



Centre City Tower, 7 Hill Street, Birmingham B5 4UA  
11 Westferry Circus, Canary Wharf, London E14 4HD  
[www.ofwat.gov.uk](http://www.ofwat.gov.uk)

---

# Understanding the views of the supply chain and investors: responses

A report of findings

## Summary

Our water resources are coming under increasing pressure from population growth, economic development, climate change and the need for environmental improvement. These factors contribute to a growing sense of urgency that we need to act now to develop new national water supply options to increase resilience and avoid further restrictions in the future.

To address this need, in its 2019 Price Review, PR19, Ofwat made £469 million available to water companies to jointly investigate and develop strategic water resource solutions to increase future water supply – and the **Regulators' Alliance for Progressing Infrastructure Development (RAPID)** was created.

RAPID is a cross-regulatory unit based in Ofwat, created to facilitate collaboration on the development of these new strategic solutions. The regulators involved are Ofwat, Environment Agency (EA), and Drinking Water Inspectorate (DWI).

RAPID provide oversight of the gated process which supports, reviews, and challenges the development and delivery of the strategic water resource solutions funded using the £469 million ring-fenced programme established as part of the 2019 Price Review. There are currently 18 solutions in the RAPID programme (gated process).

At the beginning of May, Ofwat/RAPID sent out two surveys to understand the views of the supply chain and investors in the context of the upcoming RAPID programme.

In total, both surveys had a **combined total of 31 responses**. Questions 1,2,3 and 4 are not included for data protection reasons and to keep participants anonymous. Not all questions were included in the investor survey which will be indicated below.

Please note, this report is a summary of responses only and does not reflect any of the Ofwat/RAPID views.

# Responses

Questions 1-4 (supply chain) / Questions 1-3 (investors): Personal details

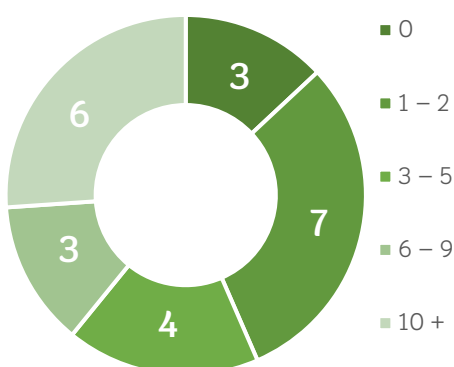
Question 5 (supply chain only): What **area** does your company work in?

Organisation type	
Financiers/Investors	10
Professional Consulting - Planning	7
Professional Consulting - Design	5
Professional Consulting – Financial/Commercial	5
Construction Contractors	14
Operations and Maintenance Providers	2
Supporting Bodies	2
Others	5

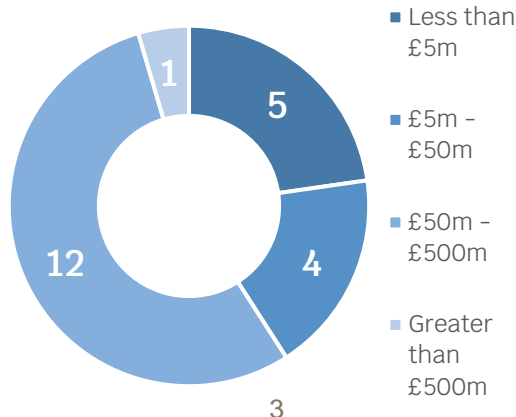
'Other' responses include:

- Manufacturing/Service providers
- Professional Consulting – Land Access and Assembly
- Project Management
- Specialist provider of horizontal directional drilling services
- Investor developers

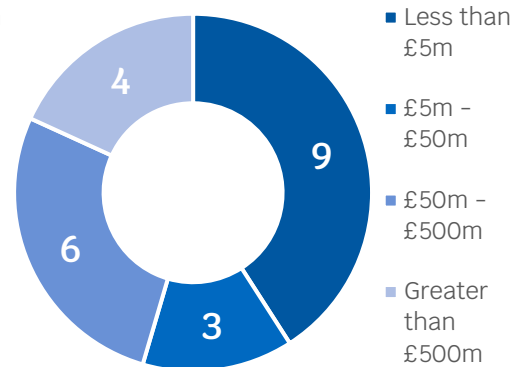
Question 6, 7 and 8 (supply chain only): **How many UK water companies** do you currently work for? What is your **annual revenue** from Privately Financed Projects (PFP)?



