

Water Resources Bid Assessment Framework

Version 3.2

July 2019

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Acknowledgements

We are grateful to all of those who provided their time to make positive contribution to the development of this bid assessment framework including The Canals and Rivers Trust.

For further information on the bid assessment framework, please contact our separate Bid Assessment Framework Procurement team BAFProcurement@hdcymru.co.uk

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1. Introduction

This overall aim of this bid assessment framework (BAF) is to identify more efficient providers of services resulting in reduced costs and better value to customers. The BAF supports the bidding market for water resources, demand management and leakage services by allowing third parties to submit bids to incumbent water companies to provide solutions that help incumbents meet their future water needs. Third parties can be independent entities or other incumbent water companies from outside the recipient water company's area of appointment.

This document sets out our approach to competitively tender for the best value solutions to our water resources, leakage and demand management. In doing so we explain how the principles of transparency, non-discrimination and proportionality are applied consistently to both in-house and third party options. We believe that this approach will support innovative solutions without creating unnecessary barriers and prohibitive bidding costs.

By making clear the procurement processes and principles that we will follow, we hope to encourage third party potential bidders to participate in the water resources, demand management and leakage services markets.

The BAF sits alongside our market information for water resources (WRMI) that are published on our [website](#). The market information includes the key assumptions and economic data used to underpin our water resource management plan (WRMP). This will help third parties identify potential opportunities to provide innovative solutions.

We developed our BAF in accordance with Ofwat's guidance provided in their final methodology for the 2019 price review;

- [Appendix 8: company bid assessment frameworks – the principles](#); and
- [IN 19/01: Bid assessment framework information note](#)

2. Principles

Our BAF is based on the four key principles that are summarised in the table below.

Simplicity
<p>Our principle of simplicity means that we have designed our BAF to be straightforward, so that making bids into our water resources and demand-side management markets will be as efficient as possible for all parties involved, reducing bidding costs and stimulating participation.</p>
Transparency
<p>Our principle of transparency ensures that all potential third party bidders will have visibility of the detailed process, award criteria and decision-making rules that we will use when selecting solutions.</p> <p>We commit to providing feedback at each stage through the process to allow bidders to understand the reasons why their proposal may not have been successful.</p> <p>We have set up an appeals and complaints process, should bidders not be satisfied with how their bids have been evaluated or any other aspect of the process.</p> <p>We will prepare an annual audit report showing how we have complied with our process. These audits will be made available for Ofwat to review.</p>
Equal treatment / non-discrimination
<p>Our principle of equal treatment and non-discrimination means that all third party bidders will have an equal opportunity for competing for contracts. This principle also applies when third parties are bidding directly against our in-house options.</p> <p>The framework will be applied even when contracts are below the financial threshold of procurement legislation.</p> <p>We will publish and apply the same evaluation criteria to both in-house and third party bids. All third party bids will be reviewed by a separate BAF Procurement team that aren't involved with the development of in-house options.</p> <p>To ensure confidentiality and protection of commercially sensitive data, we will provide a non-disclosure agreement on request.</p> <p>We will ensure that our in-house solution team will not have access to sensitive or commercially valuable information from third parties.</p> <p>We will publish WRMI on our website to mitigate potential information barriers faced by some third parties.</p>
Proportionality
<p>The overall aim of the process is to identify more efficient providers of services, resulting in reduced costs and better value to customers. Our process is therefore designed to be proportionate so that it does not inadvertently exclude bidders.</p> <p>We will only ask for the minimum information that is necessary to fairly evaluate proposals from bidders and not over specify data requirements, as this may increase bidding costs which may result in some potential bidders withdrawing.</p>

3 Relationship with existing processes and requirements

The principles for our Bid Assessment Framework are based on the relevant parts of procurement and competition law. We have also incorporated the requirements of water resource management planning regulations, relevant Welsh Government guidance and Ofwat's regulatory framework.

Procurement law

The [Utilities Contracts Regulations 2016](#) (UCR16) set rules about the procurement of goods and services by water companies. The application of these regulations are dependent on the nature and value of the contract. However, when these rules do apply, companies are obliged to adhere to the relevant principles and requirements.

Competition law

Companies are required to comply with competition law. Most notably, during the tender process, companies must not:

- artificially narrow competition, for example where the procurement process is made with the intention to unduly favour or disadvantage certain (or all) parties.
- distort competition in the market by abusing a dominant buyer position.
- facilitate collusion between third parties by disclosing confidential bid information.

WRMP processes

Water companies have a statutory obligation to prepare WRMPs every five years that cover a planning horizon of at least 25 years. The WRMP:

- shows how incumbent water companies plan to maintain supply/demand balance and levels of service over the planning period; and
- highlights the options necessary to meet changes in the balance while providing an appropriate level of resilience.

