Sustainability *first*

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Re: Scoping the Water Efficiency Fund: Second Consultation

Sustainability First is an independent charity and think tank focused on promoting practical solutions to deliver fair and sustainable energy and water sectors. Our associates have a range of experience in delivering and monitoring direct consumer engagement and behaviour change campaigns. We welcome being able to respond to this consultation and are happy for our response to be published. Ofwat's £100 million is intended to 'help stimulate a transformative, sustained and measurable reduction in water demand nationally, using a range of water efficiency approaches.'

To deliver on this goal, we strongly encourage the regulator to set up an independent not for profit Central Delivery Body (CDB) that brings together Ofwat's two proposals - a national behaviour change campaign for England and Wales and more targeted consumer and community initiatives - under a single roof. This would enable a more strategic cost-effective approach that can better unlock value from existing schemes as well as effectively mobilise public interest, community and environmental groups.

A CDB provides a unique and exciting opportunity to bring together and better coordinate the plethora of water efficiency initiatives, lessons learned, innovation and best practice that already exists in the UK and overseas. This is a gap in the current approach and one that desperately needs to be addressed.

Funds should focus not on innovation for innovation's sake but on delivering efficient water demand reduction in a safe and resilient way for consumers, businesses and communities. Separating this fund out into two separate streams – one for a national campaign, another for an innovation fund, which are managed separately would miss strategic opportunities and is unlikely to be best value. It also risks further compounding the piecemeal approach to demand reduction that exists in England and Wales.

The CDB should develop a medium to long-term delivery plan that meets the needs of the industry's water resources management plans for demand reduction through resilient approaches.

Looking beyond the water sector and to the future, there will be a growing need for cross sectoral behaviour change campaigns that support consumers in understanding the actions they must take to support climate change adaptation and mitigation and more sustainable living. A CDB can be a stepping stone to that vision.

Responses to 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.

We broadly support the two streams but think these should be brought together under a single delivery body. There's a huge number of water efficiency projects underway, but no national campaigns covering England and Wales. This is a clear gap and has the potential to be a valuable enabler, not only promoting water efficiency, but also raising awareness of the value of water more widely and the resilience challenges we face.

To deliver the behaviour change required, there will also need to be a significant amount of community level and targeted consumer engagement. A regional campaign under the national campaign will no doubt also be valuable (as well as politically salient given the growth in regional politics and delivery, and different contexts) e.g. the need for water saving is not equal throughout the country and the messaging may need to be tailored to have relevance. Approaches also need to be aligned to the river basin and catchment management partnership plans.

As a point of principle, community groups, charities, local authorities, industry groups and wider third parties should be able to bid into funds according to need and have a mechanism to suggest projects. This would help to leverage funding from elsewhere e.g. build on existing local authority projects, enabling Ofwat to deliver not just lowest cost but 'best value' projects for England and Wales PLC. It will also be in line with its new Growth Duty.

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.

It should be for a CDB to decide how best to allocate funds to maximise water demand reduction following an evidence-based approach – review of what's working and what's not! Ofwat may wish to set an expectation as to how it expects these funds could be allocated in the first instance, but ultimately any approach undertaken should be a best value and inclusive one that has the flexibility to respond to changing context and is results driven. E.g. if regional or community initiatives turn out to be more effective, more funds should be put into that rather than a national campaign.

Q3: What could we do to improve the effectiveness of our proposals for WEC?
Q4: What could we do to improve the effectiveness of our proposals for WEL?

We'd like to see a CDB set up with responsibility for delivering both the England/Wales-wide awareness and behaviour change campaign dovetailed with commissioning strategic, well targeted consumer and community projects according to opportunity and need. There should be a strong focus on transparency both in terms of the awarding of any funds, and in terms of learning and performance. We also encourage a focus on delivering best value projects, recognising the wider benefits that water efficiency schemes can bring e.g. carbon reduction and affordability.

If the aim is to deliver behaviour change – demand reduction, Ofwat should not treat this initiative like yet another innovation fund. Innovation funds play a different role. Plus, innovation funds have a poor track record of translating their initiatives into business-as-usual practice.

The unique opportunity here is for this to be a delivery programme. A delivery programme that aligns policy, implementation, and measures of success, including maximising long-term value to society. It is an opportunity to bring together the huge number of initiatives that already exist rather than create another entity doing something similar but different. Arguably there is already a significant body of learning from hundreds of projects in the UK and overseas that needs to be operationalised. It may also be boring ideas, that deliver the biggest gains.

While we appreciate the work that has gone into defining the current problem statements, bidders should also have the flexibility to define the problem, need and solutions as they may have new insight into the barriers to, and opportunities for, behaviour change in their communities. Some interventions may have unintended consequences that need to be monitored i.e. tariffs may have perverse consequences such as 'legitimising' excessive consumption by those who can afford it while penalising larger families. Generally, we worry there is a paucity of imagination within the sector in tackling this problem, in part due to group think, which we need to get beyond.

