

Bristol Water

Bid Assessment Framework

July 2019



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Bid Assessment Framework

Executive Summary

This Bid Assessment Framework (BAF) document summarises the processes for both assessing and encouraging bids from third party providers of water resources, leakage and demand management services. We believe this framework supports our strategy of:

- Keeping bills affordable through innovation and efficiency
- Improving resource efficiency by cutting leakage and boosting water efficiency
- Keeping our supplies resilient

Our BAF is underpinned by three key principles:

- Transparency
- Equal treatment / non-discrimination; and
- Proportionality

These principles shall be applied across all procurement activity including when considering all submissions from third parties and our own in-house solutions. Robust confidentiality and conflict of interest provisions will apply to ensure both information provided and the integrity of any process is protected. We have adopted many of the best practice recommendations set out in Ofwat's 'Delivering Water 2020: consultation on PR19'. We include a detailed feedback and appeals process for all options that are not selected for use.

Third party bid proposal submission forms can be found in Appendix A. We would encourage any potential third party bidders to contact us directly – our Procurement team will offer support in completing applications.

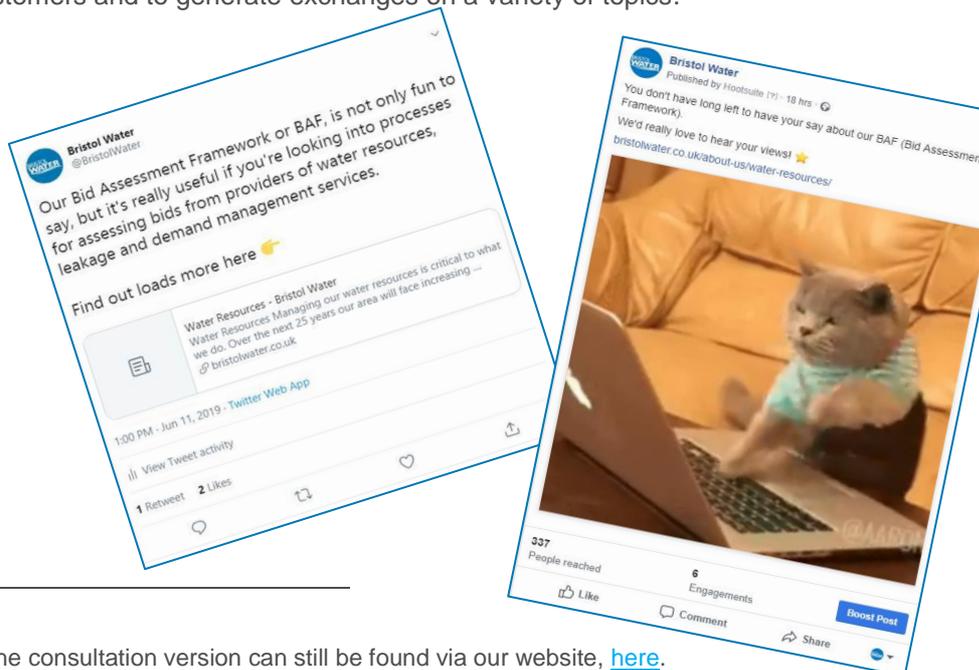
Further information can be reviewed, as well as queries raised via our website, at <https://www.bristolwater.co.uk/about-us/water-resources/>.

Consultation Feedback and Revisions

As part of our commitment to promoting the benefits of trading in water resources, we published a draft version of this revised Bid Assessment Framework in June 2019 as a consultation document on our website¹. We welcomed feedback and views from anyone with an interest in the bidding market for water resources, demand management and leakage services. We asked whether our Bid Assessment Framework:

1. Promoted a bidding market to support our leakage and water efficiency ambitions and to deliver cost efficiencies;
2. Achieved the three principles of
 - a. Transparency of process;
 - b. Equal treatment and non-discrimination; and
 - c. Proportionality;
3. Promoted innovation; and whether
4. There were any further areas of improvement that could be made to the framework.

The consultation was live for four weeks between June and July 2019. This was the second consultation that we undertook; our first was undertaken in the summer of 2018, in advance of publishing our original Bid Assessment Framework as part of the submission of our PR19 Business Plan to Ofwat. We invited comments through publishing the document on our website and by advertising the consultation on social media, particularly via Twitter and Facebook. We likewise engaged with local stakeholders, such as the West Country Water Resources. We actively used social media to encourage a greater level of engagement with our customers and stakeholders; our posts were designed to encourage two way dialogue with customers and to generate exchanges on a variety of topics.



¹ The consultation version can still be found via our website, [here](#).

Social Media Outreach

Two - the number of written responses to the consultation

1,848 - the number of times our post ended up on someone's timeline on Twitter

12 - the number of times people clicked on our tweets on Twitter

482 - the number of times our post ended up on someone's timeline on Facebook

12 - the number of times people engaged with our posts on Facebook

There were a total of two responses to our public consultation. We have reviewed their comments; we were encouraged that both respondents were supportive of our proposals. We are grateful to both respondents for this useful feedback.

One respondent asked for further clarity on two areas. The first area was around the final procurement step, particularly for proposals that may potentially come through the innovation route. In particular, the respondent asked for further information about whether this final step involves going back out to the market or whether it would be a negotiated agreement with the supplier. They also asked whether we have any criteria by which we would screen the organisations submitting bids and whether we will, or could, use this procurement step to encourage positive outcomes in our supply chain, such as improved water efficiency.

No technical revisions to the BAF document are required but in response to both queries raised we will include information in an 'FAQ' guide that we will publish alongside the BAF on our website, to help aid the BAF process. We have also included additional contextual information in this section for completeness. The answer to the query is that it could be either option depending on the nature and the potential value of the work / project being proposed. The criteria and assessment is determined based on several factors including the requirement, risk and the procurement strategy being followed. In determining the potential value we need to ensure that we comply with all relevant legislation, in particular the Utilities Contract Regulations 2016 and that we operate in a transparent and non-discriminatory way with all suppliers.

In the event that we are negotiating directly, we would undertake, as a minimum, a number of assessments as to the financial and technical viability of the supplier and request them to undertake a Health & Safety assessment (depending on the risk). We would then put in place an appropriate contractual mechanism. Where we go back out to the market, this will be in line with procurement policy and legislation. This will be transparent and we will publish the criteria and evaluation weightings that will be used as part of market engagement activity.

The second area raised in response to the consultation was on how the bid assessment process will work if a water using business or a water retail company came forward with a proposal for potentially significant water savings. This query raises a significant point, namely that there are implications with the business retail market for the water resource planning process. The role of all water companies has changed as we no longer directly influence non-household customers as we are now the wholesaler. It should however be noted that there are different areas of market development in relation to water resources. One area is the bidding market (including market trading) and the BAF supports the development of these markets. Another area is known as bilateral markets, which this query is referencing. The English bilateral market will allow non-household retailers to enter into contracts directly with third party water suppliers. This will involve the payment of access prices to incumbents to use their distribution system, and if needed, treatment facilities. The English bilateral market will open when DEFRA bring in certain provisions of the Water Act 2014.

As part of our long-term ambition² document that we published in February 2018 we committed ourselves to participate in and encourage further use of competitive markets, such as for water resources and demand management. Over the longer term, we will continue to explore bilateral markets (in which third party providers in the water resources sector contract directly with new entrant retailers) for water resource management through the Bid Assessment Framework. Although no changes are required to this document as a result of this query, we will commit ourselves to including further information on our role in and plans for the English bilateral market on our water resources webpage, to help encourage the market develop.

In addition, since the publication of the consultation, we have revised our BAF document. In section 2 we have included further information on regional planning (and in particular the role of the West Country Water Resources Group).

² [Bristol Water...Clearly](#)

1. Why we need a bid assessment framework

This is Bristol Water's Bid Assessment Framework (BAF) and has been put in place to support the bidding market for water resources, demand management and leakage services.

Our customer engagement programme has led us to a clear conclusion for how we propose to manage water resources over the next 25 years. Our customers prefer that our starting approach should be to identify new ways to reduce demand, before we look to build new resources such as reservoirs. The extensive water resource modelling and research we have carried out to build our 2019 Water Resources Management Plan has shown us that the potential shortfall of water supply that we may face in the future can be managed by measures to control demand.

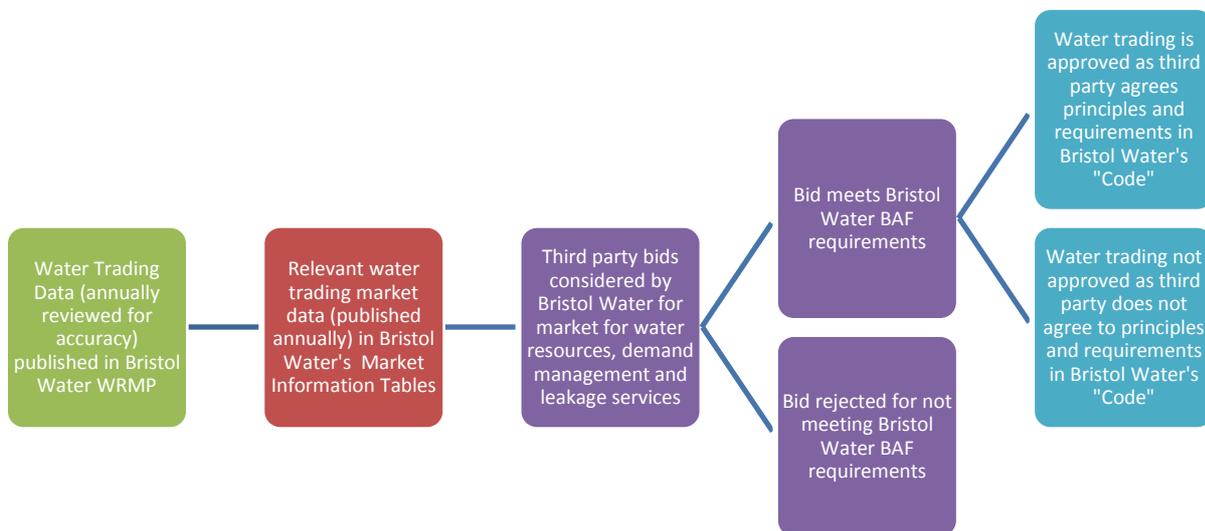
In order to achieve this balance, we do however have to make some significant changes to the way we manage the systems we use and the infrastructure we operate, driving leakage down to levels lower than we have ever recorded on our network and helping our customers to make significant changes in their own water use. At Bristol Water we know we are part of the community that we serve. We are already working with community groups, local government and international research projects to develop the expertise needed to drive down the demand for water - but we also know that we do not have all the answers. By taking an open and transparent approach to the challenges we face in leakage reduction and water efficiency, we believe we can identify other partners with a whole spectrum of experience in related projects and disciplines. These organisations can demonstrate real capacity to provide improved services to our customers and we want to be able to take full advantage of this potential.

The long-term potential of regional water resource management is also something we want to explore through our Bid Assessment Framework approach. Working in partnership with other regional water companies, our newly-formed West Country Water Resource Group brings together the key stakeholders in water resource management in the south west of England, with a view to building long-term resilience and water trading capacity in the area: where water trading or other measures can be developed for the benefit of our customers, we believe that our Bid Assessment Framework will provide an invaluable structure to help manage new projects to support this regional water resilience approach.

This BAF provides the basis and process for inviting and considering third party bids and comparing them against potential in-house solutions and builds on existing processes and obligations, such as water resources planning requirements, procurement principles, and competition obligations, with a focus on ensuring transparency, non-discrimination and proportionality throughout the tendering process. The BAF is one of a number of documents designed to encourage greater levels of water trading between companies. The interdependency of these water trading documents is shown below.



The BAF acts as a gateway in the decision-making process; it ensures an innovative bidding market for water resources, demand management, and leakage services.

