

# Water Resources Market - Annual Report 2021/22

December 2022



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## Executive summary

The Water Resources Market Annual Report provides a review of all market activity for the reporting year 2021/22. The review includes a summary of third-party activity, a high-level view of bids received and summarises their evaluation using our bid assessment framework.

We publish water resources market information so third-parties can put forward options, or bid, on how they would supply water, manage future demand or provide leakage services. We compare these options with others (including in-house options) to develop our Water Resources Management Plan. In addition to the Market Information Tables, this year we have made this data available via an interactive interface 'Watersource'. This online platform, jointly developed with Wheatley Solutions and Northumbrian Water, provides access to key elements of Market Information through a central 'open' cloud portal. Users can spatially identify water resource zones with supply surplus and supply deficits based on our WRMP19 forecasts.

Water companies are required to produce a Bid Assessment Framework to support the water resources market. Our Bid Assessment Framework sets out how we appraise third party options following our option screening methodology to ensure that all options are evaluated on a transparent and non-discriminatory basis and with all third parties being treated equally with options developed internally by Anglian Water. We have recently updated the framework to include a new Pre-Bid stage to capture early concept options that are not significantly defined to complete a pre-qualification form.

In this report year 2021/22 we have not received any new third party options; there is one option submitted in 2020/21 being evaluated through our bid assessment process. This option is currently at the Fine Screening stage and we are working to clarify more details of this option before we ask the third party to invest further in drilling and testing boreholes.

Through our regional planning work for Water Resources East we have been contacted by a number of third parties in addition to the formal route to market. These early concept options are not significantly defined to complete a pre-qualification form but provide an opportunity to co-develop schemes, increasing the potential to pass the screening criteria. To recognise and capture these schemes we have introduced an additional stage to our bid assessment framework, the Pre-Bid Stage. This will allow us to formally capture and track these options.

Third-party bids are welcome at any time, however, there are particular time periods within the 5-year cycle of developing the WRMP when proposals will be sought. This report year we are underway delivering both the supply and demand solutions set out in our WRMP19, limiting the opportunity for third-party options to replace internally developed ones. We have updated our market information to reflect changes to the options in our WRMP19 that have been agreed with Regulators through the WRMP Annual Review process. Any new bids will be taken forward for assessment in our WRMP24. The next bid assessment window will open in or shortly after January 2023 to align with the consultation period of our draft WRMP24.

## 1. Introduction

The Water Resources Market Annual Report provides a review of all market activity for the reporting year 2021/22. The review includes a summary of third-party activity, a high-level view of bids received and summarises their evaluation using our Bid Assessment Framework.

As well as providing an update to our regulator, Ofwat, the Annual Report is designed to help potential third-party applicants to understand why options have failed, or how they have successfully passed, and to encourage more third parties to enter the market.

## 2. Background

Ofwat's final methodology for the 2019 price review specifies that all water companies should produce a bid assessment framework to support the bidding market for water resources, demand management and leakage services. In a bidding market, third parties submit options to an incumbent water company to provide solutions to help the incumbent meet its future water needs. Third parties can be independent entities or other incumbents from outside the incumbent's area.

### 2.1 Water Resources Market Information

We publish water resources Market Information<sup>1</sup> so third-parties can understand our supply system, the zones of deficit and the type of options we are currently proposing. This enables third-parties to put forward options, or bid, on how they would supply water, manage future demand or provide leakage services. We then compare these options with others (including in-house options) to develop our Water Resources Management Plan. Our Bid Assessment Framework<sup>2</sup> sets out the structured process for the assessment of options or schemes proposed by third parties.

In addition to the Market Information Tables, published on our website<sup>3</sup>, we have made this data available via a more interactive geographical interface 'Watersource'<sup>4</sup>. This online platform which we have jointly developed with Wheatley Solutions and Northumbrian Water provides access to key elements of Market Information through a central 'open' cloud portal. Users can spatially identify water resource zones with supply surplus and supply deficits based on our WRMP19 forecasts.

