

Winter 2023

Self-Supply Users Forum

On 7th December, Waterscan held a meeting for Self-Supply companies to reflect on developments across the market over the past year and look ahead to how the sector plans to develop its approach in 2024.

It's fair to say that the water industry is a hive of activity at present, as it builds on promising progress made over the last twelve months towards a new phase of development.

Under a great deal of public scrutiny and economic pressures, water companies must consider how to restore trust, make the necessary infrastructure and system investment, and strive harder to achieve a sustainable water supply. A cohesive approach to strategic goal setting across key market players is needed if all non-household water customers are to engage with this challenging journey.

Self-Supply companies are ahead of the curve on this, benefiting from market-leading levels of data-driven insight and already taking great strides to improve their water efficiency and mitigate risks around long-term supply.

Key takeaways



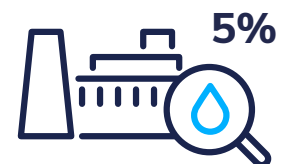
Expert panellists spoke of positive market development indicators in 2023 but predict a challenging year ahead for the water industry.



Wholesale water prices will rise by between 5% and 13% from April 2024.



MOSL strategy and business plan consultation live in January 2024 – forecasting a 12% increase in charges.



Behaviour change project with 6 Self-Suppliers hopes to deliver 5% consumption savings across 2,100 sites.

“At this time of year, there tends to be a focus on the operation of the market. Our engagement in these processes is important in ensuring that customers are represented and that they realise optimal outcomes. Even so, we mustn't be distracted from the bigger picture, that is to find ways to drive down consumption for long-term water security.”

Neil Pendle, Managing Director, Waterscan

MOSL

Lyvia Nabarro, Head of Market Engagement and Communications, reviewed the market operator's track record on its commitments to 2024, before presenting its new strategy and business plan for the period 2024-2027.

Underpinned by the strategic foundations of people, data and sustainability, the operator's goal is to enable the best customer outcomes through four strategic priorities: market confidence, market systems, water security and market evolution.

Noting an overall reduction in market operator charges of 11% since market opening, a 12% increase in charges is anticipated in the next financial year, partly to fund a vital market performance framework reform project.

MOSL's strategy and business plan will be live for consultation in January with a view to adopt a month later. Self-Supply representatives are encouraged to participate in the consultation, and to attend MOSL's CEO Forum in January.



2024 charges

Waterscan Director, Nick Hayes, presented Waterscan's analysis of likely pricing impacts from April 2024, including the anticipated wholesaler price increases.

Wholesale water prices will increase by a minimum of 5% but could be as much as 13% in some areas. Further, due to inflationary pressures and rising operating costs, no price reductions are being offered. There are also plans to phase out some preferential tariffs and trial new ideas, such as seasonal tariffs.

It's a complex picture. Waterscan Account Managers are advising customers on an individual basis as to the projected impacts across their estates and how they might work to mitigate these.

Ofwat

Shaun Kent, Principal, Business Retail Market, Policy and Outcomes, updated the group on the regulator's PR24 price control process.

Ofwat is currently scrutinising water companies' pricing plans in the context of customer expectations, affordability challenges and climate change, with a view to setting maximum revenue allowances, minimum service levels and financial incentives relating to performance.

He highlighted two key areas:



1 Water efficiency through demand reduction; smart meters as the default standard, data sharing standards and the implementation of a water efficiency fund.



2 Performance commitments, notably in relation to the wholesaler BR-MeX incentive mechanism due to come into operation in April 2025.



Views from across the Self-Supply community are welcomed until PR24 is finalised in December 2024.

Behaviour change project

Jessica Wyatt, Account Director, presented plans to bid for funding from the Ofwat Innovation Fund, Catalyst stream.

Stemming from ideas generated at the Water Matters Conference in the summer of 2023, this two-year project aims to understand how to unlock behaviour change and alter

established company practices to reduce water waste. Six Self-Supply businesses and five wholesale companies are partnering to work on this project proposal.

If funding is awarded, the project partners will develop and trial a framework of interventions that can be tailored to suit specific business scenarios. Subject to evaluation of the learnings and initiatives in being able to unlock long-term sustained change,

it is hoped that this work will result in a set of principles that can be rolled out across all non-household settings.

Estimates are that this approach could deliver consumption savings of up to 5% across the 2,100 sites within the trial scope. This will support individual companies in achieving their stated ESG targets and Defra's wider goal to reduce all non-household water use by 9% by 2030.

Year end reflections and opportunities

The meeting concluded with a panel comprising representatives from Ofwat, MOSL, the Strategic Panel and The Water Report reflecting on market progress in 2023 and residual challenges as well as opportunities arising for the year ahead.

Panellists agreed that there had been some positive indicators in 2023 relating to setting direction and priorities focused on water resource management. Equally, they welcomed evidence of a shift in attitudes towards smart metering.

However, this progress is balanced by upweighted challenges around customer confidence in water companies, inflationary impacts, and investment challenges for remedial and proactive work.

"The industry is under fire as it tries to respond to consumer expectations." **Karma Loveday, The Water Report**

"There's been good progress in some areas, like setting direction and priorities. The market now needs to move into delivery phase so that customers can see activity happening on the ground." **Paul Smith, Strategic Panel**

Looking forward, all panellists expected a busy but somewhat difficult year ahead given the scale of challenges in the context of an uncertain economic and political landscape.

An efficient roll out of smart metering, complemented by data systems and tariffs that benefit customers, was viewed by all as an enabler to progress.

"Confidence in the market is key. Yes, there are competing priorities, but we have seen some real shifts and there's an opportunity to build on these with market performance framework reform and improved data quality across the market." **Lyvia Nabarro, MOSL**

"We need to increase customer awareness and provide them with the necessary tools to respond to price signals across the market." **Shaun Kent, Ofwat**

"It's important that the industry isn't inward-looking but approach the challenges ahead from a customer perspective. Self-Supply organisations are protected from many market challenges, but a functioning market is essential for long term water sustainability for all."

Neil Pendle, Waterscan

