

Bid Assessment Framework

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Glossary



Term	Definition
£k	£thousand
£m	£million
AIC	Average Incremental Cost (unit £ per cubic meter WAFU, expressed in net present terms)
AMP	Asset Management Period
Anglian Water	Anglian Water Services Limited (company number 2366656)
DO	Deployable Output: the maximum rate of abstraction that can be maintained from a raw water source, taking account of all relevant constraints (including pumps, treatment capacity, abstraction licence limits, etc), under a specified planning scenario.
DYAA	“Dry Year Annual Average” scenario for water resource planning
DYCP	“Dry Year Critical Period” scenario for water resource planning. Also referred to as “Peak” (period).
EBSD	"Economics of Balancing Supply and Demand" least-cost optimisation
Feasible WRMP Option	An option to increase the WAFU or reduce the demand for water, which passes all the screening criteria defined at WRMP19.
Incumbent	Current water company licenced by Ofwat under the Water Industry Act 1991
LOS	Level of Service: The predicted failure rate which accompanies any calculated water supply component, such as DO. Here used in relation to drought yield failure, and typically specified as a frequency in years (“1 in 100”, etc).
MI/d	Mega (Million) litres per day (unit of flow rate, DO or WAFU)
NPV	Net Present Value
Ofwat	Water Services Regulation Authority
Outage	A quantitative allowance made for planned or unplanned failure of a water resource providing DO, which would impact WAFU under a specific planning scenario.
PQ	Pre-qualification
PR14	The Periodic Price Review 2014
PR19	The Periodic Price Review 2019
PR24	The Periodic Price Review 2024
Preferred WRMP Option	A feasible WRMP option which is determined as being best value for meeting a WRMP objective and therefore has been selected in a WRMP.
TBC	To be confirmed

Term	Definition
UCR16	Utilities Contracts Regulations 2016
WAFU	Water Available for Use: DO less an allowance for Outage, raw water losses and treatment losses
WRE	Water Resources East regional planning group
WRMP	Water Resources Management Plan
WRMP19	The Water Resources Management Plans published in 2019 to support the PR business process.
WRMP24	The Water resources Management Plan to be published for consultation in 2022.
WRBAT	Water Resources Bid Assessment Team
WRZ	Water Resource Zone

1. Background

Ofwat's final methodology for the 2019 price review specifies that all water companies should produce a bid assessment framework to support the bidding market for water resources, demand management and leakage services. In a bidding market, third parties submit options to an incumbent water company to provide solutions to help the incumbent meet its future water needs. Third parties can be independent entities or other incumbents from outside the incumbent's area.

Anglian Water is wholly committed to furthering the water resources market in the interests of its customers and other stakeholders, whilst maintaining the required levels of service to its customers and protecting the environment, principles which are at the heart of the water resources management planning process. We encourage initial enquiries regarding the suitability of a bid, including novel or innovative applications. We can offer advice on bid development, especially to those who are unfamiliar with the water resources planning process.

Our bid assessment process aims to provide third parties with confidence and clarity about the integrity of the bid assessment process and mitigate the risk of actual or perceived bias towards delivering our own in-house solutions. It is written with the objective of meeting our obligations under water resources planning requirements, procurement rules and competition obligations - with a focus on ensuring consistency, transparency and a proportionate bidding process.

This bid assessment framework sets out the structured process for the assessment of options or schemes proposed by third parties. This document should be read in conjunction with Anglian Water's Final 2019 Water Resources Management Plan (WRMP).

Bids are welcome at any time and the evaluation process will be ongoing. However, there are particular time periods within the 5 year cycle of developing the WRMP when proposals will be sought (see Section 3.9); these will be advertised on our website and in appropriate media.

We are committed to periodic updates of this bid assessment framework and annual updates of the related Market Information. This is the fourth version of the bid assessment framework updated in conjunction with publication of our first Water Resources Market - Annual Report.

2. Overview

This bid assessment framework draws on and reinforces the key principles derived from procurement law and competition law. It also takes into account the requirement for Anglian Water to follow the existing requirements of water resources planning.

Relevant obligations and rules include:

- the Water Resources Management Plan process;
- competition law;
- procurement rules;
- the current and future regulatory framework; and
- trading and procurement codes.

2.1 The WRMP process

All incumbents have a statutory obligation to prepare WRMPs every five years to cover a planning period of at least 25 years. The WRMP:

- shows how the incumbent plans to maintain the supply-demand balance for water over the planning period; and
- highlights any options (both supply and demand) necessary to meet changes in the balance and provide sufficient resilience.

Through WRMPs, water resources are managed, and new investment planned by the incumbents. For WRMP19 and WRMP24, the water resources planning guidance makes it clear that incumbents should engage with third parties who could provide solutions at a lower cost, or who offer better value, than their own in-house solutions.

Water resources planning guidance sets out a process for appraising all the options (including our own in-house solution). The procedure involves developing an unconstrained list of options; identifying the feasible options from that list; and making a decision as to the preferred option(s). Incumbents are required to provide evidence in their plans 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.

The bid assessment framework aims to complement the WRMP process by clearly specifying, from the outset, the need and evaluation criteria that will be used to appraise third party options, increasing the transparency of the appraisal process. Moreover, it intends to reinforce the aim of appraising third party options fairly and transparently against in-house solutions at each stage of the WRMP process.

Anglian Water's preferred and feasible options are now published in detail in a set of Market Information Tables on the Anglian Water website, to accompany the draft and final Water Resource Management Plans. These tables have been updated to reflect

changes to the options in our final WRMP19 that have been agreed with Regulators through the WRMP Annual Review process. The tables also provide information on the timing, magnitude and planning conditions of forecast future supply-demand deficits, and the nature of the existing water resources in each water resource zone. Potential third-party applicants should consult these tables and use them as a basis for designing their options, as well as the water resource management plan documentation.

Figure 2.1 shows a map of Anglian Water's Water Resource Zones defined at WRMP19, each of which has its own Market Information Table. A shapefile is also published for each WRZ online, showing the precise WRZ boundary.

Figure 2.1: Map of Anglian Water's Water Resource Zones



2.2 Competition law compliance

Companies are obliged to comply with competition law. In procuring third-party water resource options, we will ensure that we do not:

- artificially narrow competition (where the design of the procurement is made with the intention of unduly favouring or disadvantaging certain parties);
- distort competition in the market by abusing a dominant position
- facilitate collusion between third parties.

2.3 Procurement rules

The legal framework that governs the procurement process is dependent on the nature and value of the contract. The Utilities Contracts Regulations 2016 (UCR16) set rules about the procurement of goods and services by water companies, but the rules do not apply in all cases. The application of the UCR16 will be case-specific, and as such we note that third parties will not always have a right of action under this legislation, if they consider they have been treated unfairly during the bid assessment process.

