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01 August 2023

Dear Ofwat,

RE: Consultation on environmental incentives to support sustainable new homes

Thank you for the opportunity to review and respond to the consultation on Ofwat's proposals to make changes to how it regulates developer charges through its new connection charging rules. The consultation proposes to set a common framework for English water companies to offer stronger and more standardised environmental incentives to developers to encourage them to build new homes that are more water efficient and with sustainable drainage.

Yorkshire Water has reviewed the proposals to establish a common framework for environmental incentives through changes to charging rules, and has provided detailed comments to the questions appended to this letter.

We agree that it is likely to benefit most developers to move towards a common framework for environmental incentivisation from the water sector to the construction sector. We broadly support Ofwat's stated aim and welcome the articulation of a key number of characteristics a future scheme should display and evidence. Namely that for environmental incentives to be effective, they should: be transparent; be stable and fair; support innovation; be accessible to all; complement wider policy; and build trust and confidence. The aim is for a common framework to be consistent with and supportive of such characteristics.

We think more work needs to be done to ensure all these key characteristics can be delivered by a tiered incentive scheme as proposed. Given the nature of current compliance by developers both to existing localised incumbent schemes and to mandatory Building Regulations, we believe Ofwat should pause and take stock of what other quality and sustainability regimes are up and running in the UK construction sector before proceeding into too much detail and commitment.

Our sector should consider aligning with existing home and commercial construction quality and sustainability schemes where they are becoming more widely utilised by developers and planners and are trusted and assured to achieve good compliant outcomes – i.e. buildings that are good to live in and operate efficiently in respect of their water management as much in practice as proposed on paper.

We believe any working group set up to design a future common scheme should include experts from the housebuilding and wider construction sector, planning authorities and sustainability leads for the built environment. As a sector we should not rush to implement a scheme that may do little to change the level of adoption of innovative water management solutions in new homes up and down the country.

We look forward to working with you on the proposals both directly and via the Water UK New Connections Committee (NCC). We will also continue to engage with developers and stakeholders in our region to understand their respective positions and gain their views on the proposals and how they evolve and emerge into a new scheme, all being well.

Should you have any further questions or require more information please let me know.

Yours faithfully,

[redacted]

[redacted]
Head of Regulation
Yorkshire Water

Yorkshire Water response to the consultation on environmental incentives to support sustainable new homes.

Yorkshire Water provides below its responses to the consultation questions.

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

As a water incumbent company providing services to a range of customers - developers, self-lay providers (SLPs) and new appointees (NAVs) - in the new connections marketplace, we are aware of the range of incentives that are available to these customers in respective water company regions that at attempting to encourage them to build more sustainable homes and commercial buildings. Homes and buildings that are less impactful on the water environment in this country than the typical building stock to date and new builds that simply meet the relatively low bar set by mandatory regulatory requirements for new buildings.

We also note, as Ofwat does, the increasing strain on the nation's future water resources driven by population growth, climate change and economic development and spread. The governments focus on this, enacted through the Environment Act 2021 and its associated plans policies and targets, and enabled through its Strategic Priority Statement for Ofwat, means water companies need to consider all the tools in their possession to encourage customers to be careful with water use. And consequently developers who are building new homes for consumers to help them by building more sustainable homes that are able to deliver efficient water use and wastewater management.

Ofwat's stated aim for the environmental incentives targeted at developers is that *"they result in greater water efficiency and/or more sustainable drainage across all types of new development."*

We agree with Ofwat's aim as stated and also the characteristics of good incentives Ofwat subsequently lays out, namely that they are:

- Transparent, stable and fair, aligned to Ofwat's charging principles.
- Incentivise more sustainable new homes.
- Provide trust and confidence for developers.

- Are accessible to all – small and large developers and parties acting for them (SLP's and NAV's respectively).
- Complement wider environmental policies, government aims and decisions, and planning restrictions and building regulations.
- Support innovation within the environmental incentive's framework

We would like to see the 'aim' or the associated characteristics be supplemented with a positive outcome where we see developers' actions and behaviours change as a result of more targeted and standardised incentivisation from the water sector.

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

As noted in our response to Q1 above, we welcome the articulation of six key characteristics of good environmental incentives.

We would welcome the addition of a characteristic that good incentives should be:

- **straightforward** in order to be easily understood by potential recipients and
- **simple to apply for with clear criteria**, so that developers can confidently make applications with a good expectation for their developments to be accepted for relevant incentives.

