

Water Demand Reduction in the Non-Household Market

**Water Efficiency Roadmap
November 2023 Update**

RWG Water Efficiency Group



Water Demand Reduction in the NHH Market

Update to the RWG Water Efficiency Roadmap – November 2023

In 2021 the RWG Water Efficiency (WE) Group produced a Roadmap for the development of water efficiency in the NHH sector. Two years later, water scarcity and the need to reduce water consumption is receiving much greater attention within the industry, and we have seen some key policy and regulatory changes that will help the NHH sector to play a greater role. However, we still have a way to go.

This document updates the Roadmap. It reflects and builds on the progress made over the last two years, focusing on what we need to do now. As before, the Roadmap extends beyond the scope of what the RWG WE Group is able to deliver, including ongoing policy and regulatory considerations. It sets out the actions that the RWG WE Group is working on, and highlights 'gaps' where action is also required of other stakeholders. We would welcome further dialogue on these issues.

Taking Stock – Current Position, November 2023. In Summary:

NNH Customers

- Ultimately we want all NHH customers to use water responsibly and efficiently and to minimise their impact on the environment, in the same way as they do already for CO2 and energy;
- Positively, we now have a demand reduction target for the NHH sector – 9% reduction on 2019/20 levels by 2038 and 15% by 2050. Nevertheless, NHH customers currently have relatively low awareness of the water scarcity issue or how they could make a difference, and little incentive to take action to reduce their consumption;
- We need to learn from experience in other countries and other sectors about how to incentivise customers, and to drive the necessary change in consumption behaviours from the highest levels. Suggestions are made later in this document;
- However, embedding water efficiency across all businesses will take time, and we can't afford to wait. We recognise that in the meantime, the water market needs to take a lead, and to support customers on the journey.

The NHH Market

- Under PR24, the wholesalers will have a new performance commitment (PC) to deliver demand reduction in the NHH sector, in collaboration with retailers. This has the potential to be a big step forward for the NHH market, but needs careful application to ensure it works in a way that supports retail competition;
- This effectively disaggregates responsibility for demand reduction (together with the risk of failure to deliver) to the level of wholesale region, which is quite different from centrally driven and more focused initiatives in other countries/sectors. It requires individual water companies to come up with plans for delivering against their regulatory commitment and for involving retailers and/or other third-party providers, but it doesn't directly incentivise customers;
- According to the EA's current¹ assessment, the scale of proposals in the wholesalers' revised Water Resource Management Plans (WRMPs) that were produced earlier this year would deliver 6.1% NHH demand reduction by 2038. The level of ambition in the revised Plans is considerably higher than in the draft Plans, but falls short of the Government's 9% national target;

¹ November 2023. Remains subject to change following re-consultations or re-submissions.

- Whilst there are pockets of good practice, experience of delivering demand reduction at scale, or effectively engaging the NHH sector remains limited. Whilst the relatively untapped NHH sector presents the potential to make immediate gains, as yet there is no real understanding of how we will deliver the Government target (including off-setting expected demand growth) or how much it will cost to do so;
- We need to learn from experience elsewhere. The UK energy sector has been on a similar journey, and there are many valuable lessons, both positive and negative, from which we can learn. Although the ownership model, the structure and competitive nature of the NHH water market in England make it unique, there are nevertheless international examples where the core principles of successful water sector demand reduction strategies are also relevant to our NHH market;
- As an industry we need to collectively consider how we 'move the dial' – to identify and focus on what will make the biggest difference, encourage innovation and share best practice at an industry/market level, understand how much it will cost and how to fund and deliver it.

The focus of the revised Roadmap is at two levels:

- (i) **Customers:** what we need to do to motivate NHH customers to embed water efficiency in their businesses in the same way as they do CO2 and energy reduction. It is proposed that we need to make progress in three areas:
 - Increase awareness of the water scarcity issue and of Defra's target for demand reduction in the business sector;
 - Create the imperative for NHH customers to take action to reduce/optimize their consumption; and
 - Provide support to help them do it – in the way of data (through smarter metering), policy tools, and funding.
- (ii) **NHH Market:** what does the market/industry need to do to support demand reduction in the NHH sector, and what are the enablers? It is proposed that as a market we now need to focus on:
 - understanding what works at scale, how much it will cost, and how we fund it;
 - how we deliver – including the respective roles of retailers and wholesalers; and
 - how we measure progress.

The following paper provides the context for, and more information on, these proposals, highlighting where progress is already being made, and where there remain 'gaps' which require further action, including from stakeholders other than the RWG.

NHH Customers – what will it take to motivate them?

Ultimately, we need customers to embrace WE. Even if the industry drives and pays for WE interventions, we still need customers to cooperate and to facilitate change to their businesses and consumption patterns.