Where procurement rules (such as the UCR16) apply, companies are obliged to adhere to key principles, which include obligations to ensure transparency, equal treatment/non-discrimination for all third parties and proportionality.

We will apply these principles to our bid assessment framework for water resources, demand management and leakage services, and aim to adhere to these when assessing third-party options, not only those falling under the UCR16.

Procurement law will, where relevant, take precedence over our bid assessment framework. We will update our bid assessment framework when necessary to reflect developments in the law.

This bid assessment framework applies regardless of the size of contract, including when contracts are below the thresholds of procurement legislation.

2.4 Trading and procurement codes

At PR14, water trading incentives were introduced to help realise the potential economic and other benefits of water companies sharing resources with each other or with third parties. An incumbent can obtain these incentives for new water trades agreed, subject to a cap on the size of the incentive and a requirement for trades to comply with an Ofwat-approved trading and procurement code.

Our trading and procurement code sets out the principles that we will follow when assessing proposed water trades with other appointed companies or third parties. The trading and procurement code provides assurance that any incentive payment we receive delivers net benefits to customers and the environment.

In contrast, the purpose of this bid assessment framework is to give third party applicants more clarity and confidence in the bid assessment process, and to formally set out the assessment criteria.

Anglian Water's trading and procurement code for PR19 was published alongside this framework at submission of the PR19 business plan.

3. Bid Assessment Process



3.1 Overview of the Bid Assessment Process

Anglian Water shall appraise third party options following its internal option screening methodology (as set out in this section) to ensure that all options are evaluated on a transparent and non-discriminatory basis and with all third parties being treated equally. All third parties are required to bear their own costs associated with submitting options for assessment in accordance with this Bid Assessment Framework.

Third party options / proposals shall be subject to a staged screening process, which will be undertaken in a number of stages:

(a) Pre-Bid Stage - opportunity for co-development of early concept options that are not significantly defined to complete a pre-qualification form.

(b) Pre-Qualification Stage - where the option is tested for failure against a pre-determined list of basic requirements, as presented in Figure 3.2.

(c) Fine Screening Stage - options which pass the Pre-Qualification Stage will then be subject to further feasibility testing to ensure all screening criteria are passed.

(d) Full Evaluation Stage - options which pass the Fine Screening Stage will be tested using Anglian Water economic modelling software and “Best Value” assessment process.

Through our regional planning work for Water Resources East we have been contacted by a number of third parties with early concept options that are not significantly defined to complete a pre-qualification form. To recognise and capture these schemes we have introduced an optional additional stage to our bid assessment framework, Pre-Bid Stage. This additional stage provides the opportunity to co-develop options allowing Anglian Water to offer advice on bid development, especially to those who are unfamiliar with the water resources planning process.

All Anglian Water’s screening criteria are assigned equal weighting in water resources option development and appraisal.

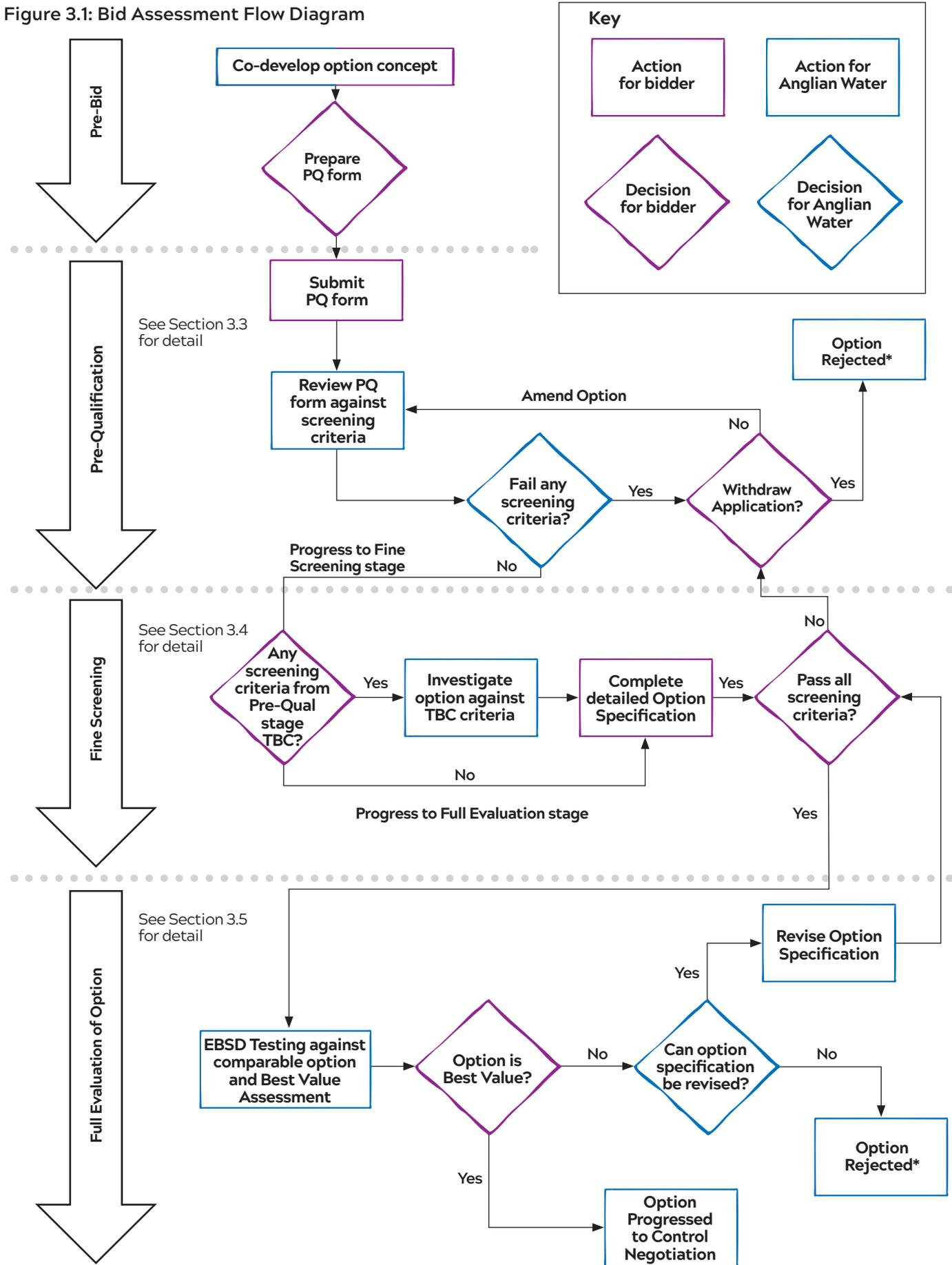
Applicants should be aware of Anglian Water’s water resource position and the scale of its planning challenges across different Water Resource Zones (WRZs) and consider how their proposed option contributes to the overall supply demand balance of a water resource zone. Applicants’ options are more likely to be feasible where they contribute a significant proportion of the Water Available for Use (WAFU) benefit/demand saving of a preferred WRMP option used to mitigate a forecast deficit.

