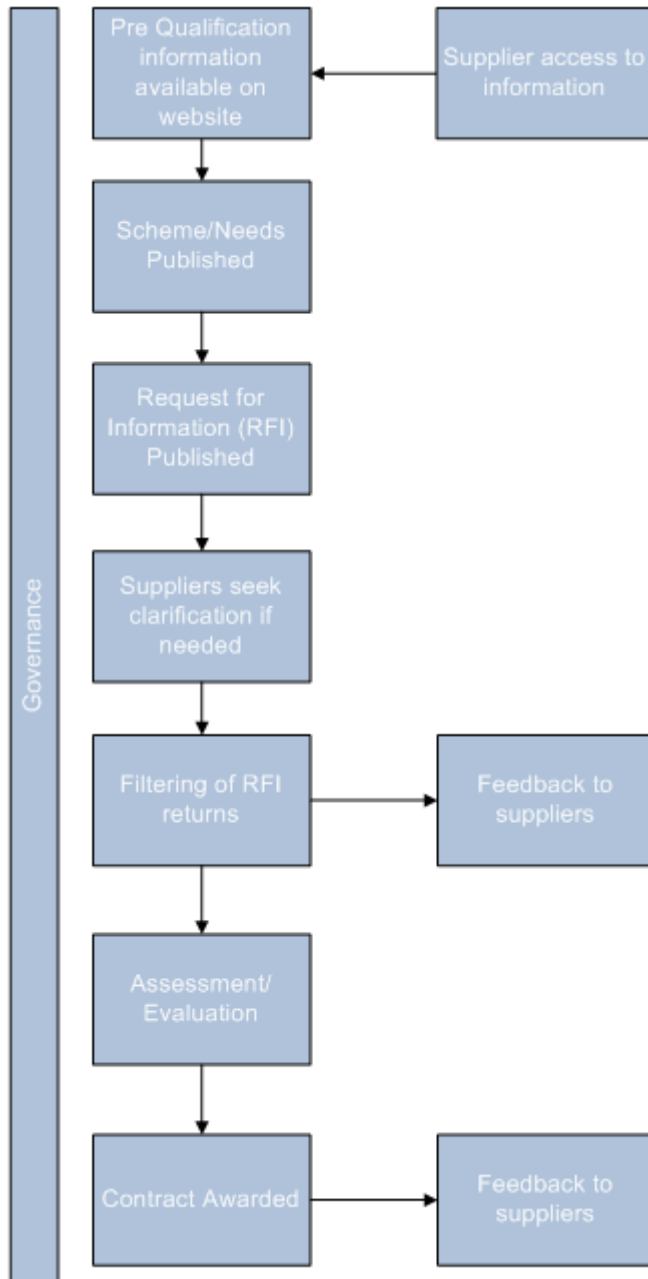
This BAF is one of three key documents that support our active participation in the market as described in the diagram below.



3 Overview of the BAF process

The diagram below provides a high-level view of the BAF process for schemes over £10,000. The full details of the process are contained within section 6

Figure 1 High level process



4 Key Elements of the BAF

South West Water operates a competitive, transparent, and robust tendering process that has been designed to deliver best value for money.

4.1 Improved supplier awareness

While we consider that our use of the Achilles procurement portal provides details of schemes to a wide spread of third parties and we recognise that there are benefits from making an even wider audience aware of our proposed schemes to generate the best possible range of responses.

Therefore, in addition to the market information already provided on our website, we also publish details of current and future water resource schemes including leakage activities and demand management. This information will be updated whenever a requirement is upload to Achilles, thereby providing visibility to third parties not registered on Achilles.

Our website provides contact details should third parties wish to approach us about providing a solution.

Where it is relevant and proportionate to the opportunity, we will consider publishing the opportunity in relevant industry or trade specific publications. Moreover, we will consider holding 'Supplier Days' to inform suppliers about significant upcoming opportunities where beneficial.

