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Commercial Case

Only Rainwater into Windermere

October 2026



Commercial Case

Client name:

United Utilities

Project name:

Only Rainwater into Windermere

Client reference:

ORiW

Document no:

ORIW-JMM-BC-ALL-PRE-BC-84_Commercial_Case

Revision:

Phase 2 Final

Date:

9 October 2026

Document status:

Phase 2 Final

Project no:

Project manager:

Prepared by:

File name:

ORIW-JMM-BC-ALL-PRE-BC-84_Commercial_Case

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved	Verified
1.1	May 2026	First draft for comments from UUW				-	-
1.2	June 2026	Draft for the ORiW Steering Group					
1.3	July 2026	Final					
1.4	October 2026	Reissue alongside other chapters					

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Commercial Case Summary

Purpose and scope of this document. The Commercial Case sets out how potential delivery and procurement approaches for ORiW will be developed to support value for money, deliverability and regulatory alignment. At this stage, it identifies the works and services that may be required and considers potential delivery models, packaging approaches, market capability, commercial dependencies and next steps, rather than defining a confirmed delivery model.

Service requirements. Delivery of ORiW is expected to require procurement of a diverse range of works and services, including distributed in-catchment interventions, larger-scale strategic infrastructure and programme-wide support services. These components vary in scale, complexity and delivery requirements, depending on the delivery route, and conveyance and discharge configurations currently under consideration.

Delivery and procurement approach. A single delivery model is unlikely to be appropriate across the programme. Instead, ORiW may require a packaged and potentially hybrid approach, with different delivery models applied to different types of works and services. Delivery model selection will be informed by value for money, risk allocation, funding and financing requirements, regulatory requirements and deliverability.

Market capacity and deliverability. Existing AMP8 delivery arrangements and recent major infrastructure procurement provide evidence of available supply chain capacity and capability, including specialist expertise for large and complex infrastructure projects, providing a strong foundation for delivery.

Commercial constraints and dependencies. Delivery and procurement approaches will be influenced by regulatory requirements, planning and consenting processes, programme definition, affordability considerations, funding requirements, interfaces with existing programmes and supply chain capacity. These factors will shape how the programme is structured and delivered.

Next steps. Further work is expected to focus on delivery model assessment, packaging strategy development, procurement design and regulator and market engagement. This will support development of the evidence base and inform future commercial decisions as the programme evolves.

1. Commercial Case

1.1 Purpose of the Commercial Case

The purpose of the Commercial Case is to set out how delivery approaches for ORiW will be developed, and explores key considerations around how components and services required to deliver that option would be procured.

The Commercial Case supports development of a delivery approach that is capable of managing the scale, complexity and multi-component nature of ORiW, and that is consistent with achieving value for money, deliverability and alignment with regulatory expectations.

This approach has been developed having regard to HM Treasury's Green Book (HM Treasury, 2026b) and the Guidance on developing Business Case for projects and programmes (HM Treasury, 2026a), alongside relevant Ofwat guidance on major infrastructure delivery, including Direct Procurement for Customers (DPC) (Ofwat, 2026a), the Major Water Infrastructure Programme – Combined Gated Process (Ofwat, 2026b) and Price Review 24 (PR24) expectations (Ofwat, 2025). It also reflects wider water sector planning and environmental frameworks, including Water Resources Management Planning guidance (Defra, 2023), Drainage and Wastewater Management Plans (Defra, 2025), and relevant national policy statement (HM Government, 2012) (HM Government, 2023).