Where applicants provide further or additional information during the screening stages that conflict with information given in an earlier stage of the process, Anglian Water reserves the right to review the evaluation of any of the previous stages, and following clarification, revise the outcome of any screening criteria decision.

Figure 3.1 summarises the bid assessment process in a flow diagram.

Appendix E presents examples of how two types of a third-party supply option evaluation might progress according to our framework. Appendix F presents an example of a demand management option. Applicants should take Anglian Water’s preferred demand management strategy into account when proposing demand options.

Figure 3.1: Bid Assessment Flow Diagram



*If an option is rejected and the bidder is not satisfied with this outcome and the explanation provided by Anglian Water, there is an appeals process which applies - see Section 3.9 for further details.

3.2 Managing Conflicts of Interest and Confidentiality

In order (i) to prevent, identify and remedy any conflicts of interest arising from the bid assessment process, (ii) to avoid distortion of competition and (iii) to ensure equal treatment of all applicants, we have established an independent Water Resources Bid Assessment Team (WRBAT) to carry out the option screening and appraisal process. This team excludes those primarily responsible for in-house supply-side and demand-side options. Third party commercially sensitive data will remain confidential and only available to the WRBAT. All decisions relating to any actions set out in this section will ultimately be taken by the WRBAT.

The WRBAT may call on experts either from (i) other teams within Anglian Water or (ii) independent external organisations, as necessary and appropriate to answer specific questions or obtain evaluation of specific aspects of a third party's option. Where such third parties from outside the WRBAT are asked to assist, they will be required to agree suitable confidentiality obligations to ensure that the details of the option remain confidential.

In addition to the WRBAT we have established a Water Resources Bid Assessment Scrutiny Group (WRBASG). This is comprised of a senior member from procurement, regulation and commercial performance functions. The group will be independent of the WRBAT and will have two roles. Firstly, it will scrutinise each bid or (when grouped) each set of bids, in terms of the process and proposed decision; this will be undertaken prior to communicating a final decision to the bidder. Secondly, it meets once per year to review audit findings (see Section 3.11) and the annual review of market activity (Section 3.12).

3.3 Pre-Bid Stage

To encourage early concept ideas, we have introduced an optional pre-bid stage where third parties can discuss options not significantly defined to complete a pre-qualification form. This stage provides the opportunity to co-develop options allowing Anglian Water to offer advice on bid development, especially to those who are unfamiliar with the water resources planning process. Once a concept is developed this can move into the pre-qualification stage.

During this stage we may choose to do some preliminary investment modelling to provide feedback on the potential success of options prior to moving to the next stage. This preliminary assessment would be based on draft information and would not influence the formal appraisal modelling in the subsequent stages.

The pre-bid stage is carried out using a pro-forma, which would be completed by the third party (as presented in Appendix A).

3.4 Pre-Qualification Stage

To ensure a third party does not commit excessive resources to producing a detailed specification of a water resources option if it will be rejected for some fundamental reason, we will start by subjecting all third-party proposals to high-level coarse screening

All third-party options / proposals will be screened against the same criteria that are used to assess any in house options that are developed. The screening main criteria and sub-criteria are presented in Figure 3.2 below.

The pre-qualification stage is carried out using a pro-forma, which would be completed by the third party (as presented in Appendix B). This pro-forma collects key information about the third-party option(s).

Third parties should complete Appendix B and submit the completed form in PDF format to WRBAT@anglianwater.co.uk.

It should be noted that pre-qualification is conducted on a pass/fail basis. If an option fails on any one criteria, then it is rejected overall. The WRBAT may request further information from the third party during pre-qualification to enable the WRBAT to accurately assess whether the option will pass a given criteria.

There may be instances where there is not sufficient information available to complete all the criteria in the Pre-Qualification Stage. Criteria may therefore be specified as "TBC", with an explanatory comment as to why the information is not available and when it may become available. The WRBAT will assess whether information relating to any TBC criteria is required before the option can progress beyond the Pre-Qualification Stage, or whether such information can be subsequently provided as part of the Fine Screening Stage, and the third party shall be notified accordingly.

Where the WRBAT concludes that sufficient information has been provided and an option passes all of the screening criteria, the third-party will be invited to proceed to the next stage.

Where the WRBAT concludes that an option fails one or more screening criteria at pre-qualification or further information (i.e. TBC criteria) is required, the third party will be notified and provided with an explanation as to why the option cannot proceed to the next step. At this stage, the third party may either (i) accept the decision and withdraw the application, (ii) gather further information and resubmit its application, or (iii) appeal the decision (see Section 3.10 for more information).

Anglian Water will not consider or assess any options proposed by any of its associated group companies, but this will not preclude any in house schemes being developed and assessed using the same criteria against which all other third-party options / proposals are considered. Third party applicants can refer to the Anglian Water WRMP technical appendices on the company website for more detail on the screening of options and how it is applied, in the WRMP process.

Figure 3.2: Anglian Water Pre-Qualification Screening Criteria¹

Main screening criteria	Sub-criteria category	Sub-criteria description
Does not address problem	Programme	Is the forecast Deployable Output (DO) likely to be ready in XX period/by year XX? (i.e. from a water resource availability point of view)
	Sustainability	Will the option be resilient and deliver the predicted DO and water quality both now and in the future (i.e. within the option's life)?
	Technical	Does the option provide the required DO? (average and peak) ¹ Are there any likely significant outage risks?
Breaches unalterable planning constraint	Third party	Are there any likely significant risks at this stage to regulators and other third parties that may make the option difficult to implement (e.g. abstraction licence issues, etc)?
Option is not promotable	Cost	Is the option likely to be involving "excessive" whole life cost (capex and opex) that is not worth progressing further for more detailed costing?
	Sustainability	Are there any likely significant environmental/ecological risks (including Water Framework Directive compliance risks) that would make the option too risky when an environmental/social assessment is undertaken?
	Third party	Are there any likely significant risks at this stage to regulators and other third parties that may make the option difficult to implement (e.g. abstraction licence issues, etc.)? Are there any likely significant risks to Anglian Water customers that make the option difficult to implement?
High risk of failure	Programme	Is the forecast DO output likely to be ready in XX period/by year XX? (i.e. from a water resource availability point of view) Are the likely construction/technology complexity/supply chain risks acceptable to ensure the option will be delivered on time? (i.e. forecasted time)
	Technical	Are technical/technology risks acceptable to ensure technical viability of the option? Does the option involve the use of available and reliable data to be able to progress the technical assessment and the option being delivered on time? Does the option provide the required DO? (average and peak) Are there any likely significant outage risks?
	Programme/ Technical	Will the option be resilient deliver the predicted DO and water quality both now and in the future (i.e. within the option's life)? Are there any likely significant environmental/ecological risks (including WFD compliance risks) that would male the option too risky when an environmental/social assessment is undertaken?