In regard to the characteristic that good incentives should "*complement wider policy*" we observe that in the consultation Ofwat notes how some current incentives schemes have struggled to achieve good take-up and even that Building Regulations part G in the context of water use are rarely complied with by some developers.

This remains a significant concern to us and others in the sector both in relation to the effective promotion of company schemes and also how appealing they are to developers, who are working with a range of issues and challenges in their businesses. We also understand local authorities can and do take different approaches to the planning conditions they place on developments for water and drainage based on local issues and risks they are seeking to mitigate. These external but related drivers can make some schemes appear more attractive than others due to such complementary drivers placed on developers to make design and construction decisions that also align to company legacy incentive schemes.

<u>Transparency</u>

Although we can't comment on the effectiveness of schemes operated by other companies, Yorkshire Water did update its scheme for the 2023/24 charging year in order to make the value of the incentive more attractive to developers and support a more meaningful benefit for the environment – we moved to a 110 litres per person per day designed usage threshold (to be evidenced by the developer confirming fixtures and fittings to be installed), attracting a fixed 20% discount off our standard water and foul wastewater infrastructure charges for houses. We continue to provide 100% relief from our surface water drainage infrastructure charge where the new homes or commercial properties constructed will not connect any surface water drained to our sewer networks, and instead take this to a watercourse locally.

Developers in our region benefit most from avoiding the surface water related infrastructure charges, for the 2022/23 period by over £1m in aggregate. The drivers will be a mixture of the incentives we offer, and the planning requirements placed on the development. Therefore, understanding the impacts and overlaps of drivers will help the development a robust and rewarding framework for developers going forwards that can **provide best value** in delivering additional environmental and societal outcomes for the funding circulating between developer customers.

Financial data published in table 2K of companies' APR's does not give an accurate picture of the level of incentivisation provided to developers nationally due to a mixture of interpretations and transparency by companies. Before Ofwat develops more detail of its proposals for standardised incentives framework, it may be useful for it to seek additional data on the level of take-up and discounting or charge adjustments taking place to augment the information it presents in Appendix 1 of the consultation on companies published incentives models.

We would welcome a future standardised incentives framework and its mechanisms to be constructed in such a way to seek to evidence the improving deployment of innovative water management solutions or the use of best of breed efficient fixtures and fittings in new homes and commercial buildings. Developers increasing use of solutions that attract incentives could over time encourage a more cost-effective supply chain for water and drainage solutions and goods, alongside the more familiar benefits for the environment, supply-demand balances, and end consumers bills.

Further engagement

Ofwat has consulted a wide range of stakeholders to explore their views of water efficiency and presents a number of insights in summary. It is not clear how these insights have led to the recommendation of the tiered structure as used currently by Thames Water.

We would **encourage further engagement** with the construction and housebuilding sector experts alongside representatives of planning authorities to develop incentivisation that aligns well with the wider sustainable homes agenda covering energy use, amenity value and wellbeing and health of the homeowners and occupiers.

We have had initial discussions with the Building Research Establishment (BRE) who developed and run the BREEAM family of certification for sustainable buildings. This includes the HQM (Home Quality Mark) certification scheme, which drives the building of better homes. The HQM is currently used by developers on thousands of properties each year and it lays out a comprehensive framework for environmentally friendly homes that includes water efficiency, water recycling and rainfall management[1]. We believe leveraging existing UK assurance and certification frameworks for sustainable homes could enable water companies to gain trust in the standards that houses have been designed and importantly constructed to – and against which companies can confidently reward developers with financial incentives.

Most companies seem to have had significant and worrying challenges converting developers' applications for environmental incentives into confirmed low water use housing constructed and connected. A standalone approach by water companies to design and operate a single incentive schemes risks putting an ever greater focus on post-construction audits including site visits – which is both an additional resource burden for water companies eating into the value that can be shared with

[1] Latest version of the HQM Technical Manual (v6) gives credits for homes built that deliver water consumptions between 110l/p/d to 100 l/p/d, and also additional credits for % of total demand for WC flushing met by rainwater or greywater between >50% to 100%. Credits add up to determine a rating for the building from 1 to 5 stars.

cooperative developers, and for developers to enable site access prior to occupation or homeowners post occupation for such audits.

Leveraging existing sustainable home schemes adopted by developers on a voluntary basis that include third-party assurance post-construction on each property could have significant advantages to the effectiveness of, and developer support for, a new water sector incentive model for sustainable new homes. We would urge Ofwat to consider a standardised scheme that aligns with and can use features of an existing trusted sustainable homes scheme such as HQM, and for commercial properties BREEAM.

