



Waterwise
344-354 Gray's Inn Road
London
WC1X 8BP
31 July 2023

SUBMIT to charging@ofwat.gov.uk

Consultation - Environmental Incentives to Support Sustainable New Homes

Dear Sir/Madam

Many thanks for the opportunity to share our comments on the proposals for Environmental Incentives to Support Sustainable New Homes which we very much welcome.

Q1 Do you agree with our proposed aim for environmental incentives?

We fully support the proposed aim for environmental incentives to encourage water saving and sustainable drainage across all types of new development.

The [UK Water Efficiency Strategy to 2030](#) has a strategic objective (SO6) that all new developments are much more water-efficient and are water neutral in areas with current or future availability challenges. Within this objective we state that one area that needs to change is that we need roll-out across the water sector of developer incentive schemes that encourage developers to go further on water efficiency and to achieve water neutrality. We see this aim and aligning environmental incentives as an important step towards this strategy objective.

The document currently refers to incentives for all new development and also to incentives just for homes. However, as currently set out the incentive framework proposed is just for new homes. We think this is a missed opportunity and the inclusion of an element of the framework that can accommodate non household development would also be welcome, especially given there are parts of the country where such developments are being pushed back by water companies due to water availability constraints. Given the mandatory water label is earmarked to cover commercial settings a similar approach could be taken to incentive tiers.

Q2 Do you have any comments on the characteristics of good environmental incentives?

We support the stated characteristics of good environmental outcomes.

In terms of Complementing Wider Policy we believe that incentive thresholds must be set to encourage developers to do more than just meet legal requirements. For example; building homes that encourage lower levels of consumption than required in Building Regulations.

We are pleased to see the inclusion of Trust and Confidence. As highlighted in the case study in section 3.9.1 for the incentives to be effective and deliver value for money their delivery and outcomes do need to be verified.

Q3 Do you have any comments on the extent to which any environmental incentives could or should be adapted for implementation in Wales?

Ideally the incentives should be similar or the same in both England and Wales given they will apply to both countries and many of the developers are cross border.

As you finalise the approach we would be happy to facilitate further discussion of the Welsh perspectives via our Wales Water Efficiency Group.

Q4 Do you have any comments on the case studies outlined?

We agree with the comments made in Section 3.10 on the case studies. In particular:

- We support the use of the fittings based approach for any incentive scheme rather than the calculator. It is much simpler; clearer; easier to audit/verify and aligns better with the proposed mandatory water label the government plans to bring in in 2025 and more broadly with statements in [Defra's Plan for Water](#) and Roadmap to more water efficient buildings within the [Environment Improvement Plan](#).
- We support a tiered approach with rising levels of ambition and incentive. As highlighted above it is important that the starting point is set at a level which exceeds legal requirements.
- We agree that it is concerning with the Thames Water scheme that there have been few applications from larger scale developers and for the more ambitious tiers. It would be useful to understand from the developers why this is the case as part of developing the new framework (awareness; timing; price points; complexity).
- We agree that it is important to include an audit/verification element to confirm that the requirements for any incentive payment have been met. It is concerning that applications for only 37% of properties seeking incentive payments passed UUs audit.
- The WRc compliance project, being managed by Waterwise and funded through the Water Efficiency Collaborative Fund, is ongoing but early results are deeply concerning. They indicate a systemic failure to comply with Building Regulations legal water efficiency standards in new homes. Taken alongside the findings of UU (above) it highlights a significant problem with the application and enforcement of Building Regulation standards which urgently needs to be addressed by government and regulators. This issue is much broader than securing value for money from these proposed environmental incentives as it also brings into question the delivery of the demand reduction we need to secure future water supplies and meet the needs of the environment. The government should consider;
 - withdrawing the calculator option from Building Regulations and enabling a greater responsibility for the enforcement onto water companies or an appropriate organisation,
 - setting a minimum inspection threshold of 15% of new homes.

Note: Anglian Water is undertaking a further similar study to the WRc one looking at compliance in around 280 new homes over the next 12 months.

Q5 Do you have any comments on our proposed standardised incentive tiers?

