

UUW52

# Direct Procurement for Customers overview

October 2023

Chapter 8 supplementary document

This document sets out an overview of our approach to assessing projects for potential direct procurement and the selection and rationale for progressing the Manchester Ship Canal BOD programme through DPC development and procurement during AMP8 and the potential to progress the Wigan WwTW and Skelmersdale WwTW scheme for AMP8 procurement and AMP9 DPC delivery. Both of these approaches are subject to agreement of revised regulatory dates with the Environment Agency and this document should be read in conjunction with UUW53 – Candidate DPC Projects.

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# 1. Direct Procurement for Customers overview

## 1.1 Key messages

- **Two schemes proposed for Direct Procurement for Customers:** Following on our development and ongoing procurement of the DPC pathfinder scheme, HARP, we have further reinforced our ongoing support for the DPC approach with our proposal to designate two schemes for DPC. One of these is an AMP8 scheme (Manchester Ship Canal BOD programme) with a totex of £313 million. The other is a scheme at Wigan and Skelmersdale which could be designated for delivery in AMP9. Both of these schemes would require the agreement of the Environment Agency to revised regulatory dates.
- **Thorough, value maximising assessment of plan to identify DPC schemes and bundles:** In support of Ofwat's position of 'DPC by default' on all discrete projects above £200 million totex, we have undertaken a thorough and proactive assessment of our entire AMP8 portfolio to identify DPC opportunities most likely to offer value for money for customers. Our proposed AMP8 scheme comprises a bundle with one project over £200 million and others of similar scope that we have included to unlock economies of scale and maximise the potential applicability of DPC. We have identified a further £600 million project (Wigan WwTW and Skelmersdale WwTW) as being a key future DPC opportunity subject to the agreement of revised regulatory dates with the EA and believe targeted market engagement and early commencement of procurement activities has potential to unlock significant value for customers
- **Using our experience to create an attractive proposition:** Based on our experience from HARP and the market insight it has brought, we have approached our strategic case assessments, seeking opportunities and proposing routes to mitigate identified obstacles to DPC, and focusing on how to construct a proposition likely to be attractive to the DPC market. This experience will continue to inform our approach to developing the proposed AMP8 scheme.
- **Ongoing dialogue key to unlocking DPC proposition:** We have opened dialogue with the EA to seek support to amend regulatory commitment dates to support DPC procurement timescales. We would like to work with Ofwat and the EA to facilitate an approach that would see both projects follow a DPC route and to agree this prior to the PR24 final determination.

## 1.2 Structure

1.2.1 This document is structured as follows:

- Section 1: Overview and assurance of this submission;
- Section 2: Providing value to customers through direct procurement ;
- Section 3: Identification of candidate DPC projects;
- Section 4: Stage 1 strategic assessment approach; and,
- Section 5: Outcomes and recommendation summary.

## 1.3 Overview

1.3.1 In the document "Creating Tomorrow Together: Our final methodology for PR24", Ofwat continues to drive improvements through efficiency and innovation, including through making greater use of DPC for large infrastructure projects. Direct Procurement for Customers (DPC) will apply by default for all discrete projects above a size threshold of £200 million whole life totex, with companies assessing the extent to which schemes are sufficiently discrete using Ofwat's DPC technical discreteness guidance. The purpose of this document is to provide a comprehensive overview of our approach to identifying DPC schemes from our capital delivery portfolio using Ofwat's guidance.

- 1.3.2 We support Ofwat’s aim to improve value for customers and the environment from major project investment, including through the use of DPC where this provides better value for money and service improvements for customers and the environment compared to “business as usual” procurement. UUW has invested very considerable time and effort in progressing the main pathfinder DPC project during AMP7, being the HARP programme, and we believe this experience is invaluable in screening our AMP8 capital delivery portfolio for DPC schemes.
- 1.3.3 This document should be read in conjunction with our supplementary document *UUW53 - DPC Candidate Projects* which consists of the Stage 1 Strategic Case Assessments for shortlisted projects (see Section 3 for our approach to shortlisting based on Ofwat’s guidance). This DPC Overview document outlines our process for identifying suitable DPC candidate schemes, and provides an overview of these candidates, while the individual Stage 1 Assessments provide a more detailed examination of each candidate’s suitability for DPC.

## 2. Providing value to customers through DPC

### 2.1 Introduction

- 2.1.1 Ofwat's PR24 methodology document 'Creating tomorrow, together' reinforces the challenge set to companies at commencement of PR19, in the use of DPC as an effective means to deliver long-term resilience of water and wastewater assets, within a framework of effective competition. DPC provides huge opportunity to identify and implement innovative working methods, not only through our own actions but through the engagement of the market in the DPC approach, and the potential to reach new contractor and investor markets.
- 2.1.2 As 'pathfinders' for DPC in the water industry, we are driven to achieve continuous improvement of the DPC process, identifying further value for customers and building market interest in the DPC model.

### 2.2 Track Record

- 2.2.1 UUW has invested very considerable time and effort in progressing the main pathfinder DPC project during AMP7, being the HARP programme. The engineering, financial, regulatory and legal resources committed to this approach have been significant and we now have real experience of attempting – for the first time – to transform DPC from a theoretical construct into a practical outcome. We have also actively sought to share our experience with other companies and with the regulator as demonstrated by our work on HARP and active engagement in Ofwat workshops and consultations on DPC.
- 2.2.2 Our HARP experience means we are ideally placed to understand and implement Ofwat's DPC policy as set out in the final methodology and DPC guidance documents, including by drawing on HARP market engagement findings to apply Ofwat's technical discreteness guidance (to the extent these are transferable across projects).
- 2.2.3 Since PR19, when United Utilities proactively put forward HARP as a DPC scheme within its business, plan:
- We have worked closely with Ofwat to develop a DPC proposition that maximises value for money for customers and test this with the market. This includes regular meetings and investment of considerable time in developing and proposing regulatory and commercial mechanics.
  - We have progressed the project to part-way through procurement, generating significant market interest resulting in three down-selected bidders for the ITN stage.
  - Outside of the HARP programme, United Utilities has been a leading company in participating in industry consultations and workshops on DPC.
  - We have provided detailed responses to a number of DPC consultations drawing on our experience with the HARP.
  - We have participated in numerous industry workshops, including presenting on aspects of our DPC experience in order to share our experience with Ofwat and other companies.

### 2.3 Conclusion

- 2.3.1 Our track record demonstrates our level of engagement with the DPC approach and our commitment to exploring the opportunities that DPC might provide in order to drive better value for customers. This document will further demonstrate our proactive approach to the identification, consideration and assessment of potential candidate schemes and our intent to pursue value for money for customers through a DPC approach where schemes qualify under Ofwat's DPC by default criteria.