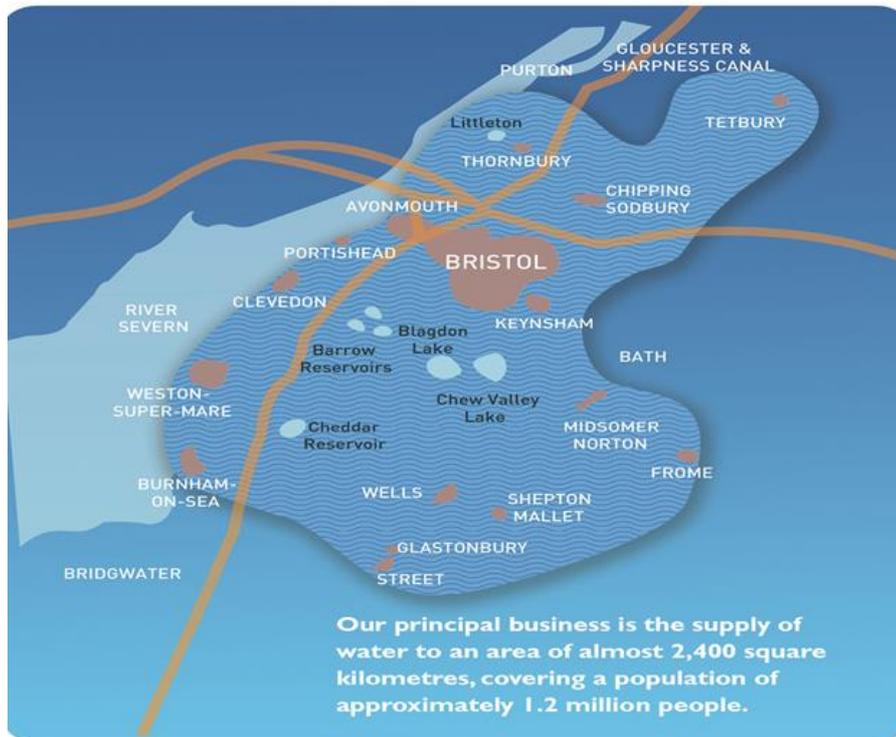


2. Background to our water resource and water demand management needs

Interested third parties can access a significant amount of information to understand our needs. We plan to publish our innovation challenges on our website to enable interested parties to propose their ideas and products. We are always open to new ideas and innovations, and this framework sets out how we approach this in the context of water resources and demand management.

The [water resources market information](#) summarises information from our draft water resource management plan, including the water resource options most recently considered, those we considered feasible, planning costs and an assessment of scope and cost confidence.

Bristol Water has a single Water Resource Zone. We serve a population of 1.2 million people and the associated businesses in an area of 2,400 square kilometres (1,000 square miles) centred on Bristol. Our area of supply ranges from Thornbury and Tetbury in the north to Street and Glastonbury in the south, from Weston-Super-Mare in the west to Frome in the east. We also provide a bulk supply of water to Bath.



Around half of the water supplied within our supply area is sourced from within it, with the rest being transferred into the zone from outside the area. The different source types comprise:

Rivers

- A major abstraction from the Gloucester and Sharpness Canal supplied by the River Severn and other local rivers, the Cam and the Frome.
- This single abstraction provides 46% of the water available to Bristol Water. In dry periods, use of this particular source is increased to conserve water stored in reservoirs.

Reservoirs

- Three surface water impounding reservoirs (Cheddar, Blagdon, Chew) collecting water from the Mendip Hills account for approximately 42% of the available licensed resource.
- Chew Reservoir is the largest and can store 20,460 million litres.
- There are also other smaller raw water reservoirs used operationally.

Groundwater

- 16 small groundwater sources such as springs, wells and boreholes, which are used conjunctively and accounts for approximately 12% of available licensed resource.

Our water resource management plan confirms that we do not see the need for developing new water resources over the planning horizon to 2045. Instead, we plan to:

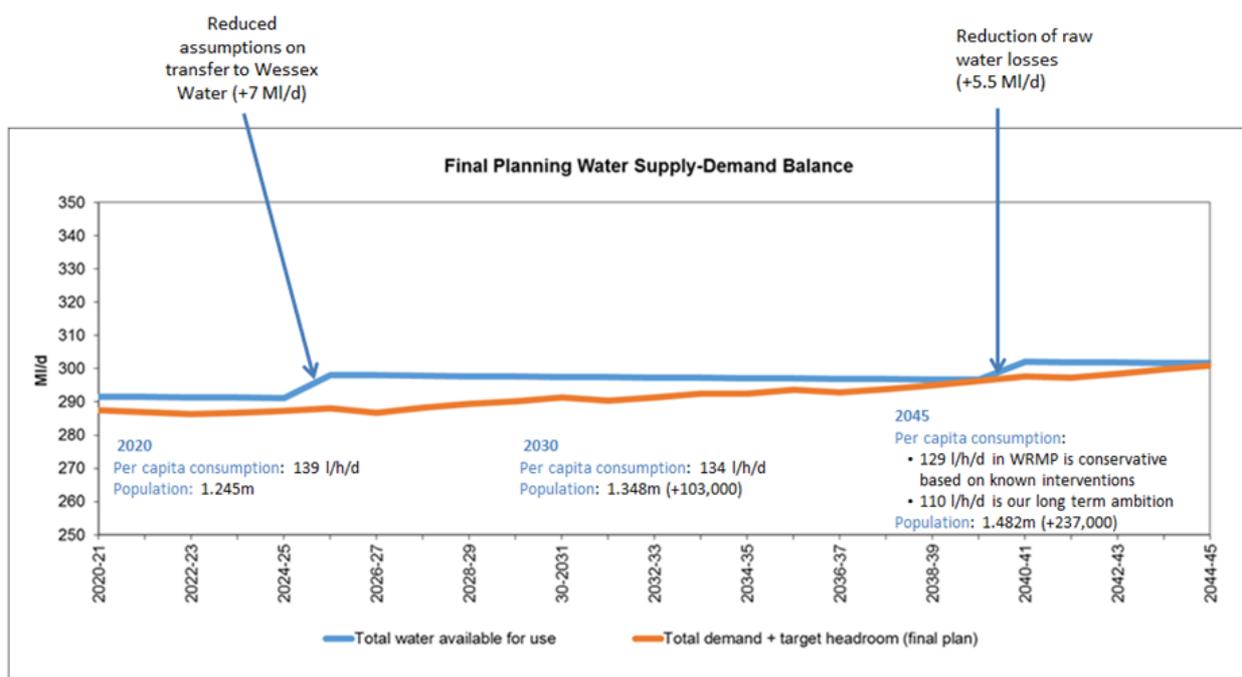
- Reduce leakage by 15% between 2020 and 2025, from 43MI/d to 36.5MI/d
- Increase household metering from 65.9% in 2020 to 75% in 2025 and 90% by 2045

- Help customers cut their water consumption, with household per capital consumption reducing from c. 142l/p/d in 2020 to 135l/p/d in 2025 and 110l/p/d by 2045.

We plan to deliver these improvements for customers through our day to day maintenance and response to customers. We already have good network monitoring and a central view of information. More details of our long-term approach can be found in [Bristol Water...Clearly](#) and our PR19 business plan, published on our website www.bristolwater.co.uk. Our PR19 plan includes incentives on how well we will deliver these outcomes. Subject to confirmation through the PR19 process, these incentives provide one indication of where proposals may be beneficial in delivering better, commercially viable outcomes.

As we deliver these demand management improvements, we are likely to have a small surplus of water available for water trading. We welcome commercial proposals from those who have sources of water or demand management innovations that would increase the amount of water available for export.

Below is an indication of our surplus of supply above demand, after taking into account our main demand management activities, and lower water transfer after 2025 reflecting that less volume will be required in the future through our bulk supply to Bath.



We may also be interested in proposals that can reduce our long-term costs. Unusually for a water company, we have a direct cost for the supply of water from the Gloucester & Sharpness Canal. A source of water that could replace this supply, and lower our day-to-day costs, would always be of commercial interest to us. The scale of the supply, at up to 245MI/d, means that there may not be any feasible options that would justify a BAF process, but we are always open to commercial opportunities and have established our BAF in a way that could facilitate this.

To understand the potential needs which the bids could address in further detail, potential bidders should also consult both the water resource management plan, and the market information data set published annually:

- The Bristol Water's Water Resources Management Plan 2019 (WRMP19) available at: <https://www.bristolwater.co.uk/about-us/water-resources/>
- Bristol Water's Water Resources Market information and Guidance Note available at: <https://www.bristolwater.co.uk/about-us/water-resources/>

In addition to details of this Bid Assessment Framework, bidders may also wish to consult our Trading and Procurement Code, which confirms details of the guiding principles that we apply for potential water resource trades:

- Bristol Water's Trading and Procurement Code available at: <https://www.bristolwater.co.uk/about-us/water-resources/>

We see our BAF as a live document. If you are a supplier or another interested stakeholder, and have views on the content of this framework, then please contact us at water.resources@bristolwater.co.uk. We are keen to receive feedback, and where appropriate, will reflect suggestions received in further iterations of the BAF.

Future Water Resources Planning and Water Trading are expected to see a greater role for regional planning groups. For the area we serve, the key regional planning group is West Country Water Resources. As part of this group, we will ensure that third parties who contact us are able to take into account regional water resource planning options where appropriate. In addition and as part of the twin-track approach on resilient water resource management, the West Country Water Resources Group operates a sub-group to collaborate on specific water efficiency and demand management issues, bringing together demand management teams from the core organisations in order to share learning and best practice. As with investigation of resource options, this regional water efficiency group will provide a way to ensure that opportunities for reduction in water demand are signposted and shared with potential bid partners.

3. Aim of the Bid Assessment Framework (BAF)

The aim of our Bid Assessment Framework (BAF) is to fully support Bristol Water's bidding market for water resources, demand management, leakage services and to promote bids and innovation. This process enables us to consistently identify more efficient providers of services resulting in reduced costs and better value to customers.

In producing this BAF, we set out our commitment to the following three principles of;

- Transparency; of process, selection and award criteria to all bidders. Ensuring that we do not create unfair advantages towards either our in-house solutions or third party bidders.
- Equal treatment and non-discrimination; in each step of the process, so all potential suppliers have an equal opportunity to compete for a contract.
- Proportionality; By keeping the process simple, without creating over specification of requirements, therefore, keeping bidding costs low for interested third parties.

Therefore, this document sets out to provide third parties with confidence and clarity about the integrity of our BAF processes, whilst mitigating the risk of actual or perceived bias towards our own in-house solutions. Set out within this document are details as to how a competitive tendering process will work and the principles, stages and requirements which both Bristol Water and third parties, be they suppliers or other wholesalers and licenced undertakers, will be required to follow and comply with to allow us to trade.

