

Innovation funding and competition: further consultation on design and implementation - Scottish Water Horizons response

The below response is Scottish Water Horizons' response to the consultation questions. Although it is understood the Innovation Fund is for England and Wales, we hope that Scottish companies will be able to collaborate on projects. As the lead partner for a project which funds innovation testing, Interreg's Water Test Network, we have responded with reference our learning from administering this project.

CONSULTATION QUESTIONS	ANSWERS
Q1: Do you agree with our proposed default arrangements for managing IPR and royalties? Do you think these arrangements work for different types of projects and activities (e.g. new technology vs. process innovation, roll-out activities etc.)?	No comment on the IPR /royalties arrangements - however it is noted that joint IPR arrangements can be complicated.
Q2: What alternative arrangements should we be considering for IPR/ royalties?	Question on whether IPR advice will also form part of the Innovation 'one-stop-shop' in order to provide advice on the best approach to IPR and whether any alternative arrangements are needed?
Q3: Do you agree with the principle that data generated through the innovation competition should be open by default?	Agree in principle that data generated should be open by default (ties in with the Scottish Government's Open Data Strategy. However care may need to be taken re. sensitivity over data re. water and wastewater treatment facility performance. May instead need to provide some sanitised data for this on the Open Data platform. Open data across the innovation competition re. performance of the innovation against a joint testing standard would be especially useful in terms of the innovation being accepted at other locations and by other companies without the innovator needing to "prove" their innovation with each organisation.
Q4: Do you agree with our proposed approach and that we should consider alternative arrangements beyond company contributions?	Could company contributions include "in kind contributions" such as access to testing facilities which would have a monetary equivalent value.
Q5: Do you agree that a guideline minimum company contribution of 10% is appropriate in this context?	10% sounds fair but should this depend in some way on the number of companies interested in the particular innovation competition? The more companies interested, then the larger the total percentage to the innovation call that can be generated. Should companies only contribute to those calls in which they have an interest. Will the revolving fund contribution to the innovation fund lower the company contribution in time, so there will be an initial 'seeding' period but this would then be lowered if the revolving fund is successful in generating a good contribution to the innovation fund.
Q6: Do you agree with the overarching approach we set out here?	A flexible approach is needed in identifying the types of projects which would be funded, this allows a variety of innovations to come through the Fund. The Water Test Network model is that there is an open innovation call for innovations to receive

	<p>funding which is for any innovation at TRL 5-8. Then there are Innovation Challenges which are launched at particular points in the year for a restricted time period and focus on specific gaps or opportunities identified by water sector end users.</p> <p>In the Innovation Fund model the Challenges could be aimed at the higher TRL levels at 'roll-out' stage.</p>
<p>Q7: What are your views on introducing separate, proportionate, arrangements for small-scale projects? How might we define small-scale projects for the purposes of the innovation competition?</p>	<p>Small-scale projects should be included as they could be focused on those at a lower TRL level or could be 'quick wins' which provide a process improvement rather than a new process or new technology. However, there is a question whether this needs to be a separate process, or just part of the more general call for innovation. Water Test Network model does not differentiate between larger and smaller scale projects for the general innovation call.</p>
<p>Q8: Do you agree with our proposal for ensuring roll-out is at the heart of the innovation competition? How might we reward both leaders and fast followers in this space?</p>	<p>Roll-out is a key consideration for innovation competitions, however innovations at roll-out stage should not be the sole focus as we need a pipeline of innovation coming through in the long term, so we need to fund earlier stage innovations as well. A reward for leaders or fast followers could be that early adopters get a share of royalties from foreground IPR or there is a fund for these early adopters to become demonstrators of innovations to promote the innovations with other UK and European water sector organisations.</p>
<p>Q9: What practical arrangements should we introduce to ensure adequate ring-fencing of the innovation funding?</p>	<p>Having the funding pot held by the administering body would be most practical - the administering organisation could therefore act as other funding organisations in other innovation programmes e.g. Interreg. The risk is lowered if one organisation must ensure that the pot is ring-fenced, this also makes administration of the funding and reporting around the funding simpler. A separate bank account and separate accounting could be undertaken in this way by the administering organisation. Reporting on a regular basis to partners in the Innovation Fund would provide a check and balance on the administering organisation and the arrangements for ring-fencing the Innovation Fund.</p>
<p>Q10: Do you think the proposed innovation challenge approach will help better enable partnerships and collaboration between companies and third-parties, in particular smaller innovators? Are there alternative approaches we should be considering? How can we make sure this approach works in practice?</p>	<p>In order to focus the 'pitches' it would be helpful that the water companies have key challenge areas that they ask for pitches on. This can help smaller innovators understand where and to whom they should be pitching. Having an open pitching process with no specific focus area may not attract the 'right' pitches which water companies are interested in and end up being a waste of time for small innovators. See above mentioned Water Test Network's 'Innovation Challenge' model where pitches are invited on specific challenges experienced by water companies.</p> <p>It would also potentially be helpful that support is provided to small innovators to help build</p>