## 3. Identification of candidate DPC projects

### 3.1 Overview

- 3.1.1 This section sets out our approach to filtering our AMP8 programme to identify and shortlist schemes over £200 million whole life cost for consideration for DPC. This included both projects and programmes, in line with Ofwat's DPC guidance and technical discreteness guidance. Whilst this section describes the identification of schemes, the assessment for suitability opposite PR24 requirements for delivery under a DPC approach is set out in section 4, and in more detail can be found in supplementary document *UUW53 – Candidate DPC Projects*.
- 3.1.2 Drawing up a shortlist of potential schemes involved identifying projects and DPC-suitable programmes over £200 million whole life totex, including application of Ofwat's asset value and asset life criteria and consideration of delivery timescales:
- **Projects:** we initially identified projects over a £200 million whole life cost threshold, using capex plus operations and maintenance costs over a 25 year period. These projects were shortlisted for a stage 1 submission which is summarised in section 4;
  - **Programmes/bundled projects:**
    - We identified programmes of work over £200 million involving discrete assets of at least £5 million-£10 million and average asset life of 25 years.<sup>1</sup>
    - We considered the potential to form a wider DPC bundle expanding on the project (MSC BOD) already identified as suitable for DPC.
    - These programmes/bundles were also shortlisted for a stage 1 submission which is summarised in section 4.
- 3.1.3 Our application of the remaining elements of Ofwat's technical discreteness tests are included in section 4 of this document.

### 3.2 Review of capital delivery pipeline

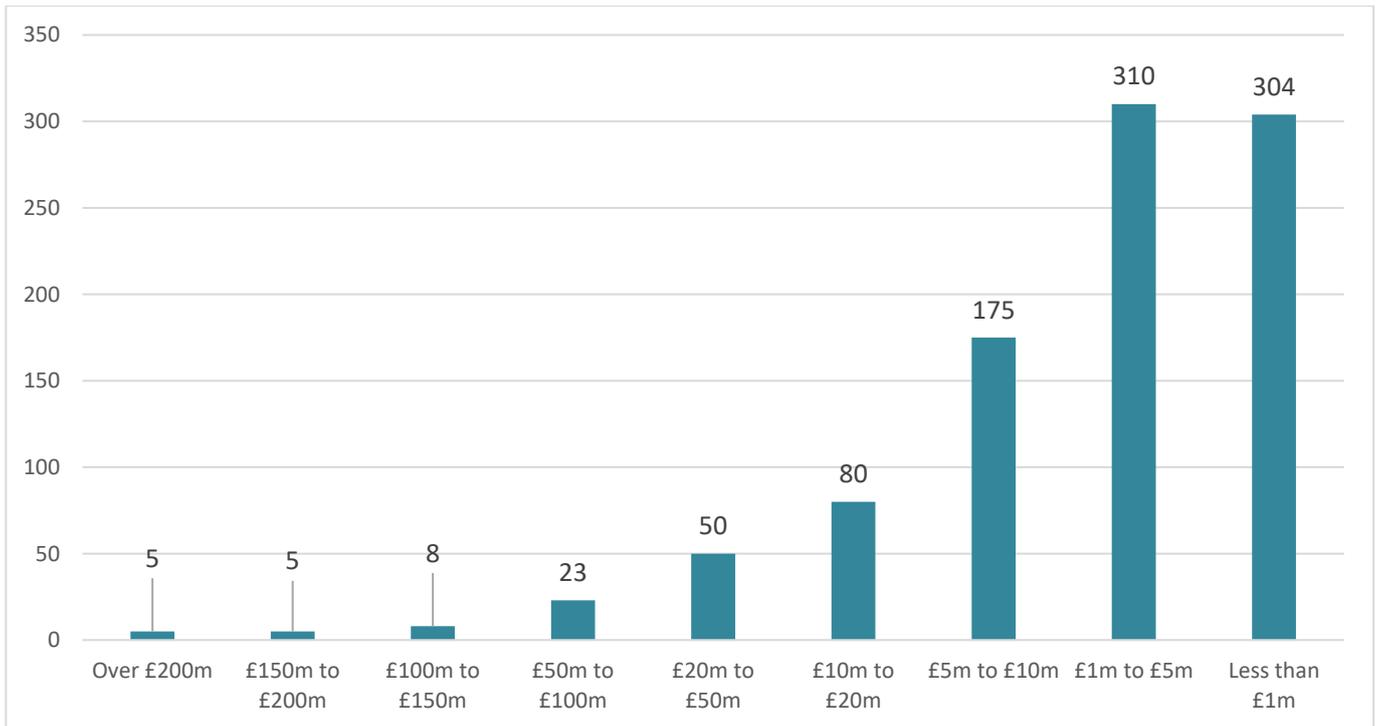
- 3.2.1 In response to Ofwat's policy of DPC by default for all discrete projects above a size threshold of £200 million whole life totex, we conducted a comprehensive evaluation of our entire totex build which includes our capital delivery pipeline. This meant we were able to systematically identify and evaluate all potential opportunities for delivery via DPC. Our review of the AMP8 programme identified 960 projects (excluding maintenance programmes) within the plan, all of which were subject to assurance through a totex assessment during an optioneering process.
- 3.2.2 For the purposes of identifying potential DPC opportunities, whole life totex costs for the programmes have been calculated using estimated capex costs plus an average operational and maintenance cost over a 25 year period<sup>2</sup>. Figure 1 below shows the grouping of projects by value bands.

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<sup>1</sup> These further criteria were communicated by Ofwat in 23.07.03 – RD letter – Technical Discreteness Guidance.pdf

<sup>2</sup> 25 years has been selected to align with the length of a typical DPC contract.

Figure 1: Number of potential candidate projects by Totex



3.2.3 We followed a two tier approach and separately identified individual projects and programmes of work, in both cases over the £200 million threshold for DPC by default. We also excluded bioresources schemes as these are not subject to DPC by default, and projects which are already underway in AMP7 and continuing into AMP8.

**Individual projects:**

3.2.4 Our AMP8 Capital Delivery pipeline contains five line items which have individual whole life totex values above £200 million. These are shown in Table 1 on the following page.

3.2.5 Of the five projects in the table, four projects have been carried forward for stage 1 strategic case assessment.

3.2.6 The project that has not been taken forward for stage 1 strategic case assessment is Davyhulme phase 2, 3 and 4. Under UUW’s formal phasing proposals submitted to the national WINEP panel in March 2023 and alteration requests submitted subsequently, the value of whole life totex for this scheme in UUW’s adaptive plan is currently c£50 million, significantly below the threshold for consideration for DPC. This reflects a no-regrets interim solution that we consider the EA should approve for WINEP in AMP8, pending later decisions on how to deliver against the relevant drivers in AMP9 and beyond.

3.2.7 Further details on our proposed adaptive approach to this project is set out in our June 2023 WINEP submission – Manchester Ship Canal Adaptive Plan, particularly sections 3.3.2 and 4.1.6.

