

WATER SERVICES REGULATION AUTHORITY

Direct Procurement for Customers Modification of Project Designation Direction

Issued to Anglian Water Services Limited

Made on 10 June 2021

Coming into effect on 11 June 2021

The Water Services Regulation Authority (Ofwat) makes this Direction pursuant to Condition U of the Instrument of Appointment (Appointment) of Anglian Water Services Limited, a company incorporated in England and Wales with company number 02366656 and with registered office at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon (the Appointee).

Whereas:

- A The Appointee is the holder of an Appointment and identified to Ofwat an infrastructure project as suitable to be designated as a "DPC Delivered Project" pursuant to Condition U of its Appointment.
- B Pursuant to sub-paragraph U1.1.1 of Condition U of the Appointment, Ofwat issued the Elsham Works Designation Direction with the consent of the Appointee, designating the infrastructure project described therein as a DPC Delivered Project.
- C Having considered further the scope of the infrastructure project described in the Elsham Works Designation Direction, the Appointee has identified to Ofwat certain modifications to the infrastructure project it would like to implement.
- D Pursuant to sub-paragraph U1.1.2 of Condition U of the Appointment, Ofwat may, by direction and with the consent of the Appointee, modify the designation of a DPC Delivered Project.
- E Having considered the modified scope of the project notified to it, Ofwat has decided to modify the Elsham Works Designation Direction as set out in this Direction.
- F In accordance with section 195A of the Water Industry Act 1991, the reasons for this decision shall be published as soon as reasonably practicable after the making of this Notice.

Now therefore:

1 Citation, commencement and application

1.1 This Direction may be cited as the Elsham Works Modification Direction.

1.2 This Direction shall take effect on the day after it is signed by Ofwat.

2 Interpretation

2.1 In this Direction:

Modified Project means the infrastructure project described in the Schedule to this Direction.

Project has the meaning set out in the Elsham Works Designation Direction.

Except as otherwise provided in this Direction, words and expressions used in the Appointment shall have the same meaning in this Direction.

3 Modification of Designation Direction

3.1 Ofwat is of the opinion that:

- (a) the Modified Project is technically suitable to be a DPC Delivered Project;
- (b) if the Modified Project was a DPC Delivered Project it can reasonably be expected to deliver value for money for customers,
- (c) the full scope of the Project may not be deliverable as a DPC Delivered Project within the timescales required by the Appointee to achieve its objectives for the Project; and
- (d) modification of the Elsham Works Designation Direction to limit the scope to the Modified Project would be consistent with Ofwat's statutory duties.

3.2 Ofwat has received the consent of the Appointee to the modification of the Elsham Works Designation Direction to modify the scope of the Project to the Modified Project.

3.3 Accordingly, Ofwat hereby modifies the Elsham Works Designation Direction by replacing the scope of the Project (as defined in the Elsham Works Designation Direction) with the Modified Project. From the effective date of this Direction, therefore, the Modified Project will be the scope of the DPC Delivered Project

4 Scope of the DPC Delivered Project

In accordance with sub-paragraph U1.2 of the Condition, a description of the scope of the Modified Project is set out in the Schedule to this Direction.

Signed

Keith Mason

Name: Keith Mason

Designation: Senior Director Ofwat

Date: 10 June 2021

Schedule

Scope of the Modified Project

Interpretation

- 1 Defined terms are set out in paragraph 9. Any use of the singular includes use of the plural and vice versa.

Project overview

- 2 The Elsham Treatment Works DPC Project comprises the provision of new water treatment works at Elsham to treat raw water abstracted from the River Ancholme. The new works will connect with and operate in conjunction with the Appointee's water resource, treatment and distribution network. This is set out diagrammatically outlined in red in Annex A to this Schedule.
- 3 The Elsham Treatment Works DPC Project is intended -
 - 3.1 to enable the Appointee to meet statutory environmental obligations comprised *inter alia* within abstraction licence limits, contribute to the alleviation of forecasted Supply Deficits and provide resilience in the case of 1 in 200-year drought events;
 - 3.2 to meet certain environmental objectives and regulatory obligations in relation to WINEP;
 - 3.3 to reduce environmental or ecological impacts arising from licenced abstractions;
 - 3.4 to contribute to a high level of security of supply by the Appointee as assessed in accordance with any relevant Security of Supply Index issued by Ofwat or the Environment Agency;
 - 3.5 to contribute to a high level of environmental performance as assessed by the Environment Agency's Environmental Performance Assessment Rating; and
 - 3.6 to contribute to meeting performance commitments given by the Appointee to Ofwat in its 2019 Final Determination.