In many countries seeking to reduce water or energy consumption in the NHH sector, strategies include 'direct' incentives i.e. they create an imperative or place the responsibility for demand reduction directly onto the consumer. Direct initiatives include both positive and negative incentives, such as targets and obligations², with financial or reputational consequences for failure to deliver, and pricing signals such as tariffs and levies etc.³ These are most effective when accompanied by support mechanisms (from product standards, labelling and building regulations to grants and credit trading schemes etc.) and authoritative and consistent messaging about the importance of the issue. We now have Defra's demand reduction target of 9% for the NHH sector by 2038, but most NHH customers are as yet unaware of it. It is proposed that we need to make progress in three areas in order to motivate customers to help deliver it:

- (a) Increase awareness of the water scarcity issue and of Defra's target for demand reduction in the business sector;
- (b) Create the imperative for NHH customers to take action to reduce/optimize their consumption; and
- (c) Provide support to help them do it – in the way of data, policy tools, and funding.

(a) Increase Awareness

In the countries where definitive action has been taken to reduce water demand, the water scarcity problem is much clearer to consumers – Australia, Middle East, southern Europe etc. In this country, there is much less awareness of the issue – furthermore, it still seems to rain a lot, and the public is aware that a significant proportion of water is lost through network leakage. These factors make the scarcity message more difficult to land and so it needs to come from the highest authority. Customer research undertaken by the RWG WE Group highlighted that NHH customers expect environmental messages to come from Government. At the moment, the industry suffers from a (very public) credibility problem, emphasising the need for independent, Government-led, or at least Government-supported messaging.

The RWG WE Group recommends: ***the development of a national awareness raising strategy targeting NHH customers and what matters most to them:***

- Now that we have a demand reduction target, it should form a central tenet of the awareness raising messaging, but it will be most effective if it also includes what we expect NHH customers to do about it (the 'imperative to act') and how they can access help to do it (support available), for example, the introduction and implementation of new product water efficiency labelling;
- NHH customers are not an homogenous group. Water use (and hence its value to the business) varies significantly, so the motivations and opportunities for businesses to take action will vary. An awareness raising strategy needs to recognise and cater for these differences;
- Whilst at the simplest level, we believe that the core message must come from Government, a strategy for the *delivery* of the messaging should involve all stakeholders with the ability to influence NHH consumption – from the water service providers (wholesalers and retailers), to builders and plumbers, NHH trade bodies and business networks, and the providers of support services (insurers, banks etc). Messaging across the sector must be coordinated and consistent;

² Australia, USA, India, Hong Kong, Singapore

³ Southern Europe, Middle East, Australia, Asia, USA

- Raising the awareness of domestic customers will also be important as they will influence business behaviours. If consumers consider it important that the providers of their goods and services use water responsibly, it will drive businesses towards becoming responsible water users;
- The strategy could usefully build on the experience of other countries and sectors, including the UK's experience of national CO₂, energy reduction, smart metering etc. campaigns.

NHH Customer Awareness: Status and Action Required

Current position:

- Waterwise, Water UK and CCW already run national, focused campaigns from time to time, although there tends to be a strong leaning towards domestic customers;
- Most wholesalers also do some awareness raising in their own areas, although until recently, this was also largely focused on domestic customers.
- Most retailers also offer NHH water efficiency advice and support; and
- The Department for Business and Trade is planning to run a business resilience campaign late in 2023 to encourage businesses to save water

Recommended further action: In order to raise the status of the issue and help drive the imperative for NHH customers to act, a sustained Government-led awareness raising strategy. It is suggested that this could be done in two stages:

- (i) *Delivery:* Ofwat's Water Efficiency Fund. In its September scoping consultation, Ofwat recognised awareness raising as critical to delivering the transformational change we need in water efficiency. We would recommend that a proportion of the WE Fund could be used to deliver a sustained national awareness raising programme over the 5-year period of AMP 8; and
- (ii) *Design of the Strategy:* developing the strategy itself will be a significant piece of work. In order to hit the ground running in 2025, this could be done in advance. The RWG submitted a bid for MIF funding for this purpose in November 2023 – funding awards are expected to be announced early in the New Year.

The Strategy is linked to and should reflect the work on how we incentivise and support customers below.