It's interesting that, with the exception of leaky loos, the areas outlined don't define the problem though an end user lens/consumers' lived experience. i.e. the behaviour change barrier. E.g. why do I need to reduce water in a country where it always seems to rain? My shower is my only alone time/leisure time – I don't want to give it up!; I don't understand which button is big flush/little flush so I press them both; I don't understand water efficiency labelling and why it matters; water practices are key to my religion etc. There's much consumer learning to be done, including exploring appetite, willingness, and the practicalities of shifting consumers from flushing toilets with potable water to flushing them with recycled water.

As well as more of a consumer lens, to improve the approach, we'd encourage a stronger focus in the aims of 'safe' water demand reduction and 'resilient' solutions. What we don't want is unintended consequences e.g. elderly people rationing water use to an extent that it negatively impacts their health; those who need more water due to disability feeling stigmatised; people stopping flushing their loos such that it creates a community health incident.

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

This should be for the CDB to decide having brought together the body of evidence from the UK and overseas and having considered what is happening where – a gap, need, and impact analysis. It should draw on the existing UK Water Efficiency Strategy to 2030 but not be wedded to this. If this is funded by water companies/customers, some consideration will be needed regarding regional prioritisation/geo-spatial fairness. As yet, we are unclear how customers in different regions will get their fair share of funds and the extent to which that matters given the wider societal value.

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?

We do not have specific comments on the figures. However, we encourage Ofwat to focus on best value, not just lowest cost – to consider the wider social and environmental value from initiatives. E.g. community initiatives may support affordability as well as water efficiency savings; water efficiency campaigns may also result in energy reductions; there's significant potential for carbon reduction both directly (less pumping and treatment of water) and indirectly (i.e. less energy use) as well as wider environmental and community benefits from enhancing advice services and via delivery.

Q7: Do you support, partially support or not support the WEC being run by a CDB 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, we support the setting up of a CDB. However, we would encourage Ofwat to learn the lessons from Smart Energy GB and do it better. We support this approach because:

- A CDB provides a unique and exciting opportunity to bring together and help coordinate the plethora of water efficiency initiatives that exist into a more coordinated and therefore effective approach. This is a gap given the current patchwork of schemes. At present there are a wide range of networks and projects e.g. Water Efficiency Forum, Blueprint for Water eNGO coalition, Water Efficiency Collaborative Fund, Water4All, FairWater, and Project Zero, and new water literacy projects, to name just a few. In addition, companies own BAU initiatives.
- A CDB could enable a more strategic approach to funding and the delivery projects. Unlike an innovation fund which supports ad-hoc projects against a particular criterion, rather than looking at the sum of the projects and learning.
- In the current climate, Ofwat and water companies are not well trusted by many consumers so not best placed to lead this.
- There's a number of not-for-profit organisations that could feasibly deliver water efficiency programmes and have a good track record of doing so. However, in practice, some have a vested interest that at times discourages effective partnership working, or in the case of CCW – a potential conflict with their oversight role as the statutory consumer watchdog. Done well, a CDB could mobilise these different bodies' resources and skills, without showing favouritism. It could do it in a fair way that doesn't fetter their independence (perceived or otherwise of working with industry). It could also enable lesser heard but effective organisations to be involved.
- Industry-led initiatives can be slow and cumbersome, defaulting to the lowest common denominator. This approach allows industry to have an appropriate voice without the challenges of directly managing the voices of multiple companies. It has the potential to be more fleet of foot, have a more dynamic and creative culture and be results led.
- While a new government may be more trusted, it lacks the flexibility that an independent body could offer especially in terms of procurement and working with smaller organisations. Perceived and actual party-political neutrality is essential. The CBD could appeal to citizens irrespective of their own political views and the political history of places.
- Behaviour change is not Ofwat nor the water industry's forte. Such a model would enable flexibility to bring in experts including from outside of the sector, and beyond the 'usual suspects.' However, changing the way we utilise water will need to be supported by Government and regulatory policy to ensure the importance of a societal shift is understood in the same way as net zero.
- There's a model for delivering this in the energy sector – which should enable it to be done relatively quickly. However, we'd encourage a stronger focus on value for money/best value and welcome oversight by Ofwat.
- A CBD could bring together the UK and international evidence base on water efficiency so as to prevent reinventing the wheel and to share learning. It could baseline awareness and understanding and show progress over time. This data could be used by a range of parties in the public interest and to support innovation.

- Importantly, it would be well placed (as Smart Energy GB was) to empower and utilitise community networks some of which may not yet have close links with this agenda. This would, alongside supporting vital local infrastructure, also support wider water sector goals e.g. can talk about water efficiency alongside conversations about financial support and resilience where appropriate.
- The focus of this initiative is water efficiency, but the reality is that to deliver demand reduction, any programme of behaviour change will inevitably require a focus on tangential areas or explain the bigger picture. E.g. educating people on why we don't have enough water even though it seems to rain all the time; explaining our resilience challenges and the water system.
- Whilst we expect the new Ofwat Water Efficiency Fund to focus on delivery, there is an important role for specific research and evidence building to inform policy development and projects. If the funds are given to a single strategic body that brings together the current evidence base, any gaps in research should be identifiable and can be addressed appropriately in a joined-up approach.
- The long-term need will inevitably be for a joined-up cross sectoral behaviour change campaign that supports consumers in understanding the actions they must take to support climate change adaptation and mitigation and more sustainable living. A CDB is more adaptable and collaborative vehicle for the future than commissioning either one or a handful of organisations to run a discrete campaign, while setting up a separate innovation fund operating largely in isolation.

