

By email

[REDACTED]

Direct line: [REDACTED]

Email: [REDACTED]

Date: 6 January 2022

Dear Enrico,

Response to Bioresources Bid Assessment Framework – draft guidance

Thank you for the opportunity to respond to the draft guidance for the bioresources bid assessment framework; please see our responses to the questions and wider comments below.

[REDACTED]

Director of Economic Regulation

Q1: Do you agree with, or have any comments on, the draft guidance for the bioresources bid assessment framework set out in this consultation?

We are supportive of the principles behind the guidance; we are long standing advocates of markets and working with third parties to provide services across all areas of our business. Although the activity under the water resources bid assessment framework (BAF) to date has been limited, we believe it provides a clear set of guidance that third parties can use when wishing to submit bids for service provision, and improves and expedites the discussions following such bids.

We are pleased to see the option to have the bioresources and water resources BAFs within the same document, with different sections relating to each where needed. As discussed in the sessions with yourselves prior to the publication of this draft guidance (?), we think that this approach will improve clarity and reduce confusion in the market by having clear and, wherever possible common, frameworks across the two areas.

Q2: Do you agree with, or have any comments on, our proposed timeline for implementation of the bioresources bid assessment framework?

We intended to conduct a review of our BAF for water resources in the 2022-23 year based on the experience we have gained over the last 3 years, so are supportive of the intent to have the bioresources element published in 2022.

We would ask that the timelines are extended slightly by a month to June 2022 and October 2022 for the draft and final publications.

The BAF process is led by our central risk and investment and economic regulation teams to ensure that it is an objective document as per your equal treatment/non-discrimination criteria. The draft deadline of May 2022 conflicts with the annual reporting period, which is already a busy period for these teams. We feel an extra month would not detract from the wider aims of the process but allow us to produce a higher quality document for the market.

We also ask that you publish links to the draft BAFs on your website to help with the consultation process and to allow the market to easily comment on the companies' documents.

Q3: Do you have any thoughts or opinions on how company bid assessment frameworks can be best used to resolve the bioresources specific issues highlighted within 4.2?

We agree that the sharing of data and clarity on bid requirements should improve market access for third parties; we have been active in this area via our marketplace platform (<https://marketplace.wessexwater.co.uk/>) and will continue to be.

With regards to the specific areas you comment on:

Contract risk is, as you note, an area that could lead to issues in procurement of third parties – in particular in the short term. We hope that the current regulatory uncertainty around bioresources activities will be resolved through the publication of the EA's Sludge Strategy by April 2023, and ongoing discussions regarding the implementation of Farming Rules for Water and Industrial Emissions Directive permit requirements.

However, this is a perfect example of the sorts of changes (that are fundamental and have wide reaching consequences) that any contracts we have placed, and place in the future, need to be reactive to, and that we cannot always forecast.

We ask that Ofwat as a regulator is mindful of this and as the activity in markets increases, takes account of significant contracts placed as a result of the BAF in future price reviews if subsequent regulatory changes mean additional costs are incurred by the third party to adapt their service provision that we as the incumbent may have limited control over.

We are supportive of **pre-qualification** (PQ) stages that provide the opportunity for review and discussion before moving to any full tender stages. We also agree with the inclusion here of a discussion around **sludge quality**.

We agree that **data provision** may help third parties provide more targeted bids. We are already providing much of the 'optional' data in the market information spreadsheets and will continue to review and ensure we provide as much as is practically possible in this area, both that which is suggested in this sheet but also other data sources. The PQ stage may also allow for more specific bidder-requested data to be provided in a more targeted way.