(b) Create Imperative to Act

For most NHH customers, water is not a significant business cost, so investment in water efficiency measures is not cost effective, or the return on investment inadequate (especially compared to energy efficiency for example). There are a number of reasons for this:

- *Commodity cost:* the cost of water in England is relatively low, and it becomes cheaper the more is consumed⁴. If we look at the UK energy sector experience for example, little happened in the way of demand reduction until (amongst other things) the cost of electricity rose very considerably. Increasing the strength of the commodity signal is a strategy being used elsewhere for water (e.g. in the Middle East), but needs strong Government and regulatory support. Removing falling-block tariffs for example would mean increasing the cost of water to England's largest water users and may require changes to the existing regulatory charging principles; and

⁴ In some wholesale areas, a significant proportion of a customer's bill comprises fixed costs, which also dilutes any incentive to reduce consumption.

- *Consequences of doing nothing:* at the moment there are no immediate consequences for NHH customers if they continue as is. We know from elsewhere that businesses will respond to what matters to them – be it their customers’ opinion, their ability to secure insurance or financing, their reputation and/or their bottom line.

Hence it is recommended that:

- ⇒ **options are explored for giving NHH customers clearer economic signals** – including a WE levy, wholesale tariff restructuring or risk sharing tariffs – recognising that elasticity of demand will be different for different NHH customer groups; and
- ⇒ **options are explored for creating meaningful incentives on NHH customers to take action.** Lessons from elsewhere include setting specific targets or obligations (sometimes different for different customer groups), with reputational consequences (publication of progress) or financial consequences (penalties or fines) for failure to deliver. Ultimately, funding and insurance requirements or ISO certification requirements could be contingent on demonstrating progress against targets. Water efficiency could be included in Energy Performance Certification (EPC) assessment and ESG frameworks. Alternatively, customers could be rewarded for delivering demand reduction (e.g. price reductions), or have the opportunity to obtain some form of accreditation (the cost of which must be proportionate). Again, it would make sense to leverage the Defra target.

Creating an Imperative for NHH Customers to Take Action: Status and Action Required

Status:

- The RWG Tariff Simplification Group has had initial discussions about the potential for restructuring volumetric wholesale tariffs and will prepare a paper in due course; and
- The RWG WE Group undertook NHH customer research into motivation and willingness to pay, in summer 2021.

Otherwise, we don’t believe anything is currently being done to explore the options for actively incentivising NHH customers to manage their consumption.

Recommended further action:

- (i) *wholesale tariff restructuring:* drawing on international experience, explore options and implications, identify enablers, test/pilot options. Co-ordinated across the market to test a range of options and avoid duplication. This could potentially be overseen by a joint RWG Tariff and WE Group, but is likely to need Ofwat support and consultancy expertise;
- (ii) *water efficiency levy:* explore options and implications for a WE levy that would send an economic consumption signal to customers, and provide funds for WE investment. This might be a model for raising the Ofwat Water Efficiency Funds;
- (iii) *customer incentives:* identify potential range of positive and negative incentive options (potentially sequential over time) and assess their implications for different groups of NHH customers, drawing on experience in energy/carbon; and
- (iv) *business dependencies:* explore the potential for including water reduction targets within key standards and/or business processes: ISO certification, lending and insurance requirements, business resilience planning, EPC and ESG requirements etc.

At this stage, the RWG is only in a position to support point (i), and even then is likely to need expert support.

It is recognised that some of these are policy initiatives and may even require legislation, hence will need to be explored further with Defra.

Points (ii) - (iv) will need additional stakeholder support and funding.

(c) Provide Support to Customers

If we create an imperative to act, we also need to provide customers with the information and the tools to do something about it. For example, if targets are introduced for customer groups, we also need to give businesses ways of meeting them. This means:

- Information:
 - better consumption data (through the roll-out of smart meters and associated infrastructure) - to enable the assessment of demand reduction potential (including the identification of continuous flow problems), comparison against peers, and measurement of demand reduction progress;
 - labelling of products to support procurement decisions; and
 - help understanding what interventions will deliver greatest benefits – whether it is tackling demand-side wastage and supply pipe leakage, domestic fixtures and fittings, recycling etc.
- Funding to help pay for it – could be targeted or general – grants, gain share options, industry incentive schemes, subsidised water efficient products etc.
- Efficient infrastructure – building regulations, product labelling etc.
- Trading and credits – allowing those businesses whose potential for demand reduction is low, to trade credits with those who are able to deliver more. There is experience in the electricity sector (renewables) and carbon trading experience to draw on and water neutrality trials kicking off. Trading can also reveal the efficient cost of demand reduction.

The scope and scale of support mechanisms available to customers should be aligned to the nature of the customer incentives created (above).