Further information on frequently asked questions about the BAF can be found on our website: <https://www.bristolwater.co.uk/about-us/water-resources/>

3.1 Overview of BAF process

Bristol Water's BAF is comprised of 5 stages which reinforce the key principles from our Trading and Procurement code³ and competition law and incorporate the existing requirements of Water Resources Management Planning. Figure 1 – High level BAF process shows these stages;

³ Bristol Water's Water Trading and Procurement Code document can be found here; <http://www.bristolwater.co.uk/wp/wp-content/uploads/2018/07/BRL-Approved-Trading-and-Procurement-Code.pdf>

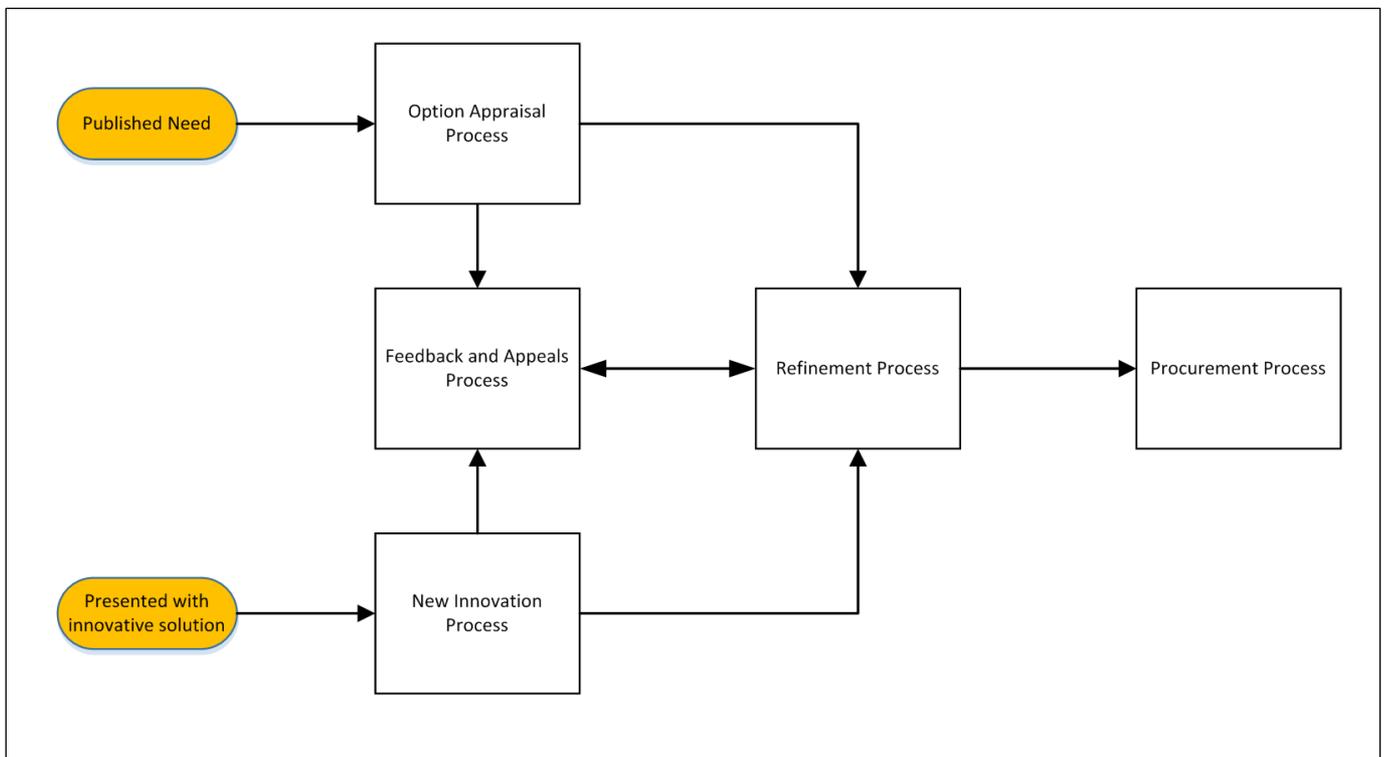


Figure 1- High level BAF process

Options Appraisal Process – This is the pre-qualification and need specification process in order to identify and assess all options for suitability of use at Bristol Water.

New Innovation Process – This is the process for innovative solutions to be presented for assessment and/or potential development in order to improve service and reduce cost.

Refinement Process – This is the confirmation process to ensure that selected potential options still provide the required outcomes, once they have been consolidated with the established programme. Additionally, the refinement process will assess new innovation and/or technology.

Procurement Process – This is an established process of procurement and associated contract issue (outside of the BAF option identification process and shown in this document for clarity).

Appeals Process – This process provides the opportunity for third parties to challenge a rejection decision through an independent appeals team. If the appeal is successful, the option can be reconsidered. If the appeal is not successful, the third party will receive feedback confirming why the option rejection is valid.

A more detailed diagram illustrating the assessments that are carried out within each stage is shown below in Figure 2 – Detailed BAF Process.

In order to remain transparent and prevent undue preference and/or discrimination, this process will be independently governed and audited by Bristol Water’s Competition Compliance Office. Details and information on all options submitted for appraisal within the BAF process will be retained in our eSourcing system.

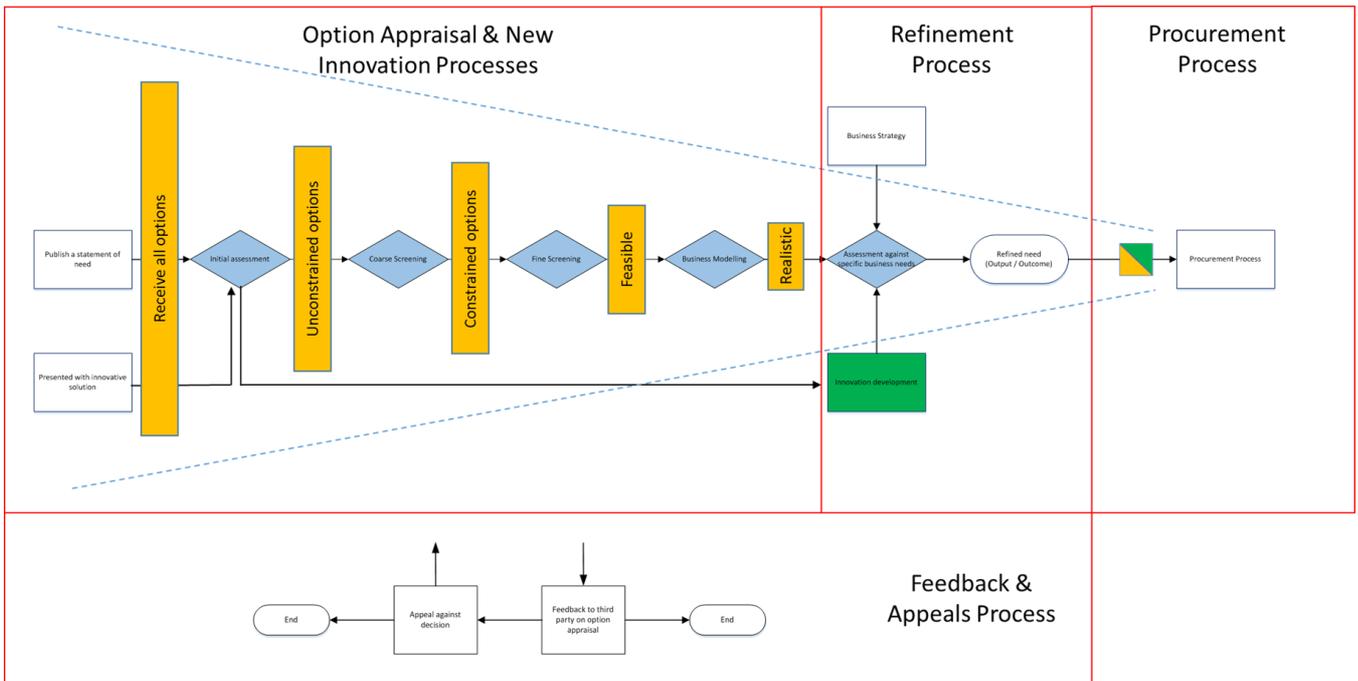


Figure 2 – Detailed BAF process

3.2 Principles of the Transparency, Non-discrimination and Proportionality

The following Principles will apply as part of this Bid Assessment Framework:

Transparency

The procurement processes for all water supply-demand schemes will be documented, retained, and made available to Ofwat, if required. By providing a clear explanation of the procurement processes that will be adopted as well as a high level overview of the evaluation criteria that will be applied, bidders will be encouraged to participate from a more informed starting position. Applying these processes consistently should also save time and cost for bidder participation.

Market information is available on our website. Going beyond this Framework, Bristol Water will ensure that the procurement opportunities are publicised with an appropriate amount of time to allow for third parties to register their interest. When commencing a procurement process, we will ensure that documentation inviting tenders will be clearly drafted and shall set out the details of how the process will operate, what our requirements for that

particular opportunity are and the award criteria to be used to determine the most economically advantageous solution to meet the opportunity in question.

In addition, we are committed to undertaking an annual review of our bid assessment activity and process. This review would include identifying any malpractice or misuse of information to favour internal bids.

Non-Discrimination

We are required by the terms of our Licence to not show undue preference to or undue discrimination against any provider or potential provider of services to us. By making this commitment we recognise the benefits of effective water resource, demand management and leakage activity markets

Suppliers and in-house are all assessed against the same assessment criteria.

To avoid the potential favouring of in-house solutions, we will ensure that no one who would be involved with the design and or delivery of an in-house option is involved in deciding upon the precise specifications or in procurement preparation, as well as tendering.

Anyone involved in in-house delivery would be limited to providing input in pre-tender preparation, but ring-fenced from determining specifications, assessment and procurement.

Any proposed in-house solution will be assessed against the same criteria as third-party bids; the criteria are set and assessed by our procurement team.

This will avoid any risk of;

- over-specifying tender requirements which can act as a barrier to entry, and deter innovative proposals
- under-specification which could lead to third parties not submitting bids due to perceiving the uncertainty as being too great.

We will ring-fence the assessment team from anyone who would be part of the team who would deliver any in-house options.

Proportionality

The overall aim of the process is to identify more efficient providers of services, resulting in reduced costs and better value to customers. For the purposes of the BAF, this will manifest itself in the following ways:

- (a) We will adopt a considered and proportionate approach to specifying the requirements that a solution will need to adhere to. This will avoid artificially narrowing the competition for that opportunity and ensure that the solution adopted is appropriate to meet the requirements specified.
- (b) By adopting a consistent approach to these procurement processes we will allow bidders to become familiar with the approach to be adopted and same time and cost by being able to prepare their bids from a common starting point.

Confidentiality and use of information

All information provided to us by third parties will be treated confidentially and only used for the purposes for which it has been provided. We will not distribute or disseminate any information provided to us except where necessary for fulfilling our functions and:

- where required or permitted by law;
- where necessary to protect public health; or
- where agreed with those who have provided the data to us.

Where third parties have any concerns around provision or use of information, they should contact our competition compliance officer, whose contact details can be found in our published Compliance Code.

4. Option Appraisal Process

A new requirement can be initiated at any time dependent on the situation (e.g. new stakeholder requirement etc.) and once known, we will publish a 'statement of need'. Potential third party providers of water resources and demand management and leakage services are then invited to present their solution for assessment. While assessment criteria will vary on a scheme-by-scheme basis, our option appraisal process will generally require the following information from bidders:

- Copies of licence permits
- Water quality data
- Maps or schematics of the proposal
- Data or reports evidencing a demand reduction
- Cost information – capital and operating.

In addition, we would invite bids from third parties that explain how you will improve any of the following:

Increase our current available supply of water or provide alternative water supplies that are more sustainable, resilient or cost beneficial compared to current supplies e.g. water transfers or licence trades.

Reduce leakage in our region and help meet our leakage targets

Reduce water use in our region through other demand reduction techniques e.g. household or non-household water efficiency initiatives

The third party bid proposal submission forms in Appendix A will assist bidders' submissions.

These wide ranging third party potential solutions, along with any potential in house solutions, will then be assessed using the 'Options Appraisal Process'. This process is fully compliant with statutory requirements and regulatory guidance and consists of 4 key assessment stages;

- Initial assessment (including option identification)
- Coarse Screening (risk and opportunity)
- Fine Screening
- Business Modelling

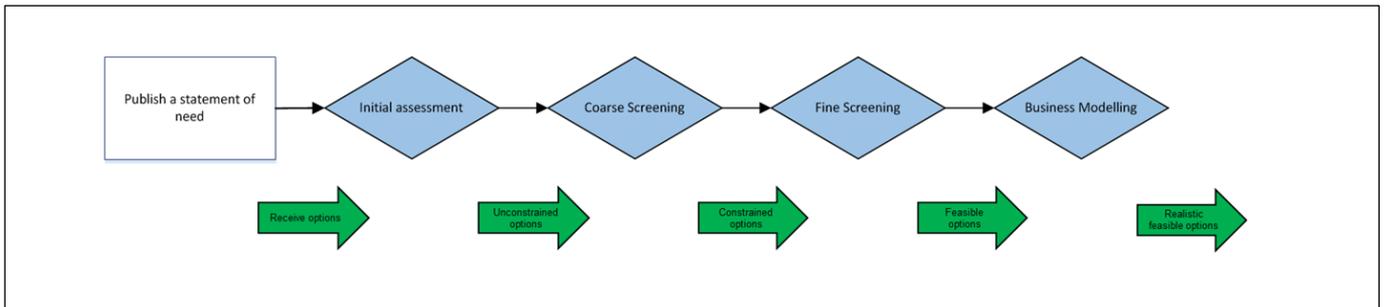


Figure 3 – Options Appraisal assessment stages

4.1 Options Assessment Board

Each option will be assessed for suitability against the screening criteria used at each stage within the Options Assessment. The Options Assessment Board comprises of relevant subject matter expertise depending on the type of option required and all members of the Options Assessment Board will be subject to strict confidentiality and non-disclosure obligations to ensure the confidentiality of information with regard to any options assessed. To safeguard against any misuse or perception of misuse commercially sensitive information will be subject to appropriate confidentiality barriers to ensure that confidential information provided by third parties is only accessed by the procurement team (and therefore is not accessible by individuals working on in house bids). Although we will periodically publish on our website a high level view of all bids received, along with reasons for why any solutions were not assessed to be viable, this will be done so by not compromising confidentiality.

