



South Staffs Water

Green Lane, Walsall WS2 7PD
www.south-staffs-water.co.uk

Innovation consultation,
Centre City Tower,
7 Hill Street,
Birmingham,
B5 4UA

By email to: innovationconsultation@ofwat.gov.uk

26 June 2020

Dear Sir,

South Staffs Water response to innovation consultation

Thank you for the opportunity to respond to the above consultation.

We recognise the importance of innovation in driving forward the processes, technologies and efficiencies in the water sector. Innovation is a continual process that has been occurring for a long time in the sector and today's technologies, from treatment processes to telemetry systems to customer service management and research, are a result of that long-term innovation culture and drive to improve.

We support the continuation of innovation and the hope that the new competition, an approach used in other utility sectors such as energy, will provide the opportunity for companies and third parties to put forward their ideas that will have benefits for customers, companies and other wider ranging drivers.

Whilst innovation is not new to the sector, a structured competition and dedicated fund to support it is. We have participated in the collaborative group that has been working to develop an innovation strategy for the sector, facilitated by UKWIR. This has been an inclusive process to date and whilst it is not easy to define a strategy for the wide coverage of the water sector in the UK, we feel that good progress is being made that will align with Ofwat's aims for the competition, as well as aligning with other initiatives such as the UKWIR 'big questions'.

We recognise the need to implement a framework to support the delivery of the innovation fund and competition, as a significant amount of customer funded money is exposed. Having read Ofwat's consultation, our overriding comment is that at this stage in the process, we really do not know what types of ideas and projects may come forward through the competition. We therefore feel that as much flexibility as possible should be maintained initially so as not to artificially constrain the competition before it has started. In our view this means no early constraints on how the fund is split across scheme types, or on the interaction with other potential funding sources, or on the minimum company contribution. In particular, we support small scale projects as much as larger ones, and in fact these smaller projects may be easier to progress to rollout, an objective we see as important as well as how benefits of projects are shared across customers of all companies.

We would also like to comment on the interaction with existing outcomes and performance commitments. Whilst we do not expect these interactions to be immediately material, we

would expect some longer term interactions with service levels to occur. Companies' outcomes are broad, so this is inevitable. It would not be appropriate to curtail innovative 1

ideas solely on the basis of interaction with existing outcomes as suggested by the consultation. We do however recognise the need to ensure customers are not paying twice.

As we have been participating in the industry wide strategy group, we also support the joint consultation response that has been submitted from that group.

Yours faithfully,

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