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

No. It's a missed opportunity if Ofwat treats this as another innovation fund. There's already an innovation fund. In addition, arguably a significant amount of learning on water efficiency that needs to be put into practice. There's a gap is how we mainstream effective solutions. The focus should be on coordinating existing schemes and delivery (which may include innovation, but not always). The approach to this fund should be innovative, while the solutions don't always have to be. The effectiveness of the activity should be the most important factor to secure funding.

As Waterwise said in its response to the first consultation, "The Water Efficiency Fund should focus on the delivery of water savings, bearing in mind the urgency of the challenge and the fact that there are lots of proven water-saving interventions that could be delivered at scale from wastage fixes to installing flow regulators. In many cases, significantly scaling up approaches will yield greater water-saving benefits than developing new approaches. Where projects in the Ofwat Innovation Fund show promise, they can transfer across to be further supported in their delivery through the Water Efficiency Fund."

We strongly encourage Ofwat to bring together the two streams under a single organisation – a CDB - to maximise impact and capitalise on synergies. This organisation can be results led and flexible in its approach – plugging information and delivery gaps as needed and promoting campaigns or local and targeted initiatives as appropriate. This will also enable better dovetailing of approaches. It's not efficient to separate the two streams and risks being counter-productive, adding to the existing patchwork of approaches.

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) How could our proposed approach to governance be improved?

Assuming Ofwat decides to set up a CDB for water efficiency that delivers both the national campaign across England and Wales and community/targeted initiatives, we'd encourage Ofwat to 'stick to its knitting' and focus on establishing:

- The high level aims e.g. to reduce household and non-household water use in a safe, healthy and resilient way.
- The standards for governance (including board membership/any advisory panel), reporting, independence and transparency.
- Setting up the CDB including appointment of the Chair and board members with appropriate expertise. The Board with advice, should recruit the expert panel. You need to have the skills to know the skills that are really needed to deliver behaviour change.
- High level principles for ways of working – building on the characteristics identified but with a stronger focus on transparency. As noted, if all customers/water companies are paying for this – there are regional fairness issues that need consideration/agreement in terms of activity and water reductions.
- Rules on conflicts of interest.
- It's oversight role – whether sign off, veto role.
- Effective monitoring of impact. Ofwat may choose to evaluate the impact of the CBD itself, require self-reporting of impact, and/or appoint an independent party to do that.

The CDB should have responsibility and flexibility to deliver everything else. Ofwat's arguably not best placed to set campaign requirements – as the regulator recognises, it's not its area of expertise.

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

We agree with the types of representation identified especially on behaviour change. Ofwat may also want to consider not only representatives different skills and knowledge but also the different perspectives or lenses they bring e.g. local authority, community, small business, regional challenges. We encourage Ofwat to proactively reach out beyond the sector when recruiting.

It will be important to draw upon the learning and expertise of key parties such as Waterwise, Energy Savings Trust, CCW. For example, we understand Waterwise is currently working with the Environment Agency on a behaviour change evaluation framework which is highly relevant and will help to co-ordinate all water efficiency behaviour change campaigns going forward. The CBD will want to build on existing initiatives not duplicate them.

However, there will need to be clear rules on conflict of interest. It may not be appropriate for an organisation to be involved in the governance or advising the CBD, while also receiving funds from the scheme for example. This is a particular issue for CCW, as the independent consumer watchdog. We need our independent consumer watchdog to ensure value for money from any approach. If they are simultaneously involved in delivery, there is a tension there.

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?

No. As outlined above, we don't think this Fund should be treated like an innovation fund. The 10% contribution creates an unfair advantage to organisations who already know the sector well and work with water companies/have links with them and may restrict competition. This is especially the case as this is expected to build on, not duplicate company's BAU activity. This should be an open not a closed shop which enables the leveraging of funding from new sources. It would be counterproductive to put this kind of barrier to participation in place.

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

Re objectives – we query if a CBD model is adopted if the objectives could be simplified. As noted, there needs to be stronger recognition that projects should deliver safe, healthy and resilient demand reduction. i.e. we don't want vulnerable people reducing water use, so that they become unwell or uncomfortable, or people to stop flushing the toilets to a level that it creates community health incidents.

As a number of parties such as Waterwise have highlighted, funding decisions must include consideration of whether the intervention delivers meaningful, measurable and sustained water savings. To achieve the latter will require longer-term monitoring beyond the life of the intervention to demonstrate it.

We support the importance of selecting what to fund based on the best value, but this needs to be broader than just a short-term financial case to customers. As noted in question 6 it should also take into consideration the value added to other capitals (social, environmental, human capital) - both direct benefits and indirect benefits. E.g. water savings can support energy savings, there are carbon savings from both. Also, other benefits, i.e. more affordable water, community benefits.

Ends