

Ofwat water innovation competitions

Overview

Ofwat is the independent economic regulator of the water and wastewater services in England and Wales.

This briefing sheet sets out information about our £200 million innovation fund, which will be delivered through two types of competition. These are aimed at encouraging innovation to transform water and wastewater services.

Visit ofwat.gov.uk to get the latest information. You can [subscribe or unsubscribe to receive updates about the water innovation competitions](#) using our mailing list.

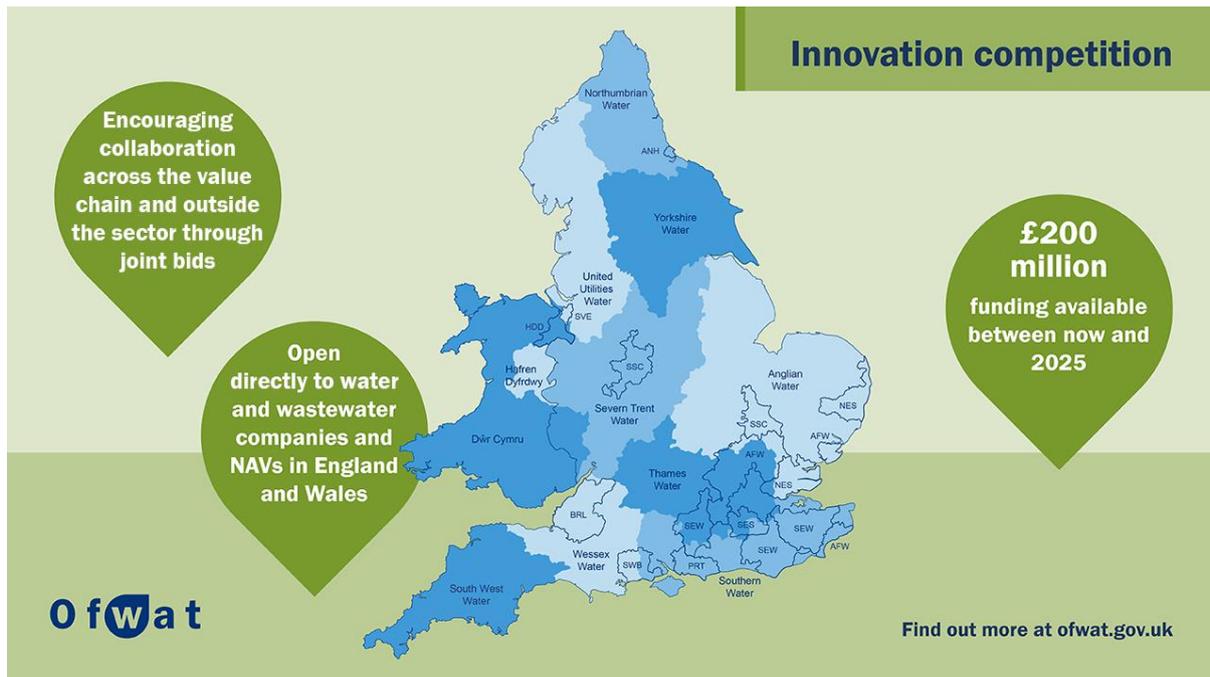
About the innovation competition

Ofwat has established a £200 million innovation fund to encourage innovations that will transform water and wastewater services in England and Wales.

In 2021 we will be running two types of competition that water companies, new entrants and others can enter with their innovations.

- A £2 million 'Innovation in Water Challenge' for small projects up to £250k. The first round will open for entries from January 2021.
- A £40 million main competition. The first round will open for entries from April 2021.

We are planning to run further rounds of each competition through to 2025.



