

Scoping the Water Efficiency Fund: High level consultation

Severn Trent Water response

22 Sep. 23

Severn Trent response to Scoping the Water Efficiency Fund: High level consultation.

We welcome the opportunity to comment on Ofwat's, Scoping the Water Efficiency Fund: High level consultation.

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

Severn Trent generally agree with the objectives of the fund especially where solutions are deployed at scale and in combination to ensure what is consumed is necessary and provided when it's needed.

Severn Trent would like more emphasis in the objectives to highlight the need to provide education to customers/consumers around the importance of water and its conservation as this is a vital component in implementing sustained behavioural change.

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

We support Ofwat's view, in the importance in developing a consistent and co-ordinated approach. Our international research and recent experience have taught us that larger, more focussed projects such as Hubs are an effective method to foster an eco-system of co creation and trialling and scaling up innovation with an iterative approach.

Although we understand the fund isn't exclusively targeted on innovation we believe that by combining game-changing technologies such as artificial intelligence (AI), machine learning (ML) with new sensor technologies and smart metering, as well as physical technologies and open data will ultimately be key in reducing demand. Whilst this will obviously help through increased asset resilience, we believe that these are key in supporting customers to firstly understand their consumption and then reduce it and there are opportunities for cross sector working to support this that we are already exploring.

3. What precedents are you aware of that could help guide the design of the fund?

Ofwat's Innovation Fund and Ofgem's Network Innovation Competition (NIC) could be adapted to help design the new Water Efficiency Fund (WEF).

Our international collaborations and the relationships that we have forged through our innovation eco-system (such as the World Water Innovation Forum) provide a valuable insight to approaches and techniques that have trialled and been implemented

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

Severn Trent generally agree with Section 3.1 namely;

- Behaviour change.
- Targeted interventions based on better understanding of water use.
- Technological interventions.

We also support further segmentation in these sections;

- 3.2 Segmenting the fund into residential and business use components.
- 3.3 Segmenting the fund over time.

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?

Apart from Leakage Reduction (which is envisaged outside of the scope of the current WEF) Severn Trent consider the greatest demand reductions in the following key initiatives and approaches:

Smart Metering: Severn Trent has been rolling out smart water meters to its customers. These meters provide real-time data on water usage, allowing customers to monitor their consumption more closely and make informed decisions about water conservation. This also has the potential for initiatives such as variable pricing like the energy sector's Economy 7 Tariff.

Water Efficiency Programs: Severn Trent has various programs in place to promote water efficiency among its customers. These programs often involve offering advice, incentives and rebates to encourage customers to use water more efficiently, such as by fixing leaks or installing water-saving appliances.

Environmental Stewardship: Severn Trent is also committed to protecting and enhancing the environment. This includes initiatives to reduce the impact of its operations on water bodies and ecosystems. By minimizing pollution and promoting responsible water management, the company helps ensure the long-term sustainability of water resources.

Education and Outreach: Severn Trent engages in educational outreach to raise awareness about the importance of water conservation. This includes working with schools, communities and other stakeholders to promote responsible water use.

Innovation and Research: Severn Trent invests in research and innovation to develop new technologies and approaches for water loss minimisation. This includes exploring the use of AI/ML to identify and help customers to reduce consumption such as our "intelligent kick-outs" solution, as well as the use of physical technologies such as the installation of flow control valves.

6. Do you support our current preference for funding a small number of large initiatives?

Severn Trent supports this preference.

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?

We recognise that the English and Welsh governments have different approaches to targets for water efficiency. However, both governments want water companies to promote water efficiency. We consider it will lead to the best outcome for English and Welsh customers if the fund applies the same across both nations. This will make sure the best solutions across England and Wales are selected in any round of the water efficiency fund and that any learnings are shared across both jurisdictions. It will also simplify the application and assessment process for companies, third parties and Ofwat.

8. Do you support our current thinking on eligibility and scope? How could it be improved?

Severn Trent generally agrees with the draft eligibility and scope within the consultation.

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?

At Severn Trent we have found the following approaches effective when engaging with experts with supply chains, partners and innovators either within or outside of the water sector:

Cross-Sector Partnerships: The fund should consider how to incentivise applicants to establish partnerships with organisations and institutions outside of the water sector, such as universities, research institutions, NGOs and private companies. Collaborative projects can facilitate knowledge transfer. This could perhaps be a criteria that is scored during the judging process.

Knowledge Exchange Forums: Organise conferences, workshops and seminars that bring together experts from various sectors to discuss water-related challenges and share insights. This promotes networking and idea exchange.

Diverse Advisory Boards: Create advisory boards that include members from diverse backgrounds. These boards can provide guidance, offer fresh perspectives and identify emerging trends and technologies.

Incentives for Collaboration: Implement funding incentives to reward collaboration and knowledge sharing. Funding allocations can encourage cross-sector partnerships.

