Waterscan

Autumn 2023

Self-Supply Users Briefing

On 14th September, Waterscan held a meeting for the Self-Supply community to brief them on the latest developments across the water market and provide wider insight into trends and opportunities in water management.

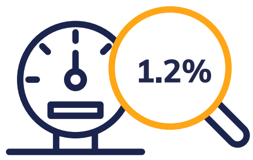
Positivity flowed through this quarter's Self-Supply Users Forum as encouraging progress was reported on many fronts, which customers can expect to see come to fruition in the near future.

While the performance of the Self-Supply community as a whole continues to lead the market, the imminent launch of Waterline 2.0 will help to further drive the pace of change.

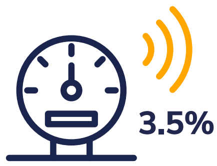
Elsewhere, there seems to be renewed passion for progress through collaboration and unity, as is reflected in the level of commercial participation during the recent World Water Week conference, Ofwat's desire for stakeholder engagement in designing an innovation fund, enhanced environmental disclosure mechanisms, and strengthening market performance frameworks.

Key takeaways

Self-Supply 12 month rolling average market performance score: 98.8%, compared to 93.1% rest of the market.



Self-Supply long unread meters: 1.2%, a slight rise due to legacy LUMs identified while onboarding new supply points. These are being cleared quickly.



Smart meter/AMR connections across the Self-Supply portfolio continue to grow, with an exceptionally low 'no comms' rate of just 3.5%.

Bilateral request completion is strong, with only 6 priority matters on hold out of the 325 current jobs.

"World Water Week has reinforced how important leadership and staying ahead of regulation is for businesses, which all rely on a secure water supply to function. We must all focus on the need for positive action on water and the many opportunities that arise from this."

Neil Pendle, Managing Director, Waterscan

Ofwat

Sean Mills, Ofwat's Principal Economist, presented an overview of The Business Retail Market Update; previously The State of the Market Report; the regulator's sixth market progress report for the year to March 2023.

This suggested that the market was moving in the right direction in terms of an erosion of incumbent market share and fewer recorded written complaints. That said, the experience of one customer in the meeting was that the decrease was the result of an overly cumbersome process, creating a barrier to getting complaints lodged with retailers and CCW.

The Update also highlighted efforts to address residual market frictions, in particular poor data quality and poor wholesaler performance, through the introduction of a bilateral hub and sharpened performance incentives.

Water Resource Management Plans

Wholesalers will soon publish their final Water Resource Management Plans which set out how they will balance supply and demand over the next 25 years.

As previously reported, earlier draft plans made little or no reference to non-household (NHH) water use, seemingly disregarding the proportion of water used by this sector. Further, they provided no clear connection to, or roadmap towards, achieving the 9% overall usage reduction target set by Defra.

Waterscan has strongly lobbied on behalf of business water customers for a greater presence in these Plans and the expectation is that new iterations will address how water efficiency and security in the NHH market will be achieved.

We hope to see this reflected in investment in smart metering across the sector (noting that currently, just 5% of NHH meters are smart). Given that 13% of NHH meters relate to large and medium users and account for 75% of consumption, a targeted roll-out which prioritises these would be appropriate and would cover a significant proportion of Self-Supply supply points.

MOSL

The market operator is publishing a consultation on a revised Market Performance Framework (MPF) model. This outlines the key activities, metrics, intervention tools, and governance arrangements for measuring and improving market performance, with nine activities prioritised for retailers and wholesalers.

Following concerns raised by Waterscan regarding voting rights in the market for Self-Supply customers, revised proposals from MOSL are expected later this month.

Innovation

Ofwat is inviting input from stakeholders on the design and implementation of a £100m fund to support innovation and collaboration in a bid to boost water efficiency. A consultation is open until 31st October prior to detailed proposals in 2024. Self-Supply companies are encouraged to liaise with their Account Managers to discuss and develop ideas.

Waterline

An update was provided regarding the launch of Waterline 2.0, Waterscan's proprietary software, which underpins the basis of all customer performance outcomes following significant investment in redesigning the platform to manage growing volumes of data and data complexities.

Data migration and testing is underway prior to go-live; customers will be asked to participate in data trials to support the team in making processes as robust as possible. Customers also have the unique opportunity to influence developments, which could include integration with customer data systems and the ability to leverage machine learning to identify where water-related risks may lie within a portfolio.

