



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to:
Ofwat's consultation on Environmental
incentives to support sustainable new
homes**

Introduction

The Consumer Council for Water (CCW) is the independent voice for water consumers in England and Wales. Since 2005, we have helped thousands of consumers resolve complaints against their water company, while providing free advice and support. All of our work is informed by extensive research, which we use to champion the interests of consumers and influence water companies, governments and regulators.

Our responses to the specific consultation questions

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

New homes that are water efficient and limit the additional burden on the existing sewerage system, by using Sustainable Urban Drainage systems (SuDs), have clear financial benefits to water and sewerage companies (WaSCs) and therefore their customers. As a general aim, therefore, it would certainly be beneficial if water companies could incentivise developers successfully.

However, we are aware that Defra has begun the process to implement Schedule 3 in England. This will make SuDs mandatory and achieve a level of consistency across England and Wales. This in itself will result in greater sustainable drainage across new developments, although not those for smaller (less than 10 properties). In addition to this, it is our understanding that schemes that are currently in place tend to relate to larger developments alone.

In general, therefore, we feel that the aim should be two-fold:

- To encourage companies to incentivise larger scale developers to take action over and above what they will be doing anyway; and
- To encourage companies to develop meaningful incentives for small-scale and individual developers.

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

We agreed with the characteristics set out in Figure 2, particularly the need for transparency across all companies and that incentives should be available to all. We have some additional suggestions, as follows:

- The schemes should all include a mechanism, similar to the one that United Utilities operated, that encourages actual compliance with the requirements of the scheme, rather than just the uptake of the scheme by itself.
- This could also be an opportunity to encourage companies to begin measuring the success of their schemes and avoid wasting money and resources.

- Finally, we feel that it is important for the schemes to incentivise behaviour that is over and above what developers would be expected to do because of planning requirements.

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

The aim of providing greater water efficiency and / or more sustainable drainage across all types of new development applies to Wales as well as England. Developers need consistency and incentives should be constructed in a way that ensures outcomes are the same across both countries.

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

The case studies are disappointing in that they illustrate the current lack of applications of the environmental incentive schemes. We would be interested to know if any work has or will be done to examine the current barriers to developer take-up of these schemes, as this would provide useful insight into how the final framework could operate most effectively. For example, we note that there was a 40% uptake in United Utilities, case study and a 15% uptake in Thames Water’s case study. It would therefore be helpful to understand why the companies had such limited take up. We also note that the most successful scheme in the paper – Southern Water installing water butts did – was one undertaken by engaging customers rather than developers.

This suggests that more needs to be done to understand:

- Why some developers are not interested in applying for these incentives; and
- Whether there are any other mechanisms for encouraging householders to implement water saving and sustainable drainage measures. For example, should companies be offering to reduce customers’ bills if they install certain fixtures and fittings? While the infrastructure charge framework could not cover this sort of arrangement, the information in the paper suggests it could potentially have a much higher success rate.

We share Ofwat’s concerns about the conclusions of WRc’s compliance studies. We think that having a fittings approach that works in conjunction with the mandatory label for water efficient products could help to improve water efficiency in new developments.

Water use is a very personal experience. In addition to the water efficient fittings in new homes, residents should receive information about the need to use water wisely (particularly in water stressed areas): why this matters, how the fittings installed can help and simple tips and advice to be more mindful about their water use. In the past, there has been anecdotal evidence of residents changing the water efficient fittings and fixtures for ones that ‘improve’ their experience of using water, for example bigger baths or power showers. Unless people understand the need for water efficiency, and see this as of benefit in their lives they will not be fully engaged.

We also note that the case studies do not include a full cost benefit analysis. It would be good to know if there are any additional cost for installing water efficient fittings, if there is net benefit to the developer and is this meaningful.

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

In general, because of the lack of information about the barriers to uptake of existing incentives, we feel there is not enough information to understand whether standardising incentives would improve uptake. With this in mind, we have the following comments.

Tier 1 needs to reflect activity over and above what is already required by planning. Therefore, it needs to incentivise the development of designs that will achieve less than 125/110 litres/person/day, which is already standard.

We welcome the option for companies to set more ambitious incentives for water use if there are increased pressures on water resources in their area. In these cases, it could be beneficial to understand what may be acceptable to customers (future residents) in terms of their water use-experience so that the potential for lower use can be achieved.

We also support the proposal for companies to be able to set the size of their environmental incentives. This can reflect the local needs and circumstances, in addition to the wider benefits to society and the environment.

It would be beneficial to understand who will be responsible for the operation and maintenance of more complex systems such as greywater recycling or rainwater harvesting: the developer or the resident/homeowner. This should be explained up front – as it could have additional cost implications for customers. We would welcome research to understand the potential take up for bigger measures such as greywater recycling, rainwater harvesting and water reuse, and/or the challenges presented by their use.

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

We agree that the methodology would be more similar to the existing building regulations fittings approach and that eligibility should be dependent not only on the fittings, but also that they are fitted correctly. We also agree that the methodology should take into consideration residents' behaviour in terms of water use and in terms of 'overriding' the technology: two houses can be fitted with the same measures and have the same occupancy but their water use can be completely different.

As mentioned in the consultation, the approach could be improved by incentivising (or encouraging?) the use of water efficient fittings in accordance with the upcoming water label. We support this approach.

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

We agree that companies should be encouraged to offer bespoke incentives and we welcome Ofwat's intention to incorporate these into the standard incentives. We also support the proposal to test the incentives to ensure they work, before they are included in the standardised incentives. We would also like to understand whether there are any plans to introduce the standardised incentives for a trial period or not.

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

We like the idea of an 'awards scheme' to incentivise developers (and water companies) as this could also provide information to consumers. Some customers may want to move to properties where their homes have a positive impact on the environment. Any award should be supported by adequate evidence to prevent green washing. We would welcome follow-up research (similar to the work done by WRc) to monitor whether (selected) developments are still delivering the water efficiency and SuDS requirements they were designed for. With the latter in mind, we would like Ofwat to explore the possibility of including any rating/ award in the water and drainage property searches provided by WaSCs.

We are also supportive of sector-level reporting and open data. Doing so could improve transparency and collaboration between companies and developers.

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.

We think that those directly involved in these processes are best placed answer this question.

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

We agree that effective engagement with developers is key to the success of these incentives. We suggest that before the incentives are implemented Ofwat, WaSCs and developers agree a process of what good engagement should look like. This should include different engagement techniques for smaller developers and third party providers.

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?

Infrastructure charges are intended to reflect the increased demand on the water and sewerage network. As such it seems appropriate to fund any incentives via an environmental component of infrastructure charges. There is however, the issue as to whether the levels of financial incentives are enough based on current infrastructure charge levels. We are not aware of any work with developers that to establish what the minimum

level of payment would need to be to encourage greater take-up than have been achieved in the case studies. We are pleased to note that the general customer base would not cross-subsidise the incentive scheme. However, we feel that the consultation did not give sufficient detail on how the proposals would affect individual and small-scale developers. For this reason, we have concerns that individual or small-scale developers may end up subsidising payments for schemes that they do not benefit from. The final mechanism for dealing with costs should ensure that individual and small-scale customers do not end up paying more than is proportionate to the possible benefits they can receive.

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

Clarity is important, as a lack of it is one of the key factors that caused complaints historically. We agree that to achieve clarity across companies and support the proposal to establish a working group to develop the guidance.

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

We have no further comments.

Enquiries

Enquiries about this consultation should be addressed to:

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