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By email to: charging@ofwat.gov.uk

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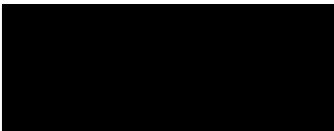
Dear Sir/Madam,


South Staffs Water inc. Cambridge Water response to consultation on Environmental incentives to Support Sustainable New Homes

Thank you for the opportunity to respond to the consultation noted above. Our responses to the specific questions are attached.

Please let me know if you have any questions.

Yours faithfully,



,
Developer Services and Metering Manager
South Staffordshire Water PLC

1. Do you agree with our proposed aim for environmental incentives?

We agree with the proposed aim for environmental incentives.

2. Do you have any comments on the characteristics of good environmental incentives?

We support the characteristics outlined in this consultation.

3. Do you have any comments on the extent to which any environmental incentives could or should be adapted for implementation in Wales?

We have no comments in response to this question.

4. Do you have any comments on the case studies outlined?

The findings from the case studies are disappointing; relatively low take up of initiatives, developer customers opting for 'tier 1' options rather than some of the more involved options, low pass rates on audits and low impacts on consumption of existing initiatives.

Unfortunately, the rebates/discounts on offer for building water efficient homes are not enough of an incentive for all developer customers to take up the current options widely when compared to other costs involved in building properties or when compared to the property specification desired by those purchasing their properties. Equally, the savings on offer for new occupants (against water bills) from using water efficient fittings for example do not always outweigh the preference to have less efficient fittings so these fittings can be changed after the properties are sold.

That said, the findings of the case studies do serve to emphasize that mandatory building requirements are necessary alongside a collaborative, aligned and well-advertised approach from all parties involved in new properties, including planning authorities, developers, self lay providers, NAVs, water companies, suppliers of fittings and water efficiency options and critically the new occupants within new developments.

In addition, the case study findings are not a reason to disregard the existing options but rather they should be used as helpful feedback with which to improve. The case studies also emphasize the need to have multiple approaches to improving water efficiency which also includes the initiatives and campaigns that water companies carry out with their customer base including new occupants of new build properties.

As we approach AMP8 and income offset is removed from the bill of developers we may see greater uptake of water efficiency initiatives to enable them to prevent bill increases.

It is worth noting that when self lay providers are carrying out the contestable activity on a new development they often pass through the infrastructure payment, income offset rebate and any environmental discounts directly between the developer and the water company such that there is no commercial benefit or involvement for the

self lay provider for these elements. This means that there is no financial incentive for self lay providers to promote water efficient home building with the developer. In regions like ours, where self lay providers cover a significant proportion of the market, this could be a limiting factor regarding uptake.

5. Do you have any comments on our proposed standardised incentive tiers?

We support the proposal and plan to implement this. Note that as a water only company we would not include SuDS in our framework.

6. Do you have any comments on our proposal for a common methodology / technical standards to assess water efficiency?

We support this proposal which, alongside the benefits noted in the consultation, will also serve to promote the initiative to developer customers and make it more familiar.

We note however that, whilst standards are important to ensure that benefits are realised, the more documentation and the more onerous the requirements the lower the uptake will be.

7. Do you have any comments on the details of our proposal for companies to offer bespoke incentives?

We support the principle of adding to the standardised incentives over time, however they should be tested to demonstrate benefit and water companies should be consulted before they are included as part of the mandatory list.

8. Do you have any comments on the potential for reputational incentives?

We support the principle of reputational incentives. This would be particularly effective if planning authorities considered the reputational status of a developer at the planning approval stage.

9. We seek views on how the process for agreeing and paying environmental incentives might best be organised in practice, and whether this is consistent with existing developer services processes.

We are not aware that our developer customers lack confidence in our current approach to providing discounts for building water efficient homes, which we apply after each plot is connected.

As most water efficiency initiatives relate to how individual properties are built, rather than relate to schemes as a whole, it is appropriate to apply these after plots are connected to avoid reconciliation problems at the scheme completion stage where corrective payments are due one way or another if the number of plots or the number of plots that qualify changes.

10. Do you have any comments on how high levels of compliance with the incentive technical standards might best be achieved?

We support the principle of making the payment conditional on a sample of new homes passing an audit of compliance however we do not support the principle of future disqualification as this could deter developers from engaging with building efficiently in future. It is worth noting that if water efficient initiatives are taken up much more widely (as we hope they will) water companies will need to increase resources to achieve audit programmes.

It is also worth noting that audits are also worth exploring a period of time after new occupants have moved into new properties as fittings for example can be changed by new occupants even if the developer has included them in the original build. In addition, it would be helpful to agree an industry approach to audits on NAV sites as incumbent water companies would provide discounts to NAV sites but the individual properties are not served by the incumbent so the responsibility would need to sit with the NAV to carry out audits.

11. Do you have views on whether environmental incentives are best funded as an environmental component of the infrastructure charge or as a separate charge?

We would encourage any charge structure changes to remain as simple as possible. Developer customers have experienced a number of charging mechanism changes over the past five years and, with further income offset changes due in 2025, the more simplistic we keep our charges the easier it is for our customers to keep track. This is especially important as some developers will have live schemes ongoing from pre 2020, between 2020-2025 and post 2025 with three different charging approaches. It is also important to be mindful that some stakeholders have previously been supportive of having a 'zonal' infrastructure charge component which incentivises developers to build in areas where the infrastructure is already in place to serve new developments and so we may end up in a position where we have a base infrastructure charge, a zonal component and an environmental component which could become confusing for developer customers.

That said, having an environmental component split out from the base infrastructure charge would better highlight the saving or discount on offer.

Ultimately however, if the component and discount both feature as part of the revenue cap it may be more straightforward (and achieve the same outcome) if water companies simply calculate a total infrastructure charge and corresponding discounts/rebates leaving out the environmental component from the published infrastructure charge (even if internal calculations include for the environmental component). Water companies (and Ofwat) have been promoting water efficiency discounts/rebates for the next AMP as an opportunity for developer customers to mitigate/cancel out the effect of income offset being removed, if we include an environmental component, even if it just illustratively, this may dishearten developer customers that we are adding in charges alongside the removal of income offset.

12 Do you have any comments on our proposal for guidance issued under the charging rules and how they are developed and maintained?

We support the proposal.

13 Do you have any comments on our approach for managing interactions with the regulatory framework

We have no further comments on this question.