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Dear Consultation Team

Ofwat PR24 Draft Determination - Waterwise Response

Many thanks for the opportunity to respond on your Draft Determination for PR24. Our comments are:

- We note that the Draft Determination allows for water efficiency funding of £225m plus reiterates the commitment to a £100m Water Efficiency Fund. Together this would represent the largest ever investment in water efficiency by the sector. However, we are disappointed that, based on analysis by WaterUK, this represents a 29% reduction from what was in the Business Plans despite the scale of the water availability challenge we face and the importance of reducing demand to secure water supplies for people, the economy and the environment.
 - *It is important that Ofwat monitors that this water efficiency allowance is actually spent on water efficiency in the investment period given the experience in AMP7 when some companies reduced their spend significantly during Covid and we are not confident they have caught up since (see Table 9.2 [here](#)).*
 - *We are pleased to see Ofwat requiring four companies to provide more detailed information on their actual spend and demand savings from the overall water efficiency programme and its component parts - see [here](#). We would like Ofwat to extend this requirement to all companies so that the learnings can ensure future interventions by the sector can be as effective as possible. We feel this is particularly important given the wide spread of Mld savings reported per £ (see unit rates [here](#)) and large variations in levels of planned investment in water efficiency per customer between the companies in their plans (as highlighted in our letter of 11th January 2024 to Chris Walters).*
 - *It is vitally important the sector develops consistent evaluation for water efficiency behaviour change initiatives so that we can know what is effective and ensure learnings are shared. This is specifically a focus on strategic objective 3 of the [UK Water Efficiency Strategy to 2030](#). Waterwise has worked with the Environment Agency and a steering group of more than 20 organisations to develop an [evaluation toolkit](#). This should be embedded into use as part all company reporting - and the Water Efficiency Fund.*

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- We strongly support the smart water metering roll-out programme. Smart metering is a key enabler of demand reduction. However, we are concerned that the unit cost benchmarking approach used by Ofwat is resulting in some large reductions in allowances for some companies as shown in [Table 34 here](#), including strangely those with the greatest experience of actual costs.
 - *We ask that Ofwat investigates in more detail the proposed smart metering enhancement allowances and specifically the benchmarking approach to provide greater confidence that the proposed reductions do not put at risk the water savings we are relying on. This investigation should also consider the risk that, given the reductions in allowances, the installation of more specialist smart meters for very large water users may be put at risk.*
- We support Ofwat setting both a delivery Price Control Deliverable and a performance PCD for the smart meter roll-out. Given lessons from the energy sector smart meter roll-out it is vital that the significant investment of customer money in the water sector smart metering programme delivers systems that work reliably and provide the high resolution data needed to support water saving promptly to the company, retailer and customer.
 - *During the roll-out it will be important that Ofwat tracks both the smart metering installations and performance PCDs through the 6 monthly and annual reporting processes and takes action where they aren't met rather than leaving it to the end of the investment period and looking at average performance. This monitoring is important as we foresee a risk where some supply chain smart meter roll-out contracts may already have been set up by the wholesale companies for AMP8 without comparable performance requirements to those in the PCD.*

If you have any questions on our response please do get in touch and we wish you all the best with developing your final plan.

Regards



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Who is Waterwise

[Waterwise](#) was founded in 2005 and is the leading authority on water efficiency in the UK. We are an independent, not-for-profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere, by everyone.