This provides us with the chance of engaging in a dialogue with the supply chain early to understand their interest, capabilities and raise awareness of innovative solutions.

Our requirements for the period 2020-2025 are detailed in Schedule 1 (section 9)

4.2 Flexibility

As often as possible the option of 'alternative tenders', which can satisfy the criteria. We have amended our standard templates to reflect this option.

In addition, for procurements above threshold we will consider Early Contractor Involvement (ECI). For water supply-demand schemes, we will have a greater level of early-stage involvement.

4.3 Fairness auditability and proportionality

The procurement processes for all water supply-demand schemes will be documented, retained, and made available to Ofwat, if required.

To avoid the potential favouring of in-house solutions, we will ensure that no one who would be involved with the design and or delivery of an in-house option is involved in deciding upon the precise specifications or in procurement preparation, as well as tendering. Anyone involved in in-house delivery would be limited to providing input in pre-tender preparation, but ring-fenced from determining specifications, assessment and procurement.

Any proposed in-house solution will be assessed against the same criteria as third-party bids, the criteria are set and assessed by our procurement team.

This will avoid any risk of;

- over-specifying tender requirements which can act as a barrier to entry, and deter innovative proposals
- under-specification which could lead to third parties not submitting bids due to perceiving the uncertainty as being too great.

We will ring-fence the assessment team from anyone who would be part of the team who would deliver any in-house options.

For schemes below the threshold, we have introduced additional controls.

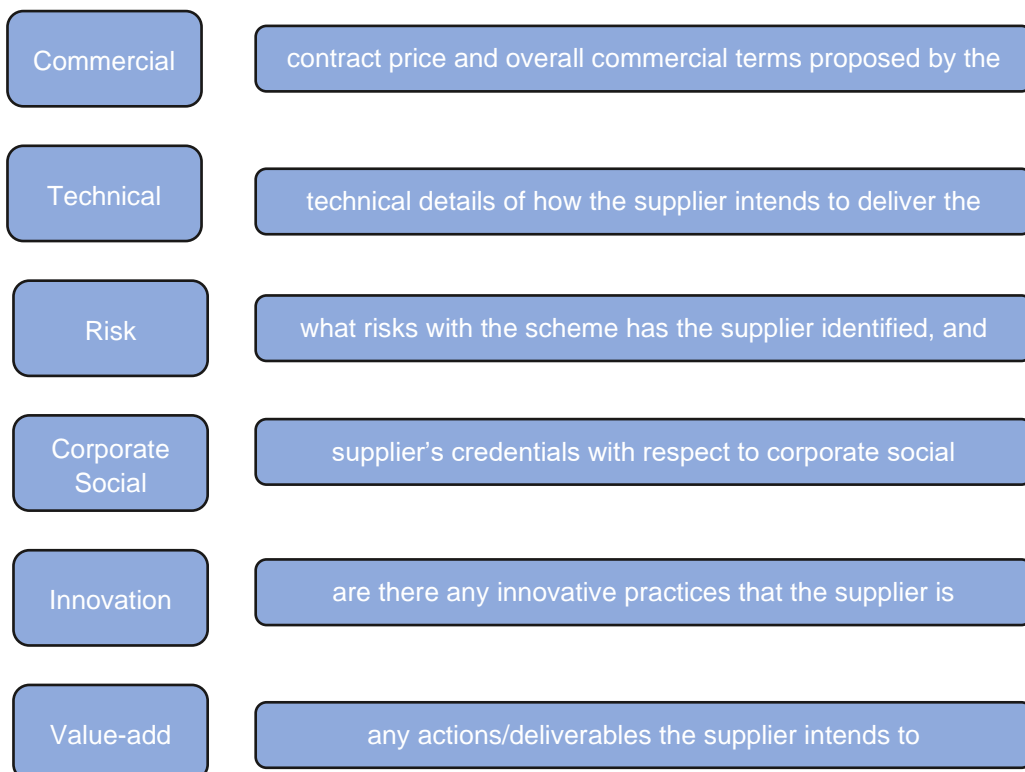
1. If in-house delivery is identified as the preferred option for a water supply-demand scheme, then the business panel must complete a form justifying why this represents the best value for customers. This is then reviewed by our procurement team and is filed for future reference. The form will be made available to unsuccessful third-party bidders upon request.
2. No one from the 'Business Head panel' can be a part of the team who would deliver the in-house option (if in-house delivery is an option).