1.2 Scope of the Commercial Case

The scope of this Commercial Case reflects the current stage of programme development and therefore focuses on identifying and assessing potential approaches, rather than defining a confirmed delivery model. It covers:

- **Service requirements and outputs.** This section sets out the service requirements for the programme, identifying the components that may need to be procured to deliver ORiW. Delivery may require procurement of a combination of works and services, including distributed in-catchment interventions, strategic infrastructure and programme-wide support services. The specification is defined at a high level, reflecting the current stage of development and the range of options under consideration.
- **Delivery and procurement approach.** This section identifies the potential delivery models and procurement approaches that may be applicable to different components of the programme. These include in-house delivery, enterprise and contract-based approaches, and models such as Direct Procurement for Customers (DPC) and Specified Infrastructure Projects Regulations (SIPR). Assessment of these approaches is undertaken through structured screening, informed by regulatory engagement, programme characteristics and value for money considerations. The structure of the programme introduces the potential for a packaged and hybrid approach to delivery.
- **Market capacity and deliverability.** This section considers the capacity and capability of the supply chain to support delivery of ORiW. Existing AMP8 and Haweswater Aqueduct Resilience Programme (HARP) arrangements provide an initial indication of supply chain capacity and capability across a range of intervention types. Further market engagement is required to understand how this capacity and capability translate to ORiW and to inform the development of delivery and procurement approaches.
- **Commercial dependencies, interfaces and constraints.** This section identifies the key factors that influence the range of viable delivery and procurement approaches. A number of dependencies, interfaces and constraints are identified, including regulatory requirements, funding and financing requirements, planning and consenting pathways (WFD, HRA, discharge permit feasibility), programme definition and affordability considerations. These factors may shape the range of viable delivery models and procurement strategies open to the programme.
- **Next steps.** This section sets out the activities required to develop and refine the Commercial Case. The next phase of work will focus on delivery model screening, development of the packaging strategy, procurement design and market engagement, supported by continued engagement with Ofwat and alignment with the evolving regulatory context.

1.3 Service requirements and outputs

Delivery of ORiW will require the procurement of a combination of works and services, including both distributed in-catchment interventions and larger-scale strategic infrastructure, reflecting the range of different conveyance and discharge configurations currently under consideration.

At this stage, service requirements and outputs are framed at a high level and set out the types of works and services that may be required, recognising that a number of interventions are common across all options, while others vary depending on the approach to conveyance, treatment and discharge.

1.3.1 Core programme elements (common across all options)

All options include a consistent package of in-catchment interventions, forming a baseline scope of works across the programme. At a high level, this may include procurement of:

- **Local wastewater network interventions.** First time sewerage connections, network upgrades and optimisation, separation of storm flows from foul flows, and measures to reduce infiltration and storm overflows.
- **Surface water and drainage interventions.** Highway drainage improvements, sustainable drainage systems (SuDS), and measures to manage urban runoff.
- **Catchment-based treatment measures.** Distributed or localised treatment solutions, including treatment wetlands or equivalent interventions to reduce diffuse pollution.
- **Modifications to existing assets.** Upgrades, repurposing or consolidation of existing wastewater treatment works and associated infrastructure.

These elements are repeatable, geographically distributed, and form the core programme of works.

1.3.2 Strategic infrastructure elements (option-dependent)

In addition to the core elements above, options include different configurations of strategic infrastructure, which would require procurement of larger, more discrete assets. At a high level, this may include:

- **Wastewater conveyance infrastructure.** Large-scale transfer infrastructure to intercept and convey flows, including rising mains, tunnels or hybrid conveyance systems, depending on the option configuration.
- **Treatment infrastructure at receiving locations.** New or upgraded wastewater treatment facilities at downstream or out-of-catchment locations, with appropriate treatment standards.
- **Pumping and transfer systems.** Pumping stations, pipelines, tunnels, storage and control systems required to support conveyance solutions, particularly where long-distance transfer is required.
- **Discharge infrastructure.** Infrastructure at the point of discharge, including outfalls or equivalent arrangements at receiving environments, where applicable.

These elements vary significantly between options in terms of construction type and method, scale, complexity, location and delivery risk, and are the principal drivers of differences between options.

1.3.3 Programme and delivery services

Alongside physical works, delivery of ORiW will also require access to a range of supporting services to develop, coordinate and deliver the programme. These may be provided through a combination of internal resources and procured services. At a high level, this may include:

- **Technical development and design.** Ongoing development of intervention options, including concept, outline and detailed design, and integration across different elements of the programme.
- **Environmental assessment and consenting.** Environmental impact assessment, water quality and flow monitoring and modelling for discharge permit, stakeholder engagement, and preparation and management of planning and permitting processes.