General Scope

- 4 The Elsham Treatment Works DPC Project is the delivery or the procurement of the delivery of -
 - 4.1 the design, construction, testing and commissioning of the works;
 - 4.2 the operation and maintenance of the works;
 - 4.3 the financing of the activities set out in sub-paragraphs 4.1 and 4.2 above; and

- 4.4 the project management of the activities set out in sub-paragraphs 4.1 and 4.2 above,
- 4.5 such as is necessary to ensure that:
 - 4.5.1 the elements of the works set out in column 1 of Table 1 below are capable of providing the corresponding capacity set out in column 2 of that table when flows are actively managed and influenced in conjunction with the Appointee's water supply network using specified operating techniques, parameters and restraints and ensuring compliance with water quality standards;
 - 4.5.2 the water treatment works is on line 24 hours per day and 365 days per year at a baseload of between 10 and 20 megalitres per day except for planned outages agreed in advance between the Appointee and the company that has been competitively appointed to be the provider in accordance with a DPC Procurement Process in respect of the Elsham Treatment Works DPC Project; and
 - 4.5.3 ramp up times for emergency response and planned increases in demand meet the specifications the Appointee may require within the standard operating techniques; save that the values given in this sub-paragraph 4.5 may be varied by the Appointee with the agreement of Ofwat.

Table 1

	Average Flow	Peak Flow
Water Treatment Works	10-20 megalitres per day	31 megalitres per day

- 5 The works and services for delivering the Elsham Treatment Works DPC Project comprise:
 - 5.1 co-ordination of activities necessary for undertaking the design, construction and commissioning of the works, and the carrying out, coordination, implementation and management of project delivery between various contractors, stakeholders, third parties and the Appointee;
 - 5.2 works and services for the avoidance of, or limiting of, impact to the environment, local residents, businesses, third party assets and other third parties;
 - 5.3 obtaining and complying with all necessary consents, permissions, licences, approvals, asset protection agreements or similar agreements protecting property or assets within the vicinity of the Elsham Treatment Works DPC Project;
 - 5.4 compliance with obligations and legal requirements with respect to Biodiversity Net Gain and Carbon Net Zero;
 - 5.5 enabling the Appointee to comply with the Security and Emergency Measures (Water and Sewerage Undertakers) Direction 1998;

- 5.6 the design, construction, supply, installation, inspection, testing and commissioning of the works including -
 - 5.6.1 protection of existing assets potentially affected by the works, including any strengthening works necessary;
 - 5.6.2 demolition and site clearance (including disposal);
 - 5.6.3 worksite preparation, access and establishment;
 - 5.6.4 land remediation;
 - 5.6.5 civil works, MEICA equipment, architectural and landscape works;
 - 5.6.6 integration and harmonisation of new electronic equipment with existing and potential future systems;
 - 5.6.7 diversions, protection, modification and reinstatement of existing utilities and services;
 - 5.6.8 modifications to highways and public rights of way; and
 - 5.6.9 any other works required to put water into supply in line with legislation;
- 5.7 surveys, monitoring and instrumentation works and services;
- 5.8 studies, investigations and assessments;
- 5.9 reinstatement of all highways, footpaths and hardstanding outside of the worksite that are damaged or temporary;
- 5.10 engagement with stakeholders, local communities and third parties impacted by the Elsham Treatment Works DPC Project including monitoring and liaising with third parties whose activities may impact on or be impacted by the Elsham Treatment Works DPC Project;
- 5.11 ancillary activities necessary to ensure that the works and services are carried out in accordance with good industry practice, including workforce management activities, payroll, administration, regulatory compliance, human resources and risk management;
- 5.12 protection and maintenance of the works through construction, testing and commissioning periods;
- 5.13 protection and maintenance of the works through maintenance and operational periods;
- 5.14 provision of as-built construction records, operations and maintenance documentation and other documentation for the Elsham Treatment Works DPC Project;
- 5.15 provision of warranties and collateral warranties for plant and materials;

- 5.16 provision of temporary works to deliver the Elsham Treatment Works DPC Project including -
 - 5.16.1 areas for storage of construction materials including temporary enclosures and workshops, office and welfare facilities;
 - 5.16.2 temporary power supplies and other utility connections (including integration and harmonisation of new electronic equipment with existing and potential future systems) and supplies and payment of associated fees and tariffs;
 - 5.16.3 connections to and within the Water Network as instructed to construct the works, with all works undertaken in collaboration with the Appointee to limit the impact of the construction of the works on the Water Network; and
 - 5.16.4 any other temporary works to facilitate construction of the Elsham Treatment Works DPC Project;
- 5.17 undertaking the completion and commissioning of acceptance tests and any works and services required to ensure these tests are passed together with the provision of training for operation and maintenance;
- 5.18 provision of all elements required for operational and maintenance access;
- 5.19 the detailed works and services described in paragraphs 6 to 8 below; and
- 5.20 provision of all such other works, services and activities which are incidental to, or reasonably necessary to ensure the Elsham Treatment Works DPC Project can be designed, constructed and commissioned and to ensure that the Elsham Treatment Works DPC Project can be operated and maintained in conjunction with the Appointee's water distribution network in accordance with specified operating techniques, parameters and restraints and water quality standards.