4.4 Clarity on assessment criteria

The assessment criteria will apply equally to all parties, including in-house delivery. The specific assessment criteria and their relative weights will be published on our website as new schemes are required.

While assessment criteria will vary on a scheme-by-scheme basis, our procurement assessment for any schemes over £10,000 will contain some or all of the following assessment areas:

Figure 2 – assessments



The main objectives when assessing bids in relation to our demand side schemes are to ensure we maintain the supply-demand balance in each of WRZs whilst promoting the judicious use of water resources.

We have a set of assessment criteria that we use in water resource management planning and which we will use to assess all potential options for water resources, demand management and leakage services.

Each of these is given equal weighting in the assessment process

Screening Criteria	Details	Criteria by Solution Area		
		Demand	Supply	Transfer
Yield / demand reduction	the volume of water that the solution would provide / save	Mandatory	Mandatory	Mandatory
Cost	we assess costs both in terms of the 80-year Average Incremental Social Cost, and the 25-year total NPV including environmental and social costs.	Mandatory	Mandatory	Mandatory
Energy / carbon / environment	the energy consumption / carbon emissions or other material environmental factors associated with the scheme.	Mandatory	Mandatory	Mandatory
Reliability of delivery	whether there are any known conflicts with public policy, or if the scheme is likely to gain material objections from interested parties.	Mandatory	Mandatory	Mandatory
Flexibility	the extent that the scheme can deal with changing circumstances	Mandatory	Mandatory	Mandatory
Physical and geological	whether there are any physical / geological factors that would affect the technical feasibility of the project.		Mandatory	Mandatory
Fisheries	whether there are any impacts on fisheries		Mandatory	Mandatory
Water quality	whether there are any water quality issues with the solution		Mandatory	Mandatory
Customer relationship / participation	whether the option has any effect on the customer relationship / participation	Mandatory		
Customer affordability	whether the option has any impact (beyond cost) on customer affordability	Mandatory		
Peak tourist season	as peak tourist season has a significant impact on demand, we assess the extent that the solution would impact the supply-demand balance at the peak of the season	Mandatory		
National or sector policy	whether the solution aligns / conflicts with any national or sector policy guidelines	Mandatory		
Difference from baseline	the option being proposed is not sufficiently different from existing baseline activities	Mandatory		
Innovation	the extent that the solution harnesses innovative practices / concepts	Mandatory		
Considered as part of another scheme	whether the solution is already considered as a part of another scheme	Mandatory		

4.5 Conflicts of interest

Pennon Water Services (PWS) is part of the Pennon Group. In a limited number of instances, it is possible that there could be benefit from PWS delivering water demand schemes identified within the WRMP (for example, providing customers additional information as part of their bills). Should any of these instances arise, we would undertake an additional audit of the procurement process to ensure that if PWS were to be selected to deliver such schemes, that PWS has been selected on a fair and appropriate basis.

4.6 Complaints and appeals process

Previously, complaints have been dealt with by the Category Manager running the tender process, or the Head of Procurement, where they cannot be resolved by the Category Manager.

This process has been sufficient in the past, with no legal challenges being made over multiple funding periods, but we recognise that for smaller suppliers' legal challenge may not be a proportionate form of escalation and therefore we have implemented an appeal process for water supply-demand schemes.

Full details of the process are contained in section 8

4.7 Assurance processes

South West Water's assurance processes are designed to ensure risks are identified and mitigated appropriately. We follow an approach built upon three lines of defence: local quality controls and performance reviews; policy setting and compliance checking; and external scrutiny.