- **Programme, project, risk and change management.** Collaboration and coordination of multiple workstreams, including planning, scheduling, resourcing, governance, cost management and reporting.
- **Stakeholder engagement and communications.** Engagement with stakeholders, including regulators, local communities, landowners, partner organisations and statutory undertakers. Development and delivery of communications strategies to support programme development, consultation and delivery.
- **Business case and regulatory approval documentation and development.** Preparation and assurance of business case documentation, including appraisal, option selection, and supporting evidence, together with development and coordination of submissions for regulatory and funding approvals.
- **Commercial and procurement support.** Development and implementation of procurement strategies, procurement delivery, and contract and commercial management approaches.
- **Financial modelling and legal advice.** Development of financial models and funding structures to support investment decisions and affordability, together with legal advisory services to support programme structuring, contract strategy and progression to financial close.
- **Construction and delivery management.** Site supervision, quality assurance and coordination of multiple contractors and delivery partners.
- **Commissioning and operational integration.** Testing, commissioning and integration of new or modified assets into existing operations.

For any of these services that are to be procured, this may be done either as standalone service packages or integrated within wider delivery arrangements, depending on the overall approach adopted. Some of these services may be delivered in-house, depending on the capability and availability of United Utilities Water Limited (UW) resource.

Taken together, delivery of ORiW may require the procurement of a diverse portfolio of works and services, comprising:

- A distributed and repeatable programme of in-catchment interventions.
- A smaller number of large-scale strategic infrastructure components.
- Programme-wide services to support development, coordination and delivery.

These elements have distinct characteristics in terms of scale, complexity and risk, providing the basis for considering a packaged and potentially hybrid delivery approach, as set out in the following section.

1.4 Delivery and procurement approach

The commercial approach to delivery, including the development of the delivery model, packaging strategy¹ and procurement arrangements for ORiW, will be influenced by a range of dependencies, interfaces and external constraints.

In developing this approach, a number of core commercial principles will be applied, including achieving value for money for customers, aligning with regulatory requirements (including the Procurement Act, 2023), aligning with UW's relevant corporate policies (e.g. social value and net zero), allocating risk appropriately, and ensuring that delivery arrangements are practical and deliverable in the market.

1.4.1 Approach to determining a delivery model

The delivery model for ORiW has not yet been determined and will be developed as the programme progresses.

Given the scale of ORiW, elements of the programme are likely to meet Ofwat's criteria for major infrastructure and will therefore be assessed for suitability for delivery through DPC or SIPR, in line with

¹ A "package" is defined as a grouping of related works or services that can be procured and delivered under a single contract or delivery arrangement. Accordingly, delivery may be structured through several packages, with different delivery approaches applied where appropriate.

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Ofwat guidance. Where applicable, these delivery models are assessed through structured screening and engagement with Ofwat in line with applicable Ofwat guidance, including Ofwat's DPC guidance (Ofwat, 2026a) and PR24 expectations for the competitive delivery of major infrastructure (Ofwat, 2025).

This includes assessment of whether components of the programme may be suitable for delivery through:

- In-house UUW-led delivery model, supported by new or existing partners
- Delivery models involving third-party delivery and financing, including DPC or SIPR, subject to applicable policy at the time

The identification of delivery models is to be undertaken through a process of structured screening and assessment. This process involves a combination of quantitative and qualitative assessment, alongside engagement with Ofwat and other relevant stakeholders.

Factors considered may include:

- The scale, complexity and discreteness of individual components
- The extent to which responsibilities, outputs and risks can be clearly defined and allocated between delivery parties
- Deliverability and integration with the wider programme
- Value for money for customers, including whole-life cost and risk exposure (for more detail, see the Financial Case)
- Financing implications and funding approach (see the Financial Case)
- Market capability and appetite

Delivery model decisions are progressive and may differ across programme components, rather than being defined as a single programme-wide approach.

The timing of these assessments may not align directly with the Price Review cycle and may be undertaken outside formal regulatory determination periods, reflecting the evolving nature of the programme.