In our conversations with developers and SLP's on incentives to encourage novel water management solutions to be installed that would go well beyond Building Regulations, we are faced with concerns that incentives of even 100% discount to infrastructure charges will not be enough for many house builders to change their plans and designs based on their costs and what could be reasonably added to the house purchase cost.

However, developers already planning to build more sustainable homes may be encouraged to go that bit further with incentivisation supplementing their plans to gain a certification or accreditation as a badge of a better home that is attractive to the house-buying public.

We would be happy to work with Ofwat, planning authorities and the wider sector on reviewing options to align with existing sustainable construction accreditation frameworks and best practice.

Q3. 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 specific comments on the extend to which a standardised environmental incentives model could or should be adopted by companies operating mainly in Wales.

Q4. Do you have any comments on the case studies outlined? We are particularly interested in comments on the findings that only a minority of new properties complied with the water efficiency standards.

Overall it is useful to see case studies presented, and the inclusion of related initiatives and interventions that companies and the regulator are making to help improve water efficiency both locally and on a national remit.

The case studies presented emphasise the need for something to be included in the future framework, and then potentially reflected in the new connections charging rules for companies, setting the responsibility of auditing a developments compliance against the incentives criteria. We are concerned the resource commitments and investments required to plan and conduct auditing, assurance and reporting would be prohibitive and ultimately increase the costs faced by all developers, SLP's and NAV's – including those who are to be the beneficiaries of environmental incentives payments or charges discounting.

The United Utilities (UU) case study flags the potential for an impressive level of discounting of standard infrastructure charges. However, it requires a post-construction audit regime that appears to be resource hungry and time consuming fragmented with stages and resulting in financial clawbacks or application bans.

As UU does not report the aggregate value of this discounting in its APR due to its incentives being part of its published new connections prices, it is hard to see what the level of converted/confirmed incentivisation has been in practice. This further reinforces the concern that **widespread non-compliance** for incentive candidate houses risks undermining the value of such schemes existing in any material or sophisticated form. Increasing the value of incentive payments by redirecting funds from all developers to a small subset of developers which include a significant majority able to circumvent compliance seems somewhat futile. Therefore the importance of monitoring and reporting compliance and having a positive feedback loop to developers is critical to the success of any future national based scheme.

We agree that an appropriate level of audits and inspections therefore needs to take place given the low confidence in compliance currently seen. Indeed we interpret the experience outlined of Thames Water in the development and operation of its flagship scheme has so far resulted in legitimate incentives made to developers to cover 9 compliant houses built over a 10-month period. The scheme may have made more progress since then, but as presented it appears to be a modest outcome, and not what our sector wants to see as the ongoing level of applications and conversions to confirmed incentivisation going forwards nationally.

Leveraging the compliance regimes of an existing sustainability framework that the building industry is already familiar with and can trust – even if it is not universally adopted – could be a better more fruitful route to take for water companies and Ofwat.

We welcome the reference to the announcement by Ofwat of the new £100m fund to help stimulate sustained and measurable reductions in water demand, and we wish to know more about how water companies can collaborate and work with partners to develop water efficiency projects that develop new models for water efficient home design and execution. We believe this should also be open to projects that look to improve the water demands of commercial and industrial premises and their occupants, especially in high water use sectors – whether that relates to newly constructed sites or building refurbishments.

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

We note the sub-group of the NCC reported that a tiered approach to incentives targeting different areas of good sustainable water management was desirable. We agree that encouraging more novel but enduring solutions should deliver better outcomes for the environment in time. In-home fixtures and fittings can fairly easily be replaced by occupiers should they wish, but SuDS installations, rainwater harvesting, and greywater solutions could be attractive features of the housing to purchasers and could be expected to have a good level of longevity if appropriately maintained.

We would like there to be a consideration of whether incentives are applicable where specific planning conditions or restrictions are place on a development by planners that may drive solutions to be installed and maintained that would otherwise comply with the incentive scheme and attract a payment or charge discount. Although we are not averse to good water management practices being encouraged and rewarded even where there is already a mandatory driver for via planning conditions, we are concerned that such drivers could result in the localised accrual of incentives to developers operating in areas of water scarcity or flood risk who have not themselves exercised choice in the design of housing to accommodate solutions, yet benefit from recirculated funding from developers large and small outside those areas.