WRMP 2019 guidance stipulates that water companies should engage with third parties that have the potential to provide options at a lower cost, or better value than incumbents' own in-house solutions.

WRMP 2019 guidance also sets out a process for appraising all the supply-side and/or demand-side options. This involves developing an unconstrained list of options; identifying the feasible options from the list; and deciding on the preferred options. Incumbents are required to evidence that:

- third parties have been able to propose options for appraisal;
- third party options have been appraised;
- consistent screening/evaluation criteria have been applied at each stage of the process; and
- a preferred option (if appropriate) has been identified – unless there is a clear explanation why third party options are not feasible.

The BAF compliments the WRMP process by clearly specifying the criteria that will be used to evaluate and appraise third party bids/options.

Details of WRMP 2019 deficits and our preferred plan solutions are set out in the [WRMI tables](#).

If you have any queries related directly to the WRMP process or outcome then please contact our Water Resources team on Futureconsultation@hdcymru.co.uk

Ofwat's regulatory framework

At present, there is no regulatory framework for regulating supply agreements between incumbent water companies and non-regulated third party providers of water resources. However, in due course, when [section 12 of the Water Act 2014](#) is enacted, the UK Government will be able to make such provisions about the regulation of such agreements.

Trading and procurement code

At the 2014 price review, Ofwat introduced water trading incentives for new water trades that operated during 2015-2020. The trading incentives are subject to a cap, and in order for a water company to be eligible to receive such incentives, they needed to have complied with their Ofwat-approved trading and procurement code. Ofwat's requirements for trading and procurement codes are set out in [appendix 3 of the 2014 price review methodology statement](#).

Trading and procurement codes provide assurance that incentive payments deliver net benefits to customers and the environment. Ofwat have set out in [appendix 5 of the 2019 price review methodology statement](#) that water trading incentives will be maintained for the 2020-2025 period.

In November 2017, after a public consultation, Ofwat approved our [trading and procurement code](#). We are keen to demonstrate to stakeholders that we are in principle willing to enter into water trades with third parties, providing such trades are environmentally and economically rational.

Updating the BAF

We will review and update our Bid Assessment Framework each year to reflect feedback from bidders, changes to Welsh Government policy and the latest Ofwat guidance.

4. Bid Application Process

This section sets out each stage of the bid application process.

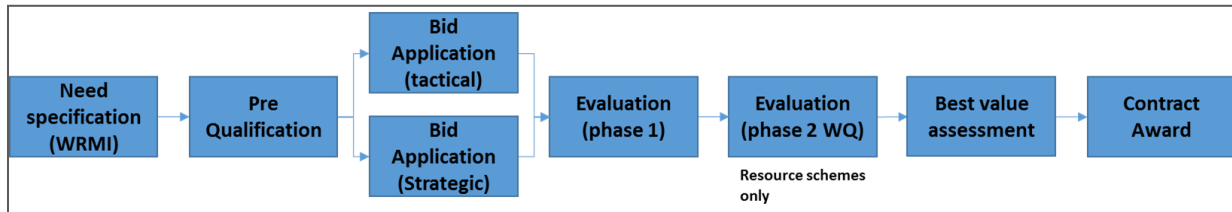


Figure 1 bid application flow diagram

We will apply this bid assessment framework to all contracts related to water efficiency, leakage and water resource schemes regardless of the financial thresholds contained in procurement legislation.

4.1 Promoting and advertising

In order to encourage the widest involvement in this process, we will undertake the following activity to generate a response from the market to our needs:

- Leakage innovation – where we look continually for new ideas through our technology scouting activity
- Supplier days – where potential suppliers will be invited to understand our detailed needs

We will also make use of stakeholder groups and forums in Wales for example the Wales Water Management Forum, Public Service Boards and Area Statement workshops.

In addition, we will advertise our requirements by issuing Periodic Indicative Notices (PINs), Official Journal of the European Union (OJEU) Contract Notices and via our own website.

Parties wishing to express and register their interest can do so on our website at any time by using the ‘pre-qualification’ form provided (see section 4.3). All parties who have registered interest for a specific area will automatically be invited to any applicable procurement process run under this Framework.

We are open to approaches at any time and welcome informal approaches from potential suppliers for clarifications and discussion on innovative ideas, as well as more fully formed proposals.

4.2 Needs specification

The volume and timing of our need for additional resources and demand management service to maintain our supply demand balance our published, at water resource zone level, in the WRMI tables on our [website](#). These tables should enable third party bidders to shape their offers to us.

Clarification of any aspect of this information will be provided on request by emailing our Water Resource Management Team to Futureconsultation@hdcymru.co.uk. It would be helpful if you would start the title of your email with “WRMI query” as this inbox is used for wider water resource planning consultations.

