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By email
Holly Corn
Chair of the Water Efficiency Steering Group

24 February 2021

A joint Ofwat – Environment Agency open letter

Dear Holly

cc: Chief Executives/regulatory contacts of wholesalers and retailers, Water UK, UK Water Retail Council, RWG chairs Simon Bennett and Richard Stanbrook,

Delivering greater water efficiency in the business sector

We write to follow up our [joint EA-Ofwat letter](#) of 17th March 2020 and to signal our support for the recently published [joint industry Action plan](#), which has been developed by industry through its Retailer-Wholesaler Group (RWG). We are supportive of the collaborative effort demonstrated by trading parties and other stakeholders – including the Market Operator (MOSL), Waterwise and CCW – in developing this Action plan, especially given other priorities that have emerged as a result of Covid-19.

In our earlier letter we noted the potential for improved water efficiency in the business retail sector to make a significant contribution to meeting national needs for delivering water on a long-term, sustainable basis. We highlighted the need for industry to take further steps to improve levels of water efficiency and asked wholesalers and retailers to take action in a number of areas. We also requested wholesalers and retailers to work together to produce a joint industry plan of action, to include how they intend to work together to develop and deliver 2024 Water Resource Management Plans (WRMPs) that deliver significantly improved levels of water efficiency in the business sector.

The RWG has now published its Action plan. The plan comprises five key headline actions and supporting actions designed to identify and tackle barriers to improved water efficiency in the sector, together with a timetable for achieving progress – the Annex to this letter summarises it.

We anticipated that the Action plan, once developed, would be presented to a group to be established as part of a new monitoring and reporting framework to report on progress on demand management (the Senior Water Demand Steering Group (SWDSG)). It is currently anticipated that Defra will establish the SWDSG in the spring of 2021.

In advance of the establishment of the SWDSG, we write to signal that we welcome and support the RWG's Action plan for industry. We look to industry and trading parties to work

together to pursue and complete the actions set out in the plan and so meet the objectives for improved water efficiency in the non-household sector.

The Action plan has been led by industry working collaboratively, with a clear aim for industry to lead delivery of the plan, which we very much support.

Industry have a range of tools available to them to address and implement water efficiency initiatives, for example including: trading party initiated amendments to relevant industry Codes; consideration of incentives via the Market Performance Framework (MPF); and development and use of commercial arrangements or incentives between wholesalers and retailers, and retailers and business customers. A further potential resource available to trading parties that we would urge you to consider is the [Ofwat innovation competition and fund](#); innovations to improve water efficiency are included within its scope.

The EA and Ofwat recognise that regulatory support – and possibly action – will play a key role in enabling industry to achieve the changes and improvements necessary to deliver its Action plan and more efficient water usage. We reiterate our commitment to support industry and maintain a dialogue regarding the issues and barriers that industry may identify. And to consider evidence-based recommendations aimed at addressing barriers where such solutions may require amendments to relevant regulatory arrangements. We are also ready to assist in other ways, for example in terms of data and transparency concerning progress across the industry.

Regarding next steps, we currently anticipate that the SWDSG will be established in spring 2021. This will provide a useful opportunity to review progress against the Action plan to ensure the business sector is well placed to make a significant contribution to meeting national needs for delivering water on a long-term, sustainable basis. Ofwat and EA will take particular note of progress at that point and whether to also look at ways to improve performance if required.

We consider that the collaborative effort and ambition demonstrated by industry thus far provides a solid foundation for taking this work forward and reiterate our support and commitment to this important work.

Yours sincerely

Rachel Fletcher

Rachel Fletcher
Chief Executive
Ofwat

Harvey Bradshaw

Environment Agency Executive Director,
Environment and Business
Environment Agency

Annex – Industry Action plan

The industry Retailer – Wholesaler Group (RWG), working through its Water Efficiency sub-Group, has published an Action plan for improving water efficiency in the non-household sector.

The Action plan sets out a series of actions for the industry; working with government, regulators, business customers and other stakeholders to:

- Provide greater clarity on expectations and ambition for business water efficiency;
- Improve understanding of how business water is being used, where and how much;
- Improve collaboration in water resource planning and in identifying and progressing options to meet future business and societal water needs;
- Identify and address wider regulatory and other relevant barriers to the delivery of business water efficiency; and
- Deliver insights into business customer motivations to save water using them to inform water saving campaigns and initiatives.

The RWG has also established and agreed governance arrangements for the WEG to operate under and agree progress. These arrangements in particular establish a water efficiency steering group (WESG) comprising voting and non-voting members. The WESG will oversee the delivery of actions in the plan which are assigned to the RWG.

