



PORTSMOUTH WATER RESPONSE TO OFWAT SCOPING THE WATER EFFICIENCY FUND CONSULTATION



Portsmouth Water Headlines - Ofwat consultation on Scoping the Water Efficiency Fund August/September 2023

This paper sets out the views of Portsmouth Water to the “Scoping the Water Efficiency fund: High level consultation” document published by Ofwat in August 2023.

Summary comments:

Through the development of our Water Resource Management Plan 2024 (WRMP24), the importance to us of reducing demand in general and water efficiency in particular has become very apparent. Through a combination of climate change, population, and environmental pressures we may need to find up to 54.5MI/d of sustainably sourced water by 2035. A large proportion of that water needs to come from reducing demand from current levels – both through our own activities (leakage and process losses) but also from help from all our customers (HH and NHH) to use less water.

Achieving the demand management savings required by our WRMP24 will be challenging, and we really welcome and support the foundation of this fund. We are not alone in being a water supply company facing such a scale of demand saving challenges and we further welcome the undertaking that the learning and data coming from activities benefitting from the fund are widely and actively shared across the industry.

Whilst the scale of the challenge is now larger, water efficiency has been an issue for the water industry for a while and there is an established community of practitioners and supply chain already established. We would hope that this new fund builds on and reinforces this existing community and doesn't seek to restart or replace it. Established organisations such as Waterwise and their UK Water Efficiency Strategy can provide expert advice and a structure for thinking through the issues faced, as well as being able to support the efficient delivery of the proposed fund.

Our response to the questions are below:

What are we aiming to achieve?

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

Portsmouth water strongly supports the objectives of the fund to:

- Provide measurable and sustained demand reductions
- Be large scale or have the potential for large-scale rollout
- Be innovative and data driven.

We do not believe the fund should rule out all actions currently in WRMPs. Our WRMP24 covers a period from 2025 to 2075 – a 50-year span. Some of the options identified in the medium term (15year+) contain some speculation as to their feasibility and effectiveness. We do not believe application around such options should be considered ineligible for the fund but agree actions for the first period of plans should be mature enough not to require applications to this fund.

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

The proposed fund is a significant sum of money, but not sufficient for itself to demonstrably move the dial on demand reductions in the England.

To lever the scale of investment truly required to move the dial the fund should focus inside the water industry on ensuring successful projects provide 'business plan ready' evidence packs and business cases to allow water companies to adopt the measures with the minimum of extra justification and challenge into PR29+.

The focus for outside the water industry is to influence stakeholders and policy makers. Successful projects must also consider these external audiences in the products they produce.

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

Currently we are only aware of the Uk Water Efficiency Collaborative fund that could be considered a precedent for this fund. [Water Efficiency Collaborative Fund – Application Form – Database WW \(waterwise.org.uk\)](https://waterwise.org.uk)

Targeting the fund

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

We agree generally that the fund should be segmented, to ensure the full breadth of water efficiency requirements benefit but would caution against this being interpreted as hard targets. There must be some flexibility in the allocation of funds across topics as bid values will rarely work out to be exact percentages of the fund.

Alongside the proposed topics of Behavioural change, understanding water use and technological interventions we would like consideration given to 'preventing future pressure' which could focus on the innovation required to be built into new housing stock to ensure they are truly water efficiency and not just our water efficiency targets of the future. Water harvesting and grey water use at wither an individual or community level are targets for this topic that spring to mind – with the goal of developing products that are demonstrably easy and cheap to install for developers.

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?

Our evidence suggests that the greatest and most lasting demand reductions will come from repairing sources of continuous flow – ie. HH plumbing losses such as leaky loos. Householders are often unaware such situations are occurring in their homes and so consideration should be given to proposals that look at detecting / notifying customers as well as proposals looking at permanent repair options.

Our second preferred source of prolonged demand reduction is ensuring household compliances and fixtures are water efficient. In the first instance, it is easier to save water through a customer using a water efficient shower head rather than convincing them to change their bathing habits and shower for less time. However such devices often have a poor reputation for performance or are prohibitively expensive to some households. Developing attractive and effective fittings at an affordable price point would deliver water efficiency.

There is obviously a pressing need for greater understanding and awareness in our customers and innovative ways of eliciting behavioural change should not be overlooked, but it should be understood that such projects are likely to produce less tangible, predictable and replicable outcomes.

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

Given the scale of the challenge and the timeframe we need to achieve them in, we agree that a small number of large, scalable projects – producing both a compelling evidence and use case – would be an effective use of this fund.

