

# WORSHIPFUL COMPANY OF WATER CONSERVATORS

## RESPONSE TO THE OFWAT SECOND CONSULTATION ON SCOPING THE WATER EFFICIENCY FUND (WEF) 21st JUNE 2024

### PROLOGUE

1 The Worshipful Company of Water Conservators (WCWC) is a City of London Livery Company focussed on the long-term health of our water resources and the broader related industries and regulators, along with others who share our concern for water and the environment. Our experience and knowledge ranges from the complexities of environmental sciences, through the application of engineering to deliver the goals identified by those sciences, and the subsequent management of the assets created. The WCWC's purpose is *promoting a diverse and sustainable environment*.

2 The WCWC is responding to this consultation because of its professional roles in water and climate change policy, mitigation and adaptation. It is a member of the City of London Livery Climate Action Group. Water efficiency is very much part of water conservation.

3 The WCWC is pleased to have had the opportunity to respond to the consultation and looks forward to being able to make further inputs as requested in the future. This response contains background information to aid readers other than Ofwat.

4 For ease of reference in navigating this response the WCWC has used red text for the summary, and bold black text for all questions whether from the WCWC (in the main body of the discourse) or from the consultation paper (in the questions at the end of this response). Hyperlinks are shown in grey throughout.

### SUMMARY

5 Before answering the questions posed by the consultation, the WCWC makes it clear that it supports the principles of the way forward and that a national campaign on water efficiency is needed. But the consultation does not make it clear that the proposals are just one piece of a mosaic of initiatives. Neither does it reflect the need to get the 'nudging architecture' right before the Water Efficiency Fund (WEF) scope for a Water Efficiency Campaign (WEC) is finalised. The WCWC highlights the overarching role of coordinated government in developing the architecture in the first step.

6 The WCWC support has some caveats. It has long advocated national messaging. It favours the obvious preference of Ofwat for a central delivery body (CDB) as an arms-length social purpose company supported by the WEF fund. The proposed funding processes via MOSL seem reasonable. For the moment, the funding structure between the WEF and the Water Efficiency Lab (WEL) seems reasonable, but that may need to change as experience is gained. It will depend on how much direct advertising the WEC conducts.

7 The WCWC suggests that better coordination and more clarity of the relationships, and of the issues are sorely needed.

8 To expand on the earlier point, the WCWC notes that the focus of the consultation is behavioural change; the origins of the science of this was in 2008 by Thaler and Sunstein - the progenitors of the notion of 'nudging' to achieve societal goals;

*'The concept of nudging to change behaviours was first elaborated by Thaler and Sunstein defining a nudge as any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting the fruit at eye level counts as a nudge. Banning junk food does not'.*

<https://www.princeton.edu/~tleonard/reviews/nudge>

9 So with this insight any drive to increase water efficiency, either by individuals in households or by organisations for non-household (NHH) consumption, has to have two steps:

- Create the choice architecture which favours water efficiency, and
- Campaign to raise awareness of the benefits of the right choices.

10 In this context the WCWC has identified central government and supporting organisations which have a role to play in creating the right architectural framework, for example Department for Environment, Food & Rural Affairs (Defra) on water efficiency labelling, metering, water fittings (and Water Regulations UK), dual supplies and a wider communications campaign, Department of Levelling Up, Housing and Communities (DLUHC) on building regulations, Department of Business and Trade (DBT) on smart regulation, Ofwat itself on tariff innovation, WaterSafe for reliable plumbers, local authorities on building controls, Integrated Pollution Prevention and Control (IPPC) and Trading Standards, the Environment Agency on coordinating initiatives with non-household uses of water and IPPC. Who will do what? Does Ofwat consider that WEC will have a role in the architecture, if not, who is going to pull together contributors outlined above? Will Water UK have a role to play in that or should there be a national water efficiency steering group coordinating efforts rather than the current silo approaches, a theme which the WCWC has suggested repeatedly across the water management spectrum?

