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South West Water Bournemouth Water *Bid Assessment Framework*

March 2019



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.

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

We have also identified a series of improvements to our existing processes which will provide further opportunities to third parties to engage with us in delivering solutions.

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, 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.

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

In this BAF, we summarise our processes, and the additional measures we have put in place to demonstrate compliance with Ofwat’s principles and to support our active engagement with the market.

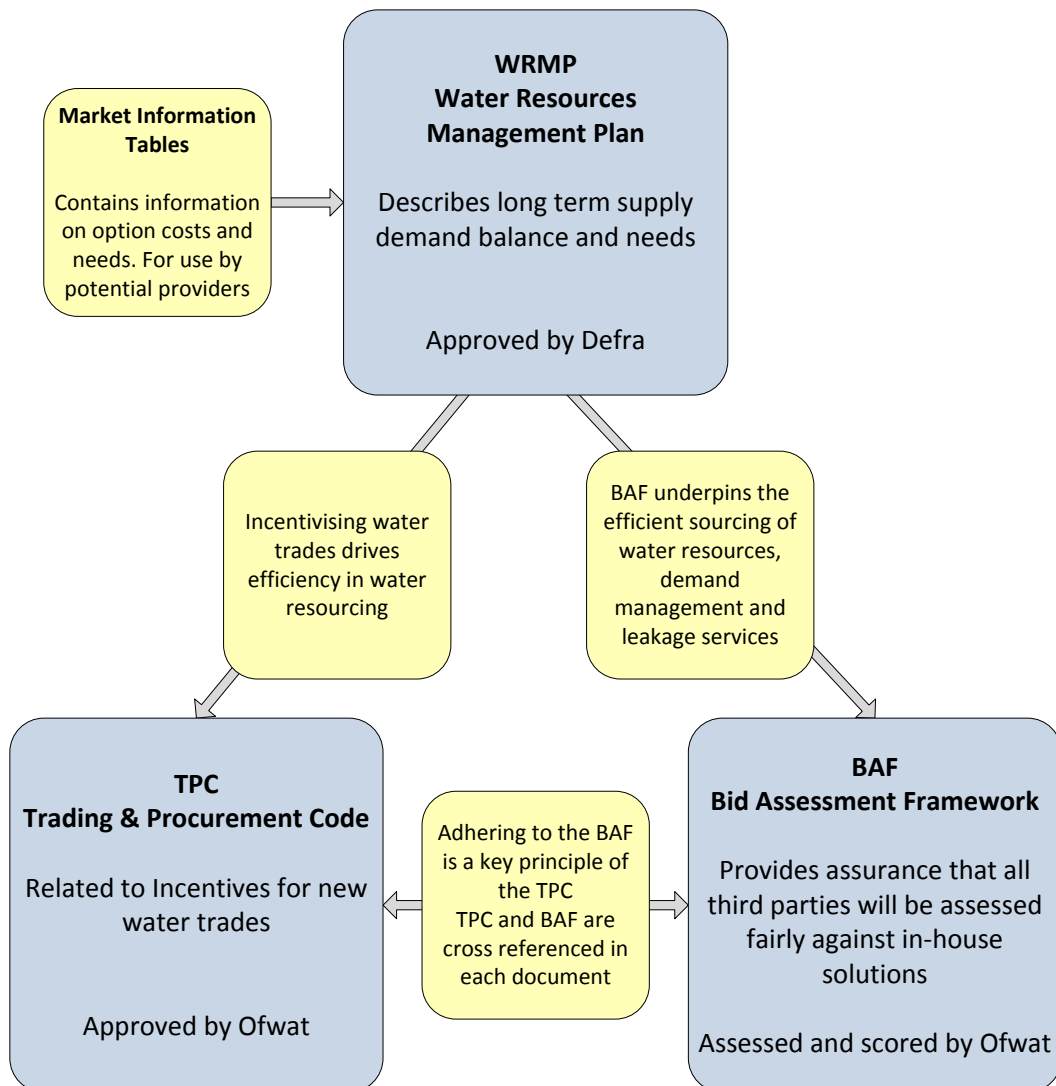
We set out how we will engage with third parties proposing schemes as well as how we will expand third party involvement in the water resource management planning process.