**Table 1: Shortlisted individual projects for stage 1 strategic assessment**

AMP	Project Name	Whole life totex (£m)	Stage 1 strategic assessment?	Comments
AMP8	Davyhulme Phase 2, 3 + 4	£1,501	N	Not subject to DPC stage 1 strategic assessment due to UUW adaptive plan value falling below the DPC threshold – see above for further detail.
AMP8	Salford WwTW – Biomechanical Oxygen Demand (BOD)	£386.7	Y	As part of Manchester Ship Canal BOD bundle – see bundled projects and programmes in Table 2 below
AMP8	Davyhulme WwTW – P	£365.3	Y	
AMP8	Eccles WwTW - NH4	£205.4	Y	
AMP9	Wigan WwTW and Skelmersdale WwTW	£617.2	Y	

### Programmes/bundled projects

- 3.2.8 With the involvement of Strategic Catchment Leads, Asset Managers and Engineering, we undertook a detailed analysis of all schemes within the capital delivery portfolio to proactively seek project ‘bundling’ opportunities. The review considered the grouping of projects with similar construction requirements and/or risk profiles, in particular identifying projects by type, by location and by ‘system of assets’, such that the programmes exceeded the totex threshold for DPC by default. To reduce the administrative burden of identifying programmes for DPC that would not pass the programme scalability test, we only formed programmes involving discrete assets of at least £10 million and with average asset life of at least 25 years, in lines with Ofwat’s supplementary guidance on the application of the programme scalability test.
- 3.2.9 As part of considering bundled programmes, we assessed the suitability of CSO schemes and the likelihood of forming bundles of CSO schemes that would qualify for DPC by default. UUW has responded with action and ambition in its response to the letter from the Secretary of State dated 11 April 2023 which asked companies to take urgent action to improve the perform of storm overflow discharges. Of the 2,239 storm overflows operated by UUW, 435 have been identified for action in AMP8, with the aim of delivering significant and sustained benefits as quickly as possible. Around a third of these overflows are already being addressed as part of our accelerated investment proposal, approved by Ofwat in April 2023, and therefore are not possible to deliver through a DPC approach.<sup>3</sup>
- 3.2.10 The remaining c.280 AMP8 CSO schemes are imperative to deliver as soon as possible. We responded to the Secretary of State to set out our action plan for storm overflows, including our accelerated investment proposal, and outlined our plans to meet the request to act with urgency by delivering improvements as early as possible. Unfortunately, this has ruled out the use of DPC for these AMP8 schemes due to the additional 18-30 months associated with developing and procuring a DPC scheme (as set out in 4.3.8), as this would delay the realisation of the benefits associated with addressing storm overflows by an equivalent period. However, to avoid DPC procurement timescales being an impediment to the delivery of future CSO schemes in AMP9 beyond, we propose to start considering these schemes and potential bundling opportunities for DPC delivery during the course of AMP8 in line with the approach set out in 3.3.3.
- 3.2.11 To fully test the potential for a DPC programme, setting aside timescale constraints, we assessed the potential to form bundles of projects from those not in the accelerated programme. Of the remaining c. 280 overflows, a further 48 are already underway as transitional investment as identified in the WINEP, and only around 100 projects have individual asset values more than £5 million, with around 30 having

<sup>3</sup> Note that these figures are based on version 2 of UU’s storm overflow action plan, submitted to Defra on 29 August 2023.

asset values above £10 million. We considered grouping these projects by county to form potential DPC bundles, but due to the mix of different types of solutions involved there were no bundles of projects with similar construction/risk profiles over Ofwat's £200 million threshold. In our target operating model for AMP8 we are looking to move to more blue/green solutions than traditional grey infrastructure solutions which has resulted in a mixture of grey, blue/green and hybrid solutions being identified for the CSOs in question, and the lack of a suitable DPC programme.

- 3.2.12 Our review of potential programmes or bundles concluded with the identification of the following two project bundling opportunities, both of which have been carried forward for stage 1 strategic case assessment.

**Table 2: Shortlisted programmes/bundles for stage 1 strategic assessment**

AMP	Programme name	Whole life totex (£m)	Stage 1 strategic assessment	Comments
AMP8	WINEP Habitats Site Programme	£356.8	Y	Comprising the development of 18 of Habitat sites involving wastewater schemes. The WINEP Habitats Site programme was identified due to the similarities of project characteristics including relative proximity, composition and regulatory drivers
AMP8	Manchester Ship Canal (BOD) Programme (Salford, Sale and Stockport)	£539.7	Y	Two additional projects have been added to Salford WwTW which was shortlisted individually in Table 1 so as to form a bundle of projects within close geographical proximity, with similar construction profiles and regulatory drivers. Opportunity to create an attractive proposition to DPC markets and unlock economies of scale. Projects identified: Salford WwTW (BOD) – (identified as individual scheme referenced above) Stockport WwTW (BOD) Sale WwTW (BOD)

### 3.3 AMP9 opportunities

- 3.3.1 In order to be proactive in considering the use of DPC and to maximise the opportunity to accommodate the time required for DPC development and procurement, we have considered our current view of AMP9 capital delivery in order to identify whether there are any schemes for delivery in AMP9 and DPC development and procurement in AMP8.
- 3.3.2 We have identified one potential project that fits these criteria subject to agreement with the EA to amend the regulatory dates. This is a project at Wigan WwTW and Skelmersdale WwTW. This project has AMP8 regulatory drivers which UUW has proposed to the Environment Agency are moved to AMP9. At present, the EA has not agreed to change the relevant regulatory. On this basis, we have included the totex for this project in our AMP8 plan for BAU delivery, but not incorporated this into outputs, and identified a PCD to return the costs of delivery (with the exception of costs to develop and procure the project under DPC) on the basis that we reach agreement with the EA to move the dates. On this basis, the project has been filtered through the screening described above, but we have labelled it as an AMP9 project.
- 3.3.3 Beyond this specific scheme we plan to keep our capital delivery pipeline under review during AMP8, and as schemes are identified in our long-term planning as possible requirements for AMP9 and beyond, consider how they would measure up against the DPC filtering criteria. Two possible candidate schemes are listed below:

- **Vyrnwy Raw Water Aqueduct.** As set out in *UUW60 – Water Quality Enhancement Claims*, Vyrnwy Raw Water Aqueduct has upcoming resilience enhancement needs and we will be working through AMP8 to consider the best option to address this, with a current high level capex estimate of £250 million, which exceeds the PR24 DPC threshold.
- **Mersey Estuary overflows scheme.** As detailed in UUW’s Drainage and Wastewater Management Plan (DWMP) published 31 May 2023, required investment in future AMPs is even greater than that proposed for AMP8 in order to meet the Government’s targets set out in the Storm Overflow Discharge Reduction Plan (SODRP) by 2050. In AMP9 alone, for example, we have identified 40 storm overflow schemes that contribute to the Mersey Estuary requiring combined capital investment of just over £1.6 billion. We intend to utilise AMP8 to fully explore the potential of these and indeed other packages that may be suitable for delivery through DPC in AMP9 and beyond, as described in section 3.2.

## 3.4 Conclusion

- 3.4.1 We have filtered our capital delivery pipeline using Ofwat guidance and drawing on our existing DPC knowledge and experience, as well as multi-disciplinary input, in order to identify projects and suitable programmes over £200 million whole life totex.
- 3.4.2 Through this thorough review, we have identified a total of five potential candidate DPC schemes that have undergone a Stage 1 strategic assessment as set out in the Table 3 below.

