



Waterwise  
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Dear

## **Ofwat and PR24 - Future Ideas Lab - Waterwise Submission**

Many thanks for the opportunity to submit our thoughts and ideas on how Ofwat could evolve the price review process for PR24 and beyond to meet the challenges faced by the water sector and wider society.

[Waterwise](#) was founded in 2005 and is the leading authority on water efficiency in the UK. We are an independent, not-for-profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. Our vision is that water will be used wisely, every day, everywhere.

The questions posed by Ofwat are very broad and consequently we have struggled to respond to them in a single written response. Each of them could be the subject of a separate workshop or consultation and we would be happy to meet with Ofwat to discuss them. In the interests of time we have therefore limited our response to three key areas/ideas where we feel change is needed for PR24 and also the forthcoming Strategic Policy Statement.

### **1. We need the regulatory system to support both the water sector and wider society in meeting the climate and ecological emergency**

When Ofwat was established, and the water sector in England and Wales was privatised, the changes were framed as needed to address immediate sector specific challenges such as securing capital for investment in ageing infrastructure. The UK was seen at the time as the “dirty man of Europe”. Today, as we look towards 2040 and beyond we better appreciate the huge challenges we all face in terms of climate change and the ecological emergency. These challenges are wider-reaching, longer term and more societal than those of the 1990s and the sector, its purpose and the way it is regulated needs to reflect that.

We know that water is the medium through which many of the impacts of climate change will be felt (drought, flooding, pollution, environmental health). It follows that **how we manage and use water as a society is central to both mitigating adverse climate and ecological impacts and adapting to the changes that we can't avoid**. The water sector has a unique and fundamental role to play and Waterwise believes using water wisely everywhere every



day (our vision) is at the very heart of meeting the climate and ecological challenges we face.

- 2. We want to see a shift in the balance of economic regulation so that it gives greater weight to investments and actions, such as demand management, that address the climate and ecological emergencies.**

We believe that the balance in economic regulation of the water sector needs to fundamentally shift to ensure the water sector can play a far greater role in helping society (its customers!) both mitigate and adapt to the climate and ecological emergency. The delivery of the investment needed to address these two areas needs to have greater weight on the proviso that protections are in place for vulnerable customers. Whilst water companies do need to be efficient in what they do they also must have sufficient funding to be truly effective in helping society meet the climate and ecological emergencies.

As an example....we know that more water-efficient homes and businesses will increase our resilience to climate change. We know that if we use less water we can leave more in the environment and free up water for further business and housing growth. We know that more efficient water use can help society significantly reduce carbon emissions; and we know it can deliver savings on water and energy bills that will help the increasing numbers of utility customers struggling to pay their bills. Yet across much of the sector the programmes that deliver these very benefits have been scaled back through the PR19 determination process as companies make wider “efficiency” savings. We need to find a better way to ring fence or protect programmes, such as demand management, that are so fundamental in addressing the major challenges society faces.

- 3. We want to see governments and regulators providing an early, clear indication of their scale of ambition backing this up with the policy changes and funding settlements to enable it to be delivered.**

For the water sector to deliver against the climate and ecological emergencies we need more leadership from government and regulators as well as from the companies themselves. Rather than wait to respond to business plans and levels of ambition submitted by companies, we want to see an early steer in the Strategic Policy Statement and in Ofwat’s PR24 guidance on the level of expectation across key areas, especially those linked to addressing the climate and ecological emergencies. This is the approach Ofwat took in AMP7 for leakage when an early and clear indication of expectation on leakage (a 15% reduction in AMP7) galvanised the whole sector to rise to the challenge.

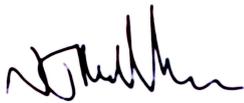
With this in mind we welcome Defra’s plans for a statutory water demand target linked to the Environment Bill. This provides a great opportunity for the government and regulators to again show leadership and set an ambitious target. Crucially, it can include non-household consumption alongside household consumption and leakage and can help start to address

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the policy and regulatory gap around non household water use. We expect this shift to be reflected in Ofwat's thinking on the future incentivisation framework.

The water demand target in the Environment Bill must be more ambitious than the 110 lppd by 2050 planning assumption in the National Framework or the 2045 ambition set out in WRMPs prepared by the water companies for 2019. This is because both excluded supportive policy changes on issues such as water labelling, metering and building standards which the government can commit to in Spring 2021 in its response to the 2019 consultation on reducing personal water use.

Regards



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## Annex A - Ofwat's Questions

1. What could the water sector look like in 2040, and how can Ofwat and water companies work towards that vision?
2. How do we best regulate to help companies to achieve long-term goals such as adapting to climate change, reducing leakage, improving water efficiency and delivery of net zero?
3. How do we encourage companies to ensure services are affordable for all, both now and in the longer term?
4. How can we encourage companies to innovate and to take advantage of technological change to increase productivity, reduce costs and improve resilience, service and the environment?
5. How do we encourage companies to improve service to customers and operational resilience?
6. How can we encourage companies to best take account of customer needs and priorities, while ensuring services are comparable across companies?
7. What, if any, could the role of the price review be in encouraging or incentivising companies to better deliver public value?
8. How do we better use markets to deliver better value to customers and the environment?
9. How can we best account for specific issues, circumstances and Government policies/priorities in England and Wales?
10. How can we best align the interests of investors with delivering for customers, the environment and society?
11. How do we encourage companies to collaborate and work in partnership with others, such as on nature-based solutions, to better achieve outcomes for customers and the environment?
12. How can we simplify the price review while increasing value to customers, the environment and wider society?