Innovation Hubs and Incubators: Encourage innovation hubs or incubators that bring together entrepreneurs, researchers and professionals from different sectors to work on water-related innovations.

Mentorship Programs: Create mentorship programs that pair experienced professionals from the water sector with newcomers or experts from other fields. This facilitates knowledge transfer and skills development (already being adopted within Ofwat's Innovation Fund).

Evaluation and Feedback: Continuously assess the effectiveness of knowledge sharing efforts and adjust strategies as needed. Encourage feedback from employees and collaborators to make improvements.

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?

We would strongly encourage the involvement of water companies, as the water sector recognise the challenges that is faced and this will be key in developing solutions to resolve them. In addition, we see Water Companies involvement being key to the roll-out, adoption as well as future solution sustainability.

11. How do you think this fund should be operated?

Regarding an operational approach throughout the fund lifecycle, we support the use of targeted challenges for future rounds of the competition that are co-created with the sector and consider they could be applied to all three proposed competitions.

We believe Ofwat could consider utilising Water UK to prioritise needs/opportunities. A key forum where companies come together to discuss common needs is the Operations Strategy Group - OSG (under WaterUK).

There are a range of open innovation approaches Ofwat could deploy to develop these challenges and our experience is that well defined problem statements are the key to success. We would encourage Ofwat to include expert sector practitioners in the challenge development and assessment process for the fund.

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

Severn Trent support the view that final decisions on which initiatives the fund supports would sit with Ofwat but also that there may be a case for a panel involving experts from within and beyond the water industry on which are likely to be most effective.

In addition, we strongly support Ofwat engaging with the consumer body, CCW based upon their original 'Accelerating Reductions In Demand' (ARID) proposal to provide options for governing the fund.

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

Taking best practice from Ofwat's Innovation fund, we consider the requirement of 10% match funding of non-customer money to be reasonable and ensures water customers are not paying for the fund in its entirety. Further, the recent development in Ofwat's fund of allowing technology providers to charge a reasonable fee for background IP has been well received with the proviso that foreground IP remains licence and royalty-free in perpetuity for water customers.

In addition, we would suggest that bid submissions should provide evidence that demonstrates alternative funding options have been considered and that due diligence has been undertaken to ensure there is no duplication.

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

We believe that submissions should demonstrate that proposals are not in existence elsewhere and include clear demonstration of how the knowledge will be shared.

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

The supporting guidance and resources produced by Ofwat, and the current fund administrator (Challenge Works) has successfully aided the existing Ofwat Innovation fund, and we would encourage a similar approach to help with above framed concern.

In addition, we believe that the following could be considered.

Concept Pitches: Hold preliminary concept pitches with the judges and applicants at the earliest opportunity. This will ensure that each application is aligned with the funds themes and goals and could prevent significant time and energy spent on bid development.

Encourage collaboration: Host facilitated networking events or forums in advance of funding calls, where potential participants can meet and ideate on challenges and opportunities, and then develop solutions collaboratively.

Post-Competition Learnings: For past and future unsuccessful proposals and projects, develop a knowledge bank of insight and learnings, that is available and accessible. This can contribute to improved quality of future bids/projects, while reducing the risk of knowledge loss and duplication of effort.

16. Is there anything else we should consider in terms of timescales?

We would like to see more than one application round per year.

This would avoid delaying the progress of new ideas, as we know there are funding challenges that exist within the sector. In addition, we believe this will encourage more applications that are not dependent on organisational business planning cycles, finance year submissions, seasonal holidays, etc.

17. How can we best create a legacy beyond 2030?

We believe the approach outlined in this consultation and other Ofwat publications provide a promising foundation for the Water Efficiency fund. In addition, if the fund is set up in a similar approach to that which is in place with the Ofwat Innovation Fund, we are confident in the potential for it to leave a legacy beyond 2030.

We believe the following could assist in this outcome;

Comprehensive Needs Assessment: Conduct a thorough needs assessment to identify critical water-related challenges and opportunities. This should include a baseline assessment of water usage and efficiency.

Technical Assistance and Capacity Building: Offer technical assistance and capacity-building programs to help innovators refine their concepts, navigate regulatory requirements and scale their solutions effectively.

Policy Advocacy: Advocate for supportive policies at the local, regional and national levels. Collaborate with policymakers to create an enabling environment for water efficiency innovations.

Scaling Successful Models: If Ofwat settles on the approach to award funding to fewer but larger projects, consider the mechanism and funding to support their replication in other regions.

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

We can see some benefit in this, however we do not see this as a necessity as this could slow planning and implementation.

In addition, all companies will have worked through this as part of their PR24 plans, and we should be able to utilise the customer research undertaken.

19. Do you have any other relevant views or perspectives that you would like to share?

No

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