DPC requires demonstration that third-party delivery is likely to deliver improved value for money relative to in-house delivery, supported by a structured procurement process and Ofwat approval mechanisms. A Competitively Appointed Provider (CAP) is appointed to design, build, finance and operate the infrastructure.

SIPR involves specification by the Secretary of State or Ofwat, requiring the project to be competitively tendered by the water company. The successful bidder becomes a licensed Infrastructure Provider, subject to project-specific economic regulation. The project, including its financing, is competitively tendered and delivered by the Infrastructure Provider. There are two tests which need to be met; (i) the project must be of a scale or complexity that would expose the incumbent water company and its customers to significant financial or delivery risk (ii) delivery through a competitively appointed Infrastructure Provider better protects value for money.

In-house involves delivery by UUW through its supply chain, with financing and delivery responsibilities retained by UUW.

The Government's 2026 Water White Paper proposes reforms to the Specified Infrastructure Projects Regulations (SIPR), including amending the qualifying thresholds so that a wider range of projects can use the regime and extending its scope to all types of water infrastructure (Defra, 2026). The White Paper also proposes greater early-stage oversight and assurance of SIPR projects. The subsequent Clean Water Bill announced in the June 2026 King's Speech includes measures to promote competition in water infrastructure delivery, although the final legislative provisions and their implications for SIPR remain subject to parliamentary approval and implementation. (Defra, 2026; Prime Minister's Office, 2026).

1.4.2 Delivery models and their implications

A range of delivery models may be applicable across the ORiW programme. These differences are reflected across several key dimensions:

- How they are financed
- The responsibility for design, construction and operation
- The mechanism and timing of cost recovery from customers, including recovery through the Price Review process or through project-specific revenue arrangements such as the Allowed Revenue Direction (for more detail, see the Financial Case)
- The contractual structures and commercial arrangements
- The allocation of risk between UUW, delivery partners and customers
- The level of regulatory oversight and control

The mechanism for recovering costs from customers varies by delivery model and the regulatory framework under which the project is delivered. Conventionally delivered schemes are funded through the Price Review process, while models such as DPC or SIPR use project-specific revenue arrangements that define the timing and conditions of cost recovery. The implications for affordability and acceptability, including customer bill impacts are considered as part of the Financial Case.

Contractual arrangements also vary depending on the delivery model. For conventionally delivered schemes, contracts define the allocation of design, construction and integration responsibilities across delivery partners, with performance, cost and programme managed through agreed contractual mechanisms. For more complex or higher-value components, contractual arrangements may need to address a greater number of interfaces and risk considerations. Delivery models involving third-party financing and delivery (such as DPC or SIPR) require more complex, project-specific contractual structures, including long-term agreements covering delivery, operation and maintenance, and performance, with clearly defined mechanisms for risk transfer, performance management and payment.

Programme mobilisation and delivery timelines may also be influenced by the delivery model adopted. In-house delivery approaches may benefit from the use of existing organisational structures, governance arrangements and delivery capabilities, potentially reducing mobilisation activities and enabling earlier progression of some programme activities. Delivery models involving third-party financing and delivery (such as DPC or SIPR) may require additional activities associated with establishing delivery entities, financing arrangements and contractual structures, but can also provide advantages in areas such as risk allocation and value for money. In all cases, programme progression will continue to be influenced by wider factors such as regulatory approvals, planning and consenting, land access and technical development.

The delivery model will also have implications for **organisational and workforce arrangements**. Conventionally delivered approaches are expected to be resourced through UUW and its supply chain, while delivery models involving third-party delivery (such as DPC or SIPR) may involve a greater transfer of responsibilities to external organisations over the life of the assets. The implications for staffing, capability and organisational structure will be considered further as delivery models are developed and considered.

Land requirements will vary depending on the preferred option and may include temporary access rights to facilitate surveys and construction activities, permanent rights such as easements, and temporary and permanent land acquisition through leasehold or freehold interests where required. Under delivery models such as DPC or SIPR, responsibility for securing land rights would typically sit with the Competitively Appointed Provider (CAP) or Infrastructure Provider (IP). However, certain land access agreements may be required at an earlier stage to enable surveys, ground investigations and other development activities to progress prior to appointment of a future delivery entity. Further detail on land-related development activities is provided in the Management Case.

