

Our Ref: [REDACTED]

1 August 2023

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Dear Ofwat

**Response to Ofwat's consultation on environmental incentives to support sustainable new homes**

We appreciate the opportunity to contribute to the above consultation on environmental incentives to support sustainable new homes. Please see our responses to your consultation questions in the attachment to this letter.

Yours faithfully

[REDACTED]

[REDACTED]  
Group Chief Financial Officer

## SES Water's response to consultation on environmental incentives to support sustainable new homes

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

**Response:**

We agree with the proposed aim for environmental incentives – and their overriding aim to improve water efficiency in homes.

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

**Response:**

We do not have any significant comments on the characteristics of good environmental incentives other than to emphasise that in our opinion transparent, stable and fair incentives are the key facet in ensuring effective environmental incentives.

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

**Response:**

We do not have any comments on the extent to which any environmental incentives could or should be adapted for implementation in Wales.

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

**Response:**

While the case studies outlined are helpful, we would recommend expansion of such case studies to include “consumption reduction” as a condition attached to those incentives provided in the case studies.

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

**Response:**

We agree with the proposed standardised incentive tiers. These incentives can be further refined in the future, after some experimental application in practice.

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

**Response:**

We would like to see cooperation between regulators across sectors in setting any standards that affect more than water service before they are made into regulations.

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

**Response:**

We do not have any comments on the details of bespoke incentives.

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

**Response:**

We do not have any comments on the potential for reputational incentives.

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.

**Response:**

We suggest that the incentive payment is made after verifying and confirming that the standards of water efficiency are met.

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

**Response:**

We do not have any comments on achieving high levels of compliance other than those indicated in the papers – together with strong communication with all parties involved.

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?

**Response:**

We do not support funding environmental incentives as a component of infrastructure charge. Water companies' revenue from different sources are subject to reconciliation at the end of the AMP and adding more components to the mix to be reconciled only complicate the charges and revenue account unnecessarily and reduce transparency. The environment incentives should be kept as a separate charge.

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

**Response:**

We cannot comment about the guidance until we have more specific information or seeing the draft of the guidance itself.

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

**Response:**

We would encourage Ofwat to analyse the long-term cost and benefit for all the stakeholders versus the short-term and up-front investment and adjustment challenges in order to find out how best to manage interactions with regulatory framework.