11 And then, the scenario which could emerge might be that the water companies and the entity emerging from WEF as the CDB, nudge people within this framework by conducting a campaign to persuade customers to save water. The balance of the national and local messages is likely to vary from region to region according to water stress. Indeed, a further question is does the WEC provide the national message framework for water companies to use or does it do some messaging itself and that will be a key part of its remit and affect its budget and the skills of its employees and CDB board members?

12 A major challenge in the initial stages must be to define exactly what remit the WEF and CDB will have and how water efficiency matters outside of this remit will be handled. The WCWC also notes that there are other environmental behaviour change programmes ongoing or proposed and there needs to be at least some national alignment and the WCWC makes some suggestions.

13 The WCWC comments on the structure of the CDB board and advisory panel. There will be a difference between the skills needed for a body which does campaigning itself or just providing common messaging to be used by water companies. There may be a need for two advisory panels with very different skill sets. One would be focused on the technical matters and the other focussed on media delivery per se. The panel on technical issues may give a greater scope for wider involvement as it could offer opportunity of a faster turnover of membership than the CDB Board. It identifies examples of a wide range of organisation with interests in what develops, drawn from customer and supplier organisations and decisions will have to be taken on their contribution to the more permanent tenure of the CDB board or the Panel. Examples include the Women's Institute, maybe the Citizens Advice Bureau, the Consumer Council for Water, the Market Operator Services Limited (MOSL), manufacturing and trade bodies such as Hospitality UK, British Housebuilders Federation, British Institute of Kitchen, Bathroom and Bedroom Installers, maybe the Royal Horticultural Society, WaterSafe and WaterRegs UK. A decision needs to be made on the future of Waterwise - probably as a Non-Executive Director of the CDB, and on the Local Government Association LGA. One question which the WCWC poses is the role of Water UK.

14 The consultation quite rightly identifies the need for expert contribution to the operation of the WEF and the CDB. The WCWC is surprised that there is not an extensive engagement with the Behavioural Insights Team (BIT, also known as the Nudge Unit) set up by government (it is now a social purpose, not for profit, company) for just this sort of challenge. The WCWC suggests that an early conversation with BIT on its future role would be valuable.

15 The WCWC also comments on the WEL and points to the balance required between direct innovation and investment needed to encourage commercial innovation. Smart metering and rising block tariff innovation would seem to be early candidates.

16 The WCWC supports the proposed arrangements in general, such as those set out in Appendix B of the consultation, but urges that the principles of smart regulation be complied with and that the caveats outlined be taken into account. The WCWC points out that this will have to be a 'forever' project with ongoing costs.

17 The WCWC offers itself as a contributor to the CDB itself or to the technical advisory panel. The WCWC answers the questions posed in the consultation based on these points.

## THE BACKGROUND

18 The contribution of efficient uses of water to the conservation of water resources has long been recognised but the first real test of a regional effort by the former water authorities in working with customers and the overall messaging by government was highlighted in the drought of 1976. And working with consumers by those water authorities, and then water companies has been as an operational responsibility as part of customer service ever since.

19 But as the WCWC has long advocated a more strategic national approach has been needed and in 2021 the government published its roadmap on new water saving measures to safeguard supplies.

[New water saving measures to safeguard supplies - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/new-water-saving-measures-to-safeguard-supplies)

In summary the proposals included:

- Introducing mandatory water efficiency labels for products such as dishwashers and showers will help people to make informed choices about how they can save water without having to make significant changes to their daily lives. This would be similar to the traffic light energy efficiency labels that already exist;
- Asking water companies to develop a consistent approach on fixing customer supply pipe leakage. Over the last 10 years around 25% of total leakage has been from customer supply pipes;
- Encouraging local authorities to adopt a tighter standard of 110 litres per person per day, compared with the current standard of 125 litres, for new homes where appropriate, requiring developers to install more efficient fixtures and fittings;
- Developing a roadmap towards greater water efficiency in new developments and through retrofits – including options such as rainwater harvesting, water re-use and storage.

The proposals stated that these measures, along with the work from water companies to reduce leakage by 50%, will help meet the ambitions set out in the [National Framework for Water Resources](#) to reduce average personal water consumption to 110 litres per person per day by 2050.