¹ The minimum DO we would expect an option to provide is 0.1 Ml/d. However, this should be proportionate to the WRZ in question (e.g. a higher DO would be expected for a large WRZ).

3.5 Fine Screening Stage

For any options passing Pre-Qualification Stage, the applicant will be invited to submit a detailed specification for their option, as part of the Fine Screening Stage. There are several purposes for this specification:

1. To carry out further investigations / testing against all criteria which were specified “TBC” at the pre-qualification stage (where there was previously insufficient information to make a pass/fail decision).
2. To provide Anglian Water with sufficient information to model the costs of any option components which would be delivered by Anglian Water in order for the option to deliver its WAFU benefit.
3. To enable economic, resilience and environmental appraisal of feasible third-party options, providing a fair and consistent comparison with in-house feasible options.

If invited to provide a detailed specification, the third-party applicant should complete the specification form provided in Appendix D as far as possible with the information available. Assumptions and references to supporting documents should be provided, along with maps, schematic diagrams and treatment process diagrams where applicable.

During this stage, we recommend that applicants should start by addressing any “TBC” screening criteria remaining from the Pre-Qualification Stage, before moving on to any more detailed costing. The screening criteria likely to present the greatest challenges to third parties are those relating to risks associated with:

- water quality (minimising risks of failure for both the environment and drinking water standards/wholesomeness);
- resilience to drought and other external risks;
- environmental sustainability; and
- regulatory and customer acceptability.

For options which fail on any screening criteria in the Fine Screening Stage, Anglian Water will inform the applicant of the reason for failure and the option will be classified as rejected. The applicant then has the same response options as for pre-qualification failure. For an option which passes all screening criteria at this stage, the option is defined as “Feasible”, and will be taken forward for detailed cost and value evaluation, as described below.

3.5.1 Third-party independent options

For options where all capital investment is to be delivered by the third-party applicant independently of Anglian Water, the benefit of the option would be provided to Anglian Water based on annual payments/fees which may comprise fixed and volumetric-dependent cost components. Anglian Water does not need to evaluate capital costs of the option in this case, and no specific detail of the capital investment or breakdown of third party costs is required. Instead, the fixed/variable operational costs will be used for economic evaluation as described in Section 3.6.

However, in these instances Anglian Water would apply the same principles used in their Direct Procurement for Customers (DPC) assessment for PR19. Specifically, the process developed to assess the “discreteness” of an option and how it interfaces with existing assets would be applied.

3.5.2 Shared Investment Options

For any options requiring elements of capital investment by Anglian Water, these components of the option must be clearly specified, in order for Anglian Water to determine the associated capex and opex using its in-house cost models. The third-party components of the option would then be provided either at a specified level of service in return for annual payments/fees, which may comprise fixed and volumetric-dependent cost components, or a one-off payment to transfer rights of access to the relevant component(s).

- The third party must provide the following, with all related costs to be covered by itself:
 - A high-level option specification, describing the source of water, sufficient for making reasonable estimates of costs of Anglian Water option components;
 - An estimate of costs for all such components of the option;
- The third-party applicant may commission Anglian Water to undertake this specification and cost estimation. Anglian Water will endeavour to meet the requests where possible, either internally or through its third-party supply chain, subject to resource availability, and at a cost in line with contract rates agreed with its supplier base. All such costs will be borne by the third-party applicant.

Note that where development costs may be prohibitive or technical services are difficult to procure, Anglian Water is willing to discuss what support may be appropriate. This will only be relevant to options that progress to the fine screening stage and will be conditional upon a commercial agreement (e.g. exclusivity regarding the option for a future period).

3.6 Full Evaluation Stage

If the option passes the pre-qualification and fine screening stages, a full evaluation of the option is undertaken. This process consists of two stages; an economic evaluation of the option and a “best-value” assessment.

3.6.1 Economic evaluation

In the first stage of the economic evaluation, Anglian Water will undertake a high-level estimate of the option’s cost and supply demand benefit. Third-party options will be rejected on grounds of excessive cost and/or failure to provide sufficient supply/demand benefit:

For options passing the initial high-level assessment, Anglian Water will undertake a full economic appraisal of the option by applying the industry standard Economics of Balancing Supply Demand (EBS D) approach. Anglian Water will do this by running their bespoke in-house EBS D model under the relevant planning conditions with the third-party option included alongside all in-house feasible WRMP options and any other feasible third-party options. This process will determine whether the third party option represents the “least cost”. Regardless of whether or not the option is "least cost" it will proceed to the next stage; determining whether or not the option is "least cost" forms part of the overall justification of the option selection and the distinction is often referred to by regulators.

3.6.2 Best-value assessment

The final stage of the process assesses whether the option represents “best-value” for customers and the environment. This assessment considers the option within the context of the overall Anglian Water WRMP strategy to assess:

- **Adaptability and flexibility** - is the option flexible enough to cope with uncertain future needs? Does it include potentially ‘high regret’ options, or limit future choices?
- **Alignment to WRE** - how well does the option align to the Water Resources East regional strategy?
- **Risk and resilience** - how resilient is the option to more extreme drought scenarios and other hazards, and what are the residual risks associated with each?
- **Customer preferences** - how well does the option align with customer preferences?
- **Environmental and social impacts** - what are the environmental and social impacts associated with the option?

For further information on what represents a best-value option, please refer to Anglian Water’s WRMP and technical supporting documents on the company’s website.

3.7 Communication of Decision

Third party options which are considered to represent best-value within the context of the wider WRMP strategy, will progress to the contract negotiation stage. For options which do not meet the best-value criteria, the option will not progress beyond this stage. Anglian Water will inform the third-party applicant and the option will be classified as rejected for inclusion in the current WRMP strategy.

For options which do not meet the best-value criteria, Anglian Water will provide an explanation to the third party with sufficient detail to enable the third party to revise its option for re-submission if feasible and appropriate, taking into account the timescales for delivery of the company’s WRMP commitments. Subject to the foregoing, the third party may: accept the decision and withdraw the proposal; accept the decision and submit a revised offer (timescales permitting); or appeal the decision. In the case of submission of a revised option, it will be reassessed in accordance with this bid assessment process but only re-evaluating any elements which have changed.

The appraisal form (Appendix C) will be provided to the third-party applicant on request.