Significant consenting issues, such as planning permission and discharge permits are unlikely to be obtained by the CAP or IP. However, many secondary consents will be obtained by the CAP or IP.

The characteristics of delivery models that may be considered through this process are summarised below.

Table 1-A - Delivery model characteristics

Delivery model	Who delivers	Contract structure	Risk allocation	Funding and financing approach
UUW-led delivery options				
In-house	UUW manages delivery through its supply chain	Standard infrastructure contracts (e.g. NEC) via frameworks or competition	Majority of delivery and cost risk retained by UUW, subject to contract mechanisms	Funded through UUW balance sheet; costs recovered through Price Review (see the Financial Case)
Enterprise / integrated delivery	Integrated teams of UUW and delivery partners	Framework or enterprise-style agreements integrating design and construction	Risks shared between UUW and partners, often with target cost and incentive mechanisms	Typically UUW-funded; financing remains on balance sheet
Design & Build (D&B)	Contractor responsible for design and construction	Single-point responsibility contracts (e.g. NEC D&B)	Design and construction risk transferred to contractor; integration risk retained by UUW	Funded by UUW
Build-only	Contractor delivers construction; design remains with UUW or others	Construction contracts for defined works packages	Limited risk transfer; UUW retains design and integration risk	Funded by UUW
Alliance / collaborative delivery	Multi-party delivery team jointly responsible for outcomes	Alliance agreements with shared objectives and pain/gain	Risks shared and managed collectively across alliance partners	Typically UUW-funded
Delivery options with third-party finance				
DPC (Direct Procurement for Customers)	Competitively Appointed Provider (CAP) designs, builds, finances and operates asset	Long-term concession-style agreement under Ofwat framework Assets handed back to UUW at the end of the concession period	Significant transfer of construction and operational risk to CAP within defined envelope	Third-party financing; revenue recovered via Ofwat-approved mechanism (<i>Allowable Revenue Direction</i> - see the Financial Case)
SIPR (Infrastructure Provider)	Licensed Infrastructure Provider delivers asset	Project-specific regulatory and contractual framework Assets owned by IP in perpetuity	Risk largely transferred outside UUW, governed through regulatory framework	Third-party financing with project-specific regulated revenue (see the Financial Case). Post construction 5-year Price Reviews

1.4.3 Packaging and hybrid delivery

The ORiW programme comprises:

- Distributed, repeatable in-catchment interventions.

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- Large-scale, complex strategic infrastructure.
- Programme-wide services.

These elements differ significantly in terms of scale, complexity, geographic distribution and risk profile. For the purposes of delivery, a “package” is defined as a grouping of related works or services that can be procured and delivered under a single contract or delivery arrangement. Accordingly, delivery may be structured through several packages, with different delivery approaches applied where appropriate.

This approach may result in a hybrid delivery model, where different delivery models are applied to different packages across the programme, rather than adopting a single delivery approach for all elements.

This hybrid delivery model could combine:

- In-house UUW-led delivery, supported by new or existing partners, including programme-wide services.
- Regulated delivery models (e.g. DPC or SIPR) for large and discrete components, supported by a value for money assessment.

Table 1-B presents an illustrative packaging approach based on typical infrastructure procurement practice and the characteristics of the package types identified for ORiW. It is intended to demonstrate potential delivery approaches rather than recommend a preferred delivery model.

Table 1-B - Illustrative package approach

Package type	Characteristics	Potential delivery approaches
In-catchment interventions	Repeatable, distributed, integrated with existing network	Enterprise, framework-based or build-only
Strategic infrastructure	High-value, discrete and complex assets	Design & Build, alliance, or regulated models (DPC/SIPR), subject to assessment
Programme services	Cross-cutting support (design, environmental, programme management)	Standalone service contracts or embedded within delivery models

The extent to which existing AMP8 delivery arrangements may be utilised depends on how ORiW interfaces with, or potentially supersedes, existing investment and delivery plans. Where alignment exists, incumbent arrangements may provide a basis for delivery; where requirements differ materially, additional procurement and mobilisation may be required.

