

Blueprint for Water is a unique coalition of environmental, water efficiency, fisheries and recreational organisations, part of the wider environmental NGO coalition, Wildlife and Countryside Link. Blueprint members come together to form a powerful joint voice across a range of water based issues.

### **Ofwat Innovation Consultation**

Blueprint for Water welcome the opportunity to respond to this consultation. This response has been written by the Chair and Vice Chair of Blueprint for Water.

Blueprint for Water recognise the potential benefits that innovation within the water sector can bring for the environment. However we would also highlight potential risks to delivering good environmental outcomes that could arise if innovation is considered a goal in itself rather than a means of delivering better outcomes for the customer and the environment.

We welcome the intent as set out in the introduction to the Consultation that water companies will be required “to share learning with other water companies, to push the sector as a whole forward”. We recognise that innovative approaches adopted and championed by a number of water companies on catchment management has led to the broad use of this technique to tackle water pollution and protect raw water quality that we see today. However we feel it is important to stress that new approaches bring with them risks; companies must not shy away from sharing failures as well as successes if the industry is to truly learn from itself; and that innovation must not displace or be superior to the precautionary principle in seeking good environmental outcomes.

Q1) We welcome innovation in environmental delivery. We believe that sustainable water management requires a move away from more traditional concrete- and carbon-heavy approaches, in order to bring about improvements in areas where action is otherwise slow, expensive or unfeasible. However we must be sure that innovation will not be at the expense of environmental protection and compliance with baseline regulation. The use of new techniques should be relied upon only when there is prior proof of their efficacy. The sector’s high risk-aversion to innovative technologies is likely to reflect these concerns, but should be used as a guide rather than a barrier to innovation, i.e. approaches can be trialled primarily in areas where failure would be expected to have minimal impact, and can then be adopted more widely where successful. This would minimise the risk of compliance failures or environmental damage.

Q2) We consider the proposed measure to generate an ‘innovation fund’ of £200m is reasonable (based on an estimated average increase in customer bills in the region of £1.50 per year over the period 2020-2025, supplemented by funds from the water companies), considering the likely return on investment expected based upon the experiences of other sectors. We feel that, given the resilience challenges facing the water sector and the potential environmental benefits that could arise, consideration should be given to increasing the size of the proposed innovation fund, although we would wish to see assurance that any

allocation to an innovation fund will not compromise the funding for environmental enhancement currently being allocated for the coming pricing period.

Qs 3, 4 & 5) We have no specific views on the options proposed to allocate funds (an innovation competition or end-of-period reward, individual or collective funding,). However, of the draft principles for additional financial support, we support in particular the propositions that water companies should be required to fund a proportion of project costs; that evidence of collaboration should be a pre-requisite; and that access to evidence and learning should be “open by default”.

Q6) We suggest that a potential mechanism that could help to deliver innovation in environmental delivery is a shared, industry-wide ODI on a given aspect of delivery. It would be the collective responsibility of the industry to collaborate and to share learning so that a particular target is achieved (perhaps on average, allowing different companies to trial different approaches without fear of failure, as agreed amongst all participants) with all parties receiving a reward in the case of the target being exceeded on average, and none being rewarded if the target is not achieved. Such an approach would align with Ofwat’s position that there is no reason why the industry should compete rather than collaborate in areas where there will be benefit to all of doing so. We believe firmly that environmental protection and enhancement is one such area. It is clearly in the interest of the sector as a whole to identify effective and multi-beneficial ways of achieving good environmental outcomes.

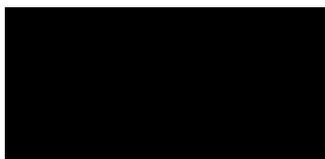
Q7) A sector-wide innovation strategy would be a useful means of identifying a pipeline of further projects or areas of research that could benefit the industry as a whole. Our Blueprint for Water – Water Sector collaborative project ‘Naturally Resilient’ is an example of an area of work which was too peripheral to be taken forward by any one company individually but the outcomes of which will be of common interest to the sector. The project seeks to identify interdependencies between the water sector and the natural environment with a view to identifying where the water and environmental sectors could work collaboratively together to enhance resilience. The current phase of the project which explores definitions, understanding and knowledge gaps could potentially prompt further research or piloting of activities that could underpin sector- and environmental resilience, and a central strategy and associated innovation fund could be a natural home for this further work.

We also see the benefits of a centre of excellence, which should be closely associated with the innovation strategy, and the ‘insights’ work to make better use of all forms of data. Consideration should be given to the potential use of crowd-sourced or citizen science derived data to supplement data obtained directly from customers. We would also suggest that it might be unduly restrictive to limit proposals for a centre of excellence to water companies only, and consideration should be given to a more open competition to establish such an institution.

Q8) We recognise the value that the proposals in section 5 could have in facilitating effective roll-out and adoption of proven technologies, methods or approaches, at scale. We appreciate difficulties faced by supply chain companies as reported through the Twenty65 project and that it is not in the interest of customers for each company to individually trial

new approaches, at the customers' cost, before adopting them. The consequence could be unnecessary delays in industry-wide implementation of technologies or approaches delivering effective environmental protection or enhancement.

In summary, we broadly welcome Ofwat's proposals for encouraging innovation and collaboration, and note that if implemented with sufficient care, innovation should contribute to the more effective delivery of environmental protection and enhancement by the water sector.



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