

## Wessex Water Services Ltd Response to Ofwat's PR19 Draft Determination – August 2019

**Representation reference:** Outcomes O8

**Representation title:** Volume of water saved by water efficiency engagement

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### Summary of issue

In the Outcomes Performance Commitment Appendix (Ofwat, July 2019) the definition for the volume of water saved by water efficiency engagement wording has restricted the measure to be applicable to engagement with **residential** customers only. This was not a word that was included in the definition of the performance commitment we submitted in September 2018.

It is essential that our water efficiency engagement programmes do not preclude work with the non-household sector including retailers. While non-households in our area are the customers of retailers it is important that the structure of the performance commitment does not disincentivise us from keeping pace with developments in the sector with regard to non-household water efficiency measures, not least as work in this arena is currently being encouraged by Ofwat.

In 'Appendix 3.1.A – Performance commitment detail' of our September 2018 Business Plan submission we included examples of engagement activities that we anticipated would deliver savings for the performance commitment. We also stated the following text that allows for programmes to be adapted during the 2020-25 period providing the new elements are appropriately reviewed by our auditors if they are to be accounted for against the performance commitment:

*“We are always looking for new and innovative ways to help customers participate in water services to help reduce their water use. As such, we will adapt our programme if new options become available – savings associated with new activities that are not documented here will be reviewed with our technical external auditors for inclusion towards this performance commitment.”*

It was our intention that this statement would provide an incentive to continually review our programme to ensure our approach remained up to date with changes in the industry. Any changes will be agreed by our Customer Challenge Group with advice from our technical auditor.

It is in the best interests of all water customers that we are incentivised to drive water efficiency across the whole community to provide greater water supply resilience and reduce overall water abstracted.

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## Change requested

Two changes to the wording of the performance commitment definition are requested that will make it more closely correspond to our September 2018 definition submission in 'Appendix 3.1.A – Performance commitment detail'.

1. Remove the word 'residential' from the first sentence.
2. Add the following wording to the definition to ensure that we are not disincentivised from developing programmes with retailers to encourage water efficiency in the non-household sector:

*“The anticipated programme to achieve water savings through water efficiency engagement can be adapted providing that the calculation of the savings is reviewed by the technical external auditor. Savings can be achieved through engagement with residential customers and the non-household sector.”*

## Rationale (including any new evidence)

Prior to market separation we ran several successful non-household water efficiency engagement programmes. Most recently, from July 2015 to May 2017, we delivered a retrofit programme involving 91 schools and 20 local council premises. 1,350 water saving devices were installed saving over 87,000 litres a day. This programme was key to the delivery of our water efficiency performance commitment in the first two years of the 2015-20 period.

Market separation of the non-household sector led us to halt this programme and focus our engagement activities with residential customers. However, in recent months there has been growing interest across the water industry as to how water wholesalers can support water efficiency programmes with non-households. In particular, on 14 May 2019 Waterwise hosted a workshop bringing together wholesalers, retailers and regulators to discuss barriers and explore solutions for this type of work. At this session Ofwat presented the slide below that notes the role for wholesalers in delivering water efficiency incentives to non-households:

### Wholesalers

- Obligations on wholesalers as part of PR19
  - role for Ofwat in setting the regulatory regime and holding wholesalers to account
  - role for wholesalers in delivering on these incentives

We have also been interested by the results that have recently been shared from programmes developed by wholesale companies to drive forward water efficiency in the non-household sector while remaining compliant with legal obligations – in particular presentations given at the Waterwise conference in March 2019. We are keen to learn from the experience of others to continue to deliver cost effective water savings for the benefit of

customers. In the absence of a supply demand balance issue in our region the programme of activities should not be restricted to residential customers only.

Furthermore, in the letter to water company Chief Executives from Rachel Fletcher dated 28 May 2019, we were strongly encouraged to provide greater support to the retail market and that this could help us respond to our strategic challenges such as a growing population and changing climate. The change to the definition of our water efficiency performance commitment requested here could provide an opportunity for us to support the retail market with action in water efficiency that benefits all water users, whether residential or non-household, with more resilient services in the face of our strategic challenges.

At present the code for retailers does not impose a statutory obligation on them to deliver water efficiency support to non-household customers (unlike the obligation that water companies have with their customers) and so other incentives to advance water efficiency in the non-household sector are required.

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### **Why the change is in customers' interests**

The main objective of this performance commitment is to contribute towards the Efficient Use of Water outcome. This outcome is in many ways indifferent to whether water efficiency savings are realised from the household or non-household sector. Reducing water use whether at home or in the work place reduces overall abstraction and strengthens our water supply resilience. Of absolute importance to customers is however the incentive for us to develop the most cost-effective water efficiency engagement programmes.

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### **Links to relevant evidence already provided or elsewhere in the representation document**

19-20 March 2019, Annual Waterwise Conference 2019

Day one slides:

<https://www.waterwise.org.uk/wp-content/uploads/2019/04/Waterwise-Annual-Conference-2019-Slide-Deck-Day-1-Part-1.pdf>

<https://www.waterwise.org.uk/wp-content/uploads/2019/04/Waterwise-Annual-Conference-2019-Slide-Deck-Day-1-Part-2.pdf>

Day two slides:

<https://www.waterwise.org.uk/wp-content/uploads/2019/04/Waterwise-Annual-Conference-2019-Slide-Deck-Day-2.pdf>

14 May 2019, Joint workshop convened by Waterwise: "Working Together on Water Efficiency" <https://www.waterwise.org.uk/resource/retail-water-market-note-from-joint-workshop-14th-may-2019/>