20 Rigorous commitments and defined targets were expressed in the following government plans:

In February 2023 <https://www.gov.uk/government/publications/environmental-improvement-plan>

Updated in April 2023 <https://www.gov.uk/government/publications/plan-for-water-our-integrated-plan-for-delivering-clean-and-plentiful-water/plan-for-water-our-integrated-plan-for-delivering-clean-and-plentiful-water>

21 The Environmental Targets (Water) (England) Regulations 2023 set targets for the reduction of potable water supplied by water undertakers in England. The volume supplied per day per head of population must be at least 20% lower than the

2019-2020 baseline by 31 March 2038. This has been set based on a trajectory to achieve per capita consumption (PCC) of 110 l/h/d, 50% reduction in leakage and a 15% reduction in business demand by 2050. The glidepath is such that the estimated target at 31 March 2038 is based on a PCC of 122 l/h/d, leakage reduced by 37% and business demand reduced by 9%.

22 The water companies have collaborated in driving water efficiency, for example by supporting Waterwise (an independent not for profit organisation) also supported by Ofwat. It published a strategy for water efficiency up to 2030, in 2023:

[Water Efficiency Strategy – Waterwise](#)

An example of company initiatives may be found in the University of East Anglia project with Anglian Water in 2020 with support from the Knowledge Transfer Partnerships (KTP) programme. ‘Understanding Customer Behaviour’ (with respect to household water consumption). <https://www.uea.ac.uk/stories/anglian-water>

In addition, there have been numerous supporting opportunities for the ways forward, for example, CIWEM:

[https://www.ciwem.org/assets/pdf/Briefing\\_Note\\_Household\\_Water\\_Efficiency.pdf](https://www.ciwem.org/assets/pdf/Briefing_Note_Household_Water_Efficiency.pdf)

and UK Water Industry Research (UKWIR)

<https://ukwir.org/Forefront/Water-Efficiency>

23 Even with these programmes, the associated investment, and the expected supporting policies, Ofwat thinks the sector is at risk of falling short of its long-term goals for water efficiency. While the sector has worked on water efficiency for many years, Ofwat had not seen the sort of coordinated, sustained and large-scale initiatives that it considers are required to achieve significant progress. In the summer of 2023 Ofwat consulted on the urgent need for a new approach. It considered that a central fund managed within the Asset Management Plan (AMP) process has the potential to support the sorts of collaborative and innovative work that is necessary to get the sector on track. This consultation was the first stage of shaping that fund and bringing about the change that is needed.

[Scoping the Water Efficiency Fund: High level consultation - Ofwat](#)

24 The proposals had broad support. Artesia was commissioned to do research on the readiness for behavioural change in the water sector, and results were published in December 2023. Ofwat published this consultation as the next step in May 2024 to which this submission is made. It builds on the responses received to the first consultation which are summarised in a separate summary of responses document. It sets out Ofwat’s thinking on how the WEF should operate. It seeks views on a wide range of related questions to help develop this thinking. As well as the summary of responses document, this consultation is accompanied by a cost benefit analysis. The responses will be used for setting out the final approach later this year.

[Scoping the Water Efficiency Fund: Second Consultation - Ofwat](#)

25 The proposed approach includes two main streams in what will be known as the WEF. The objectives and scope of the WEF were widely supported so Ofwat has not changed them substantively. As well as proposing the two-stream approach, Ofwat has developed a range of aspects of the proposed approach including: evaluation, governance, financing, achieving a legacy, awarding projects and protecting customers.

- The first is a large behaviour change campaign, the WEC. This would allocate up to £75m over five years to a coordinated, high profile and expertly run campaign covering England and Wales. WEC would raise awareness of the need to use less water as well as the benefits this can bring, seek opportunities to change behaviour and give people the capability to change.
- The second stream is a smaller pot of around £25m over five years made available through annual competitions. Known as the WEL, it would be like Ofwat's Innovation Fund but focused solely on water efficiency. It would address challenge statements scoped by industry experts which are also refreshed annually.

Allocations between these streams could change across the five year period to bring flexibility to the approach.