3.8 Contract Negotiation

For options which are to be included in the best-value WRMP strategy, Anglian Water will classify the option as preferred, and arrange for a detailed delivery contract to be negotiated with the third party, dependent on required delivery date of the option.

To enable flexibility in the WRMP planning process appropriate to the uncertainty involved in forecasting numerous variables into the future, options will only be considered, and where relevant, contracts will only be agreed at a time necessary to enable procurement and delivery of capital investment to meet the timing of the relevant deficit. For further details on time limits, see Section 3.9.

3.9 Time limits and Option clarification

The assessment of third-party options is constrained by:

- the determination of supply demand balances and in-house WRMP options, before which third party applicants will have insufficient information upon which to design options; and
- the decision milestones of investment planning, at which point contracts are awarded to delivery partners and changes in plan are no longer possible.

Although we will consider options at any time, there will be particular windows for third party applicants to submit their detailed specification options for each WRMP round.

The time limits for WRMP24 are described below. However, these are subject to change if there are significant changes between draft and final WRMPs. If we carry out further consultation due to such changes, then these timescales will be amended and republished.

Figure 3.3: WRMP24 time limits

May-August 2020	Anglian Water called for new options to support development of WRMP24	Option assessment window for WRMP24 opens
December 2022	Anglian Water publish draft WRMP24 for consultation and updated WRMP19 market information tables	Option assessment window for Fine Screening Stage onwards opens
Mid 2023	Anglian Water publish revised draft WRMP24 and Statement of Response, and updated market information tables	Option assessment window for WRMP24 closes
September 2023	Anglian Water publish revised WRMP24 and market information tables	Option assessment window for Pre-Qualification stage remains open for options that address deficits beyond 2030

Applicants may submit Pre-Qualification forms for options at any time, in order to determine the feasibility of their option, but Anglian Water will not generally be in a position to assess options beyond Pre-Qualification Stage until the draft WRMP and accompanying market information tables have been finalised, and window for the Fine Screening Stage opens. Options will not be progressed, through the bid assessment process, where the option addresses deficits where a scheme is already in delivery. For example, once the final WRMP is published, options will not be evaluated for deficits which occur in the following AMP, as the options to address these deficits will have already progressed into the delivery phase.

Subject to the above, Anglian Water's WRBAT will aim to progress and respond to a third party's Pre-Qualification application within 90 days of receipt and confirm the outcome of the first stage of the bid assessment process. The timescales for stage 2 of the process (fine screening) will depend significantly on the investigations required and complexity of the option and are therefore not subject to a time limit. However, the WRBAT will progress all options as quickly as possible, subject to operational constraints, legal requirements and the response time of the applicant.²

² Third party applicants should be aware that review of options will require the input of a number of technical specialists, whose resources and availability are limited and constrained by operational requirements to maintain the security of public water supplies. The interests of Anglian Water's customers will take priority at all times.

3.10 Governance and Appeals

In order to prevent, identify and remedy any conflicts of interest arising from the bid assessment process, to avoid distortion of competition and ensure equal treatment of all applicants, we will establish an independent Water Resources Bid Assessment Team (WRBAT) as described in Section 3.2 above.

If an applicant considers that their option has not been evaluated in accordance with this bid assessment framework, they should contact Anglian Water's WRBAT in the first instance, to discuss the decision in light of the evidence provided. The WRBAT will provide further explanation as far as possible.

If the applicant still believes a decision has not been evaluated in accordance with this bid assessment framework, they may make a formal request for the decision to be reviewed by Anglian Water's internal escalation team, who are independent of the WRBAT, and who will review the decision. The escalation team will provide a response to the applicant within 30 days of making an appeal.

If the escalation team upholds the WRBAT decision, the applicant may submit a formal appeal to the Water Regulator, Ofwat. Ofwat will attempt to work with the applicant and Anglian Water to resolve the dispute. If resolution is not possible, Ofwat have ultimate powers to provide funding for Water Resource options.

If a third-party applicant is not satisfied with the decision of Ofwat, they may appeal to the Secretary of State for Environment, Food and Rural Affairs.

3.11 Audit

Anglian Water will conduct annual internal audits of compliance with this bid assessment framework (unless there has been no bidding activity in year) and occasional external audit and benchmarking. This will include lessons learnt from the bidding process and recommendations for improvement where appropriate. A summary of audit will be provided in the published review of market activity (see Section 3.12).

3.12 Review of Market Activity

We have published an annual review of market activity. This includes a summary of third party activity, a high level view of bids (e.g. number and type accepted or rejected), evaluation summary (e.g. reasons for rejection) and an audit summary. This should help other potential third-party applicants to understand why options have failed, or how they have successfully passed, and to encourage more third parties to enter the market.

Appendices



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A. Pre-Bid Form



Table 1: Supply-Side Option PB Proforma

Data Required	Applicant Response
Option Name	
Anglian Water WRZ Name	
Resource type (Raw/potable)	
Option summary description, including assets to be delivered by applicant and assets required from Anglian Water	
Proposed competing Anglian Water option name(s)	
Name of organisation submitting proposal:	
Contact Name:	
Title:	
Company Name:	
Address:	
Telephone No:	
Mobile Phone No:	
Email Address:	
Internet Web Site:	
Company Registration Number (if your organisation is a company)	

Data Required	Applicant Response
<p>Please outline any assumptions you have made in completing your response</p>	
<p>Is your organisation part of a Business Partnership with AWS involving use of intermediaries, joint ventures or consortia?</p>	
<p>Has your organisation been issued with any Bribery Act, fraud or money laundering related convictions, prosecutions or investigations or received any Deferred Prosecution Agreements?</p>	
<p>Please give details of any judgements on record, or pending, against the company or organisation submitting this proposal in respect of: any financial matter, corporate, or management malpractice or non-compliance with any legal requirement.</p>	

B. Pre-Qualification Forms



Table 2: Supply-Side Option PQ Proforma

Data Required	Applicant Response
Option Name	
Anglian Water WRZ Name	
Resource type (Raw/potable)	
Option summary description, including assets to be delivered by applicant and assets required from Anglian Water.	
Proposed competing Anglian Water option name(s)	
Have you determined the Deployable Output (DO) of your option? ³ If so, state the DO and under what planning conditions. What methods have you used to determine DO?	
How long would it take to deliver your option?	
Proposed connection point to Anglian Water system (if known)	
Have you carried out any assessment of the risks and uncertainty associated with the option, including the likelihood and impact of reduced yield due to climate change, environmental constraints, and the occurrence of drought? Have you carried out any assessment of the resilience of your option DO to severe drought (with a return period of 1 in 200 years)? What methods have you used and what impacts do you predict?	
Could you vary the scale of your option in response to future aspects of uncertainty?	
Does the option depend on the delivery of any other schemes?	
Any factors or constraints specific to the option	

³ The minimum DO we would expect an option to provide is 0.1 Ml/d. However, this should be proportionate to the WRZ in question (e.g. a higher DO would be expected for a large WRZ).