**Table 3: Shortlisted projects and programmes for stage 1 strategic assessment**

AMP	Scheme description	Whole Life Totex (£m)
AMP8	WINEP Habitats Site Programme	£356.8
AMP8	Manchester Ship Canal (BOD) Programme	£539.7
AMP8	Davyhulme WwTW P Removal	£365.3
AMP8	Eccles WwTW	£205.4
AMP9	Wigan WwTW & Skelmersdale WwTW	£617.2

## 4. Stage 1 Strategic Assessment Approach

### 4.1 Introduction

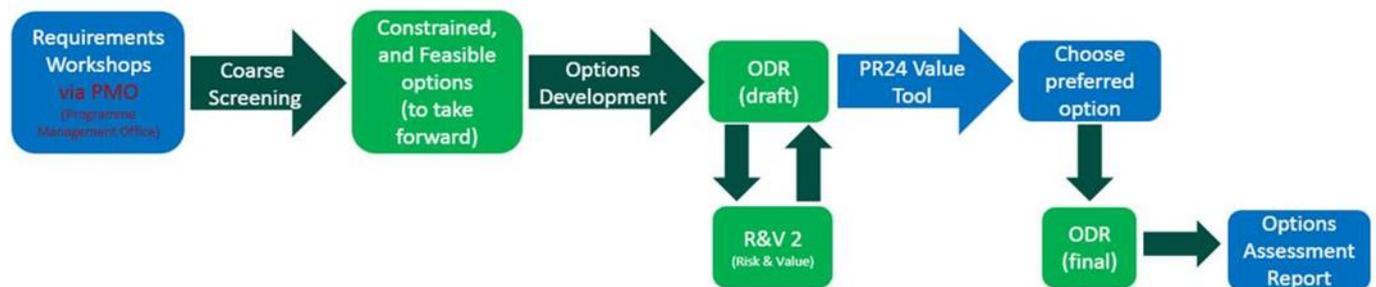
- 4.1.1 This section sets out our approach in establishing the strategic case for each shortlisted DPC candidate scheme. We have undertaken Stage 1 strategic case assessments for each a) individual project and b) eligible bundle of projects that meet Ofwat's specified criteria (i.e. projects over £200 million and programmes of similar projects with similar construction requirements, asset values over £5 million-£10 million and asset lives of around or greater than DPC contract length). Where the assessment against PR24 requirements for delivery as a DPC project has indicated the project/programme is not suitable, we have not completed any further elements of the stage 1 requirements (programme plan, procurement plan, tender model and commercial model), as these are only relevant where schemes are being proposed for delivery under a DPC approach.
- 4.1.2 The stage 1 strategic assessments are included in supplementary document *UUW53 – Candidate DPC Projects*. This section sets out our approach to these assessments in line with Ofwat's Guidance for Appointees delivering DPC projects ("DPC guidance") and Direct Procurement for Customers – Technical discreteness guidance ("technical discreteness guidance"), with a particular focus on the assessment of the five shortlisted schemes against Ofwat's PR24 requirements for delivery as a DPC project, which is set out in section 4.3.

### 4.2 Project overview and optioneering

- 4.2.1 This section sets out our approach to providing a high-level view of project need (including optioneering undertaken) as part of the stage 1 strategic case assessment. To ensure that we achieve best value outcomes for customers, we have considered a list of unconstrained options, to allow unviable options to be discounted early in the process.
- 4.2.2 Each project within our AMP8 Capital Delivery programme has undergone a high level optioneering review against a list of unconstrained, Generic High Level Solutions (GHLS). These are indicative solutions outlining at a coarse level of detail the options for addressing a risk.
- 4.2.3 There are eight defined GHLS types to reflect the complete totex hierarchy:
- **Monitor and respond** - accept risk with agreed contingency plan
  - **Operational intervention** - solve need by identifying targeted maintenance to restore performance
  - **Optimise asset** - solve need by improving performance of existing equipment
  - **Partnership** - solving need by assistance of third parties, i.e. assisting farmers to reduce pollution of watercourses
  - **Refurbish asset** - major asset refurbishment to restore asset life and performance
  - **Replacement** - replace asset(s) on like for like basis
  - **New asset** - build new asset when all other options are not possible or lowest totex
  - **Integrated approach** - integrated solution across asset boundaries such as process network boundary, process, bioresources or catchment level solutions. An integrated solution is a Systems Thinking response and could be a combination of any of the above solution types.
  - **Combination of generic high level solutions** – for example, SuDS and a storage tank to address CSO spill improvements
- 4.2.4 The initial GHLS assessment develops a list of unconstrained options, which are assessed at high level for their viability.
- If viable the unconstrained option goes through a screening process as follows:-

- Does the solution meet the requirements?
  - Is the option technically feasible?
  - Does the solution look deliverable?
  - Does the option contribute to the Wider Environmental Outcomes (WEO) including Natural Environment, Net Zero (Carbon), Catchment Resilience and ‘Access, Amenity & Engagement’
- 4.2.5 The resulting screening process develops a number of constrained options (or possibly a single option if there is a very tight quality requirement for example). These are reviewed by UU’s Technical Approval Group representatives (Technical Leads) to finalise those solutions to be developed.
- 4.2.6 The selected solutions are scoped in detail and priced (capex, opex, whole life cost and carbon) and presented at the Risk and Value Workshop (meeting with asset management and operations ensuring proposals meet requirements, risks identified and opportunities reviewed). The solution value data is processed through the PR24 value tool (All costs, carbon, WEO, improvement benefits are all assessed) and summarised in the final Option Development Report (ODR).
- 4.2.7 The output from the value tool is assessed and the preferred option is selected, which is finalised in the OAR (Options Assessment Report), the reporting tool to Ofwat and the EA.

**Figure 2: Summary of optioneering approach**



## 4.3 Assessment against PR24 requirements for delivery as a DPC project

### Overview

- 4.3.1 We have carried out discreteness assessments for all of the schemes shortlisted for stage 1 submissions as described in section 3 of this document, in order to determine whether they qualify for “DPC by default”.
- 4.3.2 Firstly, we applied the programme scalability test to shortlisted schemes by assessing the following:<sup>4</sup>
- **Whole life totex** – whether whole life totex for the project or programme is over £200 million (including for the scheme as a whole and where applicable, for a rerun of the programme scalability test with reduced scope of the scheme following application of the construction risk and operations and maintenance risk tests); and,
  - **Timescales** - we considered cases where deadlines imposed by third parties may make delivery via DPC difficult and considered the evidence for whether each project/programme could be delivered by DPC in the timeframe required, along with the feasibility of moving the project deadline.
- 4.3.3 Secondly, we applied the **construction risk test** by testing whether it is possible to transfer construction risks to the CAP or manage these through contractual arrangements or by adapting the DPC scope.

<sup>4</sup> Note that as part of forming suitable programmes for consideration against the threshold of £200m, we only considered assets with a value of more than £5m-£10m and with average asset life of at least 25 years.

- 4.3.4** We applied the **operations and maintenance risk test** by testing whether the maintenance and/or operations of the asset can be transferred to the CAP and/or managed through contractual arrangements.
- 4.3.5 Finally, where necessary, we **repeated the programme scalability test**. Where the construction risk test and/or operations and maintenance risk test led to changes to the scope under consideration for DPC, we repeated the programme scalability test to check the scheme against the £200 million threshold.