Below we set out more information in the following areas

- Background to the innovation fund and competitions
- Who can enter
- Types of entries
- How to enter
- Judging the competition
- Appointing an innovation fund partner
- Design and implementation of the fund
- Intellectual property rights and royalties
- Open data and information sharing
- Funding the competitions
- Safeguards for customers
- Indicative timings of the competitions
- Where to find more information and further reading

More information on, for example, how we will protect customers' money and risk sharing is available in '[Innovation funding and competition: decision on design and implementation](#)' (August 2020).

Background to the innovation fund and competition

The water and wastewater sector faces many challenges, such as climate change and population growth, that put the services we all rely on at risk. At the same time,

the sector has big opportunities to change lives and improve our natural environment.

In our strategy, '[Time to Act, Together](#)', we highlighted the need to find new ways of transforming the water and wastewater sector and the services they deliver. Innovation is key to making this happen.

The innovation fund and competitions form part of our overall approach to encouraging [innovation in the water sector](#) in England and Wales.

Our work is also complemented by the sector's own '[UK 2050 Water innovation strategy draft](#)'. The strategy seeks to guide innovation investment across the sector, and will provide insight for us in rolling out the £200m innovation fund. It also signals new opportunities for partners and suppliers of all sizes to innovate and collaborate more easily and efficiently across the whole sector.

Who can enter the competitions

Those in England and Wales able to enter the competition directly are:

- the [17 largest licensed regional water only and water and wastewater companies](#) ('the 17 water companies'); and
- [small water and sewerage companies](#) (also known as 'New appointments and variations (NAVs)' or 'new entrant companies').

We collectively refer to them as 'water companies' in this document.

They can enter:

- on their own;
- as part of a group; or
- in partnership with others.

We are keen to see collaborative bids. Anyone else interested in entering the competitions must be in partnership with one or more of the water companies.

You do not need to be someone that currently works in, or with, the water sector. In fact, we're keen to get entries collaborating with those from outside the sector.

Types of entries

We want to see innovations that deliver a step-change in technology, the use of systems, processes and people, including commercial arrangements.

Project bids should be in line with our eight competition principles listed below.

1. Innovation is not just about the development of new technologies. Innovation can also be developed by doing things differently and having the right systems, processes and people to support activities. A wide range of innovation proposals are encouraged, addressing the big challenges facing the sector and taking into account the strategic priorities and objectives of the UK and Welsh governments.
2. The purpose of the innovation competition is to drive transformational innovation that companies would not otherwise explore or invest in.
3. Proposals should be just as much about the roll-out of innovations at scale as the early incubation of new ideas and solutions. The innovation competition will fund a mix of both these approaches to maximise its impact. Where appropriate, we expect companies to set out clear plans for rolling-out innovations funded through the competition across their and other companies' areas.
4. Innovation fostered through the innovation competition must seek to provide public value for all customers in England and Wales, although the benefits for some customers may in some cases be indirect (e.g. solving problems prevalent in certain regional geographies can improve practices throughout the water sector, or from the sharing of findings across the sector where projects are not successful).
5. Companies will be required to demonstrate their commitment to innovation competition projects and ensure risks are appropriately shared between customers and water companies. This would include, as a minimum, a total financial contribution of 10% of project bid costs.
6. The innovation competition will run during the period 2020-2025 period, though some projects may extend beyond that period. We will review the effectiveness of the competition at least at the end of the period, and as required during the period.
7. Companies will need to provide evidence of how they are working together and with others (including other water and wastewater companies, their supply chain, companies in other sectors), and/or a commitment to transparent sharing of progress and findings with others within the sector and beyond.
8. There will be an open-by-default approach to data and learning generated through customer-funded activities, including where projects have been unsuccessful.

But we are particularly looking for entries with innovation in the following five areas.

1. Responding and adapting to climate change including how to meet the sector's ambition of net-zero emissions;
2. Restoring and improving the ecological status of our water environments, protecting current and future customers from the impacts of extreme weather and pollution;
3. Understanding long-term operational resilience and infrastructure risks to customers and the environment, finding solutions to mitigate these in sustainable and efficient ways;
4. Testing new ways of conducting core activities to deliver wider public value;
5. Exploring the opportunities associated with open data, stimulating innovation and collaboration, for example encouraging new business models and service offerings that benefit customers, including those in vulnerable circumstances.

