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28 June 2017

Market information consultation response
Email: water2020@ofwat.gsi.gov.uk

Dear Sir or Madam,

Re: Bioresources and water resources market information consultation

Waterwise is pleased to respond to Ofwat's consultation on bioresources and water resources market information. Waterwise was founded in 2005 and is the leading authority on water efficiency in the UK and Europe. We are an independent, not for profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere.

Water efficiency is a key contributor to resilience, and water companies are currently carrying out large-scale retrofitting and customer engagement programmes. But water efficiency, scaled up even further, is also an invaluable tool in driving customer participation – as well as using water efficiency programmes to get customers to help deliver water savings, it can contribute to multi-layered relationships to help inform, track and improve customer service and outcomes across companies.

We know Ofwat is keen to see larger-scale water efficiency. Demand management options, including leakage reduction and water efficiency, could be more innovative and cost-effective if delivered by third parties or existing incumbent water companies who have already invested in this area. Providing clear market information on the water resources situation and other supply and demand management options being considered can inform those looking to innovate in this area. However, the market for demand management services, particularly household water efficiency, needs support to develop and address issues of delivery risk.

Attached are our detailed responses to your consultation questions. We look forward to working closely with Ofwat and water companies to deliver water efficiency in PR19.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Aaron Burton". The signature is stylized and cursive, written over a white background.

Aaron Burton MCIWEM C.WEM CEnv CSci
Director of Policy and Innovation

Response to consultation questions

Q1. Do you consider that the information we propose requiring companies to publish is helpful and will provide sufficient transparency in the (i) bioresources market and (ii) water resources, demand management and leakage services market to support their operation and development? If not, please give reasons

Waterwise supports the development of third party options and innovations in demand management and the definition of these as: a water efficiency scheme provided by a third party, a leakage reduction scheme provided by a third party or provision by a third party of reclaimed water.

By providing information on water resources, demand forecasts and existing option costs innovation can be provided by third parties, particularly from other sectors. We have seen innovation in electricity and telecommunications markets that hasn't happened in the water sector. The UK has a thriving tech sector, but the technical aspects of water resources planning and some cultural biases within companies have tended to prevent this sector from engaging with water companies to develop new solutions.

Additionally, this data can open up opportunities for NGOs such as Groundwork who have been building up their skills in this sector to apply them with other companies directly. These may have been limited by not knowing where and to what extent opportunities exist previously.

As can be seen in the Water UK long term water resources planning framework report, there is a wide variation in per capita consumption between water companies and within regions between water resources zones. Some of this variation is explained by external factors, but there are certain incumbent companies that are leading on innovative approaches to large scale water efficiency programmes, while others are not. We believe the new monitoring framework offers the opportunity to drive such innovation and scale in water efficiency across the companies in England and Wales to help meet deficits. Rather than sharing water resources they would be sharing their knowledge and expertise in delivering demand management solutions. The market information can support this, although we propose additional mechanisms to mainstream water efficiency into this agenda and delivery.

On specific data requirements:

- Geographic data – providing access to GIS files for each WRZ can enable third parties to undertake analyses using socio-economic data for the area, apply innovations using other spatial data to observe and manage leakage, and help develop partnerships with other programmes operating in these water company areas (e.g. housing association refurbishment and energy retrofit programmes).
- Key information summary – this table is additional to the existing WRMP19

tables and is important to make the information accessible to third parties, particularly those new to the industry. We also suggest that an accompanying narrative or definitions are provided.

- Baseline demand forecast – this is important for understanding how the forecast has been developed and splits between metered and unmetered consumption.
- Final plan demand forecasts – this is important to demonstrate the proposed impact of planned demand management options
- Final supply demand forecast – this is important to identify gaps and opportunities for third party demand management options to compete with the final plan. A narrative is required around this so that it is comprehensible to those from different sectors.
- Final plan option costs – access to information on the planned option costs is essential in order to innovate on these (for example alternative/ partnership delivery approaches for retrofit programmes) and to develop costs and benefits that can be fairly compared between new demand management options and proposed water supply options. As the evidence base for water efficiency hasn't been updated for PR19 many companies are using the same costs and benefits they applied in PR14. Third parties and those incumbents who are innovating on water efficiency could challenge these costs and provide alternative solutions.

We support the market information requirements and feel they will go some way towards enabling innovation in subsequent price reviews. Waterwise would be ideally-placed to develop the narrative or provide guidance on developing this so that sectors outside the existing water industry can get involved in developing options. Waterwise can also help communicate what this market information could mean and open up public dialogue with third parties and incumbents who may wish to supply services to other companies.

Q2. Is there any additional information which it would be helpful if companies published for (i) bioresources and (ii) water resources (within the remit of Condition M1)? Please explain why.

Generalised customer data suitable for developing a tailored water efficiency programme would also be useful to provide. This can also inform wider benefits of water efficiency programmes related to ODIs on customer satisfaction/ participation that should also be considered when comparing demand management with supply options. Data could include:

- Socioeconomic data for the households (if held by the water company)
- Customer satisfaction at the WRZ level

Additional data to help inform development of demand management options could include:

- Meter penetration rates
- Property ages and types
- Household sizes
- Presence of gardens
- Previous water efficiency programmes completed in the area – high level details on the approach and a timeline
- How will water efficiency savings and the benefits from ODI rewards be passed onto third parties?

Q3. Do you agree with the proposed scope of the information on market activity to be provided to us for monitoring the development of the bioresources market? If not, please give reasons.

N/A

Q4. Do you consider that the publication of any of the information that we propose water companies publish would (i) be contrary to the interests of national security or (ii) seriously and prejudicially affect the interests of any person? If so, please identify the information concerned and give reasons.

This information would not be contrary to the interests of national security. The GIS data is at a sufficiently high level that the strengths and weaknesses of WRZs aren't exposed. Location of water company assets such as supply reservoirs are already available in other datasets. The overall supply-demand situation is already consulted on publicly through WRMPs.

The costs of options included within WRMPs needs to be more transparent to enable third party innovations to be considered. The benefits of access to this information outweigh the impacts of competitive disadvantage. Additionally, by making these costs more transparent it can expose those who are at the frontier of large scale water efficiency programmes vs those who have yet to scale up their programmes.

Q5. Do you have any comments on the proposed timing of the publication and the frequency that the information should be updated for both the bioresources market and water resources market?

Publishing information alongside draft WRMPs provides an opportunity for third parties to engage in dialogue with water companies before they prepare their final plans. However, earlier engagement may provide greater benefits as many draft WRMP options may already have entered into wider PR19 business planning processes by this time. There should be provision for new solutions to be proposed within the planning period, especially if demand management can delay new water resources option development.