The Action plan sets out five key areas for delivery, with associated milestones and timetables:

Industry Action plan – summary*			Indicative timescales
Headline Action 1	Develop a shared view with policy makers and regulators of the scale of short term and longer term non-household (NHH) water efficiency ambition.	1.1 Document the RWG WEG’s vision for how we can contribute to the delivery of improved levels of water efficiency in the non-household market, including objectives	March 2021
		1.2 Engage with the Environment Bill target setting process (Oct 20 - Sept 21), including supporting the development of the evidence base underpinning any long term demand reduction target (e.g. scale of challenge; what has happened to date; what is the potential?)	September 2021

<p>Headline Action 2</p>	<p>Improve understanding of the nature of non-household (NHH) water consumption through smarter use and better sharing of data</p> <p>This is a key enabler to the development of further water efficiency initiatives within the plan.</p>	<p>2.1 Complete preliminary analysis, using existing data, which will provide a greater understanding of NHH water use; water availability and an enhanced view of market geography (i.e. consumption analysis and segmentation by industry type).</p>	<p>March 2021</p>
		<p>2.2 Share findings of 2.1 and identify where further work is needed in collaboration with stakeholders to ensure the right information is being provided and further development will deliver what is needed.</p>	<p>April 2021</p>
		<p>2.3 Consider options for how the data is accessed, updated and shared, taking into account commercially sensitive information. For example an enhancement to CMOS and/or a GIS based solution. Initiate delivery of preferred option.</p>	<p>June 2021</p>
		<p>2.4 Collaborate on existing programmes (e.g. MPOP) aimed at addressing data quality (including customer, asset and meter read data) to ensure that an increasingly more comprehensive picture of NHH consumption is available.</p>	<p>March 2021 (likely ongoing)</p>
		<p>2.5 Scope out an approach for creation of indicative user benchmarking, linking to 2.1 and 2.2, and agree common metrics between wholesalers and retailers for consumption and savings.</p>	<p>July 2021</p>
		<p>2.6 Linking in with the existing MOSL Strategic Metering review, explore and provide recommendations (to SWDSG) on the possible options for providing NHH customers with accurate and timely consumption data.</p> <p>This will include consideration of options for ensuring a consistent approach to increasing smart metering coverage across England and Wales NHH retail market.</p>	<p>June 2021</p>

Headline Action 3	Improve engagement of retailers in the water resource planning process (Regional and WRMP24).	3.1 Include NHH demand management more explicitly in WRMP24 guidance being developed.	January 2021
		3.2 Establish National wholesaler/retailer WRMP24 collaboration group (potentially the RWG WRMP task & finish group or using another existing group).	January 2021
		3.3 National wholesaler/retailer WRMP24 collaboration group to further define and guide retailer involvement in the development of multisector regional water resource management plans, and liaise with regional planning groups and individual wholesale companies.	Refer to Appendix 6
		3.4 Use insight gathered from Headline Action 1 and Action 2 to inform the water resource planning process at a range of scales and, in particular, regional and company scale options identification and selection.	Refer to Appendix 6
Headline Action 4	Drawing on customer insight; identify & address wider regulatory and other relevant barriers to non-household (NHH) water efficiency, including reviewing tariffs, targets, incentives and penalties.	4.1 Develop guidance, supported by case studies, setting out how wholesalers can work with retailers to deliver NHH water savings in compliance with the Competition Act.	April 2021
		4.2 Drawing on insights from customers (Action 5) undertake a review of the effectiveness of existing: <ul style="list-style-type: none"> • Regulations • Tariffs • Targets • Incentives • Penalties for wholesalers, retailers and customers. Explore how these could potentially be amended to support greater water NHH efficiency.	August 2021

Headline Action 5	Collaborate to raise the profile of water efficiency with non-household (NHH) businesses and their customers	5.1 Review existing evidence base and undertake additional customer research and engagement where required to understand customer motivations which will inform potential future collaborative campaigns and feed in to the delivery of all actions within the plan	March 2021
		5.2 Develop a customer engagement plan based upon the findings in 5.1 to support successful delivery of all actions within the plan	To be confirmed within the plan
		5.3 Using the outputs from Headline Actions 1 and 2 and the customer research undertaken in 5.1, provide recommendations to SWDSG on an approach to raising awareness of the need to be more water efficient within the NHH Sector	May 2021

* Further detail contained within [RWG Action plan](#)