### Programme scalability test

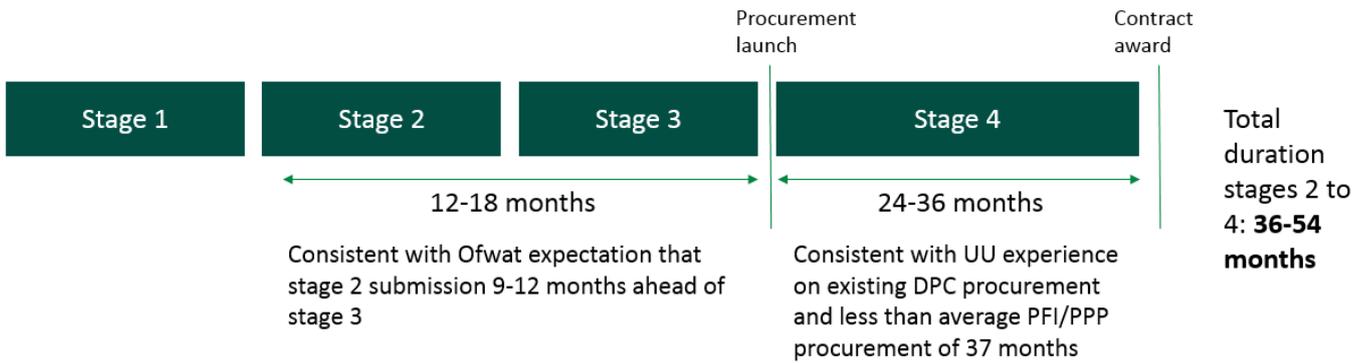
**Programme Scalability Test:** For individual projects or assets, is the sum of the whole life totex for the single project or combined projects/assets proposed by a water company over one or more successive control periods less than £200 million?

Response:

- Yes – combined projects and/or assets in proposed programme do not meet the whole life totex threshold for consideration for DPC
- No – either single project or combined projects and/or assets in proposed programme meet the whole life totex threshold for consideration for DPC

- 4.3.6 We have set out in section 3.2 above our approach to assessing whole life totex against the £200 million totex threshold. Where the outcome of the construction risk and/or operations and maintenance risk tests was to redefine the scope suitable for delivery by DPC, we have repeated the comparison against the £200 million threshold for the amended scope.
- 4.3.7 In relation to the final part of the test (timescales), while the constraint imposed by regulatory timescales is not included within the wording of the programme scalability test itself, this deliverability consideration is acknowledged in the guidance accompanying the test as set out in Ofwat’s DPC guidance. While we are supportive of developing the DPC framework and enabling its further adoption – and our actions in relation to HARP provide ample demonstration of this - we are legally obliged to work to third party deadlines. Where the timescales involved in a DPC procurement process would prevent this, we have reflected this in the test. We have engaged at a number of levels with the EA to ask for its support in accommodating the timescales associated with DPC delivery. We wish to continue to engage with the EA and Ofwat to discuss the potential for confirming revised regulatory dates and DPC eligibility prior to final determinations.
- 4.3.8 Figure 3 below sets out our best estimate of an ambitious yet reasonable programme for the development and procurement of a DPC project based on market intelligence, our experience in procuring HARP and Ofwat’s own guidance. We estimate that a DPC procurement process adds a minimum of around 18 months to the equivalent period under BAU delivery, with a most likely addition of around 30 months, representing 18 months for stages 2 and 3 and a 30 month procurement (consistent with our experience on HARP).

Figure 3: DPC timescales



4.3.9 The results of the programme scalability test for the five shortlisted schemes are set out in Table 4 on the following page. Where the programme scalability test has been repeated following the application of the construction risk and/or operation and maintenance risk tests this is also captured in the table.

4.3.10 The table is structured as follows:

- Scheme name – this column sets out the name of the shortlisted scheme.
- Over £200 million whole life totex? – this column sets out the whole life totex of the scheme prior to the application of the construction risk and operations and maintenance risk tests. Where applicable, this column also includes the whole life totex of the scope suitable for DPC delivery following the application of the construction risk and operations and maintenance risk tests.
- Timescales – this column provides evidence for whether each project/programme could be delivered by DPC in the timeframe required, along with the feasibility of moving the project deadline.
- Result of programme scalability test – this column provides an overall pass/fail position for the programme scalability test, based on the whole life totex position of the scope suitable for DPC and timescales considerations.

**Table 4: Results of programme scalability test**

Scheme name	Over £200m whole life totex?	Timescales	Result of programme scalability test
Manchester Ship Canal (BOD) Programme (Salford, Sale and Stockport)	£539.7m – prior to construction risk and operations and maintenance risk tests £312.5m - DPC proposed scope (following construction risk and operations and maintenance risk tests)	Conditional PASS  Projected project in use (PIU) dates for delivery of scheme via DPC are beyond current regulatory dates. UU agree to designation on condition agreement reached on adjustment of dates to accommodate.	Conditional PASS (conditional on EA agreement of revised regulatory dates) <sup>5</sup>
WINEP Habitats Site Programme	£356.8m prior to construction risk and operations and maintenance risk tests (18 projects)  £154.0m whole life totex - DPC potential scope (following construction risk and operations and maintenance risk tests- 9 projects)	Partially suitable  7 projects excluded (totex £178.4m) on the basis of nutrient neutrality drivers whereby projects must be commenced promptly upon the enactment of the Levelling Up and Regeneration Bill, and a DPC procurement process (a minimum of an additional 18 months and potentially up to 30 months - see 4.3.8) would mean it is not possible for UU to meet this legislative requirement	NOT SUITABLE  Following exclusion of scope on the basis of timescales (11 projects, £178.4m)
Davyhulme WwTW P Removal	£400.5m– prior to construction risk and operations and maintenance risk tests £106.5m – DPC potential scope (following construction risk and operations and maintenance risk tests)	The project has an immovable EA regulatory commitment of 2026 and a DPC procurement process (adding a minimum of 18 months to the timescale - see 4.3.8) would make this impossible to meet. The project is included within a designated accelerated programme of work.	NOT SUITABLE
Eccles WwTW	£308.1m - prior to construction risk and operations and maintenance risk tests	UU has long overdue permit requirements with the EA which it has been delayed in meeting due to long standing and complex legal challenges. An agreement exists with the EA to delay delivery until such legal matters are resolved, but the further delay introduced by a DPC procurement process (a minimum of an additional 18 months and potentially up to 30 months- see 4.3.8) would be unacceptable given delivery has already been delayed.	NOT SUITABLE
Wigan WwTW & Skelmersdale WwTW	£617.2m – prior to construction risk and operations and maintenance risk tests / DPC proposed scope	The project currently has regulatory dates in AMP8 that the EA has indicated it is not minded to move to AMP9. Subject to a change in the EA's position, UU would consider the project to meet the criteria of DPC by default and would propose to start development and procurement activities in AMP8 for project delivery in AMP9.	Conditional PASS (conditional on EA agreement of revised regulatory dates)

<sup>5</sup> The Salford BOD project requires a change in regulatory date irrespective of delivery approach.

### Construction risk test:

**Construction Risk Test:** Is there any significant reason why most construction risks cannot be effectively transferred to the CAP and/or managed or mitigated through contractual arrangements, or by adapting the project scope for delivery by DPC?

- 4.3.11** We recognise that it is standard practice for most construction risks to be either transferred to third parties or managed and mitigated through contractual mechanisms regardless of delivery route. We have approached the construction risk test with a working assumption that most construction risks are capable of being contractualised (as under a business-as-usual procurement approach), subject to engagement with the market as specific DPC schemes are developed. This approach is evidenced within our supplementary Stage 1 Strategic Assessments.
- 4.3.12 For the application of the construction risk tests, we have benefitted from the experience of the HARP procurement and market engagement undertaken to ensure our assessment of construction risk is consistent with Ofwat's and market sentiment in the contractor and investor markets interested in DPC opportunities. Both HARP market engagement and the more recent RAPID publication on Supply Chain and Investors view, indicate apprehension towards the level of risk to be transferred to CAPs. The assessment of construction risk within our Stage 1 Strategic Assessments are aligned generally against industry norms, seeking to only to identify unsuitable risks in exceptional circumstances where the transfer of such would be cost prohibitive.
- 4.3.13 The results of the construction risk test for the five shortlisted schemes are set out in Table 5 below – further commentary around the test for each scheme is provided in supplementary document *UUW53 – Candidate DPC Projects*.