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 GroupProcurement@pennon-group.co.uk.

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

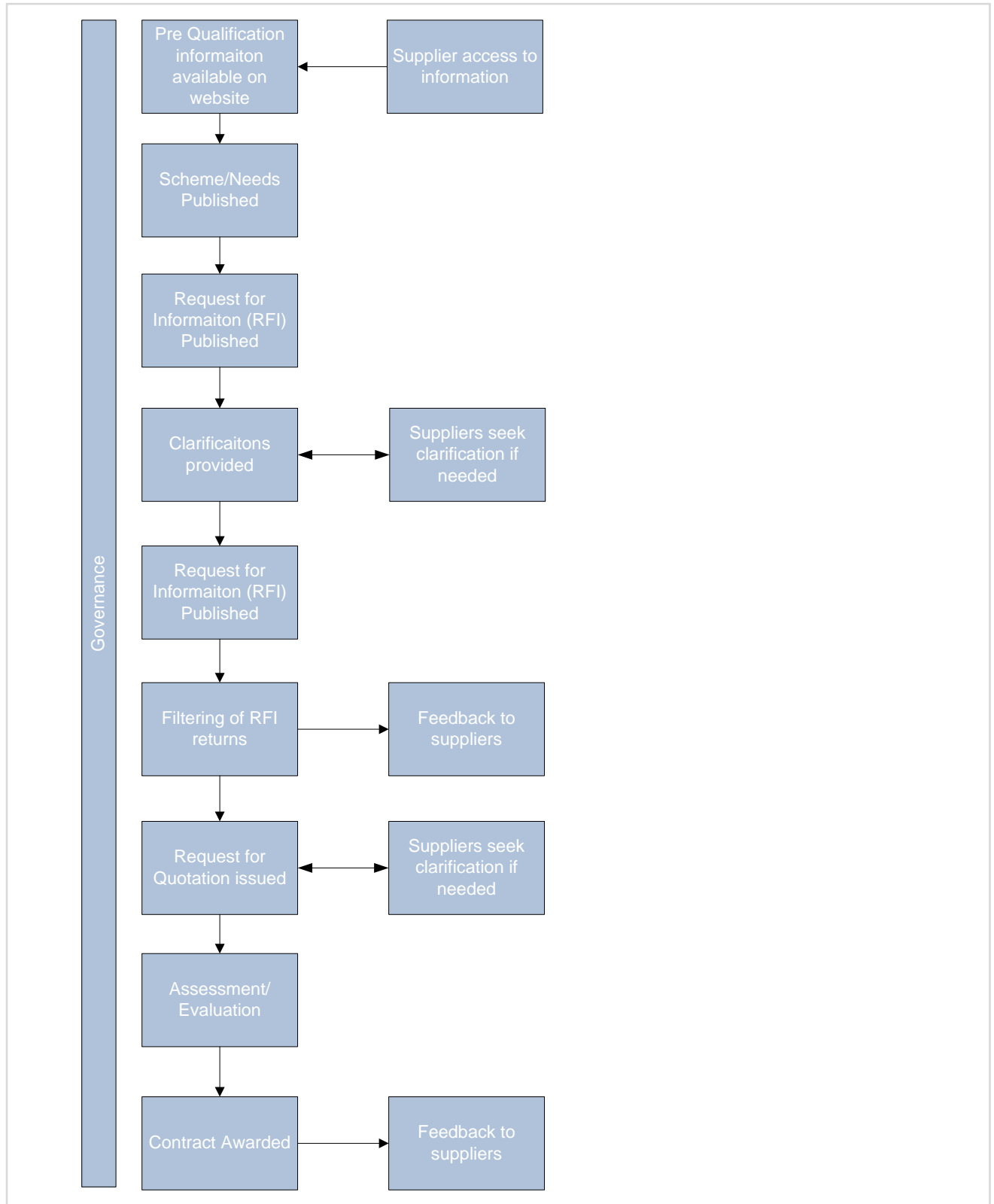
This BAF is one of three key documents that support our active participation in the market as described in the diagram below.