Design

- 6 The Elsham Treatment Works DPC Project shall be designed in accordance with the following:
 - 6.1 any contractor employed who has responsibility for the design of any of the works required to deliver the Elsham Treatment Works DPC Project will exercise all reasonable skill, care and diligence to be expected of a prudent and competent engineer experienced and skilled in works of a similar size scope and complexity as the Elsham Treatment Works DPC Project;
 - 6.2 so that the Elsham Treatment Works DPC Project is capable once commissioned of being operated in accordance or compliance with:
 - 6.2.1 specified operating techniques, parameters and restraints;
 - 6.2.2 any relevant permit or consent governing its operation;

- 6.2.3 water quality standards; and
- 6.2.4 the Drinking Water Safety Plan (DWSP) submitted to the DWI,
and so that it will be in those and every other relevant aspect fit for purpose; and
- 6.3 the main components of the Elsham Treatment Works DPC Project must be designed so as to:
 - 6.3.1 consider their whole life cost;
 - 6.3.2 minimise asset deterioration and associated maintenance requirements; and
 - 6.3.3 ensure they can be constructed and maintained to meet their asset lives and in particular so that the items in column 1 of Table 2 meet a design life whose length achieves the corresponding period set out in column 2 of that table;
 - 6.3.4 consider and include biodiversity, carbon, climate change, resilience and asset lifecycle replacement periods;
 - 6.3.5 comply with all applicable legal and regulatory design standards.

Table 2

Water Treatment Works	40 years
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Construction

- 7 The Elsham Treatment Works DPC Project comprises the design and construction of the following principal elements:
 - 7.1 hydraulic and civil engineering elements relating to a new water treatment works including but not limited to -
 - 7.1.1 operational structures as required by the water treatment works process streams in the treatment of water to potable standards;
 - 7.1.2 pipeline connections between the existing raw water main and a new water treatment works;
 - 7.1.3 chambers to house valves to control inlet and outlet flows, isolate the inlet and outlet of the new water treatment works in accordance with specified operating techniques, parameters and restraints and regulatory permits;
 - 7.1.4 balance and contact tanks and service reservoirs as required by the water treatment works processes;

- 7.1.5 waste stream pipelines for disposal of liquid waste from the water treatment works process in accordance with the specified operating techniques, parameters and restraints and regulatory permits;
- 7.2 MEICA equipment relating to the above including but not limited to -
 - 7.2.1 valves;
 - 7.2.2 pumps and pumping stations;
 - 7.2.3 screens, filters and membranes;
 - 7.2.4 instrumentation;
 - 7.2.5 disinfection apparatus;
 - 7.2.6 telecommunications and telemetry; and
 - 7.2.7 building services;
- 7.3 SCADA works to enable monitoring and control of the system in accordance with specified operating techniques, parameters and restraints and the environmental permits;
- 7.4 architectural elements incidental to the above including but not limited to -
 - 7.4.1 buildings, lighting, boundary walls and fencing;
 - 7.4.2 hard landscape and soft landscape;
 - 7.4.3 structures, buildings and public realm landscaping works; and
 - 7.4.4 kiosk structures to house MEICA equipment;
- 7.5 the provision of all elements required for operational and maintenance access to the above;
- 7.6 all testing and commissioning activities to demonstrate compliance and capability of the works; and
- 7.7 such other works and services as are incidental to the above or reasonably necessary in connection with the above to treat raw water to potable standard and/or transfer potable water into the Appointee's water distribution network in accordance with specified operating techniques, parameters and restraints and any relevant permits or consents.

Operation and Maintenance

- 8 The operation and maintenance of the works or such part or parts of them as shall be specified by the Appointee with the agreement of Ofwat including but not limited to -

- 8.1 periodic inspection;
- 8.2 routine, planned and reactive maintenance;
- 8.3 day-to-day operations;
- 8.4 fulfilling any maintenance requirements identified in any inspection;
- 8.5 maintenance or replacement of assets in line with asset lifecycle requirements;
- 8.6 managing the transfer of water through the works; and
- 8.7 compliance with DWI sampling, enforcement and obligations.

Definitions and Interpretation

9 Defined terms have the following meanings -

“Elsham Treatment Works DPC Project” means the Modified Project as set out in this Schedule;

“MEICA equipment” means all mechanical, electrical, instrumentation, control and automation equipment forming part of or associated with the principal elements of the Elsham Treatment Works DPC Project set out in sub-paragraph 7.1 above;

“SCADA works” means supervisory control and data acquisition works and services forming part of or associated with the principal elements of the Elsham Treatment Works DPC Project set out in sub-paragraph 7.1 above;

“services” means all services and/or supplies contemplated in this Schedule;

“Supply Deficit” means a failure fully to comply with the duty set out in section 52 of the Water Industry Act 1991 or with the terms of any agreement under section 66D of the Water Industry Act 1991 or any other agreement to supply water;

“WINEP” means the Water Industry National Environment Programme; and

“works” means all physical works contemplated in this Schedule, whether temporary or permanent.

Annex A

