

WORSHIPFUL COMPANY OF WATER CONSERVATORS (WCWC)

BRIEFING ON ITS RESPONSE TO THE OFWAT CONSULTATION ON A WATER EFFICIENCY FUND ISSUED ON 14TH MAY 2024

21st JUNE 2024

The WCWC responded to the consultation. It supported the proposal to establish a Fund, with some caveats, and provided detailed suggestions in response to questions about how the Fund should be established and operated. It suggests the need for a ‘nudge’ architecture.

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%.

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

The proposed approach Scoping the Water Efficiency Fund: Second Consultation - Ofwat includes two main streams in what will be known as the WEF. 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 Water Efficiency Campaign 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. This would be run by a central delivery body CDB established as arms length social purpose company accountable to Ofwat. The proposed funding processes via MOSL seem reasonable.
- The second stream is a smaller pot of around £25m over five years made available through annual competitions. Known as the Water Efficiency Lab 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.

As with many such initiatives the WCWC noted the mosaic of responsibilities and initiatives on water efficiency, which need bringing together. It also noted that the WEF is about behaviour change and was surprised that the social purpose company, the Business Insights Team (the Nudge Unit) established by government, was not involved. So it went back to the modern basic principles of such change, set out by 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’.

With this insight the WCWC suggested 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.

Many of the relevant initiatives could be brought together as nudge architects and 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.

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 by the WCWC was... 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. The CDB might need a media advisory panel and a technical advisory panel .

The WCWC suggested, 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 supported the approach to WEL and viewed much of the effort to be helping create an evolving nudge architecture and suggested that these seem good candidates for early investment in the WEL programme.

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. Whilst the proposals are made in the context of PR24, 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.

The full response can be found on the WCWC website. The WCWC offered its services to the central delivery body board and the advisory panel(s)

Footnote

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 environment. Our members include senior professionals from water, environmental and 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*. Visit the website for further details and for access to the full response.