The final packaging approach will be developed iteratively, informed by technical development, regulatory engagement and market testing, and supported by a detailed Procurement Strategy.

1.4.4 Procurement approach

The procurement approach for ORiW has not yet been defined and will be developed alongside delivery model considerations.

Procurement strategies will be required to align with:

- UUW's internal procurement and governance processes, including approval frameworks, commercial policies and standard contract approaches; and
- Applicable regulatory requirements, including the Procurement Act 2023, particularly for major projects, including the staged development and approval framework set out in the Major Water Infrastructure Programme combined gated process (Ofwat, 2026b).

Two broad categories of procurement approach may be relevant:

1. Conventional procurement approaches

For in-house, enterprise and contract-based delivery models, procurement is likely to include:

- Use of existing supply chain arrangements where appropriate;

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- Competitive tendering for defined packages of work;
- Use of standard forms of contract (e.g. NEC suite); and
- Staged procurement aligned to programme development and design maturity.

These approaches are typically flexible and aligned with established delivery practices within the water sector.

2. Procurement under regulated delivery models

For delivery models such as DPC or SIPR, procurement follows prescribed regulatory processes, reflecting the involvement of third-party delivery entities and financing.

These may be applicable where components are:

- Large in scale (and capital);
- Sufficiently discrete; and
- Capable of being delivered with clearly defined outputs and risk allocation.

Key characteristics may include:

- Structured competitive procurement processes.
- Formal regulatory oversight.
- Development of project-specific contractual and financial structures; and
- Increased transaction complexity and longer lead-in time.

These approaches also enable alternative financing structures and optimised risk allocation, as considered further in the Financial Case.

Procurement strategies will be developed iteratively to:

- Test delivery and packaging approaches.
- Confirm supplier appetite and capacity; and
- Ensure alignment with programme objectives and regulatory expectations.

Overall, the delivery and procurement approach will be developed iteratively as the programme matures, drawing on technical development, regulatory engagement and market input to ensure a deliverable and value for money solution. The feasibility of these approaches is supported by existing supply chain capacity and capability, as outlined in the following section.

1.5 Market capacity, capability and deliverability

Evidence from U UW AMP8 delivery arrangements and major infrastructure programmes provides an initial indication of the capacity, capability and resilience of the supply chain to support delivery of ORiW. U UW has also progressed procurement for major infrastructure through the Haweswater Aqueduct Resilience Programme (HARP) (United Utilities, 2024), including competitively procured delivery partners responsible for the financing, design, build and maintenance of new infrastructure. This provides a strong foundation and a relevant precedent for engaging the market on large-scale, complex schemes involving third-party financing and delivery.

HARP also demonstrates the market's ability to mobilise specialist capability and capacity for major infrastructure delivery in the North West. The programme is being delivered by Cascade Infrastructure, including STRABAG UK as the design and construction partner, with presence in the North West. The consortium brings a strong track record of delivering similar tunnelling schemes in the UK and Europe, providing a relevant example of the specialist expertise available to support large and complex infrastructure programmes.

For AMP8, U UW refreshed its project delivery and commercial arrangements to introduce several distinct delivery “runways”. These runways represent different approaches to delivery (for example enterprise

delivery, detailed design and build, and build-only), with partners selected to align with projects of varying scale, complexity and risk. This approach has been designed to broaden market access, build resilience and ensure sufficient capacity headroom. The runways are structured:

- **Enterprise delivery runway:** brings together six industry-leading partners working with UuW. The Enterprise approach combines design, engineering and construction capabilities and is intended for the largest and most complex environmental and infrastructure projects.
- **Detailed Design and Build runway:** 18 contractors engaged, including 10 infrastructure specialists and eight reflecting process treatment capability, primarily focused on treatment works.
- **Build-Only runway:** 30 locally based specialist contractors, comprising 20 civil engineering providers and 10 mechanical and electrical specialists.