Ofwat proposes to specify consistently defined standardised incentives. Beyond a common naming convention, we would like to understand more about how Ofwat will determine what level these standard incentives minimum values should be set at and how they can be changed into the future to keep track of better and more cost-effective water management solutions and innovations coming from the supply chain.

Given the incentives are expected to be made to compliant developers via discounts to infrastructure charges due, it would also be useful to know if Ofwat envisages scenarios where water companies will make net credit payments to compliant developers where the incentives values due are larger than the companies standard infrastructure charges (including the environmental cross-subsidy component of charges that are the required to fund the incentives scheme – as per the Ofwat diagram at Figure 6. in the consultation). Or does Ofwat believe that incentives should be capped as never being greater than company infrastructure charges due – so only ever net off at zero as a maximum incentive.

We welcome that Ofwat's proposals include giving water companies the ability to augment the standard scheme with higher than minimum incentive values and bespoke secondary incentives targeted to more local needs and aims.

We are interested in Ofwat's views on whether the additional parts of a company's incentive arrangements offered to developers could include an element of funding coming from the generality of customers. If solutions in new housing or commercial developments ultimately can be evidenced as a cost-effective contribution to a company's achievement of PCC targets or its WRMP supply-demand balance, it would not seem incongruous to have value for money solutions open to wider funding streams from base or enhancement revenue allowances.

For scenarios where NAVs work with developers on innovative very low water use or water neutral housing developments that mitigate the expansion of incumbents' strategic water assets and networks, we believe they should be able to explore access to novel funding routes where this can be demonstrably fair and beneficial to the generality of the incumbents' customers. Where a 'full service' NAV serves a new site that is effectively self-sufficient and does not take a bulk water supply from the incumbent or discharge to its sewer network, then it is unlikely to have access to a standardised environmental incentives framework – it not requiring any new connections from the incumbent and therefore not liable for infrastructure charges and not able to access funded cross-subsidies from those developers, SLP's, or NAV's who do utilise the incumbents new connections services to some degree and incur infrastructure charges. We look forward to finding out more from the Affinity, Albion and BUUK on their innovation project on water neutrality and how incentives may help support the network ownership market deploy solutions that add no, or very limited, additional water demands on the incumbent.

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

We welcome a common methodology and technical standards to assess water efficiency of a newly built property, pre and post construction. The incentive framework should look to encourage developers to go beyond the 110l/p/d water efficiency standard the government laid out in its Plan for Water, given that government is looking to local authorities to apply this standard to new developments without recourse to financial inducements.

We agree the methodology should be concise and be consistent with an established methodology familiar to and trusted by the building industry. This methodology should be capable of supporting water efficiency targets that are stretching for most developers and go beyond the obligations laid out in Building Regulations and rainwater harvesting, greywater and SuDS solutions that will be deemed compliant within the scheme. Ofwat should also consider the implementation of Schedule 3 of the Flood Water Management Act 2010 and the associated framework for the approval and adoption of SuDS.

We note Ofwat's comments about the need for evidence of water savings being realised in practice accounting for occupiers' general behaviour and use. We believe this key part of the methodology or technical standard and may be better addressed by work of the BRE in its BREEAM and HQM (which many local authority planning departments specify compliance with targeted sections of the HQM) or by the work of the Future Homes Hub.

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

We welcome the inclusion of space for companies to develop bespoke incentives that are additional to the standardised incentives regime. We agree with Ofwat that these bespoke arrangements should undermine the standardised scheme.

We have concerns that a company's localised **bespoke incentive arrangement**, once tested and confirmed as beneficial, will automatically be incorporated into the standardised incentives scheme to operate nationally. We do not agree that this should always be the case, and companies not wishing to extend their offerings to include the relevant bespoke scheme may well have a rational explanation for not voluntarily adopting it. The time and planning to make and communicate additions to incentives schemes needs to be factored in to Ofwat's thinking in this specific area.

We would like to discuss with Ofwat options to fund bespoke incentives and whether they should also remain funded within recirculated revenues from developer customers (including SLP's and NAVs) or whether they can attract funding from the generality of customers through wider company wholesale charges and given where the benefits may accrue, or from competitive innovation and R&D funds such as the new water efficiency fund announced by Ofwat for AMP8.