## **SOME OBSERVATIONS ON THE CONTEXTUAL ISSUES AFFECTING THE WEF**

### **Non household consumption**

26 It is worth a reminder that water usage arises from public water supplies and by direct abstraction from the environment. The focus of the Ofwat proposals only addresses a part, albeit a major part, of a mosaic of issues.

27 MOSL is the market operator for the non-household (NHH) water retail market in England, which opened in April 2017 enabling more than 1.2 million business customers to choose who supplies their retail water and wastewater services. It sits at the centre of the market, with access to central market data, processing more than 90,000 transactions each day through the Central Market Operating System (CMOS). <https://mosl.co.uk/about/about-mosl>

28 It reports that the NHH market and its customers consume around 30 per cent of the total public water supply in England.

[https://mosl.co.uk/news-and-events/news/shining-a-green-light-on-the-non-household-market#:~:text=The%20non%2Dhousehold%20\(NHH\),would%20soon%20notice%20that%20amount!](https://mosl.co.uk/news-and-events/news/shining-a-green-light-on-the-non-household-market#:~:text=The%20non%2Dhousehold%20(NHH),would%20soon%20notice%20that%20amount!)

In November 2022 Ofwat reported that about 20% of water supplies are lost through leakage. [Leakage in the water industry - Ofwat](#)

In January 2023 Defra published updated non tidal river and groundwater abstractions for 2000-2018.

<https://www.gov.uk/government/statistics/water-abstraction-estimates/water-abstraction-statistics-england-2000-to-2018>

29 Combining these data shows that approximately 7.5% of abstractions are used for aqua farming, 35% for electricity generation, 7.5% for direct industrial uses, 15%

for retail and industrial use of public water supplies (PWS) and 35 % of household use of PWS. Thus industry, agriculture and so on uses about 20 % of abstracted water. As indicated by the government targets, the biggest efficiency savings will come from domestic use of water supplies, but the combined savings which could accrue across all sectors of non-domestic uses are also significant. And the conclusion from this is that any effort by Ofwat and the water companies on non-domestic water efficiencies would be best if they are coordinated with any initiatives by the Environment Agency on other uses of abstracted waters. The objective of such co-operation is to find the optimum ways of working to help all retailers and industries cut water consumption. Such help could be rendered on a customer by customer basis, but could extend any advice and cooperation with sector bodies such as Hospitality UK for hotels. As a tangential point, both local authorities and the Environment Agency have permitting powers regarding IPPC and take due note of Best Available Technology in issuing licences which surely must take account of efficient water use.

30 The water companies have long experience in providing informal advice to industrial customers particularly in the context of trade effluent control. Consents may restrict the volume of trade effluent discharge for operational reasons and this might trigger water efficiency, but ultimately the responsibility for industrial best practice in these circumstances lies with the discharge getting consultancy advice. Dischargers have the right of appeal to Ofwat.

31 It might well be that the DBT will have a contribution to policy objectives bearing in mind its surgent interest in the role of efficient water management in the post Brexit economy. The WCWC responded to the recent DBT consultations the results of which have just been published. **The WCWC poses the question what will be the limits to the WEF remit in involving the DBT?**

[https://assets.publishing.service.gov.uk/media/6645d949bd01f5ed32793ce9/smarter\\_regulation\\_one\\_year\\_on.pdf](https://assets.publishing.service.gov.uk/media/6645d949bd01f5ed32793ce9/smarter_regulation_one_year_on.pdf)

<https://assets.publishing.service.gov.uk/media/664c909dbd01f5ed32793f75/smarter-regulation-delivering-a-environment-for-innovation-investment-and-growth-print-ready.pdf>