We support a common framework and the use of a core standard set of environmental incentives. We have heard anecdotally from a number of larger developers that the fragmented nature of the current incentives is confusing, complicated and doesn't work well when a company's development sites are spread across a number of water company areas whereas their house specifications and purchasing may be undertaken centrally.

We support a tiered approach with incentives increasing with greater ambition.

However, we strongly disagree with the proposal for incentives to promote water reuse and water neutrality by being optional. This is partly for the reasons you set out in Section 2.1 and the importance of national consistency to developers and specifiers. But fundamentally it is because all regions of England are facing water deficits and almost all parts of England and Wales have experienced drought over the last 3 to 4 years. With proposals to move water around the country to meet deficits we believe that it is important that water saving incentives are also country-wide. There is a very real risk with the current proposal that the only incentives offered by many water companies will be for marginally improving on minimum legal requirements. Therefore, as a minimum we want to see a requirement for all water companies to offer an incentive on water reuse/rainwater harvesting and for those in water stressed areas to offer the water neutrality tier. The former could be framed around using recycled water for a specified purpose (such as toilet flushing) or around the provision of a minimum volume of recycled water per property. The former is likely to be more straightforward to apply.

Whilst we agree that water companies should be able to set the size of the incentive they offer we also agree that a minimum threshold level should be set by Ofwat for the standard ones.

Q6 Do you have any comments on our proposal for a common methodology / technical standards to assess water efficiency?

We support the use of a common methodology linking to wider regulatory guidance where appropriate.

We agree that this should not be based on the calculator approach but a fittings approach that can align with the forthcoming mandatory water label.

We agree that it should cover both the fitting itself and that it is fitted into the property correctly.

The common methodology should also set out expectations on enforcement. For example, a minimum of 15% of properties benefitting from the incentive to be audited noting we believe this should be the case for all new homes not just those receiving the incentive!

More broadly it is important that post occupation monitoring using (smart) meters and occupancy data is undertaken to provide data and insights into actual consumption levels versus those sought through the application of the incentive. This will help demonstrate the impact of the scheme and also inform any revisions to it.

Q7 Do you have any comments on the details of our proposal for companies to offer bespoke incentives?

We support having the option for companies to offer bespoke incentives. This will help support innovation and also allow them to reflect specific and very local circumstances such as an overlap between areas in flood risk and facing water scarcity challenges.

Q8 Do you have any comments on the potential for reputational incentives?

We agree that there should be a reputational benefit for developers who go further than meeting minimum legal requirements beyond just the payment of the incentive.

To be effective any reputational incentive or recognition scheme would need to be:

- Available nationally on a consistent basis
- Visible to property owners, stakeholders and the wider public both at the development site and more broadly through a website for example
- Awarded by an independent trusted organisation(s)
- Capable of being extended to developments that meet the criteria outwith the incentive scheme.

It should be noted that there are a number of existing schemes such as BREEAM (see Appendix A) that provide recognition for more sustainable developments albeit their scope is a lot broader than water use or drainage. Waterwise would be happy to either work with one or two other relevant organisations to develop a new recognition scheme or to explore how it could draw on an existing scheme such as BREEAM.

We support the suggestion of sector level reporting which could highlight developers and developments taking up the incentive and those that are not. It could also be used to highlight regional variations. In addition, an annual award process could be developed to recognise leading developments.

Q9 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.

One option could be to split the payment into two with 30% of the incentive value paid on sight by the water company of the plans and fittings specifications and the remaining 70% paid post construction subject to the successful audit. This helps share the risk between the developer and the water company.

Q10 Do you have any comments on how high levels of compliance with the incentive technical standards might best be achieved?

We agree with the use of the two suggested conditions - an audit of say 15% of properties and a “three strikes and you are out” type approach with individual developers.

Avoiding use of the calculator approach would also help with compliance as would an early transition to align with the mandatory water label in 2025.

We agree that it is important that developers share their proposals and water saving specifications with water companies at an early stage to help minimise the risk of issues later (see response to Q9).