This assurance framework is applied to all areas of the business, including key projects as they arise.

On a risk-based approach we will test business compliance with this framework. We will also undertake an assessment of compliance for where any complaints have been escalated to the independent arbitration body.

Further detail on South West Water's assurance framework is provided in its Assurance Plan available on the South West Water website.

4.8 Commercially sensitive information

In providing feedback to unsuccessful bidders we will not provide any details of other suppliers' bids, unless it is required for the purposes of transparency as part of a regulated procurement.

Apart from regulated procurements our feedback is solely in terms of how the bidder in question performed against the assessment criteria, and what they could have done to improve their score.

There is also an opportunity for face-to-face feedback post-tender where necessary.

In our standard tendering process, we state that:

The ITT and all supporting information supplied either directly or indirectly in connection with the Invitation to Tender, shall be treated as private and confidential by Tenderers, except that such information may be disclosed for the purpose of obtaining sureties and quotations necessary for the preparation and submission of the Bid.

Tenderers shall not disclose the fact that they have been invited to tender or release details of the ITT documents other than in confidence to those who have a legitimate need to know or who they need to consult for the purpose of preparing a Bid

'Legitimate need' does not include in-house delivery teams – they will not be provided information of a supplier's bid.

We use restricted access folders, which are available only to those directly involved in the project to protect commercially sensitive information.

5 Supplier engagement in planning and processes

Our WRMP does not identify the need for any new water resource schemes, this may not be the case going forward, so we will involve suppliers in our WRMP process engaging with them at the start of the process in order to inform our draft plan and drawing on expertise related to new innovations.

6 Appendix A – Detailed Assessment Process

6.1 Schemes exceeding threshold values

All schemes exceeding threshold values (for supplies or services contracts) will go through a full and mandatory external tendering process.

1. Pre-Qualification

Pre-qualification criteria is within Achilles.

2. Need Specification

The details of the schemes are communicated to suppliers via the Pennon Group Supplier Portal.

Third parties that have subscribed to the Achilles Utilities Vendor Database (UVDB) and opted into updates (either by selecting an interest in South West Water, or the type of project in question) will be notified via email with further details on how to participate.

Gaining access to the Achilles UVDB is straightforward with minimal barriers to entry, see section 7 for further information

3. Request for information

Once we launch the project in the Pennon Procurement Portal, we issue a request for information (RFI), or a preliminary qualification questionnaire (PQQ), which leads to us receiving expressions of interest from third parties through the Achilles service or direct to us.

4. Filtering

The responses are filtered down based on a set of project specific criteria that is made available as part of the RFI. The purpose of this stage is to identify suppliers that could realistically provide solutions to the tender.

Any supplier who is filtered out at this point in the process, is offered feedback by us explaining why they were not successful on this occasion. Feedback is structured in line with the pre-published assessment criteria.

5. Request for quotation

A request for quotation (RFQ) is issued along with further information.

6. Assessment

We assess the responses in line with the pre-published assessment criteria. The weighting for each of the criteria is also published.

7. Feedback

Feedback is provided to all parties that provided quotations (in accordance with the regulations and Alcatel mandatory standstill period). Evaluation scoring is completed by all cross-functional team members that are nominated to be involved in the sourcing project.

8. Time Limits

We generally do not have a limit on the time for bids to be considered from when they are first submitted, however any time limits will be stated within the RFQ documents.

9. Awarding of Contract

The Contract Award is published in the Find a Tender (FTS) platform the UK e-notification service system for all procurements which have a value above threshold, as per the Procurement regulations (UCR2016).

10. Clarification

Opportunities for clarification are clearly outlined as part of a tender schedule (published within the RFI/RFQ). Queries are usually anonymised and shared with other bidders to enable all to see the query and response. Time limits are dependent on the project requirement, but we would always apply reasonableness and fairness to time allocations to each stage of the process to ensure bidders have time to respond effectively.

6.2 Schemes between £50,000 and Threshold

For schemes between £50,000 and threshold, we require involvement of the procurement department to provide advice on the procurement before the market is approached.