Data Required	Applicant Response
<p>Can you provide water quality data to allow an assessment of the risk of discolouration, nitrates, pesticides (including specific reference to metaldehyde) fluoridation, pH impacts and control of disinfection by-products, sufficient to meet the requirements of Regulation 15 of the Water Supply (Water Quality) Regulations 2016 (in England), and to allow us to undertake an assessment of the potential impact of mixing of different water types within our distribution network?</p>	
<p>Have you carried out any environmental risk assessments of your option?</p> <p>Does your option take account of the relevant Catchment Abstraction Management Strategy and/ or River Basin Management Plan?</p>	
<p>Does your option make use of an existing abstraction licence, or require a new licence? Have you discussed licensing with the Environment Agency in any way?</p>	
<p>Could your option affect any designated European site? Have you carried out any Habitats Regulation Assessment?</p>	
<p>Does your option present any risk of transfer of Invasive non-native species (“INNS”)?</p> <p>This should cover options that,</p> <ul style="list-style-type: none"> • Create a hydrological connection between locations not already connected, and • Where new schemes provide a pathway between locations that have an existing hydrological connection. <p>If so, can you propose any measures to manage that risk? Are these completely effective for removal of all life stages?</p>	
<p>Could your option present a risk of deterioration to any water body under the Water Framework Directive, or prevent the achievement of 'good' status (or potential)? If so, have you conducted any investigations into this risk? Can you propose any potential mitigation?</p>	
<p>Proposed fee mechanism (one-off lump sum for access to/ownership of assets, fixed annual fee, fee variable with volumes)</p>	

Data Required	Applicant Response
Name of organisation submitting proposal:	
Contact Name:	
Title:	
Company Name:	
Address:	
Telephone No:	
Mobile Phone No:	
Email Address:	
Internet Web Site:	
Company Registration Number (if your organisation is a company)	
Please outline any assumptions you have made in completing your response	
Is your organisation part of a Business Partnership with AWS involving use of intermediaries, joint ventures or consortia?	
Has your organisation been issued with any Bribery Act, fraud or money laundering related convictions, prosecutions or investigations or received any Deferred Prosecution Agreements?	
Please give details of any judgements on record, or pending, against the company or organisation submitting this proposal in respect of: any financial matter, corporate, or management malpractice or non-compliance with any legal requirement.	

Table 3: Demand-side Option PQ Proforma

Data Required	Applicant Response
Option Name/Reference	
Anglian Water WRZ Name	
Type (Metering/leakage/other)	
WAFU (MI/d) benefit for dry year annual average (DYAA) and dry year critical period (CP) conditions ⁴	
Any evidence available to support WAFU benefit, e.g. trial results, other company results	
Option earliest start date	
Proposed WRZs and locations within Anglian Water supply area	
Option Description	
An assessment of the risks and uncertainty associated with the option, including the likelihood and impact of reduced benefit due to weather impacts, customer uptake, customer response, etc	
An assessment of the flexibility of the option to adapt to future uncertainty	
An explanation of whether the option depends on an existing option, or is mutually exclusive with other options	
Any factors or constraints specific to the option	
Description of how the option will be implemented including how data will be managed.	
Unit cost £/MI	
Details of the benefits and costs and whether the option is cost beneficial.	
The environmental and social impacts of the option. Including carbon.	

⁴ The minimum benefit we would expect an option to provide is 0.1 MI/d. However, this should be proportionate to the WRZ in question (e.g. a higher benefit would be expected for a large WRZ).

Data Required	Applicant Response
Name of organisation submitting proposal:	
Contact Name:	
Contact Title:	
Company Name:	
Address:	
Telephone No:	
Mobile Phone No:	
Email Address:	
Internet Web Site:	
Company Registration Number (if your organisation is a company)	
Please outline any assumptions you have made in completing your response	
Is your organisation part of a Business Partnership with AWS involving use of intermediaries, joint ventures or consortia?	
Has your organisation been issued with any Bribery Act, fraud or money laundering related convictions, prosecutions or investigations or received any Deferred Prosecution Agreements?	
Please give details of any judgements on record, or pending, against the company or organisation submitting this proposal in respect of: any financial matter, corporate, or management malpractice or non-compliance with any legal requirement.	
Details of the benefits and costs and whether the option is cost beneficial.	
The environmental and social impacts of the option. Including carbon.	

C. Option Screening Form



Table 4: Option Screening (for information): to be completed by Anglian Water's Water Resources Bid Assessment Team

Screening Criteria	Applicant Response		
<p>Does the option provide the required DO? (average and peak)</p> <p>Are there any likely significant outage risks?</p>	DO benefit of the Anglian Water preferred option (peak/average)		
	Outage risks associated with Anglian Water preferred option		
	DO benefit of the applicant option (peak/average)		
	Outage risks associated with applicant option		
<p>Is the forecast Deployable Output (DO) likely to be ready in xx period/by year xx? (i.e. from a water resource availability point of view)</p>	Lead-time of Anglian Water preferred option		
	Expected lead-time of applicant option		
	WRZ deficit profile over time		
<p>Will the option be resilient and deliver the predicted DO and water quality both now and in the future (i.e. within the option's life)?</p>	Vulnerability of Anglian Water preferred option to severe drought and climate change / DO return period.		
	Vulnerability of applicant option to severe drought and climate change / DO return period.		
	Anglian Water preferred option water quality risks and mitigating actions		
	Applicant option water quality risks and mitigating actions		
<p>Are there any likely significant risks to regulators and other third parties that may make the option difficult to implement (e.g. abstraction licence issues, etc.)?</p>	Significant regulatory risks associated with Anglian Water preferred option and proposed mitigating actions		
	Significant regulatory risks associated with applicant option and proposed mitigating actions		

Screening Criteria	Applicant Response		
Is the option likely to be involving “excessive” whole life cost (capex and opex) that is not worth progressing further for more detailed costing?	Anglian Water Preferred Option AIC and AISC or Totex per MI/d		
	applicant Option estimated AIC or Totex per MI/d		
Are there any likely significant environmental/ ecological risks (including Water Framework Directive compliance risks) that would make the option too risky when an environmental / social assessment is undertaken?	Key environmental risks of Anglian Water preferred option and proposed mitigating actions		
	Potential environmental risks of applicant option, investigations required and/or proposed mitigating actions		
Are there any likely significant risks to Anglian Water customers that may make the option difficult to implement?	Any significant risks to Anglian Water customers that may make the Anglian Water preferred option difficult to implement		
	Any significant risks to Anglian Water customers that may make the applicant option difficult to implement		
Are the likely construction / technology complexity/ supply chain risks acceptable to ensure the option will be delivered on time? (i.e. forecasted time) Are technical/ technology risks acceptable to ensure technical viability of the option?	Are there any specific delivery risks associated with the Anglian Water preferred option? Could these impact viability and/or delivery time and by how much?		
	Are there any specific delivery risks associated with the applicant option? Could these impact viability and/or delivery time and by how much?		
Does the option involve the use of available and reliable data to be able to progress the technical assessment and the option being delivered on time?	What data does the Anglian Water preferred option rely on that is material to DO evaluation, cost or delivery time? How reliable is this?		
	What data does the applicant option rely on that is material to DO evaluation, cost or delivery time? How reliable is this?		

