



## Water Efficiency Policy Update - November 2018

We have seen increasing support for water efficiency from government and regulators during the development of the Water Efficiency Strategy for the UK and since<sup>1</sup>. In preparing the Year 1 report for the Strategy we decided it was timely to summarise some of the key policy developments on water efficiency. This is also timely before the UK Government's full response to the National Infrastructure Commission's National Infrastructure Assessment, which includes recommendations on metering and water efficiency, as well as the UK Government's report to Parliament on water conservation as required every three years under the Water Act 2003.

### Strategic guidance from governments

Defra's 2017 Strategic Policy Statement to Ofwat includes an expectation that Ofwat 'promote ambitious action to reduce leakage and per capita consumption'<sup>2</sup> and the Welsh Government's 2017 Strategic Priorities and Objectives Statement to Ofwat says that 'Ofwat should encourage and incentivise the sustainable and efficient use of water resources, including by encouraging companies to reduce leakage and consumption where it is cost effective to do so'<sup>3</sup>.

### Ofwat's PR19 methodology

- Ofwat's final price review methodology in December 2017<sup>4</sup> sets out that it expects to see companies propose more ambitious reductions relative to previous years and to support their proposals using the approaches to setting performance commitments; and that
- Companies should challenge themselves against the levels and reductions achieved by other water companies, including in other countries.

The methodology also includes a requirement for a common performance commitment on per capita consumption.

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<sup>1</sup> <https://www.waterwise.org.uk/what-we-do/water-efficient-strategy/>

<sup>2</sup>

<https://www.gov.uk/government/publications/strategic-policy-statement-to-ofwat-incorporating-social-and-environmental-guidance>

<sup>3</sup> <https://gov.wales/docs/desh/publications/180123-strategic-policy-statement-en.pdf>

<sup>4</sup> <https://www.ofwat.gov.uk/publication/delivering-water-2020-final-methodology-2019-price-review/>



## 25 Year Environment Plan

The UK Government's 25 year environment plan for England published in January 2018<sup>5</sup> outlines how the government wishes to see water use fall through water companies taking 'bold action to reduce water demands, both now and in the future'.

The key commitments are:

- Working with the industry and the group led by the NGO Waterwise to improve water efficiency and customer involvement to explore the impact of introducing new water efficiency measures
- Taking forward measures that will make significant water savings where practical and cost effective to do so
- Working with industry to determine appropriate targets for personal water consumption and the measures needed to achieve them.

## National Infrastructure Commission - Preparing for a drier future

The NIC report 'Preparing for a drier future' was published in April 2018<sup>6</sup>. This report sets out that without further action, there is a 1 in 4 chance over the next 30 years that large numbers of households will have their water supply cut off for an extended period because of severe drought. The report includes:

- An aim for water efficiency to provide 34 per cent of the recommended level of resilience we need through water efficiency - including reducing demand from 141 to 118 litres per person per day by 2050
- A recommendation to enable water companies to implement compulsory metering by the 2030s beyond water stressed areas, by amending regulations before the end of 2019 and requiring all companies to consider systematic roll-out of smart meters 'in a first step in a concentrated campaign to improve water efficiency'
- A 400Ml/d reduction in demand before 2050.

The role of water efficiency labelling was also highlighted by the NIC to enable consumers to make informed decisions.

<sup>5</sup> <https://www.gov.uk/government/publications/25-year-environment-plan>

<sup>6</sup> <https://www.nic.org.uk/publications/preparing-for-a-drier-future-englands-water-infrastructure-needs/>



## House of Commons Environmental Audit Inquiry on ‘Heatwaves: Adapting to Climate Change’

Waterwise submitted written<sup>7</sup> and oral<sup>8</sup> evidence for this inquiry. The findings include<sup>9</sup>:

- The Government has weakened its water efficiency ambitions. A leaked draft of the 25 Year Environment Plan indicates that the Government originally intended to introduce tighter water efficiency standards into the building regulations
- A water-saving culture needs to be embedded to ensure that people understand the strain heatwaves place on the water supply and to make more water is available during a heatwave. The Government should adopt 110 litres per person per day as the mandatory standard in Part G of the building regulations for all new buildings.

The Government’s response included<sup>10</sup>:

- MHCLG will continue to work closely with Defra.... on how the existing optional standard [110lpd] is being implemented, and consider options for future revisions of Part G.

## House of Commons Environment, Food and Rural Affairs inquiry on Regulation of the water industry

Waterwise submitted written<sup>11</sup> and oral<sup>12</sup> evidence to this inquiry. The recommendations and outputs include:

- Per capita consumption (PCC) targets provide an incentive for water companies to help consumers reduce demand for water. Ambitious targets can also lead to more innovation in the water industry
- It is disappointing that the Government has not yet supported a specific PCC target. A cross-Government target for PCC reduction over the next 25 years should be published, alongside plans for how the target could be achieved
- We consider that using meters to ensure customers pay for the water they use, rather than basing bills on the outdated system of rateable values, sends a strong message

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<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/heatwaves-adapting-to-climate-change/written/80332.pdf>

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<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/heatwaves-adapting-to-climate-change/oral/82876.pdf>

<sup>9</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/826/826.pdf>

<sup>10</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1671/1671.pdf>

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<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environment-fo-d-and-rural-affairs-committee/regulation-of-the-water-industry/written/84419.pdf>

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<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environment-fo-d-and-rural-affairs-committee/regulation-of-the-water-industry/oral/86009.pdf>



to customers about the value of water. There is strong evidence that metering helps to reduce water use and to detect leaks. Allowing compulsory metering only in water-stressed areas causes regional disparities that are inappropriate given the national need to conserve water

- We endorse the recommendation of the National Infrastructure Commission that Defra should amend regulations by the end of 2019 to allow all water companies to implement compulsory metering, using smart meters. Water companies should use these powers to help achieve ambitious PCC reduction targets, while also engaging customers about the value of water and the benefits of using a meter. Support for economically vulnerable customers should be strengthened should metering lead to significant bill increases
- It is interesting to note that the water retail market was first introduced in the UK in Scotland in the context of a publicly owned water industry. The water retail market in England and Wales is in its infancy and we expect teething problems to occur. However, the first year has delivered unimpressive results for water efficiency and we are concerned at suggestions that water retailers may not be taking water efficiency seriously enough
- It is disappointing that small and medium enterprises (SMEs) have not engaged well in the market as customers. Big businesses should not be the main beneficiaries of the retail market. As market frictions are reduced, we would like to see water retailers attracting more SME customers. Ofwat should consider ways to incentivise this
- Although water retailers are private companies, they have a key role in improving water efficiency and resilience, which are in the public interest. We are pleased that Ofwat has reviewed the state of the market. We recommend that Ofwat undertakes annual reviews until the market is shown to be delivering real competition and water efficiency.

### Westminster Sustainable Business Forum – Bricks and Water Report

Another key policy report was released by the Westminster Sustainable Business Forum in 2018. Waterwise sat on the Report Steering Group and provided input through interviews and information for the report. Strategy Steering Group members provided some of the funding for the report.

On water efficiency, the report includes:

- Recommendation 4 - Water efficiency, reuse and flood resilience needs to be driven up the agenda through mandatory Property Resilience Certificates (based on the BRE Home Quality Mark), and mandatory water efficiency labelling for fixtures and fittings.