The Option Assessment Board will comprise of the following membership shown in Table 1 below;

Options Assessment Board Membership	Type of Requirement		
	Water Resources	Leakage	Demand Management
Water Resources Team	X		X
Asset Risk and Planning Team		X	
Commercial Team	X	X	X
Health and Safety Team	X	X	X
Finance Team	X	X	X

Table 1 – Options Assessment Board membership

4.2 Publishing the statement of need

In addition to the established WRMP planning and preparation process⁴, once we identify a new requirement, we will publish a 'statement of need' in accordance with competition law, Trading and Procurement codes and Bristol Water policies.

The statement of need will be published for 3 months in any of the following locations;

- Official Journal of the European Union (OJEU) (Value Dependent)
- Water Resources South West Group Forum
- Resource West (Resource Efficiency Partnership)
- Bristol Water on-line e-sourcing portal system

⁴ Bristol Water's draft WRMP19, and related documents, can be found below:

[Draft Water Resources Management Plan](#) (full technical document)

[Draft WRMP Non-Technical Summary](#) (a summary version of the plan, to enable customers and non-technical stakeholders to understand the most important aspects of the plan and to provide feedback)

- Bristol Water website
- Bristol Water social media (Twitter / LinkedIn etc.)
- Specialist industry journals (Water Briefing UK etc.)

4.3 Initial assessment

The initial assessment is designed to filter and identify the third party options that have been received in response to the published the statement of need and in addition to existing known options (internal and external) that have originated by using;

- Historical data to understand known methods
- General value engineering workshops
- Specialist requirements workshops
- If an option has been previously submitted, assessed and rejected from the process and the new submission has not changed or been improved, and the requirements remain unchanged since the previous submission, it will not progress.
- The Options Appraisal Board will conduct the initial assessment to ensure that the option is clearly defined and does not have an unacceptable environmental impact, in order to progress to the Coarse Screening process.
- If any option fails to satisfy the basic requirements at this stage, they do not progress to Coarse Screening.
- If the option is not clearly defined, it will be further assessed to determine whether the lack of definition is due to being a new innovation or technology. If an option lacks definition and is not a new innovation or technology it will be rejected.

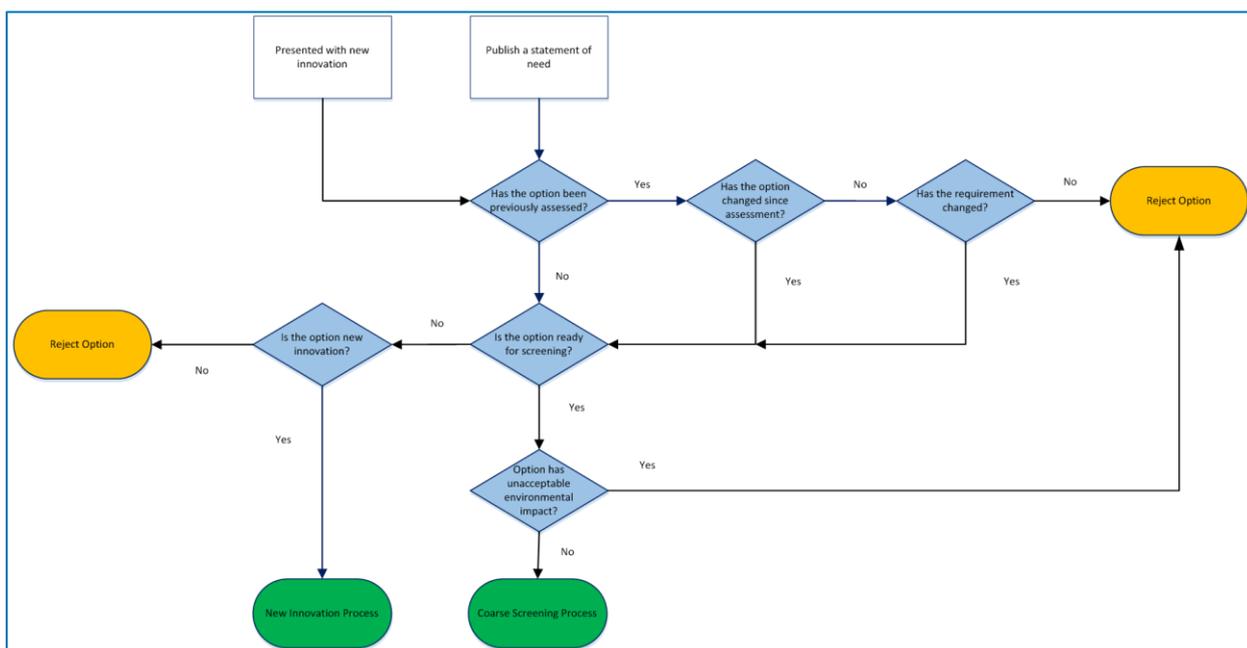


Figure 4 – Initial assessment process

4.4 Coarse Screening (Risk and Opportunity) Assessment process

The Coarse Screening (risk and opportunity) process exists to quickly accept or discount options within the unconstrained list against the following set of headline objective criteria;

- Feasibility and Risk
- Engineering complexity
- Performance
- Operational (compliance risks)
- Biodiversity and Wellbeing

Within this screening, these 5 key areas contain 12 high level assessments which are simply scored as pass or fail. In order to be considered to proceed to fine screening an option must pass all criteria (if applicable). Cost will not be considered at this stage. The detailed Coarse Screening criteria are detailed in Appendix B.

4.5 Fine Screening assessment process

All potential options that successfully pass the Coarse Screening are considered 'constrained options' and progress to Fine Screening, where they undergo a more detailed assessment based on specific criteria. The specific assessment criteria will be based upon the need and published as part of the 'statement of need'.

During this screening stage all options will be RAG rated against relevant criteria. Any assessment receiving a 'Red' grading will result in the option being rejected. The Fine Screening assessment result table is shown below.

A successfully assessed option is considered 'feasible' and will be carried forward for the final stage of appraisal. For illustrative purposes a set of fine screening criteria is at Appendix C.

Assessment Grade	Impact to Bristol Water	Overall RAG	Route forward
0	Positive impact	Green	Proceed to modelling assessment
1	Zero / negligible risk		
2	Low risk	Amber	Requires minor mitigation to proceed
3	Medium risk		Not desirable, but mitigation is possible (if required)
4	High risk	Red	No mitigation possible. Reject option.

Table 2 – Fine Screening assessment result table.

4.6 Business Modelling Assessment Process

During the Business Modelling process, the remaining 'feasible options' will be assessed in more detail using the specific criteria set out in the statement of need and in addition to Bristol Water's established business modelling tool. The process enables us to better understand potential performance, risks, costs and benefits in combination with other options (if required) within a programme. This may lead to some options being rejected.

The modelling tool evaluates all options and identifies the combination of those options which perform best against cost, environmental and social criteria in order to identify the best value and best performing options.

The details of capital and operational costs for supply and environmental and social aspects, along with risks and potential benefits, will be entered in to the model. We will work with the third party offering the option to develop the indicative costs required for inclusion in the modelling (if required).

Successful options will then be progressed to the Options Refinement Process.

5. Refinement Process

Having selected the most potential options in the Options Appraisal Process, we will then ensure that they can be amalgamated into our established programme without degradation to efficiency. If an option represents residual risk to current practice without marked improvement to cost and/or benefits, it will be rejected.

An option (internal or external) which appears to be likely to be selected for inclusion in a future programme will not necessarily proceed immediately with implementation. This is because the business modelling and option refinement processes may have identified more beneficial options to progress first. The third party will be informed of this situation and of the most likely timescale for implementation.

Any new innovation or technology that has been identified or realised that potentially satisfies or assists a specific business need will also be assessed at the Options Refinement Process stage. Successful new innovations or technology can then be considered by the procurement process. New innovation or technology is specifically covered later in this document.