- 0
- 1 – 2
- 3 – 5
- 6 – 9
- 10 +



- Less than £5m
- £5m – £50m
- £50m – £500m
- Greater than £500m



- Less than £5m
- £5m – £50m
- £50m – £500m
- Greater than £500m

**Question 9 and 10 (supply chain) / Question 4 and 5 (investors):** How likely are you want to participate in one or more of the RAPID schemes based on your understanding with respect to **size and complexity, timing and risk and opportunity profile**? Explain any reasoning behind this.

Characteristic	Very Unlikely	Unlikely	Likely	Very likely	Unsure
Size and Complexity	1	1	3	16	1
Timing	1	1	4	15	1
Risk and Opportunity	2	1	5	7	7

Overall, **the majority of respondents noted they would need further information on the programme** to help make better judgements in these areas. Answers to 'unsure' and 'unlikely' were explained by a number of reasons:

- The market is unsighted on **risk allocation/commercial visibility** at this stage.
- Respondents recognised that there could be challenges with the **demands of AMP8 and AMP9**.
- **Risk profile associated with DPC** may be a challenge to attract contractors and concerns about how much risk is passed onto the Competitively Appointed Provider (CAP).
- One response noted they would be **uncomfortable taking on process design and construction/performance risk**.

**Question 11 and 12 (supply chain) / Question 6 (investors):** What is your **level of interest** for the RAPID schemes? / What **size** project would you be most interested in? Explain any reasoning behind this.

The level of interest for all RAPID schemes is **high/medium**, given these are still early on in the development stage. Many respondents said more information was required to give more accurate responses. More specifically:

- Respondents noted that their level of interest would depend on **the staggering of the projects**.
- Generally the level of interest is based on the **geographical location** of the schemes and **existing relationships respondents have with water companies**.
- Investors had a preference for the **larger schemes** eg reservoir.

- One respondent was uninterested due to challenges they would face delivering the RAPID projects alongside **AMP8 deliverables**.
- One respondent had low interest due to the **procurement and contractual model (DPC)** which is likely to be used for most of these schemes.

**Question 13 (supply chain) / Question 7 (investors):** What **information** would you like Ofwat/RAPID to ensure is available prior to schemes coming to the market?



**Question 14 (supply chain only):** What would be **required** from Ofwat/RAPID to make the scheme development a success prior to them coming to the market?

Consultants

- Standardisation of contracts
- More accurate timelines
- Clear Land Access and Assembly
- More visible support of schemes regionally, nationally and internationally, both politically and publicly
- Open dialogue with willingness to listen and respond to market feedback
- Unified portfolio pipeline approach to contract risk and reward
- Consideration of the liability transfer to contractor
- What the schemes mean in terms of affordability, value for money and customer bills

Contractors

- Outline business cases
- Staggered procurement timelines
- Information and engagement as early as possible, with one-to-one sessions
- Early view on procurement route and terms and conditions to enable a view on risk allocation
- Stakeholder maps with decision makers for all parties
- Clear financing and contracting models
- Combined delivery team formed to deliver entire RAPID programme
- Site and works information

Investors

- Clear timetables
- Risk allocation as early as possible
- Size of opex and capex with reasoning behind these numbers
- Allocation of stipend due to cost of tendering opportunities
- More market engagement

**Question 15 (supply chain only):** What would be **desirable** from Ofwat/RAPID to look to include in the scheme development prior to them coming to the market?

Consultants

- High level regular updates through forums/mini conferences or quarterly teams call
- Clarity on risk allocation
- Clarity on delivery routes
- Clarity on financing and how the residual value will be treated under DPC
- Risk of planning approval is removed from solutions
- Greater flexibility to manage scope change

Contractors

- Engagement with technology companies directly to understand the importance of key products
- Smaller number of bidders
- Out phase from AMP8
- Integrated delivery team
- Early contractor involvement
- One-to-one face-to-face meetings
- Tender costs recovered