### **Competition, tariffs and metering**

32 There is an economic paradox in a complex picture here. In the simplest terms water companies gain income from selling products for example, treated water; but uniquely the water sector has to sell less at a time when the need for income is growing so will growth be self-sustaining? The purpose of implementing water metering is to understand and control the reduction of water consumption. Part of the national drive for water efficiency has got to be universal metering and any message on water efficiency must take this into account. The opening of the non-domestic retail market was partly driven by the notion that competition would drive water efficiency and this initiative by Ofwat has to examine the success of this objective and decide on its future usefulness. The impact of these initiatives may be viewed through the need for tariff innovation, for example in introducing rising block

tariffs and that raises a whole different raft of issues. **Once more the WCWC poses the question on what the limits will be of the WEF on tariff issues including the drive for metering. Will any government go as far as making universal metering mandatory with allowable defined exceptions? New build has long been required to have metering installed and will that extend to mandatory smart metering?**

### **New build, water fittings and local authorities**

33 There has been a requirement for water efficiency to be part of new build.

<https://www.futurehomes.org.uk/water-efficiency>.

34 There are, however, matters around water fittings which remain unresolved. The contribution of leaky toilets to water inefficiency is well known. In June 2023 Defra consulted on a review of the Water Supply (Water Fittings) Regulations 1999, the Water Supply (Water Quality) Regulations 2016 and/or any other relevant legislation to address wasteful product issues with toilets and enable new water-efficient technologies. The WCWC responded to this. This is not implemented yet but it is essential that the right fittings are in place WaterRegs UK <https://www.waterregsuk.co.uk/> and reliable certified plumbers are used WaterSafe UK <https://www.watersafe.org.uk/>. Both organisations will have a connection to the WEF which in turn must influence bathroom and kitchen design to make them more 'water efficient friendly'. The WCWC suggests that bathroom and kitchen designers and installers should be involved as well.

[The British Institute of Kitchen, Bedroom & Bathroom Installers...](#)

35 In its response on water fittings, the WCWC highlighted the need for more cooperation between local authorities and water companies in these matters; it suggested a partnership between Water UK and the LGA (but as yet this has not yet developed), and the need for a review of building regulations; the DLUHC must also have a voice in moving matters forward. **Again, the WCWC poses the question on how far the WEF will extend into this area of new build and water fittings. At the very least local authorities could be represented on the governance body of the WEC.**

36 During the discussions on the Water Fittings Regulations, alternative recycled water supplies and dual supplies were discussed. This was highlighted in the Defra Water Plan; these issues have a major aspect of changes to customer behaviour and attitudes which are discussed below.

### **'Nudging' and integrated behavioural insights**

#### **'Nudging'**

37 According to Thaler and Sunstein in 2008

<https://www.princeton.edu/~tleonard/reviews/nudge>, the progenitors of the notion of 'nudging' to achieve societal goals :



*'The concept of nudging to change behaviours was first elaborated by Thaler and Sunstein defining a nudge as any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting the fruit at eye level counts as a nudge. Banning junk food does not.'*

38 And as the internet shows there have been a number of thoughts about the application of nudge theory to water efficiency, which no doubt will be evidence for the WEF for example.

<https://www.wsp.com/en-gb/insights/nudge-theory-to-reduce-water>

WSP, an international environmental consultancy, asks *'if we are to achieve our ambitious per capita consumption targets, is it about time water companies took nudge theory further?'*

39 Behavioural change, as Thaler and Sunstein stated, is about making the right choices easier and then campaigning to get people to make those choices and there are numerous examples of how this has worked successfully in litter control. The choice of architecture is most probably best driven by government for example, Defra. An example of this is the announcement in September 2023 of mandatory water efficiency labelling.

40 This follows a [public consultation](#) to make water efficiency labelling mandatory by 2025, which received widespread support and is one of the pledges in the government's [Plan for Water](#). Products that will be subject to labelling include toilets, urinals, bathroom basin taps, shower outlet devices and shower assembly solutions, dishwashers, washing machines and combination washer-dryers. WCWC responded positively to this consultation.

<https://www.gov.uk/government/news/household-goods-to-carry-water-efficiency-labels>

This current consultation makes it plain that any campaign must make consumers aware of, and react positively to, the labelling scheme.