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 believe that a project bidding for support from the fund should be judged on its merits and potential to impact on water efficiency and should not be overly influenced by policy. If the project is successful in establishing a credible business case and the water efficiency benefits are tangible, then any subsequent policy obstacles should be discussed openly.

Assessment criteria and scope

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

As mentioned previously, We do not believe the fund should rule out all actions currently in WRMPs. Our WRMP24 covers a period from 2025 to 2075 – a 50 year span. Some of the options identified in

the medium term (15year+) contain some speculation as to their feasibility and effectiveness. We do not believe application around such options should be considered ineligible for the fund but agree actions for the first period of plans should be mature enough not to require applications to this fund.

We also believe the distinction between this fund and the innovation fund need to be better illustrated. With the established innovation fund in place, this new water efficiency fund may not need to focus on pure innovation itself but could potentially focus on hothousing an existing new product/intervention/concept to be a viable proposition that satisfies the large scale / large scale rollout fund objectives.

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?

We have recently implemented the Kraken Technologies CRM system which will form the customer data management system for us in our SMART metering initiative.

The system is widely used in the power industry and has a proven track record with Smart technology. It is the platform developed and used by Octopus and will be the first adoption of the system in the water sector.

As an integral part of this new relationship we have developed the concept of the of the 'WATER LAB'. The Water Lab is a partnership designed to hothouse innovative and new ideas and concepts in a development environment. The partnership is between ourselves, Octopus Energy Group and with the support of CCW.

We would happily use this new relationship to seek to bring expertise from an innovative, high performing company in the energy sector to partner this initiative in the water sector.

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 believe there is no need to bids to need to involve a water wholesaler as a partner in order to qualify for funding, but we would be keen to see each bid being linked to the water industry in order to ensure its viability and scalability. This would open the potential for bids to be developed or supported by retailers and NAVs, an underrepresented sector of the industry currently, as well as wholesalers.

Implementing the fund

11. How do you think this fund should be operated?
12. What sort of governance do you think would best support this work and who should be involved?
13. How can we best protect customers' investment in this area and ensure appropriate use of the funds?

The established Innovation fund provides a known template that is understood, so adopting a similar operating model and governance structure would be efficient for the industry and potential bidders. The idea of a Strategic Advisory panel is welcomed and will challenge the risk of Industry 'group think'. We would suggest consideration is given to having some overseas involvement in constituting that panel to challenge our aspiration.

Being clear on the outputs the fund is looking to achieve and the topics under consideration prior to inviting bids, will minimise speculative bids and create efficiencies in the consideration and award of bids.

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

It should be the role of the fund to ensure that projects supported by the fund produce evidence, use cases or business cases that will facilitate the efficient adoption of successful ideas into the water industry and through the next formal WRMP and business planning rounds.

There are a number of established groups and organisations (Waterwise, Spring, WaterUk water efficiency group, ARID) that can be efficiently used to facilitate the exchange of ideas and for the sharing of these cases – without the need to establish another forum.

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

Having done some research into this question we believe to harness and balance competition and collaboration while minimizing the impact of time spent developing unsuccessful proposals, it is important to create a system that promotes both competition and collaboration. According to a report by the **UK Collaborative on Development Sciences (UKCDS)**, one way to achieve this is by using approaches such as interviews, panel reviews of anonymous proposals, and project pitches at the proposal stage.

Timescale and developing the approach

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

Whilst some flexibility is possible within current business plans to allow the limited adoption of innovation and best practice, a roll out of an option at scale would likely require the support of an investment case in the next business planning round. Therefore the timelines for informing WRMP29 option feasibility assessments and the formulation of PR29 investment cases need to be kept in mind when awarding successful bids.

Liaison with the EA on the Water Resource Planning guidelines for WRMP29 will be critical to ensure the opportunity is not missed.

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

Ensuring the outcomes and products produced by this fund are readily useable in future planning rounds, with evidence that is above Regulator's thresholds will allow the benefits to enter mainstream delivery without delay and continue momentum beyond 2030.

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

We support the idea of a scoping study to help sharpen the design of the fund. We believe It should start with a review the Uk Water Efficiency Strategy, the suite of interventions identified by wholesalers in the recent WRMP24 submissions from across the country and a review of approaches to water efficiency internationally in order to identify opportunities.

Thank you for the opportunity to comment on your proposals. We hope our comments are of use. Should you have any further questions or would like to explore any of our comments further then please do not hesitate to contact [REDACTED]