**Table 5: Results of construction risk test**

Scheme name	Result of construction risk test
Manchester Ship Canal (BOD) Programme (Salford, Sale and Stockport)	<b>PASS</b> No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements
WINEP Habitats Site Programme	<b>PASS</b> 9 projects totalling £154.0m
	<b>NOT SUITABLE</b> 2 projects totalling £24.4m due to flexible permitting - low cost and low tech requiring close working with third parties - will prevent us harnessing arrangements across the catchment. See UUW53 - Candidate DPC Projects for further detail.
Davyhulme WwTW P Recovery	<b>PASS</b> No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements
Eccles WwTW	<b>NOT SUITABLE</b> Significant risks associated with complex third party stakeholders could not be transferred or contractualised with the CAP. There are also significant complexities around the constrained nature of the site and the close proximity and overlap between existing UU assets and the scope of this project.
Wigan WwTW & Skelmersdale WwTW	<b>PASS</b> No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements

### Operations and maintenance risk test

**Operations & Maintenance risk test:** Is there any significant reason why the maintenance, and/or operations of the asset cannot be effectively transferred to the CAP and or managed or mitigated through contractual arrangements?

- 4.3.14 In the development of our responses to this test, we have considered the potential impacts of transferring maintenance and/or operations to a CAP on our ability to meet our obligations effectively. These obligations include our ability to maintain and operate our plants in an efficient, compliant manner, to identify opportunities to seek alternative innovative and cost effective approaches and to understand the impact the inclusion of operations and maintenance within a DPC arrangement would have on the scheme's attractiveness to the market.
- 4.3.15 As can be evidenced within our Strategic Case Assessment, where potential obstacles have been identified during the course of our assessment against these risks, we have set out the characteristics and risks that prevent the transfer of operations and have sought to explore mitigating measures, alternative approaches and/or DPC models to maintain the project's suitability for DPC.
- 4.3.16 The results of the operations and maintenance risk test for the five shortlisted schemes are set out in the table below – further commentary around the test for each scheme is provided in supplementary document UUW53 – Candidate DPC Projects. Owing to the nature and typical features of the solutions associated with Manchester Ship Canal (BOD) Programme, we have concluded that for a number of significant reasons, operations cannot be effectively transferred to the CAP. Our solutions for this scheme are heavily integrated into existing sites and as such, for these vastly complex sites to maintain compliance, operations must be undertaken within context of wider integrated system in which it operates, inclusive of any other assets that contribute to its control. However for each of these sites, we have proposed elements of maintenance to sit within CAP control where it is efficient and effective to do so. On this basis we propose this scheme to be suitable for a DBFM DPC model (including asset lifecycle maintenance but excluding operational maintenance).
- 4.3.17 In contrast to this, the strategic assessment for our proposed AMP9 scheme contains a significant new build of a WWTW with limited complex interactions with existing assets and subject to designation as a DPC scheme (conditional on agreement from the EA to move the regulatory dates), we would seek to engage with the market to explore the market appetite for a full DBFMO DPC model.
- 4.3.18 The results of the operations and maintenance risk test for the five shortlisted schemes are set out in Table 5 below – further commentary around the test for each scheme is provided in supplementary document *UUW53 – Candidate DPC Projects*.

**Table 6: Results of operations and maintenance risk test**

Scheme name	Result of construction risk test
Manchester Ship Canal (BOD) Programme	<ul style="list-style-type: none"> <li>✘ Operations</li> <li>✘ Operational maintenance</li> <li>✓ Asset lifecycle maintenance</li> </ul>
(Salford, Sale and Stockport)	Asset lifecycle maintenance can be transferred to the CAP. Operations and operational maintenance for these schemes cannot be effectively transferred to the CAP or managed through contractual arrangements due to the need to operate within a flexible permitting arrangement, the location of the new assets on existing UU operational sites and interfaces with bioresources operations. See UUW53 - Candidate DPC Projects for further detail.
WINEP Habitats Site Programme	Not applicable on the basis of the results of the programme scalability and construction risk tests.
Davyhulme WwTW P Recovery	<ul style="list-style-type: none"> <li>✘ Operations</li> <li>✘ Operational maintenance</li> <li>✓ Asset lifecycle maintenance</li> </ul> <p>Notwithstanding the impossibility of meeting the 2026 regulatory date, there are a number of reasons why the risks associated with operations and operational maintenance cannot be transferred to the CAP - see UUW53 - Candidate DPC Projects. Rerunning the programme scalability test without this scope reduces whole life totex below the £200m threshold.</p>
Eccles WwTW	Not applicable on the basis of the results of the programme scalability and construction risk tests.
Wigan WwTW & Skelmersdale WwTW	<ul style="list-style-type: none"> <li>✓ Operations</li> <li>✓ Operational maintenance</li> <li>✓ Asset lifecycle maintenance</li> </ul>

### Outcome of assessment

- 4.3.19 The results of the three technical discreteness tests described above indicate the Manchester Ship Canal (BOD) Programme – DBFM as potentially suitable for delivery under DPC, subject to EA agreement of revised regulatory dates. The Wigan WwTW and Skelmersdale WwTW scheme does not currently pass the programme scalability test, but would pass subject to EA agreement of revised regulatory dates and could potentially become a full DBFMO DPC scheme for development in AMP8 and delivery in AMP9. The overall outcome of the assessment is summarised in section 5.

## 4.4 Proposed tender model

- 4.4.1 As outlined in *UUW53 – Candidate DPC Projects*, UUW acknowledges that each standard DPC tender model can lead to substantial customer benefits. To choose the most suitable model for any given project, we need to take several internal, external and project-specific factors into account.
- 4.4.2 During the process of selecting a proposed tender model for our identified DPC scheme, the Manchester Ship Canal BOD programme, we considered the following programme specific characteristics:
- **Capability:** The relative value of UUW versus the market in delivering the early scoping and design phases of the project.
  - **Market Maturity:** Is the external market well developed for the requirement? Differing tender models require a more mature market to be effective and provide value.
  - **Risk:** What is the market appetite to risk at relevant stages of the project? Decision enables tender model decision to be made based on party who can best mitigate and provide value.

- **Innovation:** What is the potential for innovation in delivering the requirement? Differentiates where it is important to engage the supply chain in innovation versus where UU should tightly define the requirements.
- **Timing:** How urgent is the requirement and are there any interim delivery milestones that must be achieved? Differentiates between tender models which require longer lead times.

4.4.3 Our proposed tender models for the schemes that qualify for DPC by default have been developed under the framework above, based on current information. Project-specific market engagement could provide evidence for a change in approach if this indicates better value for money for customers could be achieved. United Utilities experience on HARP market engagement and the more recently published paper from RAPID on the understanding of the supply chain and investors, suggests the market has concerns around the risk profile associated with DPC. Given the inherent risk of working on an existing treatment works, time constraints on our MSC BOD programme and the infancy of DPC as a delivery route within the industry amongst other factors, we have selected the late model for this scheme. However we also appreciate that on a project without these constraints, risk profile and maturity in DPC, an alternative early model approach could be considered in particular on our potential AMP9 scheme, Wigan WwTW and Skelmersdale WwTW.