4.3 Expressions of Interest and pre-qualification

The opportunity to submit an expression of interest is open to all potential suppliers at all times. Pre-qualification documents are available on our web portal for this purpose.

There will be occasions, for example during the Water Resource Management Plan 2023 process or specific tendering for leakage services, where a deadline for submission of expressions of interest will be specified in the relevant notice. We will conduct this initial engagement with potential bidders in accordance with requirements of the UCR16.

The pre-qualification, or initial screening stage, sets out the mandatory requirements for bidders wishing to participate in the market for water resources, water efficiency and leakage solutions. The aim of pre-qualification is to ensure third parties do not unnecessarily commit resources to bidding if they will automatically be rejected.

The standard criteria to assess the bidder at this stage relate to the organisation bidding and cover the following areas:

- financial information to illustrate financial viability;
- compliance with relevant health and safety, and environmental requirements;
- details of quality assurance practices; and
- evidence of technical capability.

Support will be given to bidders to complete the pre-qualification via email or at a face to face meeting. Please use our dedicated inbox (BAFProcurement@hdcymru.co.uk) if you want to discuss any aspect. The pre-qualification form is on our [website](#).

We are also happy to receive feedback on these criteria to help ensure they continue to be relevant and proportionate.

Please note that all commercially sensitive data will remain confidential and be handled by our independent BAF Procurement Team. All information relating to bids and organisations making them will be held on a separate section of our IT infrastructure and will not be accessible to, or shared with, sections or individuals involved in the creation of in-house bids. We are happy to enter into a non-disclosure agreement (NDA) should any organisation feel this necessary, and will provide a draft agreement on request.

All in-house bids will be assessed against the same criteria as third party bids.

Companies that pass the pre-qualification stage will be added to our list of approved potential suppliers. This status will last for five years, after which organisation will have to re-apply.

4.4 Bid application and evaluation

To ensure the highest levels of participation possible, we will consider two types of application based on the size of the potential benefits to our customers:

1. Tactical – supply options with capacity benefit less than circa 1Ml/d (million litres per day).
2. Strategic – supply options with capacity benefit greater than 1Ml/d and/or all demand-side solutions.

We require the same information, using the same form, for both tactical and strategic options. The only difference is that strategic solutions will need a more in-depth technical evaluation of how they might meet needs across multiple water resource zones.

Time limits and bid clarification

In order to encourage bids we will:

- run a bidding cycle as part of the WRMP 2023 process in 2022;
- run an annual bidding cycle to coincide with our WRMI data refresh; and
- accept ad hoc or speculative submissions at any time.

During any of these opportunities potential suppliers that have successfully passed the pre-qualification screening will be able to submit bids using the relevant forms on our [website](#).

We will acknowledge receipt of bids within ten working days of the bid arriving via email to BAFProcurement@hdcymru.co.uk, although we may take longer to respond to applications not using our standard forms. In our response we will seek to clarify any ambiguities or data omissions.

Support will be given to bidders to complete the bid application questionnaire via email or at a face to face meeting. Please use our dedicated inbox BAFProcurement@hdcymru.co.uk

Bid Application

To reduce bidding costs we have designed a two-part bid application process. The first part is a rules-based application form that captures the key scheme information needed for a pass/fail evaluation, which includes the following sections:

- Overview;
- Scheme benefits and constraints;
- Environmental impact; and
- Indicative financial and commercial offer

The second stage will be a scheme-specific water quality (WQ) risk assessment process. This will be managed through direct face to face interaction with our drinking water safety plan (DWSP) team and may require more detailed data.

We are also happy to receive feedback on these criteria to help ensure they continue to be relevant and proportionate.

Please note that all commercially sensitive data will remain confidential and be handled by our independent BAF Procurement Team. All information relating to bids and organisations making them will be held on a separate section of our IT infrastructure and will not be accessible to, or shared with, sections or individuals involved in the creation of in-house bids. We are happy to enter into a non-disclosure agreement (NDA) should any organisation feel this necessary and will provide a draft agreement on request.

All in-house bids will be assessed against the same criteria.

Evaluation Screening Criteria

We set out our screening evaluation criteria in our bid application form. This transparent, rules-based decision making process ensures equal treatment and non-discrimination. The pass/fail criteria are replicated below.

Description	Test
Will operating this scheme result in a deterioration to the WFD status of the source waterbody?	Pass/fail
Will commissioning and operating the proposed scheme result in a material increased risk of deteriorating European and nationally designated sites that are water dependant? (Designated sites include, but are not limited to, RAMSARs, SACs, SPA, SSSIs.)	Pass/fail
Will the option have a moderate to high likelihood of providing the stated supply/demand benefit to the water resource zone(s)?	Pass/fail
Will operating the scheme cause the catchment to become over-abstracted?	Pass/fail

The water quality risk assessment will be based on drinking water regulations and our duties as a supplier. The purpose of this assessment is to ensure that water quality risks and their appropriate control measures are identified prior to any binding agreement to progress the bid further.