Investors

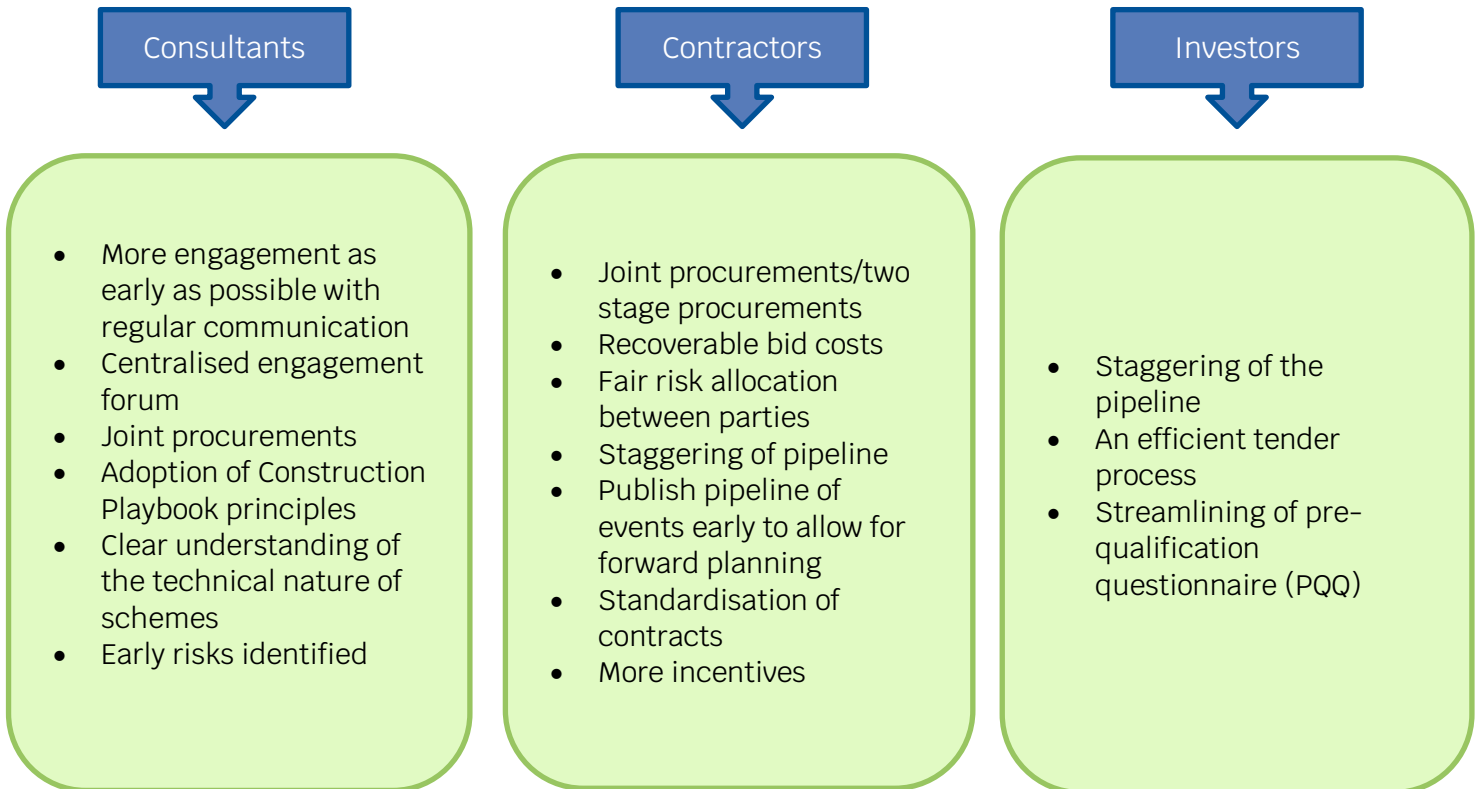
- Mature scheme designs
- Land acquisition and planning in place
- Limited number of bidders
- Timeframe for tender
- Draft pre-qualification questionnaire (PQQ) and tender questions
- Information on governance decisions

**Question 16 (supply chain only):** Are there any **red flags** you can identify? What key things should be **excluded** prior to schemes coming to the market?





**Question 17 (supply chain) / Question 8 (investors):** What can **Ofwat/RAPID/water companies** do to make the programme a success?