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

We believe the potential for developers to consider benefits of the proposed scheme to be reputational as fairly minimal. There already exists housebuilding quality certification schemes that give peace of mind to property owners. Where our sectors incentives schemes drive compliance to standards aligned to these third-party schemes, then we can argue that developers will be able to make some indirect reputational benefit from participating in the water sectors scheme.

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 agree with Ofwat that clear eligibility for environmental incentives is critical to the effective operation of a nationally based scheme. Yet this needs to be balanced with confidence that the new development once built will meet the necessary standards, include the water efficient and water reuse solutions, and meet water usage expectations as per the fixtures and fittings covered in a developers' application for incentives. Therefore we cannot see a way past a multi-stage approach where checks are required post-construction to confirm the buildings comply with the eligibility and incentives are due as expected.

As we have referenced in responses to earlier questions, we believe there may be value in exploring how the water sectors incentive scheme design could leverage existing building quality and sustainable homes standards operating in the UK construction sector. Where such standards schemes could give water companies confidence via independent assurance post-construction that certain water efficiency standards have been met, then this could make the operation of a water sector incentive scheme more cost effective and potentially better supported by house builders small and large.

Irrespective of the assurance of compliance method, we understand the payment of infrastructure charges in full and upfront and the crediting of confirmed incentives values may happen several months or even years apart (for large developments). Where a developer customer can pay on account, it is likely that we could credit their account with the incentive as a discount upfront before they settle the reconciled balance.

We also do not want to see an increasing burden in monitoring and reporting to the regulator. Although there is certainly room for improvements to be made in the reporting of discounts and incentives to developers via the APR, and ad-hoc calls for evidence of compliance to the standardised scheme and its guidance should be targeted, carefully scoped, and appropriately sized. For example, Ofwat's request in 2022 for companies to submit their views of how they comply with the Paying Fair Guidelines suffered with ambiguities and a lack of emphasis about what information being sought from companies mattered most to Ofwat and why it mattered.

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

The current low levels of compliance is the key concern expressed by the majority water companies. Even with the fragmented and inconsistent arrangements we operate today, there does not seem to be a clear model that enables a high and consistent levels of compliance to be achieved. The behaviours and actions of developers seems very mixed and the reliability of ad-hoc audit regimes and some lack of transparency from companies may also be muddying the picture we see collectively.

As we have referenced in our responses to earlier questions, we believe there may be value in leveraging existing UK building quality and sustainable homes standards. Where developers are already engaged with such standards, the water sector incentivisation could encourage the developer to focus their sustainability actions into the impact on the water environment – such as going further than they otherwise would have done with water efficiency and reuse solutions.

We recognise it may be impossible to completely irradicate the risk of double counting – paying via incentives to developers who had already taken decisions to employ the solutions we as water companies want to see increasingly used – so we accept that planning conditions and sustainable homes standards, and improving building regulations are likely to result in overlaps with a standardised scheme for England led by the water sector. If to achieve markedly better environmental and societal outcomes we need to collaborate more and have complementary design/build standards and targets, then that should be welcomed.

If we proceed as-is with more of the same, albeit working to a common scheme framework, we believe the costs to audit and administer the scheme will escalate, developers will still be confused, and many will not apply or have limited awareness. Where these higher costs will land is unclear. Will they form part of the infrastructure charge revenues – so these administration and compliance costs would be added to network reinforcement forecasts and the incentives cross subsidy values – and sit within the AMP8 price control revenue allowances. Or will these costs be added to new connection administration and overhead costs recovered via application fees, and other fees charged to developers, SLPs, and NAVs?

We would encourage Ofwat to pause to take stock before committing too early to a scheme structure and set targets and incentives values. We believe further engagement and collaborative work is required, whether through Water UK and the NCC or Ofwat directly. We need to have the building sector and planning experts working with us on the design of this scheme. That way we can explore the most workable and beneficial options that can engender trust from developers, water companies and ultimately homeowners that we can build and live in better homes in the future.

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 agree with the core approach that the standardised incentives are self-funded within the developer customer group (including SLPs and NAVs) – i.e. a proportion of charges levied on developers is recirculated to fund incentives given to a subset of developers who can comply with the technical standards required and attract financial incentives.

We accept the simplest way to achieve this recirculation of funds is via companies' infrastructure charges applied on a per property connected basis. For transparency it would be helpful to developers that companies explain in their charge publications annually the proportion of infrastructure charges that are related to the recovery of forecast network reinforcement expenditures and the proportion associated with funding environmental incentives across standardised and where relevant bespoke schemes. Ofwat could consider making this explicit in its charging rules for companies including how such information should be presented.