41 So with this insight **the WCWC suggests that any drive to increase water efficiency, either by individuals in households or by organisations for non-household consumption, has to have two steps.**

- **Create the choice architecture which favours water efficiency; and then**
- **Campaign to raise awareness of the benefits of the right choices.**

42 In this context the WCWC has identified central government and supporting organisations which have a role to play in creating the right architectural framework, for example, Defra on water efficiency labelling, metering, water fittings (and WaterRegs UK), dual supplies and a wider communications campaign, DLUHC on building regulations, DBT on smart regulation, Ofwat itself on tariff innovation, WaterSafe for reliable plumbers, local authorities on building controls, IPPC and

Trading Standards, the Environment Agency on coordinating initiatives with NHH uses of water and IPPC.

**43 Who will do what? Does Ofwat consider that WEC will have a role in the architecture, and if not, who is going to pull together the contributors outlined above? Will Water UK have a role to play in that or should there be a national water efficiency steering group coordinating efforts rather the current silo approaches? A theme which the WCWC has suggested repeatedly across the water management spectrum.**

44 Then the water companies and the entity emerging from WEF as the CDB, will be nudging people by conducting a campaign to persuade customers to save water within that framework. The balance of the national and local messages is likely to vary from region to region according to water stress. **Indeed, a further question is does the WEC provide the national message framework for water companies to use or does it do some messaging itself and that would be a key part of its remit and affect its budget and the skills of its employees and CDB board members? A major challenge in the initial stages must be to define exactly what remit the CDB will have.**

**45 The WCWC suggests, for example, that metering technology and its universal use and innovative rising block tariffs could provide first steps in the architecture of the nudging processes and this will have implications for both arms of the WEF and its terms of responsibility. The WCWC supports the approach to WEL and views much of the effort to be helping create an evolving nudge architecture and suggests that these seem good candidates for early investment in the WEL programme.**

### **Parallel nudging campaigns**

46 Beyond this the WCWC observes that there are other parallel campaigns of nudging and awareness which customers experience and if these arrive separately customers may suffer from advice fatigue. UKWIR produced a recent report arguing the case for a parallel campaign on the disposal of used cosmetic and sanitary wear to reduce sewage litter. All the water companies use 'bag it and bin it' type campaigns to reduce this and Northumbrian Water, in particular, claims to have used nudging techniques. Defra has announced a ban on the sale of single use plastic wet wipes and this is a first step in nudging, but it has so far only decided to use voluntary approaches on product labelling in this instance. The WCWC has recommended a wider and deeper approach to this whole problem which would be more akin to the overall approach to water efficiency. **Whilst the WCWC is not advocating the increase in diversity of the WEF yet awhile, it is suggesting that the streams of initiatives on sewage litter should be kept in tandem.**

47 Households are also exhorted to be more careful with the disposal and recycling of household wastes (although it is easier in some local authority areas than others). Defra has proposed some ideas for greater consistency and these would fall in the category of the nudging first steps. Not to forget customer choices in terms of flooding etc. **So the WCWC has suggested that government might produce an**

**environmental broadsheet delivered to households, or a newspaper advertising campaign to provide integrated advice updated from time to time and all the behavioural change issues for households as part of the drive for change post COP26. WEF could feed its work into that. This will have consequences for representation in the WEF; the project must engage organisations like the Women’s Institute and commercial organisations for kitchen and bathroom design such as the British Institute of Kitchen, Bedroom and Bathroom Installers and maybe the Royal Horticultural Society for water efficient gardening.**

48 In terms of behavioural change and water efficiency, the Water Plan and the discussions in June 2023 also focussed on the uses of recycled effluent and dual supplies. The protests over the proposed changes in the uses of the River Thames at Teddington show that there is a major ‘yuck’ factor (which is also manifest in the outcry over sewage discharges to rivers). <https://www.munira.org.uk/news/munira-meets-with-thames-water-ceo/>. The uses of recycled effluent were highlighted in the recent hearing by the Environment Audit Committee (EAC) on the update of its report in 2022 on the state of rivers. **Will the remit of both arms of WEF cover these as both can contribute to the reduced use of abstracted water per capita? This will probably mean looking at the ways of using recycled treated effluents in the nudge architecture before inclusion in any campaign and that must involve Defra and maybe the UK Health Security Agency.**

