



# Scoping the Water Efficiency Fund: High Level Consultation

## Southern Water response

22/09/2023

Southern Water is supportive of a specific Water Efficiency Fund to support coordinated, sustained, and large-scale initiatives required to achieve the set targets. With the repositioning of our Target 100 programme into a behavioural change programme, we welcome in particular the emphasis on dedicated work on behaviour change and use of data-driven insights to bring sustained water efficiency. However, upon detailed review of the scope, there are opportunities to improve the funding mechanism to support collaboration rather than competition. Learnings from the wider industry from water efficiency initiatives as well independent studies can further help inform the launch of an innovation fund of such scale.

As an alternative, Ofwat, or perhaps Spring, could utilise a marketplace / open innovation model: [Open Innovation Challenge Marketplace - Find A Challenge](#). There are distinct opportunities within the Water Efficiency (Household hardware for consumption reduction, shifting attitudes and behaviours around water usage, alternative water sources for specific segments and/or cohorts) - facilitating the organisation of this thinking and then using the fund to co-ordinate and facilitate between water companies and suppliers will help overcome barriers such as capacity and capability at a company level.

We reached out to [REDACTED], Director of Behavioural Science at GoBeyond, whose insightful expert feedback has been incorporated into this consultation.

We thank you for this opportunity to feedback and look forward to further consultations on this topic. Our responses to the consultation questions can be found below.

Should you have any questions please contact [Regcorrespondence@southernwater.co.uk](mailto:Regcorrespondence@southernwater.co.uk)



# Scoping the Water Efficiency Fund: High Level Consultation

## Southern Water response

### Question 1. Do you support the objectives of the fund? How could they be improved?

We support the overall objectives of the fund as a mechanism to encourage more collaborative working across the sector and to enable initiatives that have the momentum behind them to deliver impact beyond what is currently possible for individual companies in isolation.

The proposal could be improved by ensuring more detail/focus is placed on the following:

- Ensure eligibility for the fund is clear in terms of what Ofwat are explicitly looking to fund – learnings from innovation fund that specific areas of focus for the fund were not made clear enough. A mechanism that enables questioning between bid authors and the panel would give time and space to consider – bids in detail and have an open dialogue to avoid missing interpretation of bid and rejecting it on face value, without understanding the opportunity. In the past this lack of iteration has led to missed opportunities.
- There is a lack of understanding of the reasons for why consumption reduction hasn't progressed as expected, specifically that a national effort was required to communicate the message of water stress as water companies alone are not primed to bring this change. These gaps in the understanding of expected change from our customers have been emphasized by [REDACTED] in his response within this document.
- A clearer description of the criteria for 'innovation' is required as some of the prescriptiveness in other areas (i.e., bias to large projects and campaigns focus) could limit what is possible in terms of new approaches/solutions and could hinder the maturity of the next cutting-edge technology if supported. Providing flexibility in the funding mechanism to fund subsequent phases or solutions will help ensure agile implementation of learnings.
- There is a missed opportunity in aligning the motivations of this fund with nation greenhouse gas emissions reduction and clarifying how companies would mitigate climate change with their water efficiency initiatives. Guidelines on working with other sectors e.g. energy could also be beneficial.
- To support the stated objectives, we recommend that the judging panel understands the importance of measuring behaviour change to ensure funded campaigns have a true impact in the expected outcome.
- We also raise the question of fairness if only household customers are expected to fund the Water Efficiency Innovation fund when one-third of the consumption is from non-household customers.



**Feedback from [REDACTED]:**

Achieving the challenging goals of reduction in water use necessitates changing the behaviour of consumers, and insights from global best practice as well as the latest thinking in behavioural science will be critical.

We note, however, that this is framed as a challenge of a ‘customer information gap’, despite behavioural science consistently showing that information alone is insufficient to drive behaviour changes in sustainability, and elsewhere. Similarly, in terms of water efficiency behavioural change it is stated that “we would expect to see effective communication strategies to raise awareness of the value of water, change attitudes and ultimately change behaviours”. Again, behavioural science demonstrates that the relationship between awareness, attitude and behaviour is not linear, and it should not be presumed that changing attitudes necessitates nor precedes behaviour change. Competing incentives, behavioural biases and contextual factors drive the majority of consumer decision-making and unless these are taken into account any behaviour change initiatives are unlikely to be successful.