As revenues collected will seldom be balanced with incentives paid out in any given year, companies could keep track of the revenues and expenses (including the administration costs of running and auditing schemes) and present a carry over position from the previous year, potentially looking to more closely balance over a rolling 5-year period.

In this way developers, SLP's and NAV's as a customer group using incumbents new connections services would have confidence that funding is not being accrued unnecessarily over time and being redirected to other activities by water companies.

Ofwat could look at how network reinforcement expenditures could balance over time when it reviews these sections of its charging rules for AMP8.

Ofwat should also note that some companies have fairly high infrastructure charges and some fairly low charges. The minimum values for standardised incentives will then lead to differential uplifts to infrastructure charges. This may lead to developer customer bill impacts over 10% with some companies in the year this policy comes into effect.

The benefit of having this shown as a separate charge to all developers, again on a per property connected basis for simplicity, is that it could be clearly monitored and where we aren't seeing an anticipated incentives take-up by compliant developers attracting, we could use any excess funds instead on bespoke or more targeted incentives. For example, through offering free smart water butts to new or existing properties.

Whichever way Ofwat decides to use for the funding mechanism to recirculate developers' monies, it must be clearly explained to developers and other stakeholders how funding will work, and what would happen should an excessive surplus or deficit build up over time.

We would also welcome clarity from Ofwat how these revenues and the associated expenditures allocated to the wholesale water and wastewater network plus price controls, as per Ofwat's earlier announcement within the PR24 Final Methodology would be accounted for fairly and fully in the setting of the revenue cap. How will any material actual variances be reconciled by companies and allowed for via an uncertainty mechanism?

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

We disagree that the Water UK led NCC is the best group to work on preparing detailed guidance issued under updated charging rules. The group should include representatives from the building sector and planning authorities so that the scheme is designed to interact and complement the existing frameworks and requirements already present and emergent in the house building market.

We believe Ofwat should lead this key work so that it fully understands the implications and impacts of technical standards being set and the application and post-construction audit regimes being confirmed as mandatory upon companies.

We agree there should be a formalised change control process applied to technical and incentive schemes methodologies.

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

We make some observations and seek clarifications on the following:

- We assume environmental incentives paid or discounted to NAVs from incumbents in relation to compliant developments will be passed on in full to the developer, and not retained in any proportion by the NAV.
- Any compensation for the ongoing costs of maintaining adopted assets by NAVs would not be addressed through the environmental incentives schemes, but be addressed through bulk charges, where the incumbent would reasonably have been under the same obligations to adopt and maintain such assets and systems. For example, if a NAV agreed to maintain rainwater harvesting, but the incumbent would not do this, then the NAV should seek compensation from the housing management firm (as any sub-contractor would) or from the house occupiers directly.
- We believe environmental incentives under the proposed standardised scheme due equally to NAVs should be kept discrete from the determination of bulk charges for water or sewerage services.
- We agree that in the short or medium term, service standards and response times associated with the proposed incentives scheme should not be added to the SLA's currently used for D-MeX measures of customer experience. It could add more complexity at a time when companies would be trying to adopt new ways of working around incentivisation for developers.
- There seems little recognition of the construction of water efficient non-household properties. We would welcome the incentives scheme be

supportive of positive environmental actions taken by developers of commercial and industrial buildings where water usage is not simply for domestic type use. Again there are certification standards under BREEAM used in the UK now that we could look to align to and complement.

- Given the timing of this consultation and companies need to submit their PR24 business plans in a few weeks, how does Ofwat intend to allow for revenues and expenditures associated with the proposed scheme (pay-outs and running costs), that has yet to be sized and valued, into revenue allowances under the network plus price controls. What immediate guidance can Ofwat give to how companies should factor in such revenues and costs in PR24 data tables?
- Given the vast range of existing legacy incentives models used across incumbents, Ofwat should recognise that implementation of a new standard and mandatory scheme will take time and that there may still be different interpretations of guidance and standards taken by companies resulting in developers receiving a variety of communications and messaging from companies prior to launch and service issues and inconsistences between companies. Ofwat should be supportive of companies and developers over the implementation period and make exceptions for service hiccups in the first few months of operations.

We would welcome further discussions with Ofwat about the design and implementation of a standardised scheme and how funding and flexibility beyond the core minimum scheme could work effectively for driving the building of many more better quality and more sustainable homes in our regions.