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ADVIZZO – OFWAT Innovation Fund Consultation

Dear OFWAT Team,

Please find below our answers to your questions related to the Innovation Fund Consultation.

Advizzo founded and having its headquarter in London is a consumer engagement Machine Learning platform combining data science and behavioural science which water companies use to better engage their customers
As a result, Advizzo is able to decrease overall consumption while increasing Satisfaction, at no cost for the end consumers

Since inception in 2015, our start up has put in place a robust customer engagement SaaS product which 9 companies use in Europe, Middle East, Brazil and very recently in Cincinnati, USA. Advizzo engages 500,000 homes through its 9 clients.

By just changing peoples' habits, we see on average a reduction in water consumption of 3% years after years. Combined with leakages detection, it can even reach a combined 8%. See the use case done in partnership with Anglian Water :

http://www.advizzo.com/int/adv_02/wp-content/uploads/2018/06/anglian-cs-1-2.pdf



Q1 What are the main barriers to innovation in the sector and why?

- Water companies have operational issues on day to day basis and have then difficulties at having a proper innovation strategy put in place and executed over time
- Innovation could be seen as counterproductive on short term basis as it may lead to a decrease in revenue ie water savings
- Financing innovation within companies is proven to be difficult and siloed, having tactical moves but not ambitious cross departments plan

Q:2 Do you think that the financial support cited in section three is required to stimulate innovation in the sector? If so, what do you believe is the appropriate amount of funding and why?

A fund to support innovation is much needed. It would allow to unlock the above-mentioned barriers with a more risk taking mindset to create value for consumers. We see that projects and collaboration with start-ups, academics, NGOs (eg Waterwise which Advizzo is a sponsor), CCGs and the Utilities themselves can lead to massive added value creation.

An incentive to compensate the short term losses incurred by very innovative projects with the utility would also be very helpful. We see that it successfully worked in the US for the energy sector for residential customers.

Q:3 Do you agree that our proposed draft principles for additional financial support will effectively safeguard the interests of customers?

We agree on the draft principles proposed. We would like to see more ambitious R&D initiatives that have to be assessed and measured in term of success or failure. We must ensure that money from such a fund is correctly spend and non-efficient projects to be stopped if not enough tangible results. At Advizzo, we apply best practices when it comes to measure the efficiency of customer engagement and related KPIs such as Water efficiency by running Randomised Control Trial/ A B testing

Q:4 What are your views on the collectively funded innovation competition model which we describe in section three? What other key considerations not highlighted should we take into account in designing/ implementing the competition?

The innovation competition model seems ok as long as:

- It's possible for water companies to regroup to innovate. We are in favour of cross borders initiatives. As an example, it's obvious that droughts do not stop at the border on a water utility and regional joined programs have to be launched
- Cross sector innovation is allowed to tackle the same problem. As an example, to support vulnerable customers, more has to be done with other stakeholders



from public and private sectors. Innovation to better use data can unlock untapped means to do more for such a vulnerable population

Q:5 What are your views on the end-of-period innovation roll-out reward we describe in section three? What other key considerations not highlighted (e.g. whether it should be collectively funded or individually funded) should we take into account in designing/ implementing the reward?

We believe that the innovation period for the reward roll-out should be available across AMP7 and restrained to a shorter period at the beginning of the AMP7.

We think it would give more opportunities for the most innovative water utilities to fund a successful programme across the entire period of the AMP7. This will also create more opportunities to learn about innovative type of programme such as Behavioural Change. We know that engaging customers is a long-term process so proposing a 5 years period innovation period would makes sense.

In term of design and implementing the reward, we believe it would beneficial to ensure key innovative results could be measured from an innovation programme. For example, when creating behavioural change programme for water saving (Behavioural Water Efficiency), it should be mandatory for a Water Utilities to demonstrate the reality of the water saving using A/B Testing Methodology prior to receive any type of Reward.

Q:6 What other potential alternative mechanisms for funding/ rewarding innovation not discussed do you think we should be considering? Which financial support mechanism or combination of mechanisms should we introduce and why? What would be an appropriate split of available funding/ reward?

We believe the Advizzo team is already in line with the proposed funding mechanism from OFWAT. The funding should be proposed “mostly” to the Water Utilities as they are the one having the challenges.

Another idea would be to propose to fund more “regional” initiative through “Consortium” of companies lead by Water Utilities such as WRSE in South East or



WCRG in the West of the UK. For example, regional water saving initiative will make a lot of sense as we all know that water scarcity is a regional issue and not local one. Finally, we believe organization and non-for-profit organisations such as Waterwise or Hubbub could receive some funding for more communities and consortiums related projects but also lead by Water Utilities companies.

Q:7 Do you think the potential industry activities discussed in section four could help drive innovation? Are there other activities not identified which you think the industry should be considering?

We support the principle of a joint innovation strategy that could support experience sharing and joint collaboration.

We support the principle of a Center of Excellence. As we already work with 4 water companies in the UK, we are more than happy to facilitate the set-up of such center of excellence in particular around topics such as :

- Customer Engagement
- Behavioural Change
- Use of Data
- Vulnerable customers
- Leakages after the meter/at the property level

Q:8 Do you think the proposals in section five will help drive innovation? Are there other activities not identified which you think Ofwat should be considering?

The Advizzo team support the proposal of the section 5 in order to help driving innovation by improving more joint collaboration between OFWAT, OFGEM, government and water utilities on innovation.

One the major way for driving innovation is to develop innovative policies between government and regulators. For example, the current initiative between OFWAT and DEFRA to develop a Water saving opportunity up to 100 Litre a day per person is a unique opportunity to push water utilities to invest in innovation to reach such type of target.

We express our interest in attending workshops for innovation interventions described above and continue to brainstorm all together.

Please do not hesitate to contact us by email at [REDACTED] or by phone on [REDACTED] should you have any queries.

Yours faithfully

Patrice GUILLOUZIC and Julien Lancha