The same evaluation criteria will be applied consistently to both external and in-house bids.

4.5 Award

Once third party and in-house bids have been screened using the evaluation criteria above they will be subject to a best value assessment to determine which will be awarded contracts. The best value assessment will be consistent with that used in our WRMP and as such will consider cost, social (including Well-Being of Future Generations Act considerations) and environmental impacts (including alignment with Area Statements).

Communication of decision

Our decision will be communicated to all bidders, including the reasons for acceptance or rejection of bids, within 90 days of the annual or WRMP bidding cycle closing; or from the date that an ad hoc speculative bid is received.

Feedback and re-submission

If the bid is rejected we will provide detailed feedback against the evaluation criteria to explain our rationale.

We will allow 20 working days to enable the bidder to review and re-submit their bid, should they see fit to do so.

Disputes and complaints

In the event that third party bidders have concerns about this framework or its application, or wish to appeal our award decisions, a formal complaints process may be followed. The stages of the process are set out below;

1. Initial assessment: concerns may be raised at any stage through the process by emailing the BAF Procurement team BAFProcurement@hdcymru.co.uk. Appeals relating to an award should be made within 20 days of notification of the award decision. The team will validate the evaluation and investigate the nature of the concern raised and report the findings to the bidder within 10 working days.

2. Escalation: should the bidder remain unsatisfied by the results of the initial assessment, the matter may be referred for review by the Head of Procurement who will review and respond to the bidder within 20 working days.
3. Further escalation: If the Bidder is still not reasonably satisfied then a final referral can be made to the Group Commercial Director.
4. Legal redress: Should an issue remain after the provision of a final decision under the above complaints procedure, bidders will need to seek formal, legal redress via the appropriate route.

5 Application of process and principles

Governance

A separate BAF Procurement Team will oversee the third party bidding process to ensure fairness, transparency and equal-treatment.

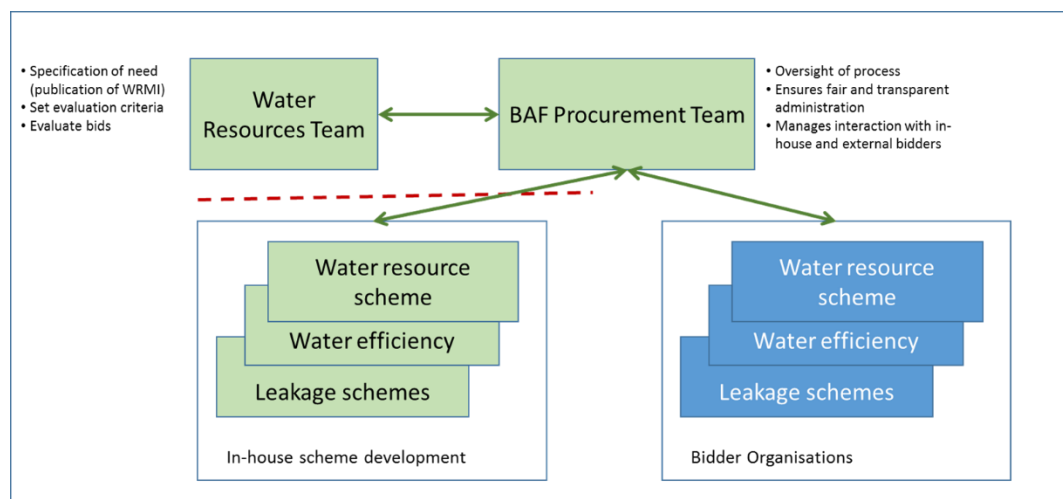


Figure 2. Governance Structure

This team will not be involved in the development of in-house solutions. The purpose of the team will be to:

- protect against potential conflicts of interest;
- carry out an assurance review of the bidding process;
- ensure there is no actual (or perceived) bias; and
- safe-guard against the misuse of commercially sensitive information disclosed by third parties as part of their bids.

The separate BAF Procurement Team will consistently apply the four key principles when assessing bids against third party bids and in-house solutions alike.

Compliance audit

The procurement process will be documented as part of the compliance audit. We will retain reports and make available to Ofwat should they request it. The process will include the reasons for accepting/rejecting bids.

During preparation for contract award, we will prepare our audit report on both parties' compliance with the processes set out in accordance with our BAF, trading and procurement, procurement and competition law, and

the requirements of the WRMP planning guidance. This audit will be made available to Ofwat, ensuring the validity of the overall conclusion.

Throughout 2020-25 we will also;

- review the level of third party bidding activity and publish the findings ;
- review our process and improve to reflect lessons learned; and
- publish a high level view of bids received, along with reasons for why solutions were not assessed to be viable.