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Bioresources bid assessment framework – draft guidance consultation

Dear [REDACTED]

Thames Water welcomes the opportunity to respond to this consultation. Fundamentally we agree with the objectives of using a Bid Assessment Framework (BAF), noting that there are overlaps with the processes already used to assess bids, which we do not want to undermine or add additional levels of complexity to, as these could make implementing the process inefficient.

Given the effort already employed to develop a BAF for Water Resources, we believe that there is merit in developing that to suit Bioresources activities. We have carried out an initial review of our existing Water Resources BAF and we do not consider that there are any fundamental areas of the Water Resources BAF that will need re-development. There would be some tailoring to bioresource specific activities. For the most part we would expect to 'lift and shift' material into a bioresources BAF.

The 'Water resources' BAF was successfully developed and is being used on a 'business as usual' basis, albeit with limited market interest to date. The limited interest from the market is likely due to the strategic nature of the requirement for water supply options and the presence of existing procurement regulations for other options.

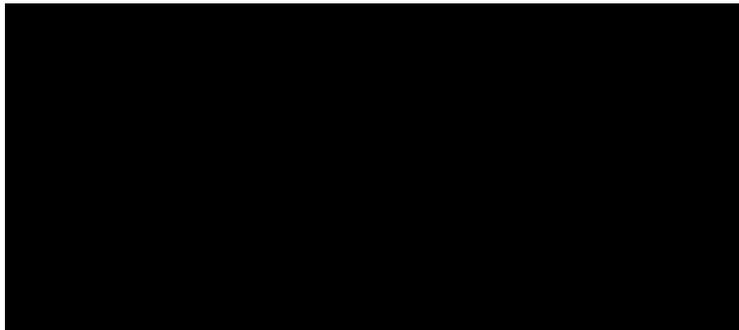
There are a few areas where it would be helpful if Ofwat could provide some further clarifications. In summary:

- To what extent can we use the same process developed in the Water Resources BAF, as in theory they should be the same with any differences related to the product markets and not the procurement process?
- The number of providers may well be more limited in the bioresources space. This creates procurement challenges if there are one or more suppliers. We would like to understand Ofwat's thinking on this subject?

- The extent to which we are allowed flexibility, for example, can we leverage discounts from different packages of work and make trade-offs from a more holistic perspective. This could include reducing transaction costs or getting benefits across a range of non-bioresource services from suppliers we might already be purchasing from.
- We would like to clarify if the intention is that the BAF is applied only to 'new capacity'?

We broadly agree with the logic and objectives of the guidance document and have provided more detailed answers, to the questions set in the consultation, in the annex below.

Best regards,



Bioresources Strategy Manager

ANNEX 1

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 would like Ofwat to clarify whether the intention is that the BAF is applied only to bids for 'new capacity' or whether it should also be applied in other circumstances, for example, renewal of current "*business as usual*" contracts, for example, transport or recycling.

Whilst we agree that a BAF will improve the transparency of the process, we are unclear as to how it will promote the development of the market. Our experience has been around the difficulty in attracting new entrants to offer appropriate services at the time they are needed. For example, we have used OJEU historically to tender for new CHP and Biomethane equipment, which attracted a certain amount of attention, however we found that some key market players were not aware of the advert and have only come forward after we had awarded contracts. The difficulty is getting these notices out to relevant parties, rather than the procurement assessment process used – we believe that this is an area that will differ from the Water Resources BAF approach.

The Jacobs' 'bioresources market review report' stated that frameworks could stifle market development, however this failed to address that frameworks are often awarded to reduce the time and effort involved in assessing due diligence of the supply chain (H&S, financial and technical competency) as well as standardization of assets, which can have lower long-term costs in terms of O&M. Competitively tendering each time is costly for both entrants and assessors. However, we do recognise that certain capital project frameworks may not be ideally suited for all sludge projects, but it should be noted that they are awarded over a portfolio of projects covering an extended period and are able to lever benefits when considered at that level rather than individual schemes.

Many of the aspects referred to in the BAF are aligned with the requirements of License Condition E1, we are therefore unclear whether the BAF will provide greater efficiency.

As stated above, getting third parties to engage in procurement processes isn't always straight forward. We therefore see that this may also be the problem when we consult on the BAF. We don't have sufficient detail of what activities will need to be procured in AMP8 yet and therefore it will be difficult to find relevant parties to act as the correct consultees. If potential bidders are unaware of it, they can't comment. Therefore, we need to understand how to distribute it widely enough. Could the draft BAFs be hosted on company and OFWAT websites and publicised centrally via relevant trade press?

In section 5.2 highlighting poor practice is mentioned, but there is also merit in sharing best practice so that there is development of BAFs over a period of time, whereby one WaSC can learn from the strengths (and weaknesses) or others.

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

We agree that this timeline seems reasonable and do not have any comments to make.

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?

Contract risk – we agree that this is one of the reasons that the market hasn't developed in certain areas. We agree that the BAF should explain how an assessment of risk is addressed and would look to ask consultees the best way to manage this during the consultation on our draft BAF.

Pre-qualification stage – we agree that a pre-qualification stage is a sensible way to shortlist potential bidders so as to avoid costly tendering activities. This is the methodology we have used extensively as part of OJEU tendering and the principals would still apply.

Data provision – we agree that relevant data must be provided to allow a third party to offer a comparative bid. Part of the pre-qualification process would be to communicate to the supplier the data that would be required.

Sludge quality – part of the 'data provision' will be more detailed sludge quality information. However, we believe that the third-party entrant will need to explain, as part of their pre-qualification stage proposal, the envelope of sludge quality that they can accept. There is no point taking their offer further if the sludge parameters cannot be achieved.