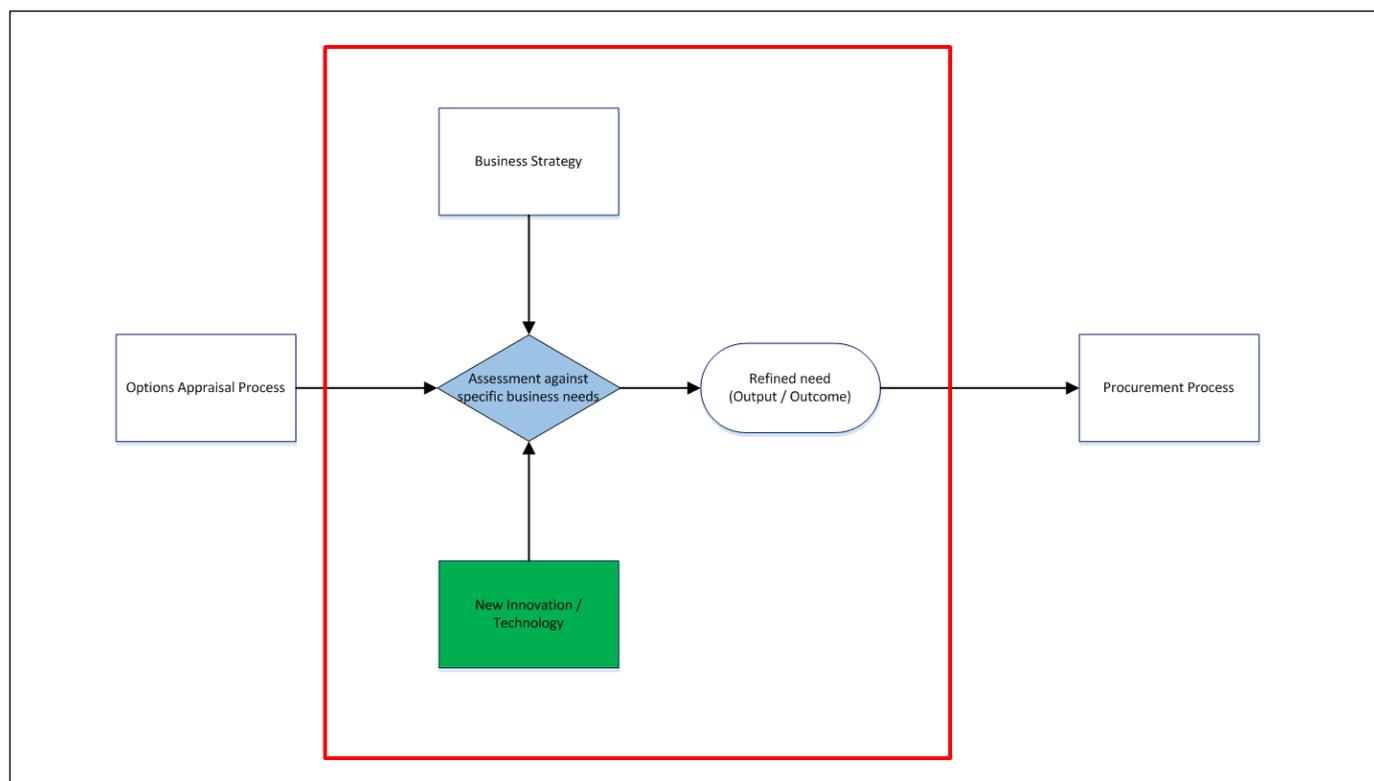


Figure 5 – Refinement Process

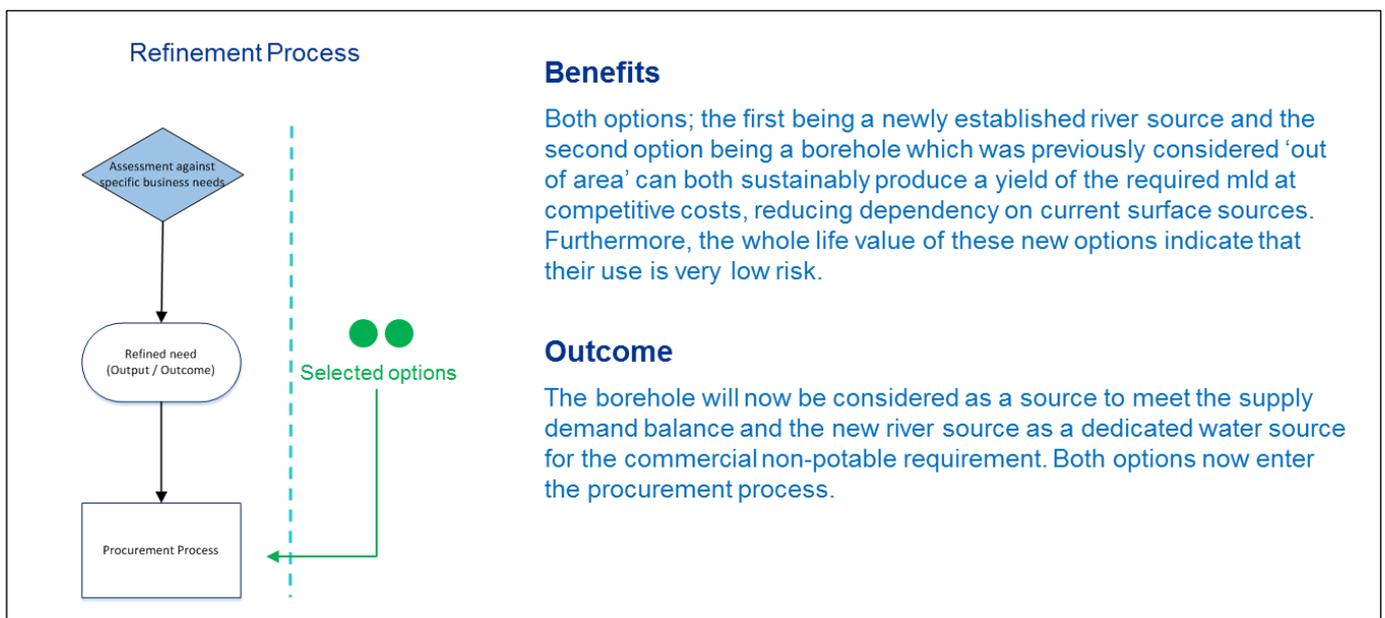
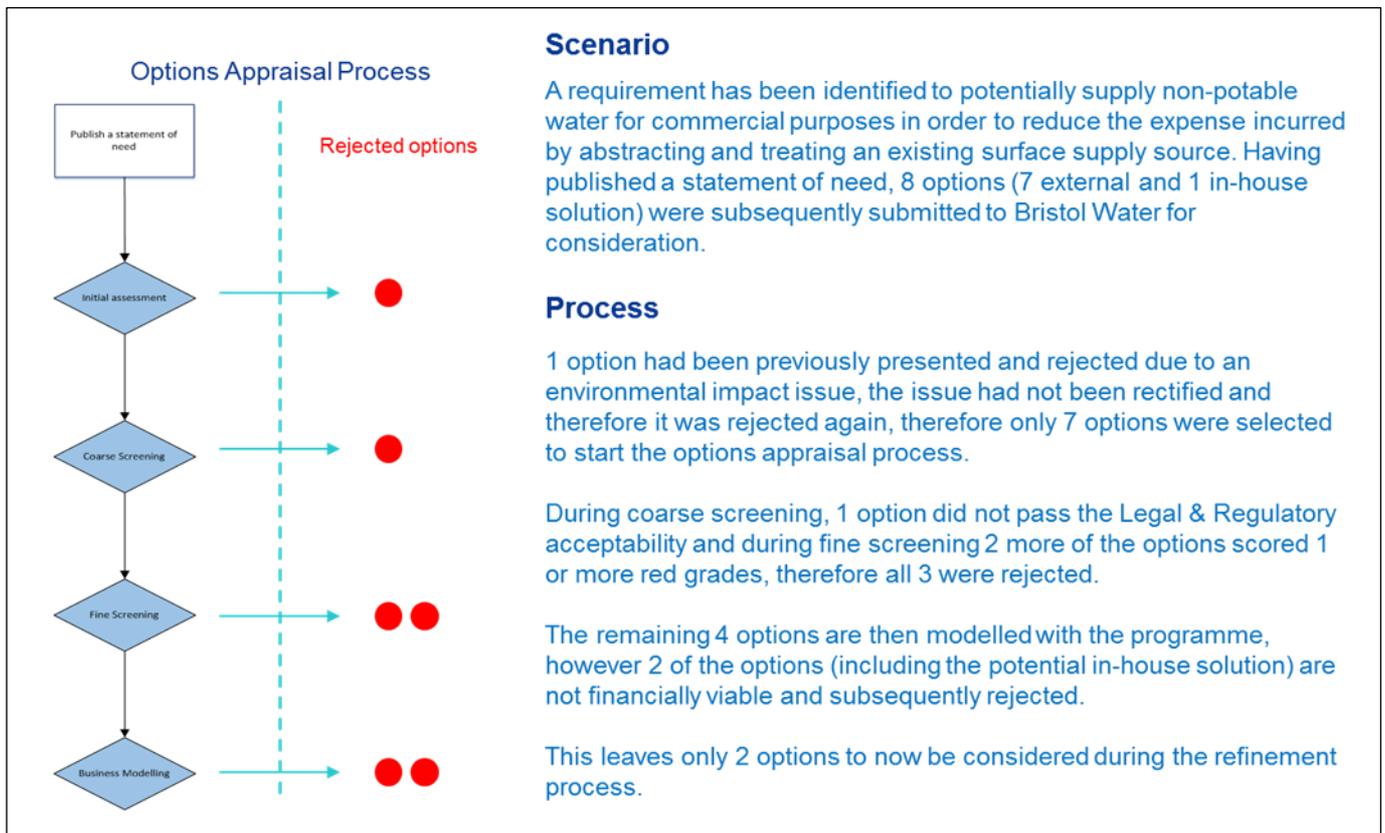
5.1 Refinement Board

Membership of the Options Assessment Board may be amended to include a specific role for innovation and technology (if applicable). The updated Option Assessment Board used during the refinement process may therefore now comprise of the following membership shown in Table 3 below;

Options Assessment Board Membership	Type of Requirement		
	Water Resources	Leakage	Demand Management
Water Resources Team	X		X
Asset Risk and Planning Team		X	
Innovation Team	X	X	X
Commercial Team	X	X	X
Health and Safety Team	X	X	X
Finance Team	X	X	X

Table 3 – Additional membership to the Options Assessment Board

5.2 Option Appraisal and Refinement Processes example



6. New Innovation and Technology Process

At Bristol Water, our strategy is to continue to transform our cost base and our performance through continuous improvement, transformation and innovation. In order to adopt innovations that are positively disruptive, we require the 'New Innovation and Technology Process' which recognises the nature of working with a company / technology / service that is not necessarily operationally or commercially mature.

Innovations develop through different stages of maturity. Early adoption is often very advantageous but can create a number of challenges and therefore the new innovation process must be robust enough to overcome identify the innovations that will work best for us. The process of assessment requires enables us to bespoke innovative solutions to various situations. Some of the potential solutions may require a more collaborative approach to help refine the service offering; some solutions may carry a larger amount of uncertainty regarding their business case and the companies offering the solutions may not meet the traditional procurement process assessments that are applied for financial resilience (such as employee numbers and ability to scale resource, turnover / profit thresholds etc.)

In addition to this, it may be necessary to seek innovations from locations that are very different to traditional procurement routes. For example, universities, innovation events and social media may represent more appropriate avenues for sources of innovation than procurement databases and preferred supplier lists.

When a new innovation or technology option is identified, that can be used, adapted and/or developed to realise, improve or replace a specific Bristol Water business requirement, it will be processed using our BAF 'New Innovation and Technology' process.

6.1 Definition of new innovation and/or technology

New innovation and technology is categorised into the standardised Technology Readiness Levels (TRL). TRL provides a measurement system to assess the maturity level of evolving technology and assigns one of nine readiness levels shown in figure 6 – Defining new innovation and technology.

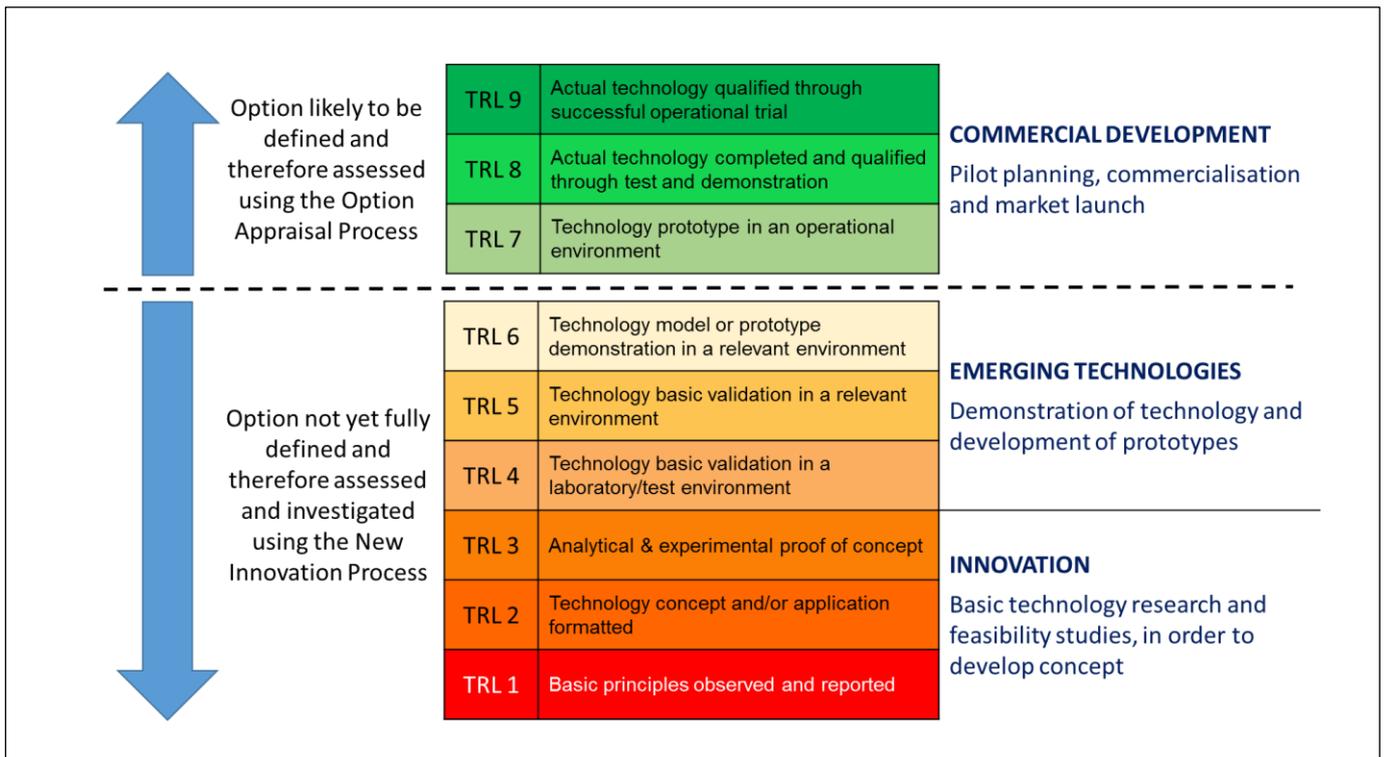


Figure 6 – Defining new innovation and technology

- TRL 1-3 - New Innovation that is not yet mature enough to be assessed and considered for use.
- TRL 4-6 - Emerging Technology that is being demonstrated and developing prototypes which look to be of potential interest to Bristol Water.
- TRL 7-9 - Commercial Development of innovation and technology ready for market launch. It is likely that technology in this category may be sufficiently defined to be assessed using the Options appraisal process.