Our own work for Southern Water has identified that consumers face a significant ‘intention-action’ gap – most want to behave more sustainably in their water use, but are often unable or unwilling to do so. Customers instinctively understand that flushing their toilet less often will save valuable water, for example, but as a behaviour there are significant emotional, societal, and environmental barriers. Lack of information is not the issue – it is the saliency, framing and targeting of this information that is critical.

Additionally, water saving behaviour is often affected by a lack of resources, time, competing priorities or that customers perceive other behaviour changes as easier or more impactful in terms of sustainability (e.g., such as those related to energy use or transport). Whilst consumers in general may acknowledge the importance of water saving, and the financial benefits, other sustainable behavioural changes also often have greater perceived benefits to consumers financially (e.g., efforts to insulate a home), or have greater perceived short-term benefits given the high salience of issues like global warming relative to water scarcity. As such any efforts to rationally educate consumers with information on the environmental benefits of water saving will have limited impact, and expert guidance is needed on targeting and framing of messages to maximize effectiveness.

Our successful efforts to change behaviour have therefore been directed at those customer types who are both the most motivated to change, and best able to do so. To do this requires specialist expertise in understanding the drivers of effective behaviour change, and a holistic approach to understanding customer behaviour (i.e., not simply expertise on water sustainability) – to ensure interventions target specific easy changes that customers are most likely to make. Simply providing more information on the importance of the challenge will not be enough.

## Question 2. Given the scale of the fund, how could it best contribute to these objectives?

We are supportive of a hybrid option in terms of the segmentation approach and encourage collaboration where all companies (big or small) benefit equally, for example, exploring the idea of having multiple companies equally weighted on a project rather than a lead company.

Whilst we are supportive of priority being given to water companies who represent the most water scarce areas of the UK, it's unclear how this would work in practice. It comes back to what the fund is trying to achieve – if there are solutions that are working in pockets and need to be adopted and scaled then it might make sense to promote that in water stressed parts of the UK so that you get ahead of the problem quicker, but innovative approaches might be best placed elsewhere/better stewarded by companies in different regions. Surely the first assessment should be 'how good is the idea?'

How will partners be utilized? What will their contribution be? What will they need to commit to delivering?

In areas where there is a clear ask for collaboration i.e., large-scale collaborative behaviour change campaigns, could they pivot to include all water companies, making it less competitive, and instead acting as the central point to oversee the overall campaign? That way we would spend less time bidding for the right campaign to be funded and more time developing the campaign approach.

The proposal intends to 'support a small number of large initiatives' - how can we ensure this is fair and that within these we have the opportunity to adapt an approach iteratively, as this could bias towards less agile projects.

### **Feedback from [REDACTED]:**

The scale of the fund relative to the size of the challenge – in terms of the behavioural changes required and audience (i.e. everyone in England and Wales) – means that impact needs to be large-scale, and wide-reaching. The consultation suggests that a behaviour change could be achieved through a sustained and widescale campaign, which we would support. However, in line with the response above this needs to be co-ordinated and informed by global best practice and specialist expertise in behaviour change.

Our experience working with Southern Water is that the drivers and barriers to behaviour change in water usage do vary by individual, but there are common themes that align with audience segments/types and the specific behaviours targeted. There is nothing to suggest these are unique to Southern Water customers or the region – especially given Southern Water's geographical footprint and large diverse customer base - so this work and insight could be scaled up accordingly. However, there are 'local' issues and motivations which can be leveraged for greater impact across the whole of England and Wales.

Consequently, our recommendation would be that campaign activity is centrally co-ordinated across England and Wales by one lead entity/brand – to ensure high-profile and reach, as well as consistency in messaging and application of insights – but with local activation to support. Competing campaigns across England and Wales would both dilute messaging and confuse customers, especially given the inter-weaving nature of water company footprints and the large number of providers.

### **Question 3: What precedents are you aware of that could help guide the design of the fund?**

On this topic, we specifically asked [REDACTED] to respond due to his experience in this area.

**Feedback from [REDACTED]:** There are several successful high-profile behaviour change campaigns which have been centrally branded, co-ordinated and run, with assets created to allow local activation without diluting or confusing core messages. In the UK many of these have been in the field of public health – for example NHS Smokefree, Change4Life, and Couch to 10k. In utilities, Smart Energy GB's campaign driving energy smart metering adoption represents an interesting precedent.

