

Procurement outcome report

Framework 1008 - Water, Wastewater and Ancillary Services

Purpose

This document provides customers with information regarding the YPO-led collaboration to establish a pan-government framework for water, wastewater and ancillary services in partnership with ESPO, TEC and West Mercia Energy, concluding in the award to a single supplier in November 2020.

Details contained in this report will provide background information regarding the procurement activity and outcomes, and can assist customers in securing any internal approvals to proceed. Additionally, next steps are identified to assist customers with accessing the contract.

Framework Information

This procurement was tendered as a framework to be led and managed by YPO with collaboration from ESPO, TEC and West Mercia Energy ([OJEU Notice No. 2020/S 145-358166](#))

The Water Act 2014 established the framework to create the English Retail Water Market. This is the largest water retail market in the world, allowing 1.2 million businesses and other non-household customers of providers based mainly or wholly in England to choose their supplier of water and waste water retail services. This new market opened on 01 April 2017

The key organisations responsible for delivering the market are: Defra (Policy/Legislation), Ofwat (Regulator) and MOSL (Delivering core IT systems that enable registration, switching and settlement between wholesalers and retailer). Collectively they and the programme for overseeing and managing the implementation of the new market are known as Open Water. You can find out more on the Open Water website at <https://www.open-water.org.uk/>.

Historically non-household customers have received water supplies and sewerage services through a statutory, regionally based licensed water supply company. For public sector customers with cross regional estate, this results in one organisation having to manage and process billing through multiple suppliers. In the new market, customers will have a single point of contact for water - a contracted relationship with the retailer who transacts with the wholesalers and delivers front end customer service, metering, billing and credit control.

Resilience is a key issue for customers. A changing climate and growing population will require the water industry to find new and more efficient ways of allocating, treating and using water. This needs to be done whilst protecting the environment and keeping water bills at acceptable levels. The Ancillary Services element within this framework will help to support customers with understanding and monitoring their water usage and reducing consumption and wastage.

This framework has a single lot with a single supplier. There is no requirement for eligible customers to take part in a further competition and direct award is the method of appointment. This framework will give customers access to a water partner for a contract length that the customer specifies up to the end date of the framework (the framework ends on 31st October 2024)

Procurement Activity

YPO, ESPO, TEC and West Mercia Energy began procurement activity in Summer 2019 to establish a collaborative 4 year framework for water, wastewater and ancillary services. Having managed water

procurement activity previously YPO were selected to take the lead on this activity.

Using the market intelligence gained since the English Water Retail Market opened in 2017 and the experience of working with large numbers of customers across the full spectrum of Public Sector organisations, the partners had a solid understanding of the issues customers were facing and the requirements that would form the specification for the procurement. Customer workshops were held to refine the requirement, and this led to the decision to appoint a single water retailer to the framework to make onboarding for customers quick and simple, and streamline contract management from the procurement partners.

As this was a new framework, no SPID data was supplied to tenderers. Rather, an approach to establish a retail margin uplift on wholesale water pricing was established that could be applied across the country, with the potential for further discounted rates for larger supplies. Given the slim retail margins seen in previous procurements, the ancillary services delivered through this framework were seen as being key to driving water and cost savings throughout the life of the contracts awarded, and the tender made this an obligation of the winning water retailer to identify efficiencies to benefit the customer.

Pre-market engagement was conducted, with 4 of the largest suppliers in the retail market taking part, and the Invitation To Tender opened to the market on 27th July 2020 with a 5 week response window for Retailers to submit their responses. The closure date for tender submissions was set as 1st September 2020 but following clarification questions an extension of 1 week was granted taking the closure date to 8th September 2020.

The scoring of the tenders was determined as follows :

CRITERION	PERCENTAGE WEIGHTINGS
Cost	20%
Management Approach	10%
Managing Invoices and Payments	20%
Data Management	10%
Emergency Planning	5%
Service Development and Innovation	5%
Ancillary Services	10%
Sustainability and Social Value	20%

There were 3 submissions received, but only 2 were found to be compliant. The compliant retailers responding were Castle Water and Wave. All responses were of high quality and all mandatory questions were completed satisfactorily.

Evaluation of the tender responses was conducted during September and October 2020. The PSBO partners in the project evaluated the detailed tender responses in isolation then brought their scores together to form a consensus score. Moderation then took place to reach the final marks with all partners satisfied that the process was fair and transparent. Evaluation was concluded on 13th October 2020.

Wave were appointed as the sole supplier to the framework with the following marks awarded:

Total Weighted Pricing Mark Awarded (Max 20)	13.27
Total Weighted Quality Mark Awarded (Max 80)	67.00
Total Combined Weighted Mark Awarded (Max 100)	80.27

Full feedback was then created on each tender and provided back to the retailers as part of the tender award letters informing them of the outcome on 15th October 2020, with Wave confirming acceptance on 16th October 2020.

There then followed a 10-day standstill period to allow all retailers to consider the feedback provided to their tender responses and raise any challenges to the marks awarded. There were no challenges received.

Procurement Outcomes

The full ITT document is available for customers accessing the contract to provide full visibility of the requirements specified and the full benefits and deliverables. Please email energy@ypo.co.uk if you require a copy of the ITT.