6.2 Innovation Partnerships

We recognise that partnering with organisations is key to driving innovation and providing exposure to leading innovations expertise beyond our own capabilities.

Different forms of partnerships may be required to adopt innovations that are at differing stages of maturity. An illustrative example of partnerships we pursue for differing maturity of innovation (according to the Gartner Hype Cycle model) are shown below in Figure 7 - Partner types for stages of innovation relating to the Gartner Hype Cycle;

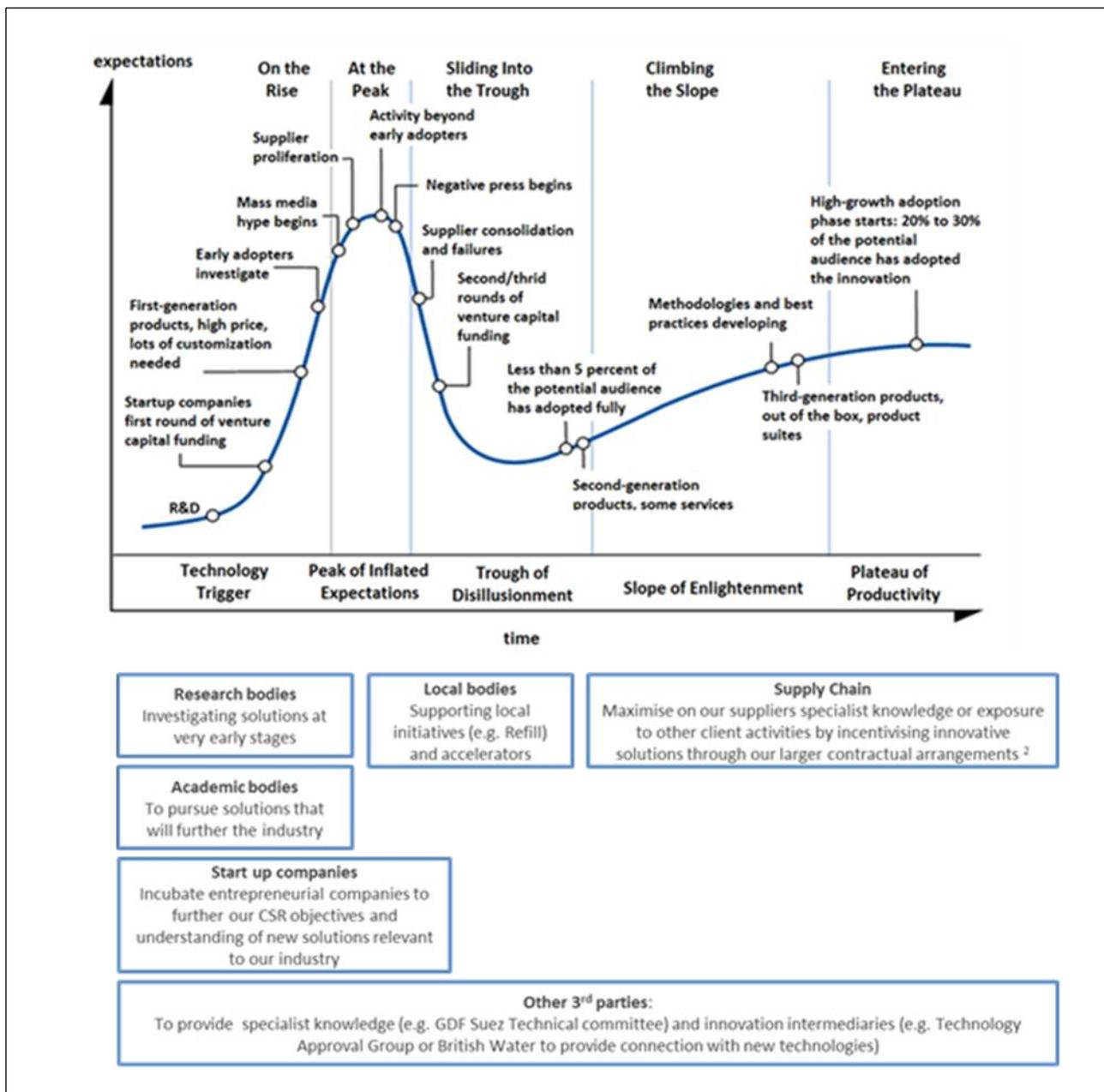


Figure 7 – Partner types for stages of innovation relating to the Gartner Hype Cycle

Once a new innovation or technology is identified or realised, that potentially satisfies or assists a specific business need, it can be directly assessed at any time. If the innovation is not yet sufficiently mature, we may consider a partnership agreement in order to develop the innovation further. Once developed, the innovation will be assessed against the specific business need at the BAF Refinement Stage. Successful new innovations or technology may then be considered for procurement. Figure 8 – Assessment of new innovation and technology illustrates the process below;

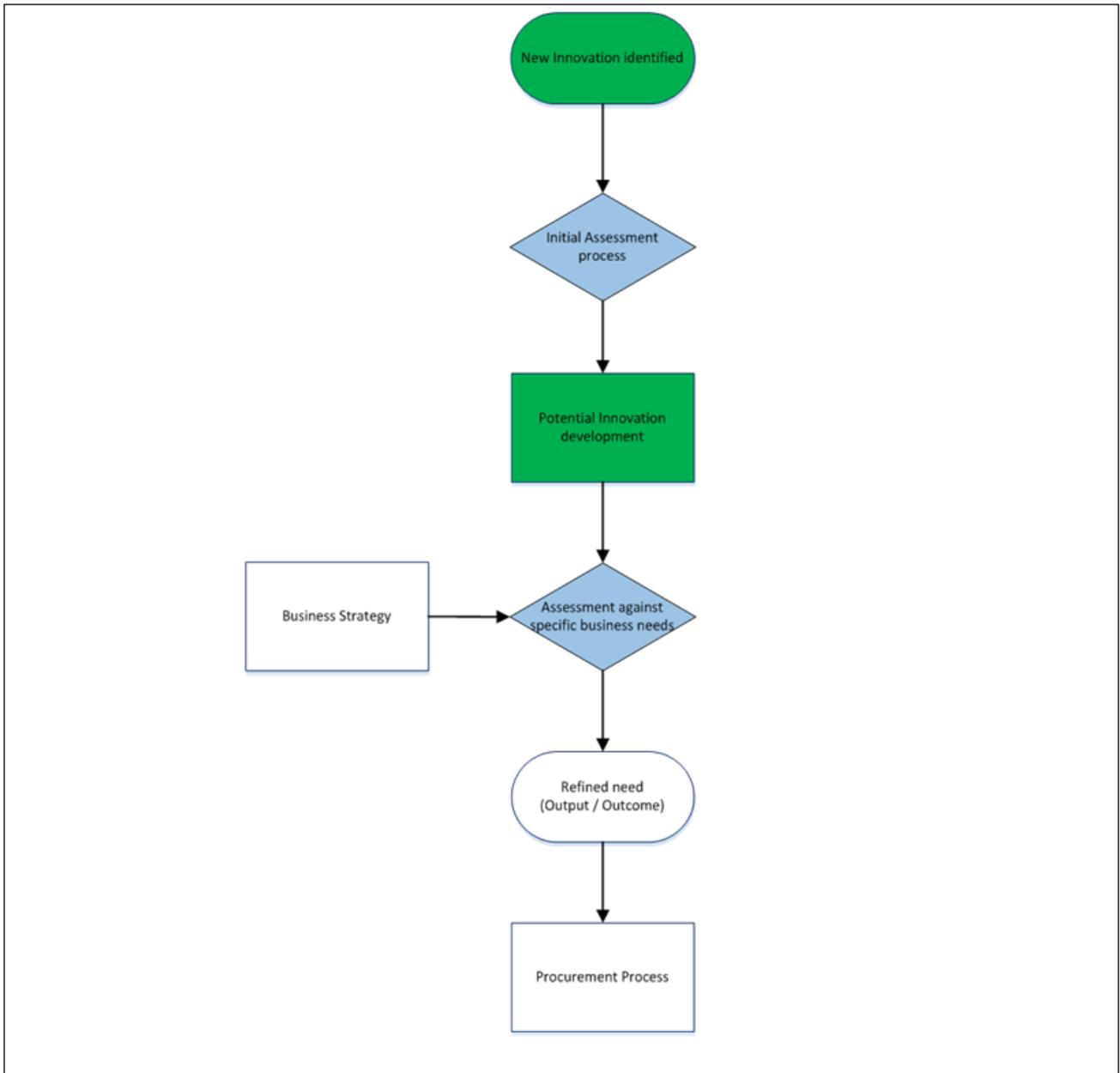
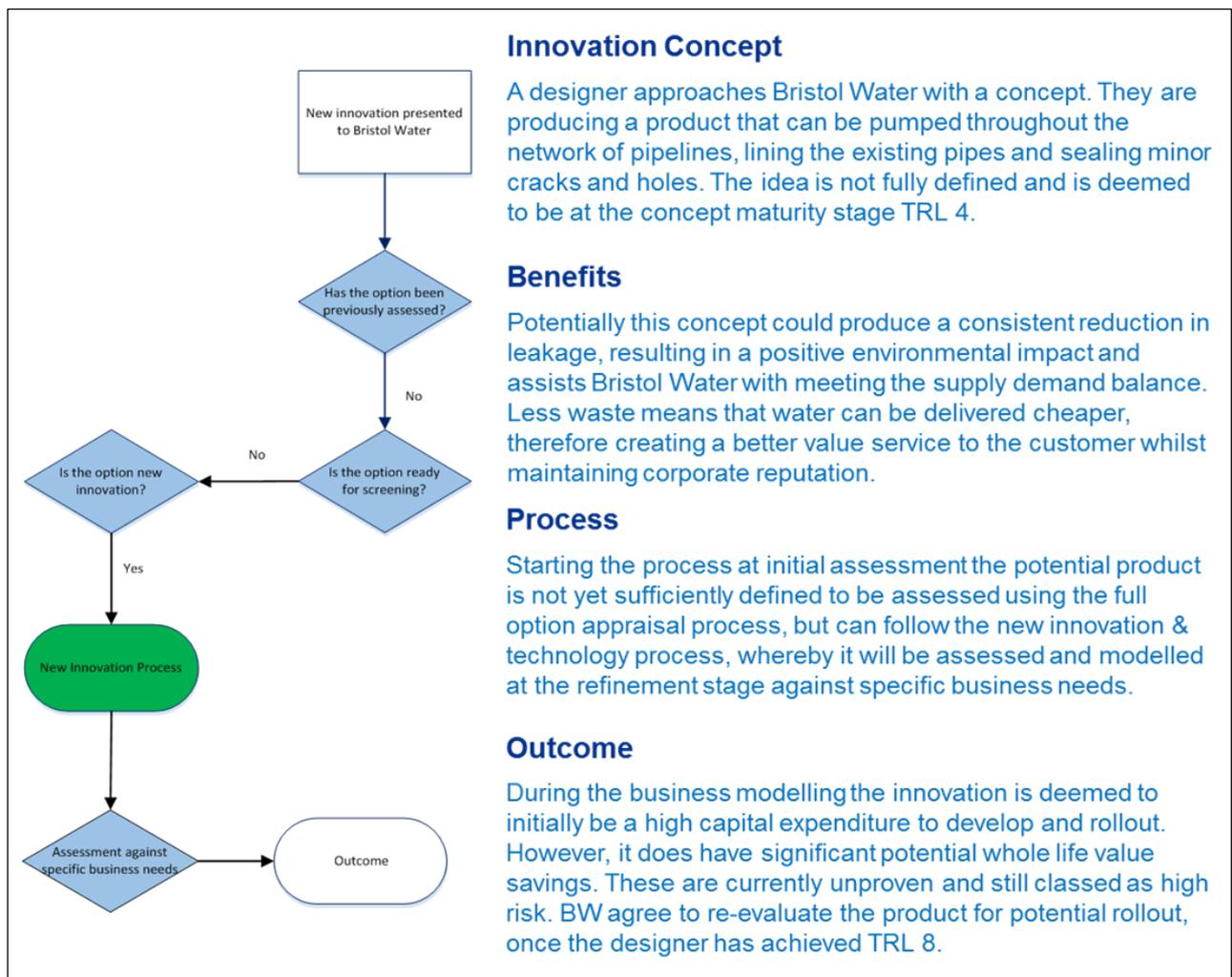


Figure 8 – Assessment of new innovation and technology

6.3 New Innovation and Technology Process example



6.4 Innovation Partnership example

An example of an innovation partnership is the recent collaborative project with the valve manufacturer Cla-Val, in association with Imperial College, London.