3 Overview of the BAF process

The diagram below provides a high-level view of the BAF process, the full details of the process are contained within section 6

Figure 1 High level process

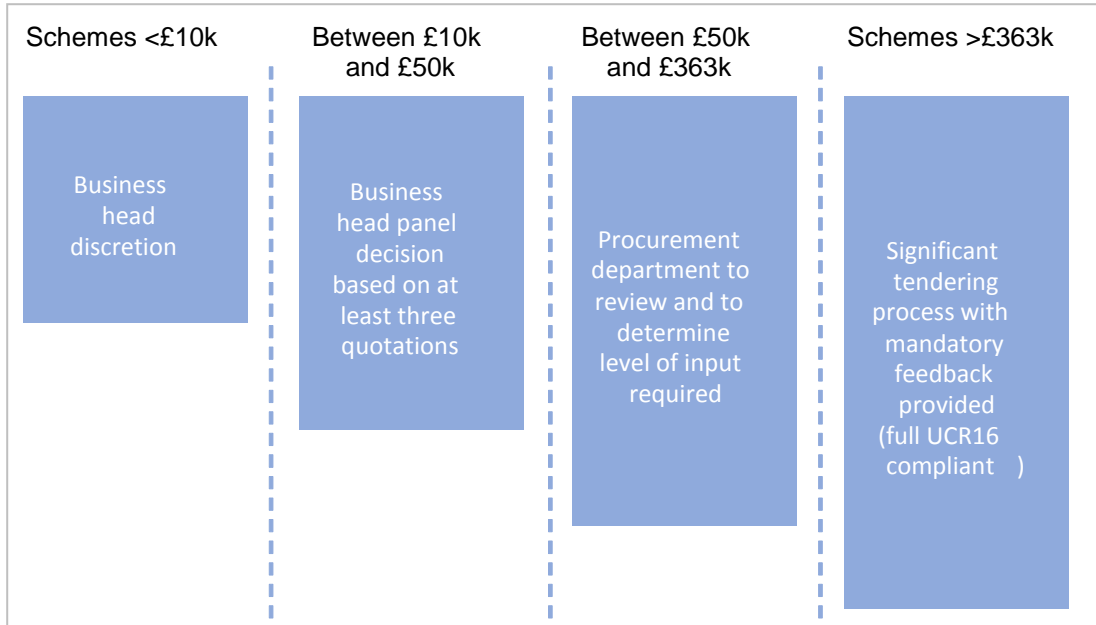


Ofwat identified key areas that a BAF should cover, the table below shows SWW's delivery to those requirements. See also section 6 which contains full details of our process.

Item	Details
Pre-qualification	Mandatory requirements set out clearly on website and through Achilles subscription process
Need specification	Commitment 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
Time limits and bid clarification	<ul style="list-style-type: none"> • Commitment to apply reasonableness and fairness to time allocations to each stage of the process to ensure bidders have time to respond effectively. • Clarification process set out as part of tender schedule.
Evaluation	<ul style="list-style-type: none"> • General assessment criteria set out in this document (see section 4.4). • Scheme specific assessment criteria published on the website at the same time as through Achilles
Governance	<ul style="list-style-type: none"> • Separation of in-house delivery and scheme specification / bid criteria setting and assessment. • Prohibition on Viridor bidding for water supply-demand schemes. • Additional controls for Pennon Water Services (PWS) bidding for water supply-demand schemes.
Contract award	<ul style="list-style-type: none"> • If an 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. • The procurement processes for all water supply-demand schemes will be documented, retained, and made available to Ofwat, if required. • Business compliance with this framework will be tested on a risk based approach, and we will undertake an assessment of compliance for where any complaints have been escalated to the independent arbitration body.
Communication of decision	<ul style="list-style-type: none"> • Feedback provided upon request for all schemes. Provided as default for all suppliers that provide quotes for schemes >£363k. • The feedback is in terms of how the bidder in question performed against the assessment criteria, and what they could have done to improve their score.

South West Water has a long track record of running competitive tendering processes and our tendering processes are tailored to the size and nature of the schemes in question, our approaches to procurement are summarised below.