We will take a flexible approach towards the type and size of projects funded through the innovation fund. We will keep our approach under review.

Key strategic themes

1

Responding and adapting to climate change, including how to meet the sector's ambition of net-zero emissions

2

Restoring and improving the ecological status of our water environments, protecting current and future customers from the impacts of extreme weather and pollution

3

Exploring the opportunities associated with open data, stimulating innovation and collaboration, encouraging new business models and service offerings that benefit customers, including those in vulnerable circumstances

Understanding long-term operational resilience and infrastructure risks to customers and the environment, finding solutions to mitigate these in sustainable and efficient ways

4

Testing new ways of conducting core activities to deliver wider public value

5

How to enter

We'll be releasing more details in autumn 2020.

We'll be working closely with our innovation fund partner to develop the details. This includes:

- the application process for bids;
- the detailed assessment criteria;
- the bid assessment process and selection of an advisory panel;
- the monitoring of projects funded; and
- the process and oversight around intra-company settlements for winning bids.

We'll also be speaking with the water companies and others.

Judging the competition

We will be establishing a panel of experts to carry out a technical scrutiny of the entries we receive to the main competition.

The expert panel will make recommendations to us on which projects should be considered for funding. And we will make the final decision on the winners of the competitions.

We will work with the innovation fund partner to determine what a suitable expert panel will look like, for example in terms of its:

- breadth of expertise;
- optimum size; and
- the appropriate governance arrangements.

We'll be releasing more details later this year.

Appointing an innovation fund partner

We intend to procure an innovation fund partner to help us with the design, implementation and ongoing monitoring and administration of the innovation competition. We expect to tender in August 2020 and aim to announce the successful bidder in October 2020. This will be an open and transparent process.

We expect the innovation fund partner to have experience of administering innovation funds and competitions and have a strong track record of developing and stimulating innovation in other sectors.

Design and implementation of the innovation competitions

We've set out the main details of both competitions in the table below.

We will stagger the opening of the innovation competitions. We expect the first round of the innovation in water challenge to open in January to March 2021 and the main competition to open in April to June 2021.

We consider that enabling activities can be accommodated through the main competition.

Around £2 million of funding will be made available for the innovation in water challenge in year one and around £40m will be made available for each round of the main competition.

We will look to open a second round of the main competition and the innovation in water challenge before the end of 2021-22.

We will review the performance of the competition over the first 18 months before deciding on the profile of subsequent rounds of funding.

Innovation in water challenge and main competition

Activity	Innovation in water challenge	Main competition
Aim	Targeting smaller projects to encourage collaboration and partnerships with third parties within and beyond the sector to facilitate innovation.	Targeting larger strategic projects and enabling activities (e.g. data capabilities).
Focus	Innovation in water challenge enables third-parties to pitch ideas directly to the water companies, and assist their indirect access to the innovation funding. Follows similar models such as the Affordable Credit Challenge, the GovTech Catalyst Fund and the Seafood Innovation Fund.	Enables water companies the opportunity to put forward bids for larger projects to be directly funded through the competition. We expect to see bids coming forward involving partnerships and collaborations between companies, as well as with other stakeholders in the water sector and beyond.
Funding pot	c £2m	c £40m for each round (up to 5 rounds over 4 years), at least annually
Project sizes and focus	c £50k – £250k	Project sizes will vary, but aim to include some large transformational proposals in years 2 and 3. Projects will include those focussed on roll-out of innovations at scale as well as the early incubation of new ideas and solutions.



Intellectual property rights (IPR) and royalties

We will differentiate between background and foreground intellectual property rights (IPR). But we will introduce flexibility in the application process to accommodate requests for alternative IPR arrangements, where considered appropriate.

