

TEC Procurement outcome report

Framework 1008 - Water, Wastewater and Ancillary Services

Purpose

This document provides TEC Members and customers with information regarding the collaboration to establish a public sector wide framework for water, wastewater and ancillary services. A true partnership with procurement lead YPO fully supported by The Energy Consortium, ESPO and WME, concluding in the award to a single supplier in November 2020.

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

Framework Information

This procurement was tendered as a framework to be led and managed by YPO with full collaboration from TEC, ESPO and WME ([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 wastewater 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 members 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 (end date 31st October 2024). TEC members benefit from a TEC fully managed service for this framework.

Procurement Activity

TEC, YPO, ESPO, and WME 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 it was decided that YPO lead on the procurement structure and delivery of this activity with the collaboration delivering on the Statement of Requirements to ensure all member requirements could be met.

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, simple and to 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 and overall volume growth. 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 ollie.arthurs@tec.ac.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 has a meter less than 80mm in size or is unmetered or is a trade effluent agreement, and 3.03p if 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 TEC and our 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 TEC handling ongoing contract management through their fully managed service, members looking to access the framework can be assured that they will receive a high quality service with equally high levels of support.

Whilst it is difficult to accurately gauge the savings that this contract will deliver to members 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 makes 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. Some regions could see a major reduction in pricing.

In summary, key benefits of the contract include :

- Ensures full compliance with Public Contracts Regulations 2015 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 concession or outsourced facility having access to only their data when part of a wider member contract;
- Active Water Management service delivered for free, helping to increase accuracy of data, and identify wastage and opportunities for efficiency;
- Tariff Optimisation – review of your current usage and charges to make sure you are on the most beneficial tariffs;
- Benchmarking – establishment of relevant benchmarks for you to use in review and analysis of your site(s) water consumption;
- 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 members require;
- Consolidated or site level billing; (Consolidated recommended to support billing efficiencies);
- 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. non-central bodies with direct payment responsibility where the contract is administered by the member;
- 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 month for meters 80mm or above in size and every 6 months for meters below 80mm in size), 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. Customer self reads will also be accepted.
- All on-site operatives to be appropriately accredited, e.g. CRB-checked, as required by the member'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 30 working days of returning a signed contract
- TEC fully managed service will ensure support for a drive on member water reduction and spend

Next Steps

Customers should contact ollie.arthurs@tec.ac.uk to receive a simple SPID Data collection form. TEC have worked with Wave to ensure that the amount of data a member 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 members' behalf and TEC will return to members a full bespoke breakdown of pricing and charges for each SPID. The member can then compare this to current costing and service levels, to then determine whether they wish to proceed with the procurement. A comparison can be provided against market default contract rates and also rates where the member may have previously agreed a water retail contract. 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 members with the pricing information. Members remain able to add or remove sites from their portfolio with no penalty as the operation needs change over time.

Members 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 (30th October 2024).

TEC and Wave's Public Sector Team will give full assistance to members accessing the framework so please feel free to contact ollie.arthurs@tec.ac.uk to discuss your requirements and for guidance on starting the process.

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