<sup>1</sup> <https://www.anglianwater.co.uk/about-us/our-strategies-and-plans/water-resources-management-plan/water-resources-market-information/>

<sup>2</sup> <https://www.anglianwater.co.uk/siteassets/household/about-us/bid-assessment-framework-september-2021.pdf>

<sup>3</sup> <https://www.anglianwater.co.uk/about-us/our-strategies-and-plans/water-resources-management-plan/water-resources-market-information/tables-and-zones/>

<sup>4</sup> <https://www.wheatleywatersource.co.uk/>

## 2.2 Bid Assessment Framework

Our Bid Assessment Framework sets out how we appraise third party options following our option screening methodology to ensure that all options are evaluated on a transparent and non-discriminatory basis and with all third parties being treated equally with options developed internally by Anglian Water.

Our Bid Assessment Framework, originally published in July 2019, detailed a three-stage process for screening Third party options:

- a. Pre-Qualification Stage - where options are tested for failure against a pre-determined list of basic requirements.
- b. Fine Screening Stage - options which pass the Pre-Qualification Stage are then subject to further feasibility testing to ensure all screening criteria are passed.
- c. Full Evaluation Stage - options which pass the Fine Screening Stage are tested using Anglian Water economic modelling software and “Best Value” assessment process.

We have recently updated the framework to include a new Pre-Bid stage which precedes the Pre-Qualification stage to capture early concept options that are not significantly defined to complete a pre-qualification form. Section 3.1 and the Appendix has more details.

### 3. Water Resources Market Activity 2021/22

In this report year 2021/22 we have not received any formal third-party bids. Table 1 shows the bids currently being assessed.

**Table 1: Summary of Water Resources Market Activity to date**

Water Resource Zone	WAFU DYAA/DYCP (MI/d)	Route to Market	Stage and status of bid
Central Lincolnshire	5-8MI/d DYAA	Bid Assessment Framework - Pre-Qualification Form	Fine Screening stage - Hydrogeological Desk Study Completed

We commissioned a consultant to complete a hydrological study of the third party bid which concluded that more information is required before we can move the bid through to the Full Evaluation stage. We are working to clarify more details of how this option could connect and be utilised in our network before we ask the third party to invest further in drilling and testing boreholes.

#### 3.1 Update the Bid Assessment Framework

Through our regional planning work for Water Resources East we have been contacted by a number of third parties in addition to the formal route to market. These early concept options are not significantly defined to complete a pre-qualification form but provide an opportunity to co-develop schemes, increasing the potential to pass the screening criteria. We encourage these early enquiries regarding the suitability of a bid, including novel or innovative applications. By co-developing options we can offer advice on bid development, especially to those who are unfamiliar with the water resources planning process.

To recognise and capture these schemes we have introduced an additional stage to our bid assessment framework, the Pre-Bid Stage. This will allow us to formally capture and track these options, see Appendix for updated Bid Assessment flow diagram.

During this stage we may choose to do some preliminary investment modelling to provide feedback on the potential success of options prior to moving to the next stage. This preliminary assessment would be based on draft information and would not influence the formal appraisal modelling in the subsequent stages.

## **4. Water Resources Market Time limits**

Third-party bids are welcome at any time, however, there are particular time periods within the 5-year cycle of developing the WRMP when proposals will be sought.

This report year is the third in our AMP7 planning cycle and we are underway delivering both the supply and demand solutions set out in our WRMP19, limiting the opportunity for third-party options to replace internally developed ones. We have updated our Market Information to incorporate changes to the options in our WRMP19 that have been agreed with Regulators through the WRMP Annual Review process. Any new bids will be taken forward for assessment in our WRMP24.

The next bid assessment window will open January 2023 to align with the consultation period of our draft WRMP24.

## **5. WRMP24 and Look Ahead**

Our draft WRMP24 has been published for consultation on our website for a period of 14 weeks. As part of the WRMP process we have redefined our Water Resources Zones (WRZs) which has involved aggregating some WRZs and disaggregating others. For WRMP24 we will have 27 WRZs.

We will publish updated water resources market information to reflect the WRMP24 supply demand balance against the new WRZs later in 2023.

## Appendix - Bid Assessment Flow Diagram