- **Background IPR:** this is pre-existing IPR, which exists prior to the submission of any bids to the innovation competition. For example this could involve a product or solution developed prior to the competition and without any competition funding. Our view is that each participant should retain all rights in and to its background IPR, including where a bid involves more than one participant. However, an appropriate form of licence should be granted to all participants in any project, which is the subject of a bid, for the sole purpose of the project, in order to enable it to go ahead.
- **Foreground IPR:** this is new intellectual property that is created through a project funded by the innovation competition.

To ensure all customers benefit from the innovation competition, which is collectively-funded, foreground IPR must be made available royalty-free and in perpetuity to all 17 water and wastewater companies and new entrant water and wastewater companies by all project participants (water companies, business retailers and other third parties).

Foreground IPR royalties earned by water companies and water retailers in other sectors in England and Wales will be shared with water company customers (in proportion to the funds that customers have contributed to the project). This includes where there are joint bids.

Foreground IPR royalties earned by other third parties in other sectors in England and Wales, do not need to be shared with water company customers. In addition, all project participants may retain royalties earned outside England and Wales.

With regards to the ownership of foreground IPR, where a project funded through the innovation competition involves more than one participant, then any jointly created IPR should be shared proportionately as agreed by the project participants, however where any IPR is created independently by one of the project participants then it should be owned by the participant who created it, rather than by all the project participants.

Where a participant's background IPR is required for the purposes of using foreground IPR, we expect a limited appropriate form of licence to be granted by the participant.

Open data and information sharing

Project data and information generated through the innovation competition should be open by default (i.e. freely available for everyone to access, use and share). The exception to this would be sensitive data, which in this context would include personal data or data with security implications.

We expect project participants to make the information and associated learning and knowledge from innovation competition projects freely available for everyone to access, use and share.

There is significant value in making knowledge sharing and learning collaborative, which can also help to:

- drive cultural change;
- accelerate the pace of innovation; and
- enable greater transparency and accountability across the water sector.

Funding the competitions

The £200m innovation fund will be paid for through customer bills across England and Wales. The 17 licenced water companies will collect the funds through their regular charges. There will be a settlement process for transferring funds between companies.

We want projects put forward that are of high quality and have the buy-in of water companies and their shareholders, so we expect that water companies will pay at

least 10% towards individual innovation competition bids from their own money, rather than customer money. Where companies make a joint bid, the 10% minimum contribution may be shared unequally between participants.