The project uses sophisticated modelling and dynamic operation of network boundaries to optimise pressure and flow, in order to extend the life of our assets and allow us to route water more effectively during incidents ensuring that we can continue to deliver to our customers.



7. Feedback and Appeals Process

Throughout our BAF process, any option which is deemed not to meet the business need or does not contain sufficient detail to satisfy the screening criteria will be rejected from the process.

We have implemented a feedback and appeals process for third parties to receive feedback on why their option was rejected. This process is shown in Figure 9 – Feedback and Appeals Process.

We will provide an appropriate justification to our decision, including how the option has scored through the screening process. Advice on how new innovation and technology could be improved, can also be provided if requested. If third parties still believe they have satisfied the criteria, they may appeal to continue through the process.

This feedback and appeals process is designed in accordance with Ofwat’s requirement to encourage new innovation and gives third parties an opportunity to enhance and improve their processes to give themselves another chance to meet our business needs.

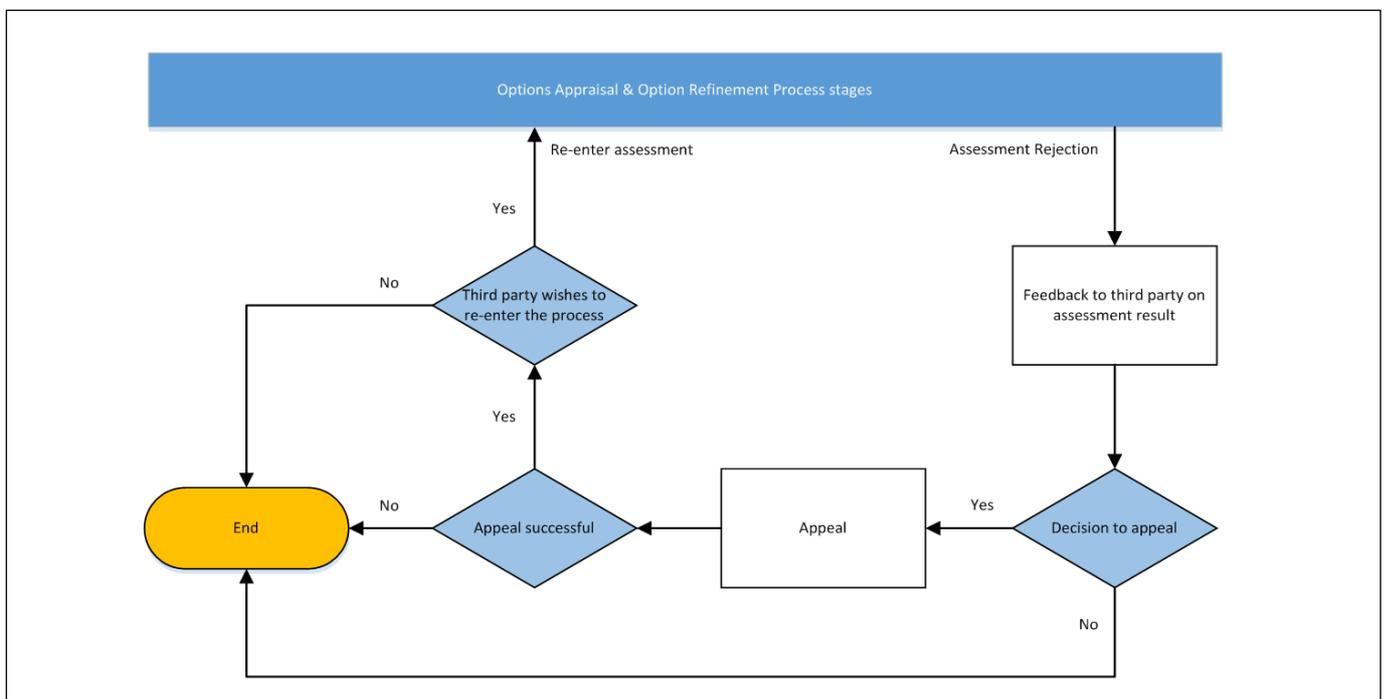


Figure 9 – Feedback and Appeals Process

7.1 Appeal Process

Once an option has been rejected, our written feedback will be presented back to the third party. If the third party then wishes to appeal against the decision, they must do so in writing within 10 days providing all relevant justification and evidence.

All appeals will be dealt with independently from the Options appraisal and refinement processes by the requirement executive sponsor. The original assessor will not be consulted during this process in order to maintain impartiality and fairness. All appeals will be answered in writing within 14 days of receipt.

7.2 Successful Appeal

Successful appeals are eligible to re-enter the process at the end of their last successful stage. For example, if an option is rejected at the Fine Screening assessment, but is successful at appeal, then it will re-join the process at the end of the Coarse Screening stage.

8. Procurement process

Upon completion of the Refinement Process, the refined need and identified potential options details will be passed to our Procurement Team. The Procurement Team is then responsible for the co-ordination and the end to end procurement process with key business leads (as required). All activities will be undertaken ensuring they remain consistent, transparent and compliant with all Bristol Water policies and legislative requirements.

The Procurement Team will lead on developing the strategic sourcing approach to deliver the required solution. This will include the initial procurement process, contract strategy, relevant sourcing activity and the ongoing commercial performance management.

As part of the options or bid scoring that we undertake during a contracting or procurement process, we may run Behavioural Assessment Centres. This would allow the third party providers and any in-house teams to take part in presentations and group activities that allow Bristol Water to validate the appraisal scores undertaken within the procurement exercise. A Behavioural Assessment Centre includes group activities that test the ways of working. This reflects the importance within an efficient and effective market that those we work with align with our values. We may also use presentations from the management bidding for a contract to allow us to compare bid documentation to the overall culture and approach taken. Moderation of scores through these approaches is achieved in a transparent way as part of the assessment of any bids.



9. Summary

This document sets out how we will provide a ‘principles-based’ approach that protects our customer’s interests by promoting markets and efficiency. The Bid Assessment Framework is a process to assess third party and in-house options for suitability that is transparent, fair and proportional. It will provide third parties with confidence and clarity about the assessment, selection and rejection processes whilst mitigating the risk of perceived bias toward in house solutions.

In order to ensure that the Bid Assessment Framework remains current and effective, we will continue to review and update the process. The first formal review will be conducted in September 2019. A summary table is shown below;

Prequalification	
<p>Gateway criteria – mandatory requirements.</p> <p>Ensures third party does not commit resources to a bid if it will be automatically rejected.</p>	<p>Third party proposals for potential options to close the supply-demand deficit are appraised by Bristol Water; this objective has been achieved as we ensure that in-house solutions will not be favoured at the expense of third party bid that offers better efficiency. All bids will be assessed and if successful, third parties will progress to the next stage.</p>
Need specification	
<p>Specification made clear at the outset, including the environmental aspects, water source and quality, costs and reliability.</p> <p>Bidders must understand the needs, assumptions and capital requirements of fulfilling the contract.</p>	<p>Bristol Water has emphasised that in order for an option to progress to the coarse screening process, it is essential that it must not have an unacceptable environmental impact. Details of the need, minimum requirements etc. will be specified in the published statement of need.</p>
Time Limits and Bid Clarification	
<p>Bids considered within a reasonable time of being submitted. Ambiguities clarified before evaluation and communicated to all bidders through authorised channels.</p> <p>Equal treatment of bids and non-discrimination in relation to in-house solutions.</p>	<p>Bristol Water’s assessment process will be completed with integrity, ensuring transparency, equal treatment and proportionality when assessing third party bids. In-house solutions will not be favoured at the expense of more economically advantageous third party proposal submissions. The process is designed to ensure third party bids are assessed in a structured manner and all potential suppliers have an equal opportunity to complete for</p>
	<p>as part of the statement of need.</p>

Evaluation	
<p>Evaluation criteria aligned to specifications and made clear upfront.</p> <p>Ensures a transparent, rule-based decision making process that limits discretion and ensures equal treatment and non-discrimination.</p>	<p>This BAF clearly defines the criteria and required scoring at each stage. During modelling, cost, environment and social criteria are taken into consideration to establish the best value and best performing options. Throughout the BAF process, any option which is deemed not to meet the business need or does not contain sufficient detail to satisfy the screening criteria will be rejected from the process.</p>
Governance	
<p>Develop processes to ensure objective and independent analysis of evaluation of bids.</p> <p>Document process with reasons for rejecting/accepting bids.</p> <p>Ensures fairness, transparency and equal treatment.</p>	<p>This BAF process is fully compliant with all Bristol Water policies and legislative requirements. All stages and decisions will be documented and recorded.</p>
Contract Award	
<p>Audit report of compliance with the bid assessment principles and company's own framework to be prepared and be made available to Ofwat.</p> <p>Embedded process ensures validity of evaluation's conclusion. Independent oversight will encourage equal treatment and limit discrimination.</p>	<p>In order to remain transparent and prevent unfair preference and/or discrimination, the process will be independently governed and audited by Bristol Water's Competition Compliance Office. If an option is rejected, a third party can challenge this outcome if they believe they have satisfied the criteria (as long as valid evidence is provided).</p>
Communication of decisions	
<p>Decisions communicated to all bidders including reasons for acceptance/rejection of bid.</p> <p>Encourages improvements in the quality of bids by ensuring future potential bidders can see the quality of successful bids.</p>	<p>Bristol Water will provide appropriate justification as to why a proposal has been rejected; including how the option has scored throughout the screening process and advice on how new innovation and technology could be improved. This enables third parties to amend, modify and improve their options for the future.</p>

Appendix A – Third Party Bid Proposal Submission Forms

If you would like to submit a bid to Bristol Water for please complete the relevant form and provide all available information to the best of your knowledge. We would encourage any potential third party bidders to contact us directly – our Procurement team will offer support in completing applications.

The questions in the forms define the kind of information that we will require from bidders wishing to submit third party options to us. We ask bidders to provide as much information as possible, to help us evaluate their bids. However, we also understand that not all bidders will be able to provide all the requested information. Where data is not available, please indicate this in your response. Where there are gaps in data, or insufficient data, we may need to work with you to collect more data before we can fully evaluate your bid.

