

March 2024 Spring briefing

On 7th March 2024 Waterscan hosted a Spring briefing for the Self-Supply community.

It appears that the reality of imminent water scarcity is beginning to hit home.

This is clearly shown in a raft of measures being consulted on, trialled, and in some cases implemented, around pricing, metering and innovating. These promise to shake up the water market in ways that can only be beneficial to the environment, communities and non-household water customers.

This level of focus and activity is welcome news for the Self-Supply community which has been at the heart of data-driven market innovation since 2017.

Key takeaways



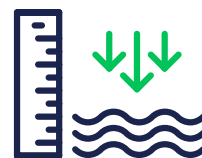
Ofwat is reiterating the need for innovation by all parties and is looking to double its funding for this.



MOSL is about to launch its National Metering Strategy to improve data flows for water efficiency.



Water companies are exploring a range of new pricing models to drive down water consumption.



Non-household water users are encouraged to plan for drought ahead of expected summer shortages.

“With draft determinations for PR24 just a few months away, we are interested to see if the focus on investment and collaboration will remain at the forefront of delivery strategies and, in particular, how the plans for smart metering are developing.”

Neil Pendle, Managing Director, Waterscan

Ofwat

Shaun Kent, Principal, Business Retail Market, Policy and Outcomes, updated the group on the regulator's current initiatives.

He focused on the critical role that innovation will play in delivering optimal outcomes for customers and communities. A consultation relating to a new innovation fund is live, inviting views on Ofwat's proposal to double its innovation fund to £400 million. This uplift in investment would enable Ofwat to broaden existing innovation-led programmes (e.g. its Breakthrough and Discovery competitions) and to expand efforts in other directions including cross-sector projects and knowledge sharing. All members of the Self-Supply community are encouraged to participate in the consultation to help Ofwat identify gaps and construct funding for the best outcomes.

Shaun also provided updates on:



Customer Protection Code of Practice, which relates to minimum standards of behaviour that all water retailers in the market must adhere to. Here, Ofwat is considering strengthening codes through a three-phase approach.



Supplier of Last Resort, which sets out arrangements for customers in the event of a retailer suddenly exiting the market. Ofwat is reviewing how robust this process is and whether it might be improved.



Financial resilience, highlighting a recently published open letter which gives warning to retailers that they will be expected to provide more detail regarding their resilience levels and governance arrangements.

Drought

Esmond Bowerman, Sustainability Manager, reiterated the need for companies to plan for wetter winters and drier summers as a result of climate change, noting that six water companies had temporary use bans in place in 2022.

As in prior years, Waterscan will be issuing a monthly drought bulletin to customers from Spring through to Autumn. This will be supplemented with more tailored communications towards industry and site type, and priority announcements in the case of unplanned events.

Planning

Sindiso Bango-Dube, Head of Market Development, spoke of plans to improve business continuity in context of the ever-present risk of drought and interruptions to supply. He highlighted a 9-step plan which guides customers through trigger points and associated action required (for example, risk assessment, how critical information is received and relayed to customer sites, and stakeholder engagement). He further signposted a case study regarding an Anglian Water example of this work.

Metering

Matthew McLeod, Market Development Manager, provided further evidence of how wholesalers are approaching metering very differently. Just 4 companies have committed to 100% smart metering coverage by 2030, suggesting that, at the current rate, completion will not be until 2040, after the deadline for DEFRA's reduction target.

MOSL

Martin Hall, Market Improvement Lead was joined by Adrian Smith, Communications Lead – Strategic Programmes, to present and field questions from attendees relating to its National Metering Strategy for the non-household market.

This strategy aims to address the UK's water scarcity challenge through:

- achieving DEFRA's target to reduce non-household water use by 9%,
- meeting the data needs of non-household customers,
- supporting wholesalers in an efficient roll-out of smart meters,
- considering all parties in the market – wholesalers, retailers and customers,
- improving consistency across all water regions.

The background is that DEFRA's water reduction target is a huge challenge for wholesalers. This was highlighted by a lack of attention given to non-household water use in their draft Water Resource Management Plans (WRMP). MOSL notes that its intervention (via an Interim Metering Strategy) created a positive step change in water companies' final determinations.

Although accurate, reliable and timely data has always been central to the philosophy of Self-Supply and pivotal to the community's success in the market, MOSL hopes that its National Metering Strategy will further

support companies in their efforts to use less water.

It will take at least 10 years to roll out smart metering across the whole of the UK's non-household estate. Significant challenges around access to data, roles and responsibilities and metering hardware remain. MOSL expects that the relationship between wholesalers and the services they provide will change as these matters are addressed.

MOSL expects to publish its final metering strategy in April and is keen to hear views from Self-Supply retailers prior to this.

Self-Supply Market Performance

Self-Supply Market Performance Score is just under 98% for the first quarter of 2024, considerably higher than overall market average, although slightly down quarter-on-quarter. (This is largely due to weather-related problems accessing meters at this time of year and is in line with expectations). There continues to be a very low number of long-unread meters (0.76% of all Self-Supply meters) and excellent communication with smart meters (94%). Wholesaler engagement and bilateral resolution is strong.



Data

After 18 months of intensive development, the new Waterline app is live for the benefit of all Waterscan customers. Developed to futureproof the system in the context of an evolving market, the new data platform also offers new analysis functionality.



Pricing

James Goodall, Account Director, presented topline analysis of the impacts of wholesale price increases from April. Customers should be budgeting an average 10% increase from water and sewerage companies, and 7% from water-only companies.

He drew attention to an interesting raft of new pricing concepts being considered. These include reverse tariff pricing which offers financial incentive to use less water, and a seasonal tariff where water is more expensive in summer months.

PR24 plans (covering the period 2025-2030) have been submitted to Ofwat. Draft determinations are due in June and final ones in December. Significant regional variations in wholesale pricing are expected of between 15% and 66%, which will be partly funded by price increases to customers. It is currently a complex picture. Self-Supply companies are encouraged to consult with their Waterscan Account Managers for specific guidance.



“As the climate warms, we expect evaporation to increase, leading to a greater risk of summer droughts”

National Centre for Atmospheric Science



Water Matters Conference

Finally, registration is open for Water Matters: 20 June 2024, London.

This event brings non-household water users together to explore how best to accelerate action and ultimately achieve water resilience.

Join to learn amongst peers, inspire collaborative, coordinated action and drive innovation for a sustainable water future.

Confirmed speakers include:

- Chris Hines MBE: Former Sustainability Director of the Eden Project and Founder of Surfers Against Sewage
- Jessica Sansom: Sustainability Director at Huel and Former Head of Sustainability at Innocent Drinks
- Tony Juniper: Sustainability Adviser who is Natural England's Chair and Friends of the Earth's Executive Director.

You can read more about the conference [here](#).