The procurement department in this case follows one of several routes to market:

- (i) add the service, material or work in the procurement to the scope of an existing contract
- (ii) nominate a supplier - the category manager (part of the procurement department) reviews the nomination of the relevant suppliers, as well as the appropriateness of using that supplier.
- (iii) obtain multiple quotations from the market, to be assessed at the budget holder's discretion.

If in-house delivery is identified as the preferred option for a water supply-demand scheme, then the business panel must complete a form justifying why this represents the best value for customers. This is then reviewed by our procurement team and is filed for future reference. The form will be made available to unsuccessful third-party bidders upon request.

6.3 Schemes between £10,000 and £50,000

For schemes between £10,000 and £50,000 we require at least three quotations to be received if there is not a supply agreement already in place that the stakeholder can use.

A lighter touch, proportionate approach is used in assessing the quotations. It is in relevant budget holder's discretion, which of the quotes to accept.

We will comply with the principles of transparency, equal treatment/non-discrimination and proportionality.

We already have several controls in place for schemes £10-50k to ensure efficient and effective procurement through the use of a three quotations process.

If a supplier makes a proactive submission offering to provide services two other quotations will be required to evidence that they have chosen a market tested value. If obtaining quotes is not feasible then the supplier will have to demonstrate that their quote is efficient.

6.4 Schemes under £10,000

This BAF provides a robust structure for medium to large scale tendered exercises, supplier feedback has led us to make the process simpler for schemes under £10,000 in order to promote more market activity.

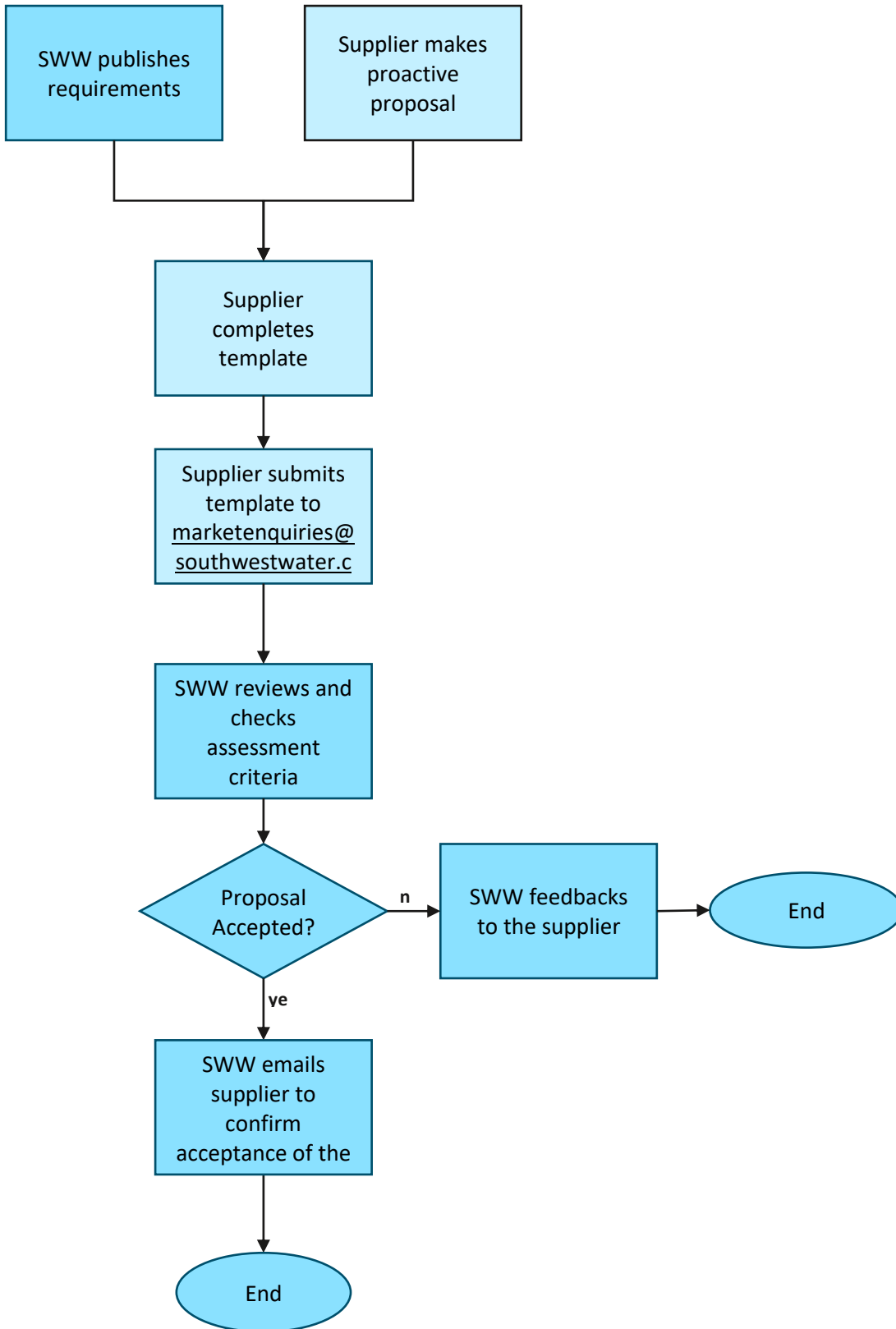
We will still comply with the principles of transparency, equal treatment/non-discrimination and proportionality.