Each of these required sustained, consistent investment and branding over a period of several years to achieve the desired behaviour changes at national scale. Operationally this required a skilled team to co-ordinate along with expert partner consultants and suppliers for delivery.

Having been involved in the design, creation of delivery of NHS Smokefree, Gobeyond Partners Behavioural Science team have unique insight in this field which we would be happy to share.

### **Question 4: Should the fund be divided into segments? If so, how could we best do this to make it as effective as possible?**

There are strengths and challenges for each segment category and the hybrid approach feels most appealing at present.

#### **Segmentation by type of intervention:**

This seems to have more detailed thinking than the other propositions. There is reference to this category benefitting from whole-sector involvement on initiatives which throws into question the value of competition and would propose the budget could be better spent coordinating the whole sector to take part in joint-funded projects, overseen by Ofwat as a central oversight function. Potential concern around splitting projects into separate categories, rather than being fluid, for example, campaigns need to link to the right products/technologies to make it easy for customers to act on their new awareness gained from a campaign.

There appears to be a view that behaviour change is only achieved through a campaign, as opposed to embedding it into everything we do i.e., trial design, product development etc. Southern Water would like to see a reputable agency contacted to ensure the fund is designed based on behavioural science expertise and best practice, whilst being aware that there is a risk to lean towards the solutions that are easier to measure, which may not be the most valuable or drive the most impact.

#### **Segmentation between household (HH) and non-household (NHH):**

The idea of splitting between HH and non-HH is also interesting and would give some much-needed support to NHH water efficiency initiatives, which are often overlooked due to being less of an overall consumption percentage. This approach feels like it fits better with the 'competition' approach, whereby individual projects could be proposed, and the most promising/innovative ones funded.





Segmentation is not linear – often need to bid for additional funding for next phase – higher risk and additional work. This adds to workload without guarantee of next stage funding.

**Segment the fund over time:** This approach aligns with the one we have taken on innovation for our Target 100 (T100) metric.

The potential to work collaboratively to scale this approach would help to springboard opportunities and rely on the wider sector to drive forward initiatives. We have learned by trialling this approach on a small scale with the T100 testbed, that there can be challenges to this approach and that it is not always linear. Also there does not appear to be a mechanism to test and learn in the later stages of this approach, meaning we could lose opportunities to continually adapt approach beyond phase one. Coordinating the whole sector in this way could be challenging and it may be better to embed the principles of this approach within bids for the other approaches.

**Segmenting the fund geographically:**

Whilst this does not fully align with the feedback above around a national level campaign, and this would be in contrast to the idea of behaviour change and changing the perception of the value of water regardless of geographical water scarcity, we would recommend that funding is weighted based on level of water scarcity and that the fund should have some level of geographical weighting. It is unclear what the customer perception of this would be if all customers in the UK are being expected to make the same changes.

Another approach of segmentation which is currently missing, is segmenting on the maturity of the solution so there is a mix of opportunities ranging from emerging to ready for scale up.



**Question 5: Where do you think the greatest demand reductions could be made? What examples or evidence can we draw from to make sure the most important areas are targeted?**

Southern Water is supportive of the idea of an independent nationwide campaign and in agreement that working in individual company silos is not currently having enough impact. Landing the awareness piece nationally should be a fundamental step, creating a foundation of awareness before customers can be expected to change behaviour around water use.

Inspiration could be taken from traffic campaigns e.g. 'think bike, think biker' and 'green cross code', from the NHS smokefree and FAST campaigns, other wide scale initiatives shown to impact behaviour. Embedding an awareness of water scarcity with customers has the potential to have a revolutionary impact on usage.

In terms of innovation for products/tech, principles should be developed when designing/considering new solutions.

We believe the key principle here is 'make it easy' for customers. We can take inspiration from recycling campaigns and the rollout of recycling bins collected by the council. It's safe to assume the need for communications, more timely, detailed usage data, products that consistently reduce amount of water used per device, and then services designed to support end-to-end.

In terms of opportunity areas, we would highlight based on our own successful campaigns water wastage including leaky loos, customer behaviour around water wastage i.e. mindlessly using water, and a combination of campaign + tools. Products need to be used in conjunction with a campaign to have real impact – the two are not mutually exclusive, and again competition is not the right mechanism here, collaboration is.

Based on our ethnographic studies on water usage in the home we would suggest targeting incremental gains that, together, become a substantial change.

