

**AUGUST 2024**  
**WORSHIPFUL COMPANY OF WATER CONSERVATORS**

**BRIEFING ON THE RESPONSE TO THE OFWAT CONSULTATION ON  
ENVIRONMENTAL INCENTIVES COMMON FRAMEWORK  
ISSUED IN JULY 2024**

**The WCWC has responded to the consultation. It supported ,pro tem , the proposals for Common Framework on Environmental Incentives ,with some caveats, and suggested a ‘sunset clause’. It is concerned that these proposals do not fit in with other initiatives on water efficiency, such as the recent Ofwat proposals for a Water Efficiency Fund and once more highlights a fragmented approach. It advocates a more strategic approach including a review of Building and Water Fittings Regulations and of the Planning Framework as part of the evolution of the Water Efficiency Roadmap. It is concerned that the Ofwat is of the opinion that the implementation of mandatory Sustainable Urban Drainage is unlikely.**

In England, water and wastewater companies are required by Ofwat to provide upfront charges for most new connection services. These charges are known as infrastructure charges and fund network reinforcement to meet the increased demand from new connections. The charges came into effect on April 1, 2022

Many water companies currently offer developers discounts on their new connection charges for meeting certain standards of water efficiency or sustainable drainage. These are called environmental incentives. However, Ofwat states that the range of incentives on offer is wide, the levels of efficiency being incentivised are variable (and in some cases, relatively unambitious) and the principles and processes set by each company for agreeing incentives are, in many cases, unique to that company. To help the reader of this submission, an example was given of the scheme in United Utilities in an Appendix .

To simplify the process for developers, to support wider uptake, Ofwat want to introduce a common framework for environmental incentives that is clear and consistent. It settled on a high-level framework for these in January 2024 and this consultation sets out draft guidance. It builds on the proposal outlined in its January 2024 conclusions document regarding environmental incentives to support sustainable new homes and has been informed by the outputs of the Environmental Incentives Working Group established by Ofwat in November 2023.

Ofwat proposed changes to its charging rules to give effect to the common framework in its May 2024 consultations on Changing Ofwat's charging rules to further protect customers in the new developer services framework and draft Charging Rules for New Connection Services (English undertakers). Ofwat has updated its thinking in one respect - how to publish the common framework. Instead of adding it to the Common Terms and Worked Examples document, Ofwat proposed to publish the common framework separately. It is consulting on this proposal as part of this consultation. The consultation relates primarily to English water companies, for which Ofwat regulates developer charges through the new connection charging rules.

<https://www.ofwat.gov.uk/wp-content/uploads/2024/07/Consultation-on-an-environmental-incentives-common-framework.pdf>

The WCWC supports the drive to reduce water consumption as expressed in its submission to the consultation on the Water Efficiency Fund in June 2024. But it offers the suggestion that this highlights the fragmentation of policy and practice. It also demonstrates the detail into which economic regulations has evolved away from the simpler approaches envisaged in 1989, and once more advocates that a review of these after over thirty years of experience and accretion on small changes, the time is right for a review.

At the least, the whole regulatory framework (particularly Building and Water Fittings Regulations) for achieving water efficiency needs an urgent review and this approach based on fittings performance needs to be incorporated into that review to bring the consistency desired. Both sets of regulations have been in place for decades. This Consultation does feel like 'the cart is being put before the horse'. But until that review is completed these proposals are the best that can be achieved, bearing in mind the membership of the Working Group which provided advice (and the WaterHub report of April 2024). The Water Efficiency Roadmap does not feel like that it is now fit for purpose in this context and needs an urgent review to reduce household consumption.

The WCWC is therefore suggesting a 'sunset clause' in the implementation of these proposals. Given that the statutory targets are not really fit for purpose for individual properties, the nub of the matter is, therefore, what is the best way forward? To review the statutory targets and make them fitter for purpose, yet that would increase the cost to developers, or to continue with the current targets, which include Incentive Targets whereby some of the cost is borne by the water companies? The WCWC suggests that the former might be a better way forward.

The elements of the proposals could form the basis of a template to be produced by a Water-LGA (Local Government Association) concordance. This would need a more structured approach as to where and how tighter local targets than the 100/l/h/d are applied. This could be achieved in several ways; for example, in local agreements between local authorities using powers under revised building regulations or could be part of a new Catchment Management Strategy in which the Environment Agency also plays a role.

The Framework must be coordinated better with any initiatives on behaviour changes envisaged by the Ofwat consultation on the Water Efficiency Fund (WEF). The WCWC therefore proposes a sunset clause; this will have a benefit of being a driver to revise the statutory framework. The WCWC is also of the opinion that the issue of universal metering, particularly smart metering, fits into the framework. Should it be left as a voluntary scheme? All new properties must have a meter fitted since 1989, so the issue of fitting meters to established properties becomes one for the WEF and not the Environmental Incentives Framework.

So, as a tangential point to the consultation the WCWC recognises that its comprehensive strategic approach would result in some delay, and it suggests that momentum could be maintained, by accelerating the roll out of metering by facilitating compulsory fitting in defined geographical locations while still allowing current occupants to pay by rateable value if they wish. Metering would become compulsory on change of owner/occupant in line with current new build requirements.

The WCWC is disappointed by the view of Ofwat that implementation of the SuDS legislation under the Floods and Water Act of 2010 is unlikely. It has concerns that allowing the continuation of new build housing to discharge into combined sewers will exacerbate the CSO problems, it would be pleased to assist in developing a stripped-down interim alternative which would facilitate discharge of surface water into existing surface water sewers some way from the development and also allow new SuDS to discharge directly into water courses thus significantly reducing costs.

The WCWC repeats its suggestion for a closer strategic working between Water UK and the Local Government Association and the creation of a concordat,

And once more the issue of non-domestic consumption and the new growth duty for Ofwat needs attention and, as the WCWC has opined, a rethink on the statutory obligations of water companies to supply water to such premises.

The WCWC suggests that this whole topic needs to be addressed in the context of the work of the New Towns Task Force. Its long-term vision is to deliver largescale new communities of at least 10,000 new homes each, set out within 12 months.

The full response can be found on the WCWC website  
<https://waterconservators.org/consultation-responses/>

#### 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 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*.