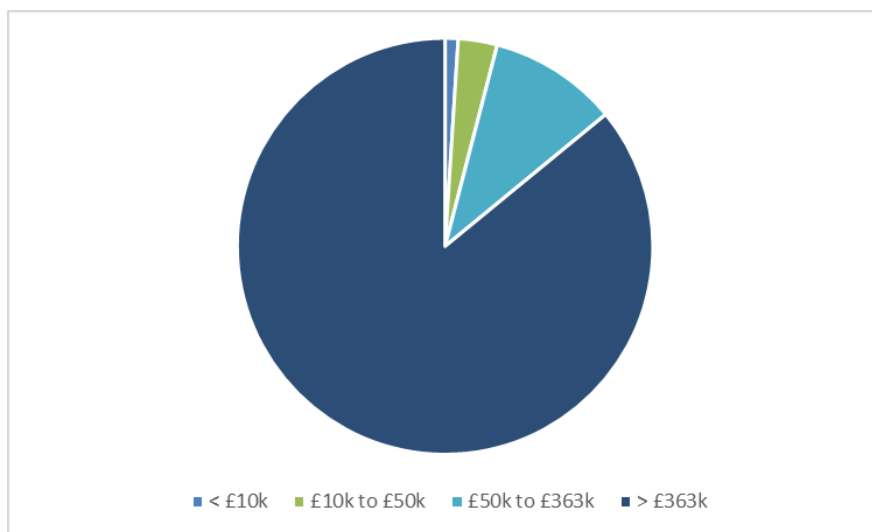
Figure 2 - tender process by scheme size



By value, the schemes >£363k comprise the clear majority of the company’s schemes. Data from 12 months up until the end of April 2018 show that these schemes comprise c.86% of schemes.

The chart below shows the proportion of schemes, split by scheme value, for Financial Year 2017-18:

Figure 3 - total value tendered split by scheme size



As can be seen from the chart in figure 2 the low value schemes make up a comparatively small amount of the overall spend. In the interests of proportionality, we therefore apply a greater level of scrutiny to the tendering processes of the larger scale projects.

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.

Following the publication of Ofwat's BAF requirements, we have reassessed our processes and challenged ourselves to identify additional measures to improve transparency and the equal treatment of suppliers.

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 10)

4.2 Flexibility

We have challenged ourselves to be more flexible in our interactions with the market.

Historically, in most instances, we have specified the solution (for example, a borehole) and sought proposals to meet the specification.

We will now include in our tenders 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 £363k 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 between £50k and £363k, 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' (see [Figure 3 - total value tendered split by scheme size](#)) 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 will generally contain the following assessment areas:

Figure 4 - 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.

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		

Each of these is given equal weighting in the assessment process

4.5 Conflicts of interest

Viridor Waste Management Services is part of the Pennon Group. While the activities Viridor carries out are distinct from South West Water, it would be theoretically possible for Viridor to bid for the delivery of a water supply-demand scheme. To avoid any perceived conflicts of interests, we have introduced a policy that prohibits this.

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 a new appeals 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.

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 tenderer shall treat all the tender documents as private and confidential. The tenderer must not disclose that they have been invited to tender or release any details of the tender documents, other than “in confidence” to those who have a legitimate need to know or those professional advisors whom the tenderer needs to consult for the purposes of preparing the tender

‘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

A formal review of the BAF process will take place in September 2019 to ensure it is fit for purpose and we will be seeking views of suppliers on their experience of the process.

Whilst the planning process for our 2019 WRMP did 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 > £363,424

All schemes above £363,424 (for supplies or services contracts) will go through a full and mandatory external tendering process.

1. Pre-Qualification
Pre-qualification criteria will be published when the scheme requirements are published.
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. 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.

We will contact suppliers on a yearly basis to see if they still wish their bids to be considered.

9. Awarding of Contract

The Contract Award is published in the OJEU via TED (Tenders Electronic Daily) platform (which is the official online supplement to the OJEU) for all procurements which have a value above the £363,424 threshold, as per the Procurement regulations (UCR2016). TED provides free access to business opportunities from the European Union, the European Economic Area and beyond.

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 £363,424

For schemes between £50,000 and £363,424, 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 three 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.

No one from the 'Business Head panel' (see [Figure 3 - total value tendered split by scheme size](#)) can be a part of the team who would deliver the in-house option (if in-house delivery is an option).