For schemes published by South West Water for less than £10,000, business heads have discretion over whether or not to obtain external quotes.

Invitations to submit costed proposals for schemes under £10,000 are posted on our website at this location <https://www.southwestwater.co.uk/commercial-services/bioresources/water-resources-market-opportunities/>

Suppliers can contact us at any time with proposals by emailing us at marketenquiries@southwestwaer.co.uk .

The diagram below shows the process for assessing proposals.



The following template should be used when making a proactive proposal or when replying to a SWW published scheme. The template is available on the website at this location:

<https://www.southwestwater.co.uk/commercial-services/bioresources/water-resources-market-opportunities/>

Organisation Name			
Contact Name			
Contact email			
Contact Telephone			
Any other details			
Date of submission			
Full Details of Proposal			
Q1	Provide	Save	Explanation
Will the option provide or save water?			
Q2	Vol Provided	Vol Saved	Explanation
What volume of water will the option provide / save?			
Q3	No	Yes	If yes, explain
Are there are any known conflicts with public policy?			
Q4	No	Yes	If yes, explain
Is the option likely to attract material objections from interested parties?			
Q5	No	Yes	If yes, explain
Are there are any impacts on fisheries?			
Q6	No	Yes	If yes, explain
Are there are any water quality issues with the solution			
Q7	No	Yes	If yes, explain
whether the solution aligns / conflicts with any national or sector policy guidelines			
Q8	Explanation		
the extent that the solution harnesses innovative practices / concepts			

7 Appendix B - Achilles Entry

The cost of subscribing to Achilles depends on the number of products and services that the supplier wants to make searchable with their own product codes.

Achilles also offers a Small Supplier Tier available to businesses with fewer than 10 employees and an annual turnover of less than £1m.

Becoming a member of the Utility Vendor Database (UVDB) community enables suppliers to be directly informed about tender opportunities relevant to their business.

To register, suppliers must provide basic pre-qualification information such as: financial stability information; insurance details; Health & Safety Management System overview; and Supply Chain Management information.

Achilles UVDB Suppliers are regularly audited to ensure that accurate and reliable information is available to assist with the pre-qualification and due diligence stages of the procurement process.

8 Appendix C - Appeals Process

The process for appealing above threshold requirements must follow those set out within the UCR 2016.