Q11 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 support the approach of charging all developers for the environmental incentives as part of their infrastructure charge but then it only being offered back to those that deliver it. This should help incentivise developers to take part in a scheme that they are contributing into. However, the risk of this is that in areas where there is little development it may be difficult to offer similar scale incentives compared to neighbouring areas that have higher levels of development even if both are in areas of water stress. The setting of a minimum payment by Ofwat would help mitigate this somewhat.

Q12 Do you have any comments on our proposal for guidance issued under the charging rules and how they are developed and maintained?

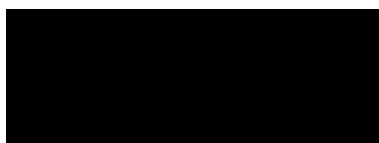
We support the development of guidance.

Q13 Do you have any comments on our approach for managing interactions with the regulatory framework?


We agree at this stage that the environmental incentives should not be incorporated into D-Mex. However, this should be kept under review once the system is up and running. One option may be to include some questions to developers while conducting the D-Mex survey that gives us insight into their decisions to take up incentives or not, and may help with understanding opportunities to improve the process in future.

If you have any questions on our response, or if we can contribute further as you develop your approach for these incentives, please do get in touch.

Yours sincerely



Head of Policy and Strategy



Who is Waterwise

[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. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere, by everyone.

APPENDIX A

High-level comparison of green building accreditations. Based on new residential development only for the purpose of comparison.

Scheme (w/ link to component used)	Countries/region where mostly used	Type of development applicable for	Aligns with relevant building regulations?	Weight of water use in assessment criteria	Minimum requirement for accreditation	Exemplar (most efficient) level	Key areas of water efficiency considered/ recommended
BREEAM	Global (including UK)	Multiple types of development (new and renovations)	Yes (UK criteria)	7% weighting (fully fitted out building)	12.5% reduction from scheme's recognised baseline	65% reduction from scheme's recognised baseline	Water-using fixtures/fittings/devices, RWH/GWR, water metering
LEED	Global (USA, China key areas)	Multiple types of development (new and renovations)	N/A Global scheme	15% of credits linked to water resources	20% reduction of indoor and outdoor water use from scheme's recognised baseline OR achieve 3 points from specific requirements in relation to indoor and/or outdoor water use. Prerequisites: Water meter must be installed unless exempt.	80% reduction of indoor and outdoor water use OR achieve maximum number of points from specific requirements in relation to indoor and/or outdoor water use (up to 11 points and 4 points respectively)	Water-using fixtures/fittings/devices, smart scheduling technology (landscaping), efficient irrigation practices, RWH/GWR, water metering, product labelling, locally adapted plants
HPI	Ireland	Residential only (new and renovations)	Yes	4% weighting	110 litres per person or more (indoor use)	40 litres or less and/or home is water neutral (indoor use)	Water-using fixtures/fittings/devices, water metering, RWH/GWR, reduction in hot water use, water neutrality (incl. flow restrictors, offsetting)
LEVEL(s) (guidance framework only)	EU	Multiple types of development (at 3 key stages of building life cycle)	N/A (reference point for national schemes)	Water is one of six sustainability objectives	Consider 5 design concepts for water efficiency at 3 levels of building life-cycle (conceptual design, detailed design & construction and as-built/in-use) and measure through total building water consumption (m3/occupant/year)		Water-using fixtures/fittings/devices, understanding water scarcity in local area using Water Exploitation Index (WEI+), RWH/GWR, water metering, efficient irrigation practices, locally adapted plants, soil

							management and planting location
EDGE	Global	Multiple types of development (new and renovations) - for new development, must submit again once complete for final certification	N/A Global scheme	33% (one third) as building must achieve savings across 3 resource categories	20% reduction	Only minimum requirement, no further levels	N/A
Green Globes for New Construction	USA/ Canada	Multiple types of development (new construction and major renovations - occupied for less than 18 months)		19% weighting	No minimum requirement for water efficiency (fully flexible across all assessment areas) but must achieve 35% of maximum points (1000)	190 points available for water efficiency	Water-using fixtures/fittings/devices; product labelling; RWH/GWR; water metering; leak detection; efficient use of water in commercial areas including: cooling and heating systems, commercial food service equipment, laboratory and medical equipment, laundry equipment, swimming pools and water features, water treatment, irrigation practices etc.