New developments also present an exciting opportunity to prove how water efficient a home could be, but the reality - as with energy efficiency in the home in the UK - is that we need to discovery effective retrofit. It may not be a case of 'what' is the best target, but 'who' - customer segments that are high users and unaware of the issue, whilst willing to engage and change their behaviours.

**Feedback from [REDACTED]:** In line with our response to question 1, to achieve the greatest reductions in demand requires identifying both the drivers of demand and the behavioural changes that are easiest for customers to make – physically and psychologically. We have extensive experience in identifying and addressing these behaviours for Southern Water which we would be happy to share, including research directly with customers to identify barriers and levers to change, and how best to address them.



### **Question 6: Do you support our current preference for funding a small number of large initiatives?**

Whilst we recognise the benefit of a small number of initiatives, we believe a wider mixture of project sizes would enable a more agile approach. It feels like the proposal could be biased based on an assumption that large projects will deliver more value when they can often be inefficient.

Southern Water would like to understand the assumptions that have been made that drive the preference of a small number of large initiatives. Funding several large projects could mean projects take a less agile approach which does not enable adapting and learning. The fund approach needs to support innovation in de-risking testing of new concepts and propositions. The large project bias would not enable this. More detail should be shared on the criteria for these large projects and the ability to deliver smaller workstreams within them.

We would recommend two different set types of projects for the fund: large for low-risk initiatives and small for higher-risk initiatives (early stage concept testing).

### **Question 7: How can we best make the water efficiency fund work for both England and Wales and make sure it takes into account the differing policy context?**

Ensuring all companies collaborate on projects (non-competition approach) should be considered, if not required. As mentioned elsewhere, a central nationwide independent group with delegates from both the regulator, each water company and other key stakeholders would enable any differing policy conflicts to be resolved and would also address any reputational issues customers may have with individual water companies.

### **Question 8: Do you support our current thinking on eligibility and scope? How could it be improved?**

**Impact vs. Innovation** – if it's something new and un-proven how can you prove impact? If impact has to be guaranteed and long-term solutions will default to known approaches, undermining the opportunity for innovation.

**Defining sustained reduction** – COVID taught us an important lesson about the ability to plan for changing customer behaviours, and climate change promises more turbulent and extreme conditions that may have a direct impact on customer water usage. It will be helpful to have a definition of sustained reduction (over what time period, and how we will measure this), and for this to be a part of projects' outputs. Again, innovation is about testing unknown approaches to build a base of evidence that proves potential scaled impact, and expecting proven sustained reduction as part of a bid will undermine this.

**Timing and delivery** – some of the requirements here are known barriers to scaled water efficiency delivery (and the underlying basis for this fund). As part of a sector briefing Ofwat shared assumptions about capability and capacity issues at a company level, and the nature of the issue being long-term meaning that water efficiency activity isn't prioritised against burning platforms such as pollutions and CSOs etc. There is an opportunity for this fund to provide greater, specialist, and central capacity dedicated to this sector issue, but there's a real risk that won't be achieved if individual companies have to lead at a bid/project/concept level.





**Additionality** – whilst we understand the need to mitigate duplication, there is an opportunity for this fund to expand current plans and projects, specifically increasing the scale of some initiatives across companies to feed the overarching fund objectives. However we would question how will this impact companies who have agreed to deliver more by being ambitious in their WRMP?

**Innovation** – We would ask that this is further defined as this Ofwat's definition of innovation feels underdeveloped at present.

**Collaboration and eligibility** – please see our response to question 10

**Question 9: How can we most effectively bring in expertise from other sectors and disciplines while also making use of and nurturing the expertise that already exists in this sector?**

As mentioned elsewhere, a central nationwide independent group would bring together internal industry and company expertise with key stakeholders from other sectors in order to work collaboratively. In addition, we would suggest setting designated team structures or ways of working to ensure each funded project has the right balance of roles and expertise.

As previously mentioned, we strongly recommend seeking external expertise with proven track record of sustained behavioural change initiatives to help support the development and management of this fund, as well as experts in communication and campaigning in the water industry and other sectors.

**Question 10: What are your views on whether the involvement of water companies in England and Wales should be a requirement or whether the fund could support initiatives with no involvement from water companies?**

This would depend on whether water companies would need to be the 'end user' for outputs or whether projects could be run by an external partner in isolation, for example a water scarcity awareness campaign could be run fully externally without water company involvement.