## 4.5 Commercial model

- 4.5.1 Through our experience in working with Ofwat and the market in developing regulatory and commercial mechanics on HARP, we recognise the importance of developing a commercial model that works for all parties for the scheme in question, while where possible, supporting a standard approach to DPC that will help establish the DPC model in the market. Appreciating that at Strategic Case stage, projects are very much in early development, we remain committed to the development of a commercial model in line with Ofwat's guidance, with any exceptions informed by market engagement and on the basis of driving better value for money for customers. As DPC becomes more established and widespread in the market, standardisation will offer various advantages. It will allow bidders and appointees to have a shared approach, better awareness of risks, and common contractual methods. Moreover, facilitating quicker procurement and administration processes, making project execution more efficient.
- 4.5.2 While further targeted market engagement exercises will be imperative to enable United Utilities to develop and refine a commercial model with a risk allocation approach, contractual mechanisms and incentivisation regimes that are attractive to the market while promoting innovation, competitive bids and ultimate delivery of best value outcomes for customers, we have at this early stage of the strategic case assessments formed an initial view on a number of key elements, which we have set out in supplementary document *UUW53 – Candidate DPC Projects*.
- 4.5.3 We strongly believe in the principle of allocating risks to the parties best suited to manage them. Considering the early stage of DPC within the industry and drawing from our experience on HARP, we understand the current lack of familiarity in the market with the DPC model and risk allocation, and the need for this to inform the proposed risk allocation of new DPC schemes. As projects and engagement with the market develops, we will optimise risk allocation in line with findings to ensure our DPC procurement meets their expectations and will deliver best value for customers.

## 4.6 Procurement timetable and programme plans

- 4.6.1 UUW has a proven track record in delivering robust and timely procurements with strict adherence to Utilities Contracts Regulations. Our approach to the development of a high-level procurement timetable was shaped by the procurement experience on HARP, which has provided information on realistic timescales while also identifying potential areas for increased efficiencies. As a result of the need to work to regulatory dates which do not currently allow sufficient time for delivery under DPC, we believe it is critical to start work on the DPC development and procurement of the Manchester Ship Canal (BOD) programme as soon as possible, we have assumed a start date for development and procurement

planning activities of April 2024. This start date is contingent on Ofwat acceptance of the DPC suitability of the scheme and agreement from the Environment Agency to allow for the required timescales for delivery of this scheme under DPC.

- 4.6.2 Initially developed from a 'bottom-up' approach with our PMO function and Project Managers, our baseline procurement timeline has been overlaid with direct experience from the ongoing development and procurement of HARP. It is likely to be possible to achieve some efficiencies in the timeline for developing DPC schemes compared to HARP, learning from what worked well and where processes can be improved, as well as to reflect the fact that some development and procurement activities on HARP as a pathfinder DPC scheme will not need to take place for future DPCs.
- 4.6.3 However, it is also likely that the contractor and investor markets interested in the candidate DPC schemes UUW is putting forward in this business plan will only partially overlap with the market engaged in the HARP procurement, and as a result, some areas of discussion with the market are likely to be duplicated in future DPC procurements. These counteracting effects have been accounted for within the strategic case assessments and while we have accounted for significantly faster progression towards procurement, have allowed for a similar baseline procurement timescale to the current HARP view, which is still considerably shorter than private finance norms
- 4.6.4 Recognising the importance of delivering the environmental benefits associated with the identified AMP8 DPC scheme Manchester Ship Canal BOD programme (as reflected in the regulatory dates), we have also challenged our baseline programme to identify the fastest realistic time to deliver a DPC procurement, without any allowance for contingency, which would be dependent on close collaboration between UUW and Ofwat during the development phase (stages 2 and 3) and rapid decision-making by all parties. This could deliver contract award up to a year earlier than the baseline programme. This "stretch" programme would not be prudent to adopt as our baseline, as it makes no risk provision for the duration of any activities. However, subject to agreement with Ofwat and the Environment Agency as set out above, we propose to use the stretch programme as a target to outperform the realistic baseline programme, and maximise the probability of early delivery of the scheme.

## 5. Stage 1 strategic assessment outcomes and recommendation summary

### 5.1 Proposed AMP8 DPC scheme

- 5.1.1 We have carried out an extensive shortlisting process to identify projects and programmes over the £200m whole life totex threshold, and applied Ofwat's technical discreteness tests to assess these schemes against the PR24 requirements for DPC delivery. The outcome of the assessment is set out in Table 7 below.
- 5.1.2 We have determined that our AMP8 scheme - Manchester Ship Canal (BOD) programme meets the technical discreteness assessment criteria and qualifies under DPC by default criteria, subject to agreement with the EA to amend the regulatory dates associated with the scheme to accommodate DPC.<sup>6</sup> Consisting of investment across three WwTW sites, we have identified an opportunity to cluster a series of projects within close geographical proximity, with similar construction profiles and regulatory drivers. By combining three individual projects which are of significant value within their own right, we believe this would make an attractive proposition to the market while providing value to our customers through economies of scale. The DPC proposed scope has an estimated totex of £313m.
- 5.1.3 Notwithstanding the inherent risks that exist when undertaking significant refurbishment, through the use of appropriate risk allocation and contract mechanism, each of the three individual projects within the MSC BOD programme pass the construction risk test in full, and the operations and maintenance risk test for asset lifecycle maintenance. While one of the projects within this bundle (Salford WwTW BOD) meets the criteria for DPC by default on an individual basis, we have concluded that increasing the project value with additional projects of similar profile and location would make the programme more attractive to the market, generating economies of scale and thus providing greater value outcomes for customers.
- 5.1.4 We have applied for transitional funding to allow us to begin a DPC process in April 2024, in order to realise the environmental benefits of this scheme as soon as possible and to minimise any changes required to regulatory dates. We require Ofwat and EA approval to proceed on this basis.

### 5.2 Potential AMP9 DPC scheme with early procurement

- 5.2.1 We have identified a further scheme, Wigan WwTW and Skelmersdale WwTW that could be developed and procured during AMP8 and delivered under DPC in AMP9, subject to the provision of an allowance for procurement and development costs and agreement by the EA to move the regulatory dates and allow delivery of this scheme as DPC in AMP9. This approach would allow us to accommodate longer DPC procurement activity and potential consideration for tender models with early contractor involvement. This scheme has the potential to be tendered as a DBFMO with an estimated totex value of £617m.
- 5.2.2 In order to be proactive in considering the use of DPC and to maximise the opportunity to accommodate the time required for DPC development and procurement, we plan to keep our AMP9 capital delivery pipeline under review during AMP8. Two potential candidate schemes that are currently at an early stage of development are Vyrnwy Raw (capex £250m) and Mersey Estuary (capex £1.6bn), as described in section 3.3.

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<sup>6</sup> The Salford BOD project requires a change in delivery date irrespective of delivery approach.

## 5.3 Other shortlisted schemes

5.3.1 Of the five schemes identified within the shortlisting process, the following three projects were considered not to be suitable for DPC, for which further details are set out in supplementary document *UUW53 – Candidate DPC Projects*.