D. Option Specification



The purpose of this specification is:

- to enable a screening decision to be made against any screening criteria specified as “TBC” at the outcome of pre-qualification
- to enable Anglian Water to cost any option components to be delivered in-house rather than by the applicant
- to enable Anglian Water to carry out economic, societal and environmental appraisal of the option against the relevant alternatives through EBSD modelling and social/environmental assessment (where an option passes all screening criteria and satisfies the capacity/cost requirements specified in Section 3)

Table 5: Supply-Side Option Specification

Data Required	Applicant Response
Applicant Name	
Option Name	
Anglian Water WRZ Name	
Resource type (Raw/potable)	
Option DO Benefit ⁵ (peak and/or average) and level of service	
Any wider non-WAFU benefits associated with the option, e.g. multi-sector resilience.	
Option detailed description	
Operational regime (peak or average focus and benefits)	
Option Map	

⁵ The minimum DO we would expect an option to provide is 0.1 MI/d. However, this should be proportionate to the WRZ in question (e.g. a higher DO would be expected for a large WRZ).

Data Required	Applicant Response
Option Schematic, showing key components	
Option Process Diagram (where applicable)	
Assets proposed to be delivered by the applicant, including their capacities (m ³ , or l/s)	
Longest delivery time for any applicant Assets	
Assets proposed to be delivered by Anglian Water including their capacities (m ³ , or l/s), and an estimate of costs (capex, fixed opex and variable opex)	
Longest delivery time for any Anglian Water Assets	
Proposed payment mechanism to the applicant (e.g. sale of assets at a one-off price, fixed annual fee for access to certain resources/assets, variable fee per volume of water delivered, or some combination of the above)	
Screening Criteria designated “TBC” at the outcome of pre-qualification	
Investigations proposed to resolve these criteria decisions	
Investigations the applicant wishes Anglian Water to carry out, and their estimated costs	
Environmental Designations which may be impacted by the scheme	

Data Required	Applicant Response
Water bodies, status and River Basin Management Plan objectives (Water Framework Directive)	
Strategic Environmental Impact Assessment results or explanation for why not required	
Habitats Directive Assessment results or explanation for why not required	
Water body status or WFD Investigations results or explanation for why not required	
Access and purchase requirements, and status of negotiations	
Requirement for planning permission / and	
Environmental Statement. Status of applications.	
Local opposition to planning application	
Licensing requirement and Catchment	
Abstraction Management Strategy (CAMS) information	
Regulator acceptability (Environment Agency, DWI, Ofwat, Natural England and England Heritage)	
Customer acceptability / support	
Water quality and compliance (e.g. discolouration, nitrates, pesticides), and any mitigating components	
Risk of invasive non-native species transfer between catchments, and any mitigating components	
Flexibility (flexibility of the option to adapt to future uncertainty)	
Vulnerability of option yield to climate change, with evidence	
Vulnerability of option yield to severe drought (1 in 200 years), with evidence	
Carbon emissions associated with construction and operation	

Table 6: Demand-Side Option Specification

Data Required	Applicant Response
Applicant Name	
Option Name	
Anglian Water WRZ Name	
Demand option type (distribution loss reduction, household efficiency, non-household efficiency, supply-pipe loss reduction)	
Option WAFU Benefit ⁶ (peak and/or average) and level of service	
Any wider non-WAFU benefits associated with the option, e.g. increased customer engagement/satisfaction, improved performance against ODIs.	
Option detailed description	
Operational regime (peak or average focus and benefits)	
Geographic area of demand management (towns, local authorities, etc). Map where appropriate.	
Assets/resources proposed to be delivered by the applicant, including their capacities (m ³ , or l/s)	
Longest delivery time for any applicant assets	
Any assets proposed to be delivered by Anglian Water including their capacities (m ³ , or l/s), and an estimate of costs (capex, fixed opex and variable opex)	
Longest delivery time for any Anglian Water assets	

⁶ The minimum benefit we would expect an option to provide is 0.1 Ml/d. However, this should be proportionate to the WRZ in question (e.g. a higher benefit would be expected for a large WRZ).

Data Required	Applicant Response
Proposed payment mechanism to the applicant (e.g. sale of assets at a one-off price, fixed annual fee for access to certain resources/assets, variable fee per volume of water saved, or some combination of the above)	
Screening Criteria designated “TBC” at the outcome of pre-qualification	
Investigations proposed to resolve these criteria decisions	
Investigations the applicant wishes Anglian Water to carry out, and their estimated costs	
Environmental Designations which may be impacted by the scheme	
Strategic Environmental Impact Assessment results or explanation for why not required	
Habitats Directive Assessment results or explanation for why not required	
Water body status or WFD Investigations results or explanation for why not required	
Access and purchase requirements, and status of negotiations	
Requirement for planning permission / and	
Environmental Statement. Status of applications.	
Regulator acceptability (Environment Agency, DWI, Ofwat, Natural England and England Heritage)	
Customer acceptability / support	
Flexibility (flexibility of the option to adapt to future uncertainty)	
Vulnerability of option yield to climate change, with evidence	
Vulnerability of option yield to severe drought (1 in 200 years), with evidence	
Carbon emissions associated with construction and operation	

E. Example Supply Option

A third party with abstraction licence from a river with Q90 Hands-Off-Flow proposes to build sufficient storage and treatment to deliver 1 MI/d potable water for blending into the network at location X, with a resource reliability of 99.5% (1-in-200-year failure). The third party estimates the capex to build the necessary assets and bases its offer price per

annum on its estimate of capital/operational costs and the marginal option costs of Anglian Water's most expensive preferred option. In this case, the incumbent is proposing to build effluent reuse with AIC of £3/m³ or £20m net present value (NPV) per MI/d WAFU.

Option A

The applicant proposes to build all necessary storage and treatment assets itself and estimates its capital costs of doing so at £4m, with annual opex of £100k (varying only slightly between years). The applicant proposes a fixed annual charge to Anglian Water of £500k per annum, equivalent to approx. £10m NPV per MI/d WAFU, with no variable charge per m³. This potentially saves Anglian Water £10m totex and provides a return to the third party's investors of 10% per annum. The option fulfils 100% of the alternative option capacity and is 50% lower AIC, so meeting the AIC/capacity thresholds for Anglian Water to fund further investigations.