Previous insight suggests customers respond better to 'trusted messengers' who are not their water company e.g., National Trust. Therefore, we would support the concept of an external company or organisation leading a campaign. However, water companies are key stakeholders and need to be engaged so as not to eliminate key insight and enable delivery of the campaign content and approach as BAU.

Ofwat would need to ensure that projects where a water company is not involved but will be the end-user of materials do the right level of user testing and engagement to ensure initiatives can be implemented.

This again lends itself to an independent body, like the WRSE, made up of experts in communication, campaigning and behavioural change, as well as delegates from water companies, regulators and other key stakeholders such as the WRSE and Waterwise working collaboratively for effective change.

**Question 11: How do you think this fund should be operated?**



There are lessons to be learnt from the Ofwat Innovation Fund – feedback and iterations widely known – but it's worth remembering that both funds are seeking engagement and participation across AMP8. It feels like a good next step would be to engage across the sector to understand what resource exists and how the fund could be used to drive scale and ambition. If not, a competition then would the fund be better spent creating a central, specialist unit that leads on sector communications and can run accelerators for initiatives that are working in pockets.

**Question 12: What sort of governance do you think would best support this work and who should be involved?**

Fund governance is dependent on Ofwat's decision on how the fund will be used. We feel this should be independently governed by an organisation like Waterwise, or another external party to avoid bias and to utilise their expertise in this area.

**Question 13: How can we best protect customers' investment in this area and ensure appropriate use of the funds?**

Southern Water feel the best approach would be to develop a set of customer-centric principles that must be followed by successful entries e.g., 'always make it easy'.

We would however like further clarification on how unit cost and potential savings will be calculated and how much weighting will be given to unit cost, as we believe this being used to select innovation opportunities is not the right approach to promote innovation, as this leads to a cheapest rather than most effective solution being selected.

**Question 14: What should be the role of the fund in bringing in new thinking and facilitating exchange of ideas?**

We believe that these should be the key drivers of the fund, making it easy for new products and consultancies to enter the competition. The fund should play a central role in encouraging collaborative working and national level combined campaigns to elicit long-term behavioural change and embed an understanding of the value of water and water scarcity in society in order to help steward the safety of water supply levels to 2030 and beyond.

We would also support the idea of facilitated pitches and potentially some sprints before committing to any one approach, in order to give a balanced and informed view of the best one to take.



### **Question 15: How can we harness and balance competition and collaboration while minimising the impact of time spent developing unsuccessful proposals?**

A challenge-based approach has the potential to reduce effort and guide where Ofwat have a view on the right opportunity areas.

There is clear appetite for initiatives to be cross-sector and this may mean a competition approach is not appropriate. The fund could instead be used to give each water company a share of project funds to each play a distinct part.

Ofwat can make this easier by providing clear instructions that are accessible for all. Look to simplify or stage the bidding process, with earlier feedback from Ofwat and water companies.

### **Question 16: Is there anything else we should consider in terms of timescales?**

Any timescales for delivery should accommodate and embed test and learn cycles. These should also be in line with other annual and AMP based deliverables.

### **Question 17: How can we best create a legacy beyond 2030?**

There is a clear need to ensure initiatives support long term goals and take account of changing external environments. To give a full response, water companies need to understand how the fund is being utilised and governed. For example, will suppliers have the ability to share new product roadmaps to help inform the types of products we could utilize during 2025-2030?

Once a fuller picture of how the fund is to be used, scoped and which projects are to be implemented we can give a more detailed response.

### **Question 18: Do you support the idea of a scoping study to help focus the fund? If so, what should this look at?**

Yes, particularly if we are making claims around behavioral science involvement or funding a specific type of project. The emphasis could be on helping to understand best-practice project setup and approach for ensuring we can remain agile and adaptive if funding larger projects. We need to gather insight from across the sector (and beyond) to understand the cross-sector needs in more detail.

### **Question 19: Do you have any other relevant views or perspectives that you would like to share?**

Engaging an experienced behaviour change authority would be a valuable part of this consultation, for example the Behavioural Insights Team.

Greater clarity on eligibility for product solutions would be welcomed as there is a risk of excluding exciting early-stage products with this fund.

We are not as an industry currently exploring encouraging innovation and product development, for example, incentivizing entrepreneurs and students to develop concepts as part of this fund.