Wave's tender response delivers core water and wastewater services at the following percentage uplift to wholesale tariff pricing :

Metered Water and Wastewater < 80mm meters	5.27%
Metered Water and Wastewater >=80mm meters	3.03%
Unmetered Water and Wastewater	5.27%
Trade Effluent	5.27%

This effectively means that for every £1 charged by the wholesaler for the customer's water and wastewater provision, Wave will add 5.27p if the supply is has a meter less than 80mm in size or in unmetered or is a trade effluent agreement, and 3.03p in the supply is metered with an 80mm or larger meter.

This retail margin covers all of the retailer services described in the ITT, including but not limited to; managing the onboarding and switching activities, key account management, customer service, provision of web portal and management information/key performance indicators, meter reading, invoicing and credit control.

Additionally, social value outcomes and working with customers to achieve water efficiency savings is mandated in the requirements. It is the PSBO partners view that the savings achievable from the efficiency works will far outweigh any savings from the costs of procurement of water.

Wave's quality score results clearly indicate them to be highly experienced, and with the PSBO partners handling ongoing contract management customers looking to access the framework can be assured that they will receive a high quality service with equally high levels of support where required.

Whilst it is difficult to accurately gauge the savings that this contract will deliver to customers, and given that there is a clear separation between public sector customers in compliant contracts and those yet to engage with the Water Retail Market, it is generally accepted by the water industry that the national average retail margin is currently around 7-8% of the total billed amount. The regional nature of the wholesale tariffs in the

market make this impossible to generalise. However, at the retail margins offered by Wave through this framework, the majority of customers will see a cost saving in the water unit price if they are not already in a contract with some areas seeing a major reduction in pricing.

In summary, key benefits of the contract include :

- Ensures full compliance with Public Contracts Regulations and OJEU;
- A single retailer to deal with all water and wastewater matters, irrespective of the wholesaler regions customer sites reside within;
- Provides direct liaison on the customer's behalf with Wholesalers;
- A named Key Account Manager to take ownership of issues and advise on water saving measures;
- Thorough validation of onboarding data to ensure that historic errors are identified, challenged and resolved, e.g. a large meter attracting expensive standing charges whilst recording low consumption on a site may indicate a change in use of the building and warrant a meter replacement to reduce costs;
- Unlimited login accounts for the online web portal "MyAccount" which provides customers with full access to their account, including managing the portfolio of supplies, accessing invoicing, the ability to enter customer meter readings and raise and review issues through support cases. Limited access down to visibility of a single supply can also be granted, e.g. a school having access to only their data when part of a MAT contract;
- Active Water Management service delivered for free, helping to increase accuracy of data, and identify wastage and opportunities for efficiency;
- Advance notice of planned wholesaler works that will risk continuity of supply, and assistance in planning resilience activities;
- 24/7 emergency contact;
- Fully configurable billing groups to ensure that bills are issued exactly as customers require;
- Consolidated or site level billing;
- Billing format options at no additional cost, including paper, PDF, CSV and EDI Tradacoms 26v3
- Optional "direct to site" debt contact and resolution at no additional cost, e.g. schools with direct payment responsibility where the contract is administered by the local authority;
- A choice of billing frequency, with monthly as standard;
- Thorough data validation prior to each bill being produced to identify potential errors or indicators of leakage;
- Actual meter readings every 6 months, with options for increased frequency at a fixed price per reading of £7.50 per read, e.g. for a high consuming site or a site with a history of leaks a customer can elect to have the meter read at a frequency of their choice;
- All on-site operatives to be appropriately accredited, e.g. CRB-checked, as required by the customer's operating procedures.
- Optional installation of automated meter reading (AMR) devices at additional cost, capturing reading data at 15-minute intervals to give a continuous and detailed profile of how a site consumes water and potentially detect leaks and wastage;
- Turn-key leak detection and repair service;
- Access to a range of additional ancillary services at additional cost, e.g. Legionella reporting, water reduction measures, etc.;
- No-cost and low-cost funding models including traditional capital expenditure and fully funded gainshare models.
- All ancillary works to be fully specified and costed and to include a return on investment (ROI) calculation prior to the customer's approval to commence, with benchmarked performance management throughout to ensure that the stated benefits and savings are realised.
- Customer onboarding completed within 20 working days of returning a signed contract

Next Steps

Customers should contact energy@ypo.co.uk to receive an Access Agreement and a simple SPID Data form.

YPO and the PSBO partners have worked with Wave to ensure that the amount of data a customer has to provide in order to access the framework is kept to a minimum. Wave will access market data sources, such as CMOS (Central Market Operating System) to collate the remaining data on the customers' behalf, and will return to customers a full bespoke breakdown of pricing and charges for each SPID. The customer can then compare this to current costing and service levels and determine whether they wish to proceed with the procurement. There is no obligation for customers who supplied SPID data to proceed should they determine not to for any reason.

The process to proceed will consist of a simple call-off order form which will be issued to customers with the pricing information. Customers remain able to add or remove sites from their portfolio with no penalty as the operation needs change over time.

Customers may join the framework at any point whilst it is open and can select a contract duration to meet their needs up to the framework end date. For the avoidance of doubt, no customer call-off contract can end beyond the end date of the framework (26thth October 2024).

The YPO Energy Team and Wave's Public Sector Team will give full assistance to customers accessing the framework so please feel free to contact energy@ypo.co.uk to discuss your requirements and for guidance on starting the process.

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