49 **Consideration needs to be given to the long term. Experience of WCWC members is that in communicating other issues, like Health and Safety shows that although the effort in creating the nudge architecture might decline with time, campaigning is a ‘forever’ project with ongoing costs.**

## **ANSWERING THE QUESTIONS**

50 Before answering the questions posed by the consultation, the **WCWC makes it clear that the principles of the way forward seem right and that a national campaign on water efficiency is needed. The consultation, however, does not make it clear that the proposals are just one piece of a mosaic of initiatives. Neither does it reflect the need to get the ‘nudging architecture’ right before the WEF scope for a Water Efficiency Campaign is finalised (this is discussed further below). The WCWC highlights the overarching role of coordinated government in developing the architecture in the first step. WEL will help in developing the nudge framework.**

51 The consultation quite rightly identifies the need for expert contribution to the operation of the WEF and the CDB. The WCWC is surprised that there is not an extensive engagement with the Behavioural Insights Team (the Nudge Unit) set up by government (it is now a social purpose company) for just this part of the challenge. **The WCWC suggests that an early conversation with BIT on its future role would be valuable.**

[https://www.bi.team/wp-content/uploads/2023/04/BIT\\_Manifesto.pdf](https://www.bi.team/wp-content/uploads/2023/04/BIT_Manifesto.pdf)

**52 The WCWC suggests that a very important next step arising from this is agreeing the terms of responsibility of WEF and its remit. There needs to be clarity of understanding, agreement and consensus on the matters which lie outside of those terms, even within the Price Review 2024 (PR24)/AMP8 process itself, and how they will be handled. It will be a ‘forever’ project. The WCWC supports the proposed arrangements in general, such as those set out in Appendix B of the consultation, but urges that the principles of smart regulation be complied with and that the caveats outlined be taken into account.**

### **Questions**

**Q1: Do you support, partially support or not support our overall proposal of a two-stream approach that includes a large behavioural change campaign and separate competitive process for water efficiency projects? Please give reasons for your response.**

Yes the WCWC supports the overall proposal of a two-stream approach as described; these are different matters, but as explained creating the right nudge architecture is the first step and that includes making customer friendly technology available to make water efficient behaviour easy. Much of the technology development itself may come from outside the water companies if suppliers see commercial opportunity arising from the WEF for example, smart metering, and water efficient bathroom and kitchen fittings. Would the development of tariff innovation be funded out of WEL?

**Q2: Do you support, partially support or not support the proposed division of funds between WEC and WEL, recognising there is flexibility for this to change in response to events? Please give reasons for your response.**

Seems reasonable but may need to be reviewed after say two years for magnitude as well as balance. This will depend on how much direct advertising and campaigning WEC itself conducts as compared to providing a consistent national framework for water company campaigns.

**Q3: What could we do to improve the effectiveness of our proposals for WEC?**

Understand the two-step nudging process better; agree how the elements outside of the WEF but impacting on water efficiency are going to be co-ordinated. Be clearer about the terms of responsibility of WEF and the balance between the WEC and water company initiatives. Consider how it relates to other behavioural change campaigns particularly in the water sector and be prepared for the WEC to diversify in due course. Closer use of the BIT. Understand that this will be a never ending commitment (as experience in running regional campaigns has shown).

In this context the WCWC has identified central government and supporting organisations which have a role to play in creating the right architectural framework, for example, Defra, on water efficiency labelling, metering, water fittings (and WaterRegs UK), dual supplies and a wider communications campaign, DLUHC on building regulations, DBT on smart regulation, Ofwat itself on tariff innovation,

WaterSafe for reliable plumbers, local authorities on building controls, IPPC and Trading Standards, the Environment Agency on coordinating initiatives with NHH uses of water and IPPC. Who will do what? Does Ofwat consider that WEC will have a role in the architecture and, if not, who is going to pull together contributors outlined above? Will Water UK have a role to play in that or should there be a national water efficiency steering group coordinating efforts rather than the current silo approaches? A theme which the WCWC has suggested repeatedly across the water management spectrum?