Engineering and technical capability: 15 engineering consultancies appointed to provide design, modelling, optioneering and assurance support.

Overall, this approach represents 54 construction delivery partners and 15 engineering consultancies, deliberately procured to exceed baseline programme requirements and provide flexibility and resilience.

This provides a strong starting point for ORiW, particularly in relation to in-catchment and repeatable interventions and demonstrates the depth and breadth of capability already mobilised within the supply chain.

Market engagement specific to ORiW will be developed as the programme progresses. This will support ongoing refinement of delivery and packaging approaches and provide further insight into market appetite and capacity as the most preferred option develops.

1.6 Commercial dependencies, interfaces and constraints

Delivery of ORiW will be influenced by a range of dependencies, interfaces and external constraints that directly affect the development of the delivery model, packaging strategy and procurement approach.

1.6.1 Commercial dependencies and interfaces

The following dependencies and interfaces may influence how delivery and procurement are structured:

- **Regulatory frameworks and approvals.** Delivery model and procurement decisions are required to align with applicable regulatory frameworks, including Ofwat requirements for the assessment of delivery approaches for major projects. These may influence the range of delivery models available and require specific processes to be followed. It is possible that new legislation or regulations are required (for example, to enable the use of delivery models such as SIPR where current legislative requirements may restrict their application).
- **Interfaces with existing infrastructure and operations.** Delivery will require integration with existing wastewater systems and operational processes. These interfaces may influence the extent to which works can be defined and separated into discrete packages, and therefore the suitability of different delivery models. This includes interfacing with UuW internal stakeholders including procurement, asset management, capital delivery and operations.
- **Interaction with existing and planned programmes.** ORiW is being developed alongside ongoing AMP8 investment and other programmes. The extent to which delivery can be aligned with, or separated from these activities may influence packaging strategies, use of existing supply chain arrangements, and the overall procurement approach.
- **Interfaces between delivery packages.** A packaged or hybrid delivery approach may introduce multiple delivery partners and contractual interfaces. The extent of these interfaces will influence risk allocation, contract structure and the level of coordination required between packages.
- **Programme definition and design maturity.** Ongoing development of technical solutions means that the level of definition available for procurement may vary across components. This may affect the ability to let single-point responsibility contracts or adopt delivery models requiring clearly specified outputs.

- **Outcome definition and performance requirements.** Certain delivery models, particularly those involving third-party delivery and financing, rely on clearly defined and measurable outputs. The complexity and diversity of interventions may influence how these outputs are specified and how associated risks are allocated contractually.

1.6.2 Commercial constraints

The following constraints may shape the range of feasible delivery and procurement approaches:

- **Planning, consenting and environmental requirements.** Statutory requirements for planning and environmental approvals, including discharge permits and Habitats Regulations compliance, may impose constraints on delivery timing, sequencing and constructability. These factors may limit flexibility in packaging and influence risk allocation between parties.
- **Discreteness and structure of the programme.** The extent to which the programme can be divided into discrete, self-contained components may constrain the applicability of certain delivery models, particularly those requiring clearly defined asset boundaries and outputs.
- **Affordability and customer impact.** The scale of investment and its impact on customer bills influence the delivery model and financing decisions. Different delivery models may result in different profiles for the timing and recovery of costs from customers, which may affect affordability and customer bill impacts over time. This may constrain the range of viable options and will be a key consideration in assessing value for money (as detailed in the Financial Case). In addition to affordability considerations, customer bill impacts and wider stakeholder acceptability may influence the viability and acceptability of different delivery and financing approaches.
- **Competing programme and resource demands.** Concurrent delivery of other major infrastructure programmes may constrain the availability of financial, organisational and supply chain resources. This may influence procurement strategy, contract packaging and delivery phasing.
- **Market capacity and supply chain considerations.** The availability of capable suppliers across different delivery approaches may influence the feasibility of packaging strategies and procurement routes, particularly for large or specialist components. Market engagement will inform this.
- **Stakeholder expectations and scrutiny.** The high profile of the programme may place constraints on acceptable delivery models and procurement approaches, including expectations around transparency, competition and demonstrable value for money.