	<p>collaborations so they can participate in a consortium to address challenges. Innovate UK provides support to companies looking to find collaboration partners, could something similar be provided through the Innovation Fund.</p> <p>Conditions could be placed on the Competition around types of collaboration e.g. requires a smaller collaboration partner plus a University or other research partner. Or there could be a specific output for the Fund to foster collaboration, putting the need for collaboration at the forefront of achieving outputs.</p>
<p>Q11: Do you agree with our proposed approach to returning funds to customers? Are there any other circumstances, not considered here, under which we might consider returning funding to customers?</p>	<p>Agree with approach but is there any allowance for if the Innovation Fund is extended past 2025?</p> <p>The only other circumstances that may require returning of funds is if the Innovation Fund is terminated early due to a strategic decision.</p>
<p>Q12: Do you agree with our proposed approach for managing interactions with the price review?</p>	<p>Yes agree with the approach.</p> <p>Risk around adverse effects of Innovation on the Output Delivery Incentives (ODIs) could also be mitigated by using 'pooled testing facilities.' These testing facilities would allow testing of the innovations but in an environment that reduces risk to the day to day business of water companies.</p>
<p>Q13: Do you agree with our proposed amendments to the principles? Are any further amendments to the principles required to reflect our approach to outstanding policy issues outlined in this document?</p>	<p>? The Innovation competition specifically states it is for England and Wales, is there scope for Scotland to participate?</p> <p>No comments on the principles.</p>
<p>Q14: Do you agree with our proposed focus, major strategic themes and overall approach for the competition?</p>	<p>Could another theme be around exploring new ways to sue out assets for the greater public good, e.g. other renewables energy initiatives like hydrogen production and storage, heat networks from sewers/wastewater/mines - this might be incorporated into the Climate change theme including how to meet the net-zero emissions ambition.</p>
<p>Q15: What is the appropriate split of available funding between the Innovation in Water Challenge, the main competition and enabling activities?</p>	<p>Majority of the funding should probably be split between the Innovation in Water Challenge and the Main competition. The main competition should have a larger share with maybe multiple smaller pieces of funding being available for the Innovation in Water Challenge. Differentiating the 'prizes' clearly between the competitions could be a useful way of keeping the focus in each of the strands distinct.</p>
<p>Q16: What are your views on the feasibility of running all three types of activities in the pilot year, and on the proposed timings in Annex 3?</p>	<p>Running all three could be a stretch in the pilot year, especially because of COVID-19. From experience running the Water Test Network, the open call for innovation was launched first and given 6 months to bed in with partners so that any issues could be ironed out and promotion activity was focused on just this one area. After 6 months planning was then started for the Innovation Challenge call so that learning from the open call could be applied to the Innovation Challenges and partners were more comfortable with the assessment process. Also for promotion purposes for the Innovation Challenge, we</p>

	<p>were better able to attract interest to the first Challenge as people were already aware of the Water Test Network because the open call had been live prior to us launching the Innovation Challenge. In terms of the timing of the pilot year - as mentioned above applying learning from one type of competition to the other could be very useful, so having at least one bid in one of the competitions submitted and assessed before the other competition is launched would allow for the learning to be applied to the second competition. The current timetable does not seem to allow any 'testing' of assessment and rules before launching the second strand of competition.</p>
<p>Q17: Do you agree with our proposed approach to key implementation considerations outlined here?</p>	<p>Yes. Key will be some level of application support so those with less experience, less resources are not disadvantaged as they can ask for support in completing the application. There are lots of EU programmes around innovation which require monitoring and reporting at project and programme level which this Innovation Fund could learn from. Independent pre-approved auditors would be necessary and then the administering authority could undertake random checks as required. Water Test Network is asked to provide 6 monthly monitoring reports which is not too onerous. Lesson learned is essential in the pilot year and ongoing years.</p>