Third Party Bid Proposal supply side option submission form

Bid contact details – information relating to bid will be sent to this named contact	
Bid contact name	
Company name	
Name of organisation submitting bid if different to above	
Address	
Telephone number	
Email address	
Bid Proposal Information	
Requested data	Bidder's information
1. What daily volume (mega litres per a day or cubic meters) will the scheme provide on average?	
2. What peak volume (mega litres per a day or cubic meters) will the scheme provide on average? I.e. Is there a daily maximum allowance that is different to the annual average.	
3. What is the source of supply e.g. river, groundwater, reservoir, canal, mine water discharge or final effluent?	
4. Is the potential supply raw, treated or other (e.g. grey water)?	
5a. Is the scheme related to a licenced abstraction? If no, please go to question 6.	
5b. Is the licence for consumptive or non-consumptive use?	
5c. What is the current licence use or when last in use e.g. spray irrigation, water supply, farming or cooling?	
5d. Are there any constraints on the water resource e.g. hands-off flows, seasonal constraints or tidal?	
6. Are there any known future risks	

to the resource e.g. deterioration due to climate change, water quality, licence threats?	
7. Are there any known environmental risks linked to the water resource? Will it impact on a designated site e.g. SSSIs, SAC, etc.	
8. Where is the point of abstraction or point of transfer to Bristol Water located? Please provide a grid reference if known.	
9. Is the land easily accessible? Does it require any special permissions?	
10. Are there any other assets (boreholes, pumps, pipelines etc.) that would be included in the scheme/agreement?	
11. Does the bidder have a suggested proposal for how the resource could support Bristol Water's supply system? This can be provided as a separate document with any additional supporting information attached.	
12. What is the first year when the water resource could be made available to Bristol Water? Please note the actual first year that Bristol Water requires the water resource and is able to take the resource, will depend on a number of other factors, including environmental assessments, water quality investigations, construction time and need (e.g. year of deficit).	
13. Are you able to provide water quality data? Please provide us with as much information that you have in relation to water quality, so that we can review this data and also establish whether we would need to collect additional water quality information in order to help inform our assessment.	
14. Please provide any additional information you would like us to consider in relation to your bid?	

Third Party Bid Proposal demand side option submission form

Bid contact details – information relating to bid will be sent to this named contact	
Bid contact name	
Company name	

Name of organisation submitting bid if different to above	
Address	
Telephone number	
Email address	
Bid Proposal Information	
Requested data	Bidder's information
1. What daily volume (mega litres per a day or cubic meters) will the scheme provide on average?	
2. What type of demand reduction option are you proposing? E.g. leakage reduction, demand management household customers, demand management non-household water users or other?	
3. Provide a brief description of the scheme proposed. This can be provided as a separate document with any additional supporting information attached.	
4. Has the scheme/technology been tested and proven to work? Provide any available evidence. This can be provided as a separate document with any additional supporting information attached.	
5. Are there any known future constraints on the option benefits e.g. will the benefit be affected by climate change or the occurrence of drought?	
6a. What is the earliest date the scheme can start?	
6b. What is the lead-in time to achieve the demand reduction benefit?	
7. Are the savings maintained following implementation or does the service need to be repeated and at what frequency?	
8. Are there any known water quality risks related to the option e.g. grey water? Please include any available information on mitigating the risks.	
9. Please provide any additional information you would like us to consider in relation to your bid?	

Appendix B – Coarse Screening Criteria

We will apply the following criteria to conduct the Coarse Screening assessment. If additional information is required, it will be requested from the third party;

	Coarse Screening Assessment	Result/Score
Feasibility and Risk	Stakeholder acceptability	Pass / Fail
	Customer acceptability	Pass / Fail
	Legal & Regulatory acceptability	Pass / Fail
Engineering	Engineering complexity	Pass / Fail
	Technological risks	Pass / fail
Performance	Likely scale of supply benefit relative to the supply deficiency	Pass / Fail
	Resilience benefits	Pass / fail
Operational	Compliance risks	Pass / Fail
Biodiversity & Wellbeing	Site and Planning risks	Pass / Fail
	SEA considerations	Pass / Fail
	Socio-economic risks	Pass / Fail

Depending on the bid or procurement category (e.g. demand management), will determine how Health and Safety is assessed. It will normally be a separate Pass/Fail criteria, but also included as a significant criterion within a procurement exercise. Behavioural assessment and site visits to validate criteria may be used where appropriate.

Appendix C – Fine Screening Criteria (Illustrative)

The following criteria is an example of how Bristol Water's Bid Assessment Framework will approach the Fine Screening assessment, if additional information is required, it will be requested from the third party;

Assessment Grade	FEASIBILITY AND RISK				OPERATIONAL
	Scheme Dependencies	Timeframe to Implement	Shareholder acceptability	Customer acceptability	Compliance Risk
0	Provides a positive benefit to other existing BW assets	Resource is currently available with no further works or permissions required.	Option positively contributes to shareholder objectives; local planning authorities will positively respond to option	Actively contributes to Bristol Water's customer service promises; materially improves drinking water quality	Actively contributes to improving delivery and drinking water quality compliance
1	Has no impact on existing BW assets	Can be designed, delivered and all permissions obtained.	Neutral effect on shareholder objectives; no concerns likely from local planning authorities	No detriment to Bristol Water's customer service promises; neutral effect on drinking water quality to customers	Neutral effect on delivery and drinking water quality compliance
2	Limited / small scale impact on existing BW asset capacity	Can be designed, delivered and all permissions obtained, however there are hurdles to be overcome and delivery may be delayed.	Minor impact on of shareholder objectives; some low level concerns likely from local planning authorities	No detriment to Bristol Water's customer service promises; some minor/occasional drinking water quality complaints from small number of customers	Risk of minor deterioration in delivery and drinking water quality compliance but within acceptable tolerance limits
3	Will impact capacity of existing BW assets, that will require limited upgrading to accommodate new scheme. May require reliance on third party assets.	Can be designed, delivered and all permissions obtained, however there are major hurdles to be overcome and delivery will be delayed.	Option hinders shareholders objectives; material concerns likely from local planning authorities (onerous planning conditions likely)	Risk of failure > than one Bristol Water customer service promises; drinking water quality may deteriorate causing regular customer complaints and/or concerns raised by some customers	Delivery and/or Drinking water quality compliance will deteriorate sufficient to lead to DWI regulatory attention
4	Likely to have a significant impact on existing BW assets, requiring extensive upgrades to accommodate the new scheme. Require use and significant reliance on third party assets.	Significant hurdles to be overcome. Delivery likely to exceed required timescales.	Option is contrary to shareholders objectives; substantial concerns likely from local planning authorities (high risk of refusal of planning permission/public inquiry required)	Significant effect on Bristol Water's customer service promises; drinking water quality concerns will be raised by many customers and/or high level of regular customer complaints	Delivery and/or Drinking water quality compliance will deteriorate and lead to DWI enforcement action

Assessment Grade	ENGINEERING and Cost		PERFORMANCE		
	Delivery/Engineering Complexity	Indicative Cost/Benefit	Flexibility to Adapt	Volume of delivery	Resilience
0	No construction works required, just paperwork	Provides cost savings and/or benefits and avoids or delays significant planned spend on existing assets	Reliable year round supply balance of water; scheme output able to be increased or decreased reliably, quickly and remotely, to enable other local sources to be more efficiently managed.	Volume of delivery is very certain and provides at least 10% of the requirement	Very high resilience factor from resilience assessment. Option makes very positive improvement to the resilience of the supply.
1	Minor engineering works only i.e. modifications to existing networks	Provides cost savings and/or benefits	Reliable year round supply balance of water; scheme output able to be increased or decreased reliably and quickly.	Volume of delivery is very certain but provides less than 10% of the requirement	High resilience factor from resilience assessment. Option positively improves the resilience of the supply.
2	Tried and tested water company engineering solutions, no significant site specific issues to be overcome.	Provides negligible cost savings and/or benefits	Limited risk of supply balance outage; scheme output able to be increased or decreased reliably.	Some limited uncertainty as to benefit (within +/- 10%)	Medium resilience factor from resilience assessment. Option makes only a small positive improvement of the resilience of the supply.
3	Tried and tested water company engineering solutions, significant site specific issues to be overcome.	Does not provides cost savings and/or benefits	Risks of supply balance outage for short periods <24 hours; scheme output able to be increased or decreased but not straightforward to implement.	Moderate uncertainty as to benefit (+/- 10% to 30%)	Low resilience factor from resilience assessment. Option makes no improvement to resilience of the supply..
4	Complex engineering solutions required (eg. new treatment processes; multi site working etc)	Likely to increase costs with no real benefits	Risks of supply balance outage for significant periods > 24 hours - weather, pollution etc.; difficult to increase or decrease scheme output reliably.	High uncertainty as to benefit (in excess of +/- 30%)	Very low resilience factor from resilience assessment. Option leads to reduction in current level of resilience of supply.

Assessment Grade	ENVIRONMENTAL CRITERIA				
	Cultural Heritage	Flood risk	International or national landscapes	Carbon	Invasive Species
0	The scheme could help or improve cultural heritage	The scheme could help reduce flood risk e.g. creation of a new reservoir.	Potential improvement to designated landscapes.	The scheme could help mitigate the impacts of climate change.	The scheme reduces the risk of spreading invasive species
1	The scheme would have no impact on cultural heritage.	The scheme would have no impact on flood risk.	No impacts on the designated landscape likely	The scheme will not involve any new structures or increase in energy usage	The scheme does not increase the risk of spreading invasive species
2	The scheme would have a minor impact on cultural heritage and mitigation is possible.	Scheme would involve activities in Flood Zone 1 but compensation flood storage can be provided	There is a minor risk of impacts on the designated landscape and mitigation is very likely.	The scheme might involve any some minor new structures or increase in energy usage. Mitigation is possible.	The scheme has moderate risk in spreading invasive species
3	The scheme will have a significant impact on cultural heritage or there is not enough information on the scheme so a precautionary approach has been taken. Mitigation is possible depending on scale of impact.	Scheme would involve activities in Flood Zone 2 or 3 but compensation flood storage can be provided	The scheme will cause a significant impact on the designated landscape or there is not enough information on the scheme so a precautionary approach has been taken. Mitigation is possible depending on scale of impact.	The scheme might involve any some minor new structures or increase in energy usage or there is not enough information about the scheme so a precautionary approach is being taken. Mitigation is possible depending on the scheme.	The scheme has moderate risk in spreading invasive species
4	The scheme will have a significant impact on cultural heritage and mitigation is unlikely.	Scheme would involve activities in Flood Zone 2 or 3 AND compensatory storage is NOT feasible	The scheme will cause a long term/permanent impact on the designated landscape and mitigation is unlikely.	The scheme will involve significant construction and increased energy usage and mitigation is unlikely.	The scheme has high risk in spreading invasive species

Assessment Grade	ENVIRONMENTAL CRITERIA			
	Water Framework Directive (WFD)	Habitat Regulations Assessment	SSSI\NNRs	Recreation
0	Potential improvement in WFD element or overall status class	Potential improvement in designated sites condition.	Potential improvement in designated sites condition e.g. the proposed scheme may include removal of a structure or reduction in abstraction.	The scheme could help increase recreational activities (e.g. improve fishing)
1	No deterioration of water body element status is likely	No likely significant effects on the site(s) is likely.	No impacts on the site(s) condition is likely e.g. scheme will not impact with the reason for designation	The scheme would have no impact on recreational activities.
2	There is a minor risk of significant short term or long term impacts on water body element status. Mitigation is possible.	There is a minor risk of likely significant effects on the site(s) condition but mitigation is possible to avoid the risk.	There is a minor risk of impacts on site(s) condition and mitigation is very likely.	There is the potential that the scheme would have a minor impact on recreational activities but mitigation is possible
3	Potential class deterioration in single element. Scheme could include short term impacts. There is low certainty the scheme would prevent the Water Body from reaching GES\GEP if elements already <Good. Or not enough info so a precautionary approach has been used for the assessment.	There is a risk of a likely significant effect on the site(s) or there is not enough information on the scheme so a precautionary approach has been taken. Mitigation may be possible depending on scale of impact.	There is a risk of a significant impact site(s) or there is not enough information on the scheme so a precautionary approach has been taken. Mitigation may be possible depending on scale of impact.	The scheme will cause a significant impact on recreational activities or there is not enough information on the scheme so a precautionary approach has been taken. Mitigation is possible depending on scale of impact.
4	Class deterioration in one or more elements and Water Body level deterioration. As well as preventing the Water Body from reaching GES\GEP. Mitigation is unlikely.	The scheme will cause a likely significant effect on the site(s). Mitigation to prevent the impact is unlikely.	The scheme will have significant impact on the condition of the site(s). Mitigation to prevent the impact is unlikely.	The scheme will have a significant impact on recreational activities and mitigation is unlikely.