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.

For schemes less than £10,000, business heads have discretion over whether or not to receive external quotes.

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

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

We will continue this process but undertake an annual audit to test that this operating an effective market for the projects. However, our current plans do not forecast activity in this expenditure area.

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

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.

Currently, a standard subscription costs between £540 + VAT for 0-7 product codes, to £1,065 + VAT for 22+ product codes, per year.

Achilles also offers a Small Supplier Tier, costing £105 + VAT per year, 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

Step 1

Send email to groupprocurement@pennon-group.co.uk with request for appeal

Step 2

Category Manager attempts informal resolution

Step 3

If issues cannot be resolved by the relevant Category Manager to the supplier's satisfaction, escalate the complaint to independent arbitration.

Step 4

Approach an appropriate independent body within two weeks of receiving a complaint

Step 5

Agree appropriate independent /industry body

Step 6

Independent arbitrator reviews the supplier's complaint, along with the initial assessment of their proposal against the assessment criteria

Step 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 Appendix D - Ofwat's BAF principles and best practice recommendations

As part of the final methodology Ofwat set out three key principles, summarised below is how our BAF aligns to those principles.

Transparency	Equal treatment / non-discrimination	Proportionality
<ul style="list-style-type: none"> Market information available on our website. Water resource project information available on our website. Schemes also published on Achilles. Feedback provided upon request for all schemes. Provided as default for all suppliers that provide quotes for schemes >£363k. Clear commitment to independent arbitration where issues cannot be resolved by the relevant Category Manager to the supplier's satisfaction. Where appropriate, we will make use of trade specific publications and supplier days. 	<ul style="list-style-type: none"> Suppliers and in-house are all assessed against the same assessment criteria. No in-house option for projects >£363k, additional justification captured for projects between £50k and £363k. Prohibition on Viridor bidding for water supply-demand schemes. Additional controls for PWS bidding for water supply-demand schemes. Separation of in-house delivery and scheme specification / bid criteria setting and assessment. 	<ul style="list-style-type: none"> Where appropriate, include in all our tenders the option of 'alternative tenders', whereby suppliers can propose different options to the solution proposed. 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.

As part of their final methodology Ofwat set out a series of best practice recommendations, summarised below how we consider our BAF aligns to those recommendations.

Best practice recommendation	How our processes align
<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"> All schemes above £363k, are likely to go through the full UCR16-compliant process (see section 10). All schemes between £50k and £363k are reviewed by our procurement team to define the most appropriate approach (see section 6) Restrictions on other parties within the Pennon Group (see section 4.5). Clear policy on commercially sensitive information (see section 4.8).

Best practice recommendation	How our processes align
<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>	<ul style="list-style-type: none"> • South West Water operates a competitive and robust tendering process. We have reassessed our processes and challenged ourselves as to whether there are any additional measures we could take to improve transparency and the equal treatment of suppliers. These are set out above. • We have stated in writing throughout the document that we will comply with the principles of transparency, equal treatment/non-discrimination and proportionality
<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"> • The procurement processes for all water supply-demand schemes will be documented, and an audit of compliance to be retained and made available to Ofwat, if required (see section 4.3). • We will test business compliance with this framework on a risk based approach, and undertake an assessment of compliance for where any complaints have been escalated to the independent arbitration body (see section 4.7).
<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"> • We are now introducing a new appeals process for water supply-demand schemes. If issues cannot be resolved by the relevant Category Manager to the supplier's satisfaction, we are giving the suppliers the option of escalating the complaint to independent arbitration (see section 4.6).
<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. 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 have stated in writing that we will comply with the principles of transparency, equal treatment/non-discrimination and proportionality. (see section 6).
<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 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"> • Where appropriate, we now include in our tenders the option of 'alternative tenders', where they also satisfy the criteria. We have amended our standard templates to reflect this option (see section 4.2). • For procurements above £363k, we will consider Early Contractor Involvement (ECI) where appropriate (see section 4.2). • We have set up a water trading website to act as main contact point from potential suppliers. This allows potential suppliers to contact us and follow a simple and transparent process for their potential sources to be part of the future service to customers (see section 4.1).

10 Schedule 1 – Opportunities for 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 £363k 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