- **Eccles WwTW:** Owing to long-standing complex third party legal issues, regulatory commitments with the EA are significantly overdue. While an agreement exists with the EA to defer delivery against these obligations until such time as legal issues are resolved, any further delays to project commencement would not be tenable given that delivery is already delayed. As a result the project failed the programme scalability test on the basis of deliverability. Likewise, the construction risks associated with the same third party stakeholder issues are too significant to be transferred to a CAP, even if there was a way of accommodating DPC delivery timescales.
- **Davyhulme WwTW P Removal:** This project currently has a regulatory driver to prevent deterioration in water quality due in 2026. It would not be possible to achieve this tight timescale in anything other than an accelerated BAU delivery approach, and while UUW has asked the EA to move this date, the EA is not currently minded to agree and has indicated it is not willing to enter into further discussions until post final determination. Notwithstanding the difficulty of accommodating DPC delivery timescales, the operations and maintenance risk test for this scheme indicates a number of reasons why the risks associated with operations and operational maintenance cannot be transferred to the CAP. Rerunning the programme scalability test without this scope reduces whole life totex to £107m, below the £200m threshold.
- **WINEP Habitats Programme (waste):** We identified the wastewater aspects of the WINEP Habitats programme as a potential programme of work for consideration for DPC delivery due to similarities of project characteristics including relative proximity, composition and regulatory drivers. The 18 projects shortlisted as part of the programme were screened using the DPC technical discreteness test and we identified a subset of these projects that are not suitable for delivery by DPC. Seven projects have nutrient neutrality drivers and must be commenced promptly upon the enactment of the Levelling Up and Regeneration Bill, and UUW cannot accommodate DPC timescales while meeting this legislative requirement. A further two projects do not pass the construction risk test due to flexible permitting requirements and the need to work closely with third parties. Reapplying the programme scalability test following the removal of these projects takes the value of the programme to £154m, below the DPC threshold.

### Summary

5.3.2 With a combined DPC totex of approximately £930m UUW recommends the designation of Manchester Ship Canal BOD Programme and the potential for Wigan WwTW and Skelmersdale WwTW to become a DPC scheme for delivery in AMP9, both subject to agreement of amended regulatory dates with the EA.

Table 7: Summary of assessment of shortlisted schemes against PR24 requirements for DPC delivery

AMP	Name	Project/ programme	Programme scalability test		Passes PS test	Construction Risk Test	O&M Risk Test
			Over £200m whole life totex?	Timescales			
AMP8	Manchester Ship Canal (BOD) Programme (Salford, Sale and Stockport)	Programme	£539.7m – prior to construction risk and operations and maintenance risk tests  £312.5m - DPC proposed scope (following construction risk and operations and maintenance risk tests)	Conditional PASS  Projected project in use (PIU) dates for delivery of scheme via DPC are beyond current regulatory dates. UUW agree to designation on condition agreement reached on adjustment of dates to accommodate.	Conditional PASS  (conditional on EA agreement of revised regulatory dates)	PASS  No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements	<ul style="list-style-type: none"> <li>✗ Operations</li> <li>✗ Operational maintenance</li> <li>✓ Asset lifecycle maintenance</li> </ul> <p>Asset lifecycle maintenance can be transferred to the CAP. Operations and operational maintenance for these schemes cannot be effectively transferred to the CAP or managed through contractual arrangements due to the need to operate within a flexible permitting arrangement, the location of the new assets on existing UUW operational sites and interfaces with bioresources operations. See <i>UUW53 - Candidate DPC Projects</i> for further detail.</p>

AMP	Name	Project/ programme	Over £200m whole life totex?	Programme scalability test		Construction Risk Test	O&M Risk Test
				Timescales	Passes PS test		
AMP8	Eccles WwTW	Project	£308.1m - prior to construction risk and operations and maintenance risk tests	UUW has long overdue permit requirements with the EA which it has been delayed in meeting due to long standing and complex legal challenges. An agreement exists with the EA to delay delivery until such legal matters are resolved, but the further delay introduced by a DPC procurement process (a minimum of an additional 18 months and potentially up to 30 months- see 4.3.8) would be untenable given delivery has already been delayed.	NOT SUITABLE on the basis of timescales	*  Significant risks associated with complex third party stakeholders could not be transferred or contractualised with the CAP. There are also significant complexities around the constrained nature of the site and the close proximity and overlap between existing UUW assets and the scope of this project. See <i>UUW53 - Candidate DPC Projects</i> for further detail.	Not applicable on the basis of the results of the programme scalability and construction risk tests.
AMP8	Davyhulme WwTW P Recovery	Project	£400.5m– prior to construction risk and operations and maintenance risk tests £106.5m – DPC potential scope (following construction risk and operations and maintenance risk tests)	The project has an immovable EA regulatory commitment of 2026 and a DPC procurement process (adding a minimum of 18 months to the timescale - see 4.3.8) would make this impossible to meet. The project is included within a designated accelerated programme of work.	NOT SUITABLE	✓  No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements	* Operations * Operational maintenance ✓ Asset lifecycle maintenance  Notwithstanding the difficulty of accommodating DPC delivery timescales, there are a number of reasons why the risks associated with operations and operational maintenance cannot be transferred to the CAP - see UUW53. Rerunning the programme scalability test without this scope reduces whole life totex below the £200m threshold.

AMP	Name	Project/ programme	Programme scalability test		Construction Risk Test		O&M Risk Test
			Over £200m whole life totex?	Timescales	Passes PS test		
AMP8	WINEP Habitats Programme (waste)	Programme	£356.8m prior to construction risk and operations and maintenance risk tests (18 projects)  £154.0m whole life totex - DPC potential scope (following construction risk and operations and maintenance risk tests- 9 projects)	Partially SUITABLE  7 projects excluded (totex £178.4m) on the basis of nutrient neutrality drivers whereby projects must be commenced promptly upon the enactment of the Levelling Up and Regeneration Bill, and a DPC procurement process (a minimum of an additional 18 months and potentially up to 30 months - see 4.3.8) would mean it is not possible for UUW to meet this legislative requirement	NOT SUITABLE Following exclusion of scope on the basis of timescales (11 projects, £178.4m)	✓ 9 projects totalling £154.0m  * 2 projects totex £24.4m due to flexible permitting - low cost and low tech requiring close working with third parties - will prevent us harnessing arrangements across the catchment. See <i>UUW53 - Candidate DPC Projects</i> for further detail.	N/A
AMP9	Wigan WwTW & Skelmersdale WwTW (AMP9 scheme)	Project	£617.2m – prior to construction risk and operations and maintenance risk tests / DPC proposed scope	The project currently has regulatory dates in AMP8 that the EA has indicated it is not minded to move to AMP9. Subject to a change in the EA's position, UUW would consider the project to meet the criteria of DPC by default and would propose to start development and procurement activities in AMP8 for project delivery in AMP9.	Conditional PASS (conditional on EA agreement of revised regulatory dates)	✓  No significant reason why most risks cannot be effectively transferred to the CAP or managed through contractual arrangements	✓ Operations ✓ Operational maintenance ✓ Asset lifecycle maintenance  See <i>UUW53 - Candidate DPC Projects</i> for further detail.

**United Utilities Water Limited**  
Haweswater House  
Lingley Mere Business Park  
Lingley Green Avenue  
Great Sankey  
Warrington  
WA5 3LP  
[unitedutilities.com](http://unitedutilities.com)



**Water for the North West**