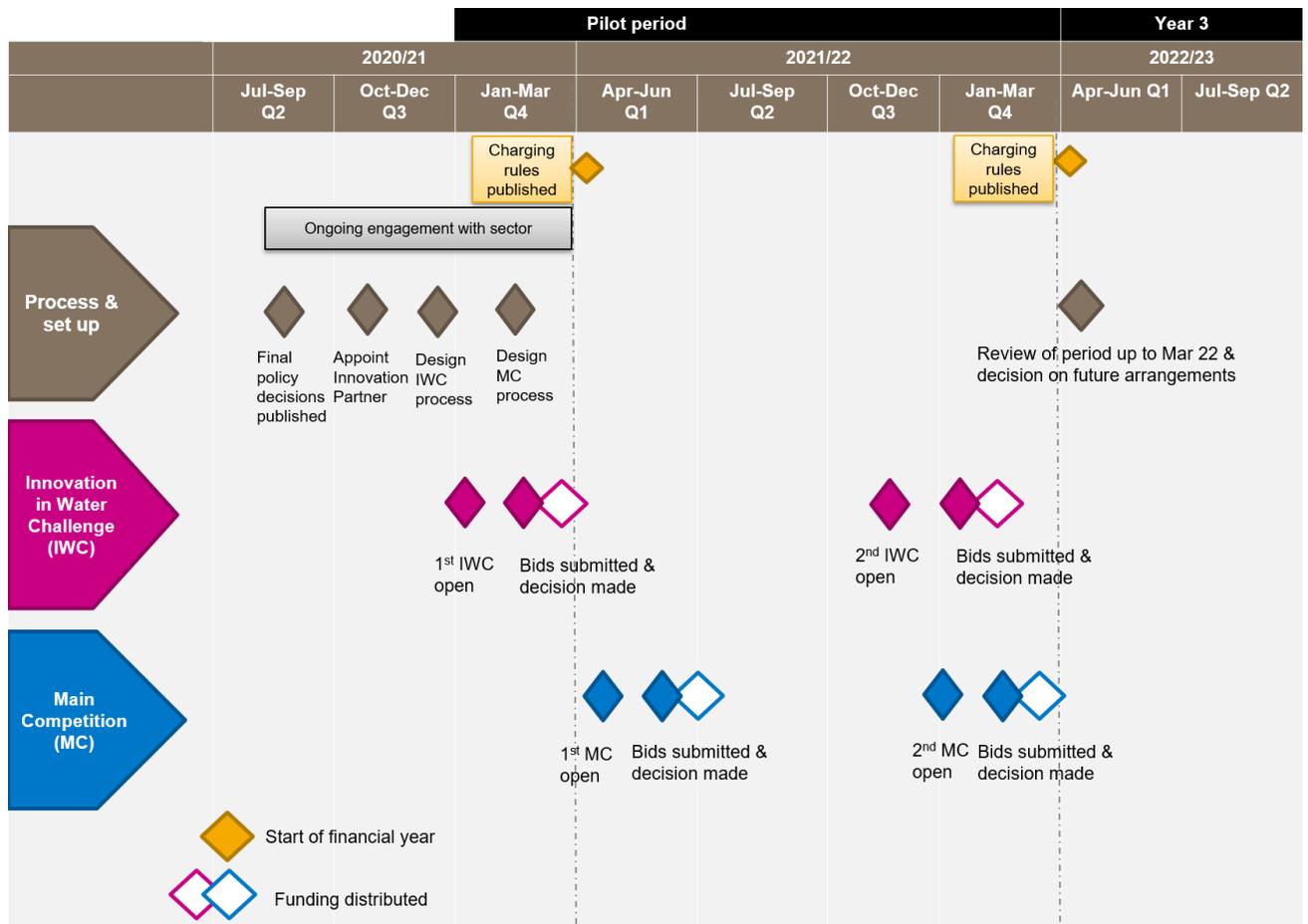
Water companies will have the flexibility to consider other arrangements to make up the total 10% minimum financial contribution, for example, through commercial partnerships or by bringing funding from other sources.

Safeguards for customers

We are putting safeguards in place to ensure the innovation fund delivers value for customers across England and Wales. That is why at this stage the competition is only open directly to the [17 water and water and wastewater companies](#) and [new entrant water companies](#).

Our principles for the innovation fund and competition also help to safeguard customer interests.

Indicative timings of the competition



Further reading

[‘Innovation funding and competition: decision on design and implementation’](#) (August 2020): our decisions on the design and implementation of the innovation competition fund.

[‘Innovation in the water sector’](#) webpage: our main webpage about encouraging innovation in the sector

[‘UK 2050 Water innovation strategy draft’](#) (June 2020): draft strategy by an alliance of 19 UK water companies and their stakeholders.

[‘Time to act, together’](#) (October 2019): Ofwat’s strategy for regulating the water and wastewater sector in England and Wales.

[‘Water sector overview’](#) webpage: an overview of the water sector in England and Wales, the organisations involved and some history

More information

Visit ofwat.gov.uk to get the latest information.

You can [subscribe or unsubscribe to receive updates about the water innovation competitions](#) using our mailing list.

If you have any questions please email us at innovation@ofwat.gov.uk.

For media, please contact pressofficeteam@ofwat.gov.uk.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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