Monday 18 April 2022
15.00 pm to 17.00 pm

Summary of discussion at April 2022 Outcomes Working Group

Reducing water demand (leakage/ consumption)

Breakout session 1

-General points

- There should be a twin track approach to reducing water demand, addressing both leakage and consumption. There was a recognition that new water resources are more expensive than making reductions.
- Nothing is solely for a single party (such as incumbent water companies) to deliver and everything needs to be done in partnership with others.
- Leakage was recognised as being part of the toolkit to reduce demand and is considered to be more directly under company control. All companies are signed up to reduce wholesale leakage but consider that investment must be cost effective. Some raised the issue of leakage from private supply pipes. Companies are legally responsible for the network rather than the customer side pipe.
- Some thought the existing metrics on leakage are well understood and there is benefit in retaining familiarity. Others that new metrics should be created to avoid unintended consequences. There is a current risk of the potential to create perverse outcomes ie relationship with mains repairs.
- Some considered that there is limited control of demand and behaviour in the household sector. Direct interventions often have little impact except at household level. Even with thousands of home visits (dripping taps, leaky loos etc. addressed) at company level some considered that the dial doesn't move. Any gains can be lost if households fill hot tubs or pools. It requires working with third parties to try and change behaviour.
- There was a discussion on whether tariffs could have a role to play in reducing household water demand, as in some countries customers are rewarded for reducing demand. It was recognised that this could penalise large families, as opposed to being focused on high users of water for luxury rather than essential items. Any impact on customer bills would need to be signalled early on.

-Incentives

- The group considered whether there should be different incentives for business and residential. Some of the group felt that the responsibility for the water efficiency of businesses in England had been passed to retailers, who now had the customer knowledge, recognising that there were differences in retail supply for Wales. Wholesalers considered that they could only encourage retailers to deliver that efficiency. Retailers consider that they don't have any funding to address the issue.

Thames Water and Severn Trent Water have both run schemes to incentivise retailers, but neither have delivered much so far. The influence of economic cycles on business demand can cause uncertainty in wholesaler water resource planning, such as businesses starting up or moving out within a wholesaler's area. Any focus by wholesalers on large users should be careful not to intrude on retailers.

- It was identified that current incentives are for wholesalers to meet market codes at lowest cost. There is generally not specific funding to roll out smart meters to businesses. This impacts cost/benefit of water efficiency. Thames' work on metering suggests that there is a significant issue with consumption due to continuous flow, potentially as much as 25% of total water demand from business premises. More information is required to devise a plan to address this, which could be obtained through smart meter installation. Any actions would require engagement with retailers.
- The issue of other abstractors was raised, as the companies felt that the water sector was the only one targeted and consider that other sectors can do more. Accepting that companies have a responsibility to reduce demand, they also want to see other parties such as farmers and developers reduce demand.
- Some considered that government had a shared responsibility around things like water efficiency labelling and building regulations, as these can also play key roles in water efficiency. It was considered that there should be a reduction of wastage before changing behaviour.

Breakout session 2

Question considered: What would incentivise the role of incumbent water companies discussed in the first break out session?

- The level of control that companies have over measures was discussed. Leakage was seen as being within company control, as well as being politically important and was considered a good incentive. Some considered that leakage is a priority that should not be blended with other measures, as there would possibly be a loss of focus.
- There was concern around PCC as a measure and some suggested a measure for a reduction in overall usage instead. Changes in behaviour due to covid and homeworking were cited as reasons for not setting separate targets for NHH/HH usage.
- Others proposed that these demand reduction targets should be at a higher level (Distribution Input) so that companies have flex in delivering the targets. Some suggested that they also needed to be across the five years (long term targets), rather than in period.
- Some pointed out that incentivising a reduction in distribution input would focus more on large users and their impact. Companies may be able to deliver quick benefits although this could be dependent on the overall impact of the economy.

Several attendees considered that it wouldn't make sense to exclude the large users. Others had a concern that their inclusion would lead to sections of non-household users being marginalised.

- Another suggested approach was to incentivise wholesalers to work with retailers, to ensure compliance with retailer's statutory duty. Where wholesalers administer a fund for water efficiency which retailers bid for. If retailers fail to deliver then the funding would be given back to customers.
- Incentivisation of important enablers like smart metering was discussed. Although metering is a useful tool, it is difficult to make it into a good incentive as customers can't be forced onto meters in non-water stressed areas. Tap aerators and toilet hippos may theoretically assist in reducing consumption, but some consider there is a lack of robust evidence to demonstrate long term effectiveness. Input based incentives would require better data to be available.