For under threshold requirements the process is as follows:

1. Send email to marketenquiries@southwestwater.co.uk with request for appeal
2. Procurement provide an independent view (assisting the bid assessors who have been involved in the process) to seek informal resolution
3. If necessary, escalate to a senior officer internally to attempt to resolve in good faith
4. If issues cannot be resolved to the supplier's satisfaction, escalate the complaint to independent arbitration.
5. Agree appropriate independent /industry body
6. Independent arbitrator reviews the supplier's complaint, along with the initial assessment of their proposal against the assessment criteria
7. Arbitrator decision binding on both parties.

Given that the independent arbitration body would vary depending on the scheme in question, we cannot set out a prescriptive timeline, however we commit to seeking to resolve any dispute as expeditiously as possible.

Successful appeals are eligible to re-enter the process at the end of their last successful stage.

9 Schedule 1 – Opportunities for Planning Period 2020-25

Our proposals for managing water resources over the next 25 years is driven by our customer engagement programme and the clear preference expressed by our customers that we should be focussing on identifying ways to reduce demand, before we look to build new resources such as reservoirs.

The detailed water resource modelling and research we have undertaken as part of our WRMP shows that the potential shortfall of water that we may face in the future can be managed by measures to control demand.

To achieve this, we must act to drive down leakage on our networks and on customers' pipework as well as helping customers to make significant changes in their own water use habits.

We are already actively working with community groups, local government and research projects to develop the expertise needed to reduce the demand for water and we are also looking for other parties who have the potential to deliver solutions and innovations.

We are looking to partner with retailers in our area to jointly work on reduction of consumption by their customers. The proposal will be based on a retailer incentive scheme which will support the retailer in maintaining their margins, despite the decrease in consumption. This would be achieved by sharing with them the savings made by us related to demand management.

Working in partnership with other regional water companies, our newly-formed West Country Water Resource Group brings together key stakeholders in water resource management in the south west of England, with a view to building long-term resilience and water trading capacity in the area, our BAF provides the structure to manage new projects to support this regional water resilience approach.

Our WRMP shows that, over the 2020-25 period we are not forecasting a supply-demand deficit, and therefore have no supply-side schemes in our plan.

Our planned demand management measures are focussed on

- Installation of smart meters
- Leakage reduction
- Other water efficiency initiatives

We are employing demand management options in all our water resources zones

In the period 2020-25 the following water supply-demand schemes need to be delivered:

WRMP scheme	Approximate size
Leakage programme	c.£50 million
Metering programme	c.£30 million
Re-use	c.£0.5 million
Water efficiency	
<i>Community water saving initiatives</i>	c.£0.2 million
<i>Social norms feedback</i>	c.£0.1 million
<i>Social housing retro-fit</i>	c.£0.6 million
<i>Tourism water efficiency</i>	c.£0.3 million

We also welcome commercial proposals from those who have sources of water.

While we do not have a forecast supply-demand deficit in 2020-25, should any third party engage with us regarding potential options for water resources, demand management and leakage services (outside of our standard tendering processes), we will consider their proposals relative to our planned schemes, and the outcomes that they deliver.

We would expect that proposals to be in keeping with the overall WRMP approach of prioritising demand management.

Our demand-side schemes will all be competitively tendered, however Ofwat have noted;

- that the procurement of certain goods and services by water companies is regulated by the Utilities Contracts Regulations 2016 (UCR16), but it is unclear whether this applies to the procurement of all water resources (for example, water resources which may be at various stages of treatment) by an incumbent from a third party.
- it is uncertain whether third parties bidding to provide water resources may have a right of action under this legislation if they consider they have been treated unfairly during the procurement process. In any event, the application of the UCR16 will be a matter for the incumbents to assess.

The majority of our WRMP schemes in 2020-25 are above the threshold, and therefore likely to be subject to the full UCR16-compliant process.

There are three schemes that may fall below this threshold, for these schemes, we will undertake an additional internal audit of the procurement process to provide third parties with greater confidence of our processes.

Interested suppliers can contact us at marketenquiries@southwestwater.co.uk