**Q4: What could we do to improve the effectiveness of our proposals for WEL?**

Understand better its value in structuring the first step of the nudging processes. Be clearer about the balance of effort for direct innovation and seed money for encouragement of commercial innovation.

**Q5: Which areas do you think the WEL could most usefully contribute to?**

The WCWC agrees with the suggestions in the consultation document and suggests that a priority is to establish the beneficial application of smart metering and rising block tariff innovation. Funding cooperation with product developers which will help make wiser efficient use of water easier.

**Q6: In relation to the Cost Benefit Analysis, do you agree with our estimation of the likely benefits of the WEF? How could this be improved?**

Ofwat is in the best position to assess this, but much will depend on how much direct messaging WEF takes forward and what kind of messaging e.g. TV or newspapers or social media.

**Q7: Do you support, partially support or not support the WEC being run by a central delivery body as outlined in section 5.2.1. Please give reasons for your answer and outline any other approaches to running the WEC you think would be more effective.**

Yes as a social purpose company with an advisory panel. The alternative proposal appears to introduce too much complexity. The WCWC suggests that the model which provides some loose analogy for the relationship of the CDB and Ofwat might be that of sponsoring government departments and Arms Length Bodies (ALBs) with funding coming via Ofwat from the water companies, and who else? Ofwat must remember that this is in effect a coordinated operational effort and so it must be cautious in that relationship. The Board of the CLB would have Non Executive Directors (NEDs) drawn from the water companies and external NEDs to provide different insights, as per the classic good governance model. The WCWC suggests very strongly that the role of the BIT needs to be examined: should it provide an NED, or be a potential contractor, or be involved in the Advisory Panel? An early conversation would be helpful. One question which the WCWC poses is the role of Water UK and, even more, the future of Waterwise.

**Q8: Do you support our proposal to integrate the administration of the WEL with the Innovation Fund? Please give reasons for your answer.**

See above. The WCWC responds with a cautious yes. Whilst the WCWC supports rigour of investment in innovation very strongly (it responded to an Ofwat consultation earlier this year) the governance and control systems must be as streamlined as possible, as we are sure the DBT Better Regulation initiative would attest.. The proposed funding processes via MOSL seem reasonable..

**Q9: Do you support the outline roles and responsibilities proposed for:**

**a) Ofwat (Y/N)**

**b) The advisory panel (Y/N)**

**c) The delivery partner (Y/N)**

**d) The evaluation partner (Y/N)**

The WCWC answers to these are a very cautious yes, with the caveats outlined above. It might well be that there is a need for two advisory panels with very different skill sets. One would be focused on the technical matters and the other focussed on media delivery per se, but this will depend on how proactive the WEC will be in direct messaging.

**How could our proposed approach to governance be improved?**

See above!

**Q10: What sort of representation should we seek on the advisory panel?**

The Panel on technical issues may give a greater scope for wider involvement as it could offer opportunity of a faster turnover of membership than the CDB Board.

It identifies examples of a wide range of organisations with interests in what develops, drawn from customer and supplier organisations and decisions will have to be taken on their contribution to the more permanent tenure of the CDB board or the Panel. Examples include the Women's Institute, maybe the Citizens Advice Bureau, the Consumer Council for Water, MOSL, manufacturing and trade bodies, such as Hospitality UK, British Housebuilders Federation, British Institute of Kitchen, Bathroom and Bedroom Installers, maybe the Royal Horticultural Society, WaterSafe and WaterRegs UK. A decision needs to be made on Waterwise - probably as an NED of the CDB and on the LGA. What will be the role of Water UK and even more the future of Waterwise?

**Q11: Under the Innovation Fund, those requesting funds from the annual breakthrough challenge are required to provide a contribution of 10%. This is to make sure that bids have corporate backing and as a demonstration of commitment. Do you support taking a similar approach for projects in the WEL?**

Yes

**Q12: Do you have any comments on the proposals set out in Appendix B relating to evaluation, financing, achieving a legacy or protecting the funds? Please give reasons.**

Our insights cover this .. but do not make the processes too complicated. Experience has shown that there must be a 'forever' project not one just for PR24

