

Dwr Cymru Response to OFWAT IPR Consultation Questions

Q1. In relation to the proposed policy changes which will allow participants to charge for a license for background IPR, to what extent do you think this may, or may not, result in:

- a) better access to the fund for innovators and third parties;*
- b) a broader range of projects;*
- c) higher quality of projects; and*
- d) any other benefits or disadvantages.*

Please provide any evidence and / or examples, including from your experience with the fund so far.

A1. There have been very few, if any submissions that have been successful in the Innovation in Water Challenge or the Water Breakthrough Challenge Round 1 involving SMEs or innovative products. By redefining the background IPR process SMEs and innovators may find the fund more attractive, as they will be able to recoup some of the investment already made. This was the case with one of the SMEs we are working with. When we suggested the IWC as being an ideal approach to the innovation they were proposing, they declined as they had invested too much in background IPR and that their idea was near to market. If a license for background IPR had been available, then the decision could well have been different.

Q2. To what extent might the proposed approach benefit or disadvantage customers in comparison to the current policy?

A2. The Water Sector needs to be more attractive to innovators by offering financial incentives to engage. The current IPR conditions do not help innovators that have products close to market, so they may look to other sectors or routes where the financial gains would be greater. Thus, customers will be disadvantaged in these circumstances. However, the payment for Background IPR licenses must be proportional to the benefits that will be seen by customers.

Q3. Is there any merit in retaining the option to propose alternative IPR arrangements when submitting a bid given the changes we're proposing within this consultation document? If so, where do you consider that we should allow flexibility in the scope for any alternatives – e.g. Foreground IPR? Please provide specific examples in answering this question.

We believe that there is merit to allowing alternative approaches to IPR arrangements. The situation may arise where the benefit to customers is such that a shared or royalty arrangement for Foreground IPR would be appropriate. For instance, where the financial savings from an investment far outweigh any investment by customers, it would be appropriate and attractive to share the Foreground IPR with the Innovators. This would mean that both Innovators and customers share the benefit.

Q4. How do you think we could evaluate the impact of our proposed IPR policy changes to inform the next competition, including areas such as access to the competitions and ultimately the benefits to customers? What additional information do you think we should collect in order to help us to evaluate?

You can evaluate if the changes have been a success in a number of ways:

1. Assess the number of submissions via the new route and the existing route in the catalyst stream
2. Understand why submissions have been made to the new route and if the submissions would have been made anyway regardless of IPR options
3. Ask Water Companies if the new IPR proposals have attracted Innovators that would otherwise not come forward.