Waterline 2.0 benefits:

- Market-leading comprehensive water management system.
- Enhanced system operability with the wider market.
- Increased security and speed.
- Enhanced trade effluent management.
- Future-focused and scalable.

Disclosure

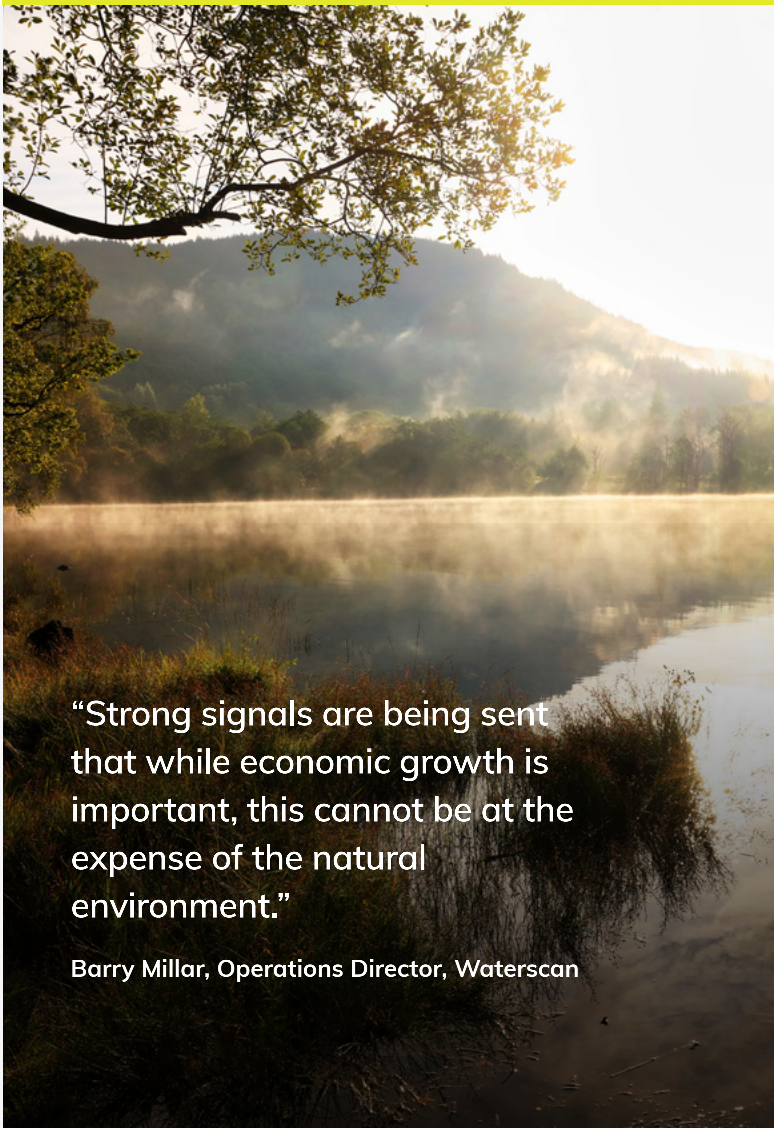
The first reports are beginning to be published following the introduction of mandatory Taskforce on Climate-Related Financial Disclosures (TCFD), which came into force in the UK in 2022. Although a positive and critical step forward, just 4% of respondents were able to complete the full reporting framework.

Building on this, the Taskforce on Nature-Related Financial Disclosures (TNFD) has been introduced in response to growing awareness of the need to factor nature into financial and business decisions. This is currently a voluntary disclosure and therefore best practice.

The global trend around disclosure is encouraging; CDP has seen an 85% increase in disclosure on water over the last 5 years, with an expectation that this will grow as the need to manage water-related risks becomes more urgent.

The Water Report

To provide further market insight for the Self-Supply community, Waterscan has organised a subscription to The Water Report's monthly publication, as well as the accompanying weekly news update, The Week In Water.



"Strong signals are being sent that while economic growth is important, this cannot be at the expense of the natural environment."

Barry Millar, Operations Director, Waterscan

Drought Briefing

Despite recent wet weather, the Environment Agency continues to prepare for all weather eventualities for the autumn, as supplies remain vulnerable to dry periods, low winter recharge and high consumer demand. Interruptions to supply through drought are still occurring and abstraction is being closely monitored.

The Environment Agency expects groundwater levels throughout England to revert to 'normal' by March 2024.