The option passes most screening criteria, but water quality and resilience are specified "TBC". It is therefore defined as a constrained option, but not yet feasible. As the applicant takes all responsibility for maintaining the required level of service and water quality, Anglian Water does not need to know the detailed financial costs of building the necessary assets, but does need evidence that the option is capable of delivering the necessary resilience and water quality standards. The applicant asks Anglian Water what studies would be required to do this, and Anglian Water specifies stochastic climate reservoir modelling to determine 1 in 200-year option DO, and a water quality assessment for treatment process design. The applicant accepts these studies are required and asks Anglian Water to quote for their provision. Anglian Water does so with an estimate of £100k to complete the necessary investigations. Because the costs are <5% of the potential benefit to Anglian Water customers (£10m), Anglian Water will pay for them to be carried out on the condition that a conditional contract is drawn up between applicant and Anglian Water in advance. The

applicant also wishes to secure this contract to ensure that Anglian Water does not try to take the option concept from the applicant and build its own storage/treatment and then force a licence purchase on the applicant at a substantially lower price. Both parties sign a conditional contract to the effect that if the feasibility investigations are successful, the applicant will proceed to develop the necessary assets to supply Anglian Water with water but with costs to be proposed on the basis of the investigations, and that Anglian Water will accept this water at the offered price as long as it represents good value to customers. Anglian Water carries out the drought yield/storage and water quality investigations accordingly at its own expense.

The studies are used to confirm the storage capacity and treatment processes necessary to meet the screening criteria. The applicant now takes these constraints and updates their cost estimates accordingly. They revise their estimates up slightly, and also wish to make use of Anglian Water's cost models to provide an independent check on costs. Anglian Water assesses the cost of running the models at £10k and therefore carries out this cost modelling for the applicant. The results are provided confidentially to the applicant who confirms he is happy to proceed according to the conditional contract specified, but at a price of £550k per annum. Anglian Water runs this cost through its EBSD model and confirms that the option remains preferred on least-cost grounds. It then undertakes social and environmental assessment and confirms the option forms part of a best value plan. Anglian Water therefore accepts the applicant's offer. With the contract as collateral, the applicant seeks financing for the option on the open market and puts the storage, intake and treatment contracts out to tender.

Option B

In an alternative case, the applicant does not wish to take on responsibility for delivering any new assets other than the storage reservoir. The applicant states the licence HOF to be at Q90 flows and provides a high-level specification of required storage, pipeline and treatment. The applicant believes treatment will cost £5m, the pipeline £5m and estimates the cost of its reservoir to be £2m. It therefore assesses the value of the “raw water plus storage” components to Anglian Water as £5 million NPV and proposes a fixed opex charge to Anglian Water of £250k per annum, again with no variable charge. In this case, Anglian Water’s initial estimates of treatment and pipeline are similar to the applicant’s, such that the potential benefit to Anglian Water customers is estimated at £3 million, i.e. only 15% of the existing preferred option costs. The option meets 100% of capacity requirements but does not meet the threshold of 20% AIC benefit, so Anglian Water returns to the applicant and proposes a reduced annual opex fee of £200k per annum for access to the storage and licence, in return for funding the necessary £100k of investigations (for water quality and drought resilience evaluation as in Option A) and £10k for component costing.

The applicant accepts this conditional contract, and the investigations confirm the volume of storage and treatment processes required, and all the necessary costs of installation. The reservoir

storage costs are provided to the applicant in confidence, whilst the treatment/pipeline costs are provided only to the Anglian Water bid assessment team. The reservoir costs are marginally higher than originally estimated, but the costs of treatment are in fact marginally lower.

The applicant proposes a revised annual fee for access to the licence and storage of £220k. Anglian Water runs this opex, along with the treatment and pipeline capex and opex through its EBSD optimisation models and the option is selected as a least-cost option. The applicant is notified, and Anglian Water carries out a Strategic Environmental Assessment and a Habitat Risk Assessment on the option at its own expense. The option is confirmed as best value, so long as the applicant installs some favourable wildlife habitats around the reservoir and supports some river restoration works at a cost of £200k.

The applicant proposes a final £225k per annum fixed fee, to help fund the environmental assets, Anglian Water performs one final EBSD run to confirm the costs are acceptable and a final contract is drawn up. The applicant uses the contract to obtain finance for the reservoir on the open market and puts the design/build contract out to tender, while Anglian Water commences enabling works for the treatment and pipeline.

E. Example Demand Option



A third-party has developed a community incentive system to reward communities who significantly reduce their water demand, through contribution to local charitable causes, based on a certain £ per m³ saved; and highlighting best performance in the community, via monthly emails and leaflets, as well as occasional prizes.

The applicant has conducted a small trial in a village with “artificial rewards”, where they were able to achieve 20% reduced demand in 30% of households, equivalent to a saving of 100 m³/d. The third party proposes to target a WRZ with a preferred WRMP option 5 MI/d in size, with AISC £3 per m³, and to charge Anglian Water a volumetric charge of £2 per m³ saved, with no fixed charge. They aim to target 1,000 households per year, each using 500 l/day, selected according to demographic analysis to maximise savings. The third party therefore aims to achieve a 0.5 MI/d saving by 2025, at an annual fee to Anglian Water of [2x500x365] = £365k per year by 2025.

As well as the potential financial benefits, the third party presents the potential customer engagement benefits and significant social benefits through contributing to valuable charitable causes.

The primary risks to Anglian Water here relate to the scalability and longevity of the option, the risk that some demand savings would have been achieved anyway through Anglian Water’s WRMP preferred strategy for savings, and the fact that a number of the preferred option costs are fixed capital costs which only vary slightly with capacity. Therefore, the benefits of moving from a 5 MI/d to 4.5 MI/d option are not equivalent to £3/m³ but are notably less valuable. However, these risks are offset by the fact the option has minimal upfront costs or fixed annual costs and by the considerable non-financial benefits.

Anglian Water therefore has no need to carry out any detailed cost assessment, or EBSD modelling. Instead it proposes a precautionary twin-track approach where the preferred in-house option is developed as planned, with the demand management option developed in tandem. Anglian Water also specifies a baseline demand-reduction pathway, which the third party must beat to achieve genuinely additional savings (that have not already been incorporated into the final preferred WRMP forecasts). It accepts the fee of £2 per m³ on this basis, and to review results each year of delivery, in order to adjust the required capacity of its preferred supply option if necessary.



Cover photo - Asset Technician Daniel Harley and Accelerated Management Trainee Nikki Hone inspect Anglian Water's Bracebridge Heath Reservoir prior to its 10 year clean.