**Question 18 (supply chain only):** Do you think there is a **skills gap** to deliver the upcoming programme?

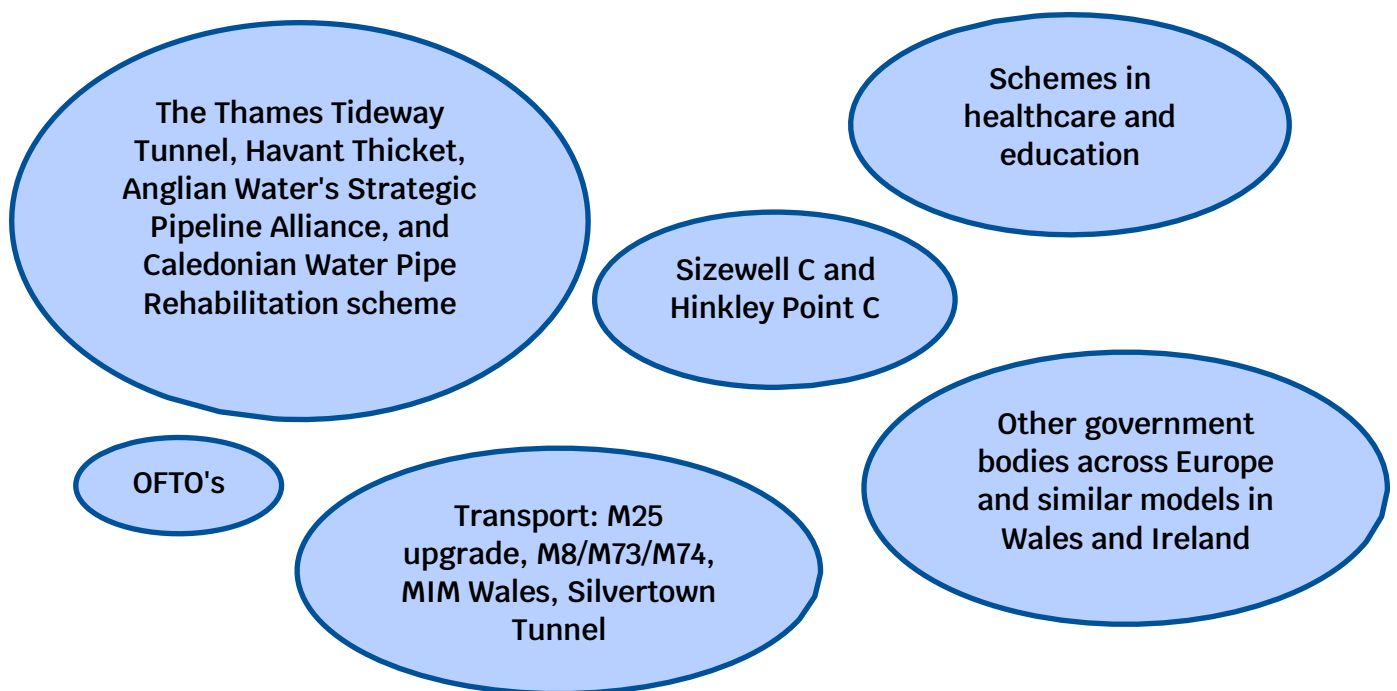
**Three respondents do not believe there is a skills gap** to deliver the RAPID programme as long as the timing of schemes is appropriate and there are correct measures in place to reduce this risk.

The remaining responses indicated there could be a skills gap due to the **challenges with AMP8, nationwide competing infrastructure and the water sector lacking expertise**. More specific comments include:

- UK may need to attract **overseas labour** to support this delivery
- There needs to be **understanding of modern methods** of procurement and contracting models
- **Sufficient programme sight and resourcing plans** for the sector will help to reduce this gap and allow the correct investments to be made and delivery requirements met
- Skills gap could be down to the **lack of product knowledge base**

- There is a **lack of innovative solutions** and a finite number of contractors vs the number of projects
- There might be a **short-term capacity gap with obtaining planning support** eg DCO applications. In the long term, the sector will need to focus on **recruiting junior personnel**.
- To help overcome this skills gap, **digital delivery and automation** should be explored and adopted where it may be appropriate.

**Question 19 (supply chain) / Question 9 (investors):** What **privately financed** schemes would you recommend RAPID review?



**Questions 20-22 (supply chain) / Question 10-11 (investors):** Further engagement