Taken together, these factors will be considered in developing an approach to delivery and procurement that is aligned to programme requirements and prevailing constraints. Some of these constraints may also give rise to programme risks, which are considered separately through the programme risk management process outlined in the Management Case and associated Risk Register.

1.7 Next steps

Given the early stage of programme development, the items outlined in this section represent areas that may require further development, assessment and consideration as the programme progresses. These items are intended to indicate the potential activities and decisions that could support future programme development and business case progression, rather than committed actions at this stage.

As the programme evolves, further work may be required to develop and refine the delivery model, packaging strategy and procurement approach, and to build the supporting evidence base required for future decision-making. This is likely to involve iterative development of commercial options, informed by technical progression, regulatory engagement and market input, with a focus on reducing uncertainty and informing future commercial decisions.

1.7.1 Priority actions and near-term decisions

The following priority activities and decisions represent the key actions required to support the development of the commercial approach and are to be progressed by UUW, with support from technical, commercial, financial and legal advisors (where required), and informed by engagement with Ofwat and the supply chain:

- **Delivery model screening.** Further assessment of programme components against applicable delivery models, including in-house delivery, DPC and SIPR, and engagement with Ofwat to support this process.
- **Definition of packaging approach.** Development of an initial packaging strategy, identifying how the programme may be structured into discrete components and how interfaces between those components are managed.
- **Procurement strategy development.** Development of potential procurement approaches aligned to delivery model considerations, including consideration of the use of existing supply chain arrangements and the role of competitive procurement processes where appropriate.
- **Market engagement.** Undertake structured market engagement to test delivery and packaging approaches, understand market capacity and appetite, identify potential delivery risks, and building market feedback into refinement of delivery and procurement strategies.
- **Commercial and contractual development.** Development of indicative contract structures, risk allocation approaches and commercial mechanisms aligned to potential delivery models.

1.7.2 Commercial development and supporting activities

Progression of the commercial approach is dependent on several activities that drive the timing and sequencing of key decisions:

- **Programme definition and design maturity.** Advancement of engineering and economic assessment to provide sufficient clarity on scope and outputs. This underpins the ability to assess delivery models, define packages and develop procurement strategies.
- **Regulatory engagement and input.** Ongoing engagement with Ofwat and other stakeholders to inform delivery model screening and ensure alignment with regulatory frameworks. This shapes the range of viable delivery and procurement approaches.
- **Planning and consenting strategy.** Development of planning and consenting approaches, influencing how programme components may be structured and the extent to which they can be delivered as discrete packages.
- **Financial assessment and funding approach.** Development of the Financial Case, including affordability and financing considerations, informing delivery model assessment and commercial strategy (further detailed in the Financial Case).
- **Market engagement and feedback.** Iterative engagement with the supply chain to test assumptions, confirm capacity, capability and refine packaging and procurement approaches.

1.7.3 Progression to next stage

The activities outlined above provide the basis for developing a more defined commercial approach as the programme progresses to the next stage.

This includes development of:

- A defined approach (or approaches) to delivery model for key programme components
- A proposed packaging strategy reflecting programme structure and interfaces
- A high-level procurement strategy, including potential routes to market
- An outline of commercial and contractual arrangements aligned to delivery approaches

This work progresses in parallel with the Strategic, Economic, Financial and Management Cases, ensuring alignment across all aspects of the business case and supporting the development of a coordinated and deliverable programme.

1.7.4 Assumptions and limitations

This Commercial Case reflects the current stage of programme development and a number of assumptions relating to programme scope, delivery model and procurement approach.

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Key assumptions include:

- The scope and configuration of the programme will continue to evolve as technical, commercial and regulatory development progresses
- The delivery model and procurement approaches will be subject to further development, including engagement with Ofwat and consideration under applicable regulatory frameworks
- The capacity and capability of the supply chain will be confirmed through ongoing market engagement
- Funding, financing and value for money considerations will be developed further as part of the Financial Case (see the Financial Case).

The delivery and procurement approaches described should therefore be regarded as indicative and subject to refinement as the programme progresses.

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