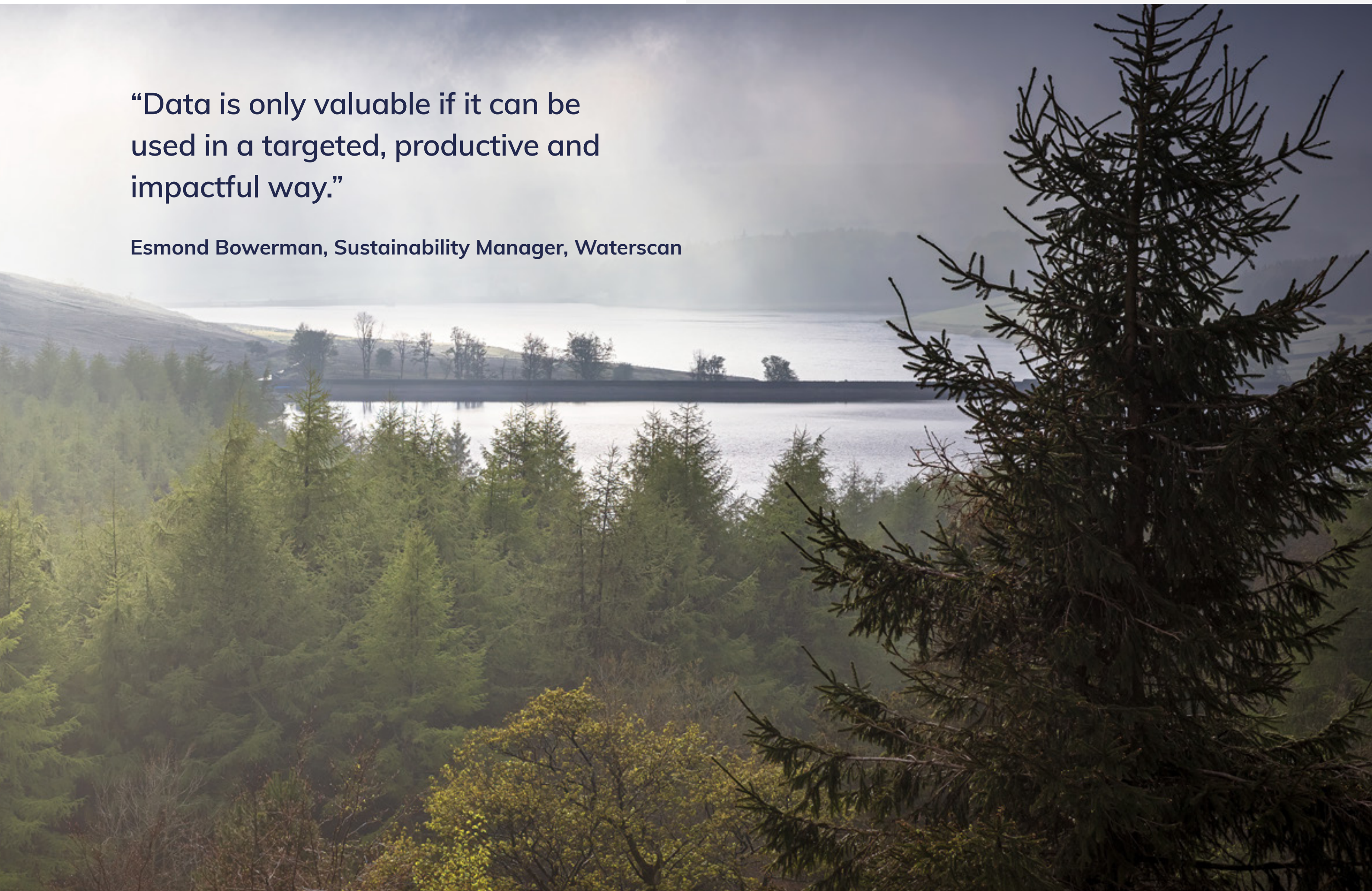
Customers will receive quarterly drought briefings throughout the winter from Waterscan, reverting to monthly briefings next spring.

World Water Week

Waterscan attended World Water Week in person and virtually to distil trends and insights for customers.

It is clear that water is becoming a central sustainability issue and that businesses are regarded as key drivers of change for water security. Taking a holistic, collaborative approach will be critical, as will changing the mindset around water from negative to positive to achieve broad public buy-in for behaviour change.

Content commenting and evaluating key sessions can be found here.



"Data is only valuable if it can be used in a targeted, productive and impactful way."

Esmond Bowerman, Sustainability Manager, Waterscan

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