Support to Customers: Status and Action Required:

Currently, progress is being made in a number of these areas:

- Smart metering – following feedback on draft WRMPs, wholesalers have increased their commitment to smart meter roll out in AMP8. The focus in the market is moving increasingly towards the implications of a new smarter-meter landscape and how we ensure that information is consistent and gets where it needs to be (into the market, with the customer etc). The Strategic Metering Committee is leading this work. There remains an issue about the different pace of smart meter roll-out between wholesale regions that could lead to a differentiated level of support being available to customers depending on their location.
- Product labelling – the Government's Plan for Water set out a commitment for the implementation of mandatory water product labelling by 2025;
- Building and fittings regulations – the Plan for Water also included commitments to review water supply fittings regulation and to review WE options in planning, regulations and voluntary schemes for NHH buildings.

Further action: Key questions remain about:

- Funding – who is expected to pay for demand reduction, how much customers are prepared to pay, and where will the funding balance will come from; and
- Focus – how do we ensure customer support is targeted on the things that will deliver greatest benefit.

These questions apply equally to action driven by the market/industry, and so proposed actions are set out in the sections below.

NHH Water Market – how do we move the dial?

There are very few examples from other countries or other sectors where responsibility for demand reduction is placed primarily on the service deliverers, because the industry has so little control over customer behaviour. By and large, such measures tend to be interim or part of a wider strategy, in addition to initiatives targeted directly at the consumer (e.g. GB energy sector, where the ECO obligation on suppliers is only a part of a wider strategy encouraging customer behaviour change).

The ownership and structure of the English water sector is also different from anywhere else in the world, which creates unique water efficiency challenges and opportunities. In many countries, the water sector is at least partially publicly owned, which gives the Government much greater central control, facilitating the coordination of more aspects of demand reduction – not only policy and public awareness raising, but also funding, pricing levels and delivery mechanisms. Under our industry model, not only is responsibility for demand reduction disaggregated to a regional (wholesaler) level, but is also made more complex by the competitive market and the separation of wholesaler and retailer roles. On the other hand, the competitive retail market presents opportunities, for example for retailers to use water efficiency services as a competitive differentiator, as well as the ability to work with customers nationally.

Whilst there are pockets of good practice, experience within the sector of delivering significant demand reduction and effectively engaging with NHH customers remains limited. Consequently, as yet there is limited understanding of how the industry will deliver the Government target or how much it will cost to do so. Under PR24, the wholesalers will have a performance commitment to deliver demand reduction from the NHH sector in their own areas, in collaboration with competitive retailers (through retailer incentives schemes for example). Each wholesaler is responsible for their own plan for delivering against their commitment, for justifying the funding for it, and for involving retailers. Under this model, in order to avoid progress being piecemeal and uncoordinated, we also need to explore opportunities to work together regionally (through regional WRMPs etc) and nationally (through Ofwat's Water Efficiency Funding for example).

As a market, we need to collectively consider how we start to move the dial, in parallel with initiatives focused on incentivising the customer directly (as above). It is proposed that we focus on four areas:

- (i) Understanding what works and how much it will cost;
- (ii) How we fund it;
- (iii) How we deliver it; and
- (iv) How we measure progress.

(i) Understand What Works

The scale of proposals in the wholesalers' revised WRMPs would, according to the EA's current assessment, deliver 6.1% reduction in demand by 2038. Whilst the level of ambition has increased considerably compared to the draft Plans, it falls short of the Government's 9% target reduction. As an industry/market we need to collectively consider how we can do more to 'move the dial': i.e. identify and focus on what will make the biggest difference, encourage innovation, and share best practice at an industry/market level.

Experience from elsewhere suggests that there could be benefit in focusing investment on specific initiatives that are known to deliver. In Singapore for example, there is currently a strong focus on water recycling, with large grants and match funding available to support business customers in this respect. In the UK energy sector, domestic energy efficiency schemes over the years have been targeted, for example at domestic heating or home insulation, in order to deliver dual policy objectives. And in the

renewables sector, financial incentives were targeted at specific technologies e.g. onshore wind or solar panels.

Do we want to target WE spending? Thames Water analysis suggests for example that 20-30% of NHH demand could be customer side 'continuous flow' (internal wastage and supply pipe leakage). Should we focus on this? Should we seek to quantify the potential 'size of the prize' if we worked as a sector to eliminate/reduce continuous flow across the NHH market? Or, as Ofwat sought views on in their recent scoping consultation for the Water Efficiency Fund, would there be benefit in focusing on specific groups of customers (high users for example) or geographic regions?

We need to create an environment in which we can test and learn what will work and how much it will cost to deliver demand reduction at scale, and to share what we learn across the market.

Understanding What Works: Status and Action Required

Currently: individual wholesalers and retailers, and some collaborative partnerships, are starting to test (mostly small scale) initiatives and interventions, such as audits, free/subsidised fixtures and fittings, retailer incentive schemes etc.

Further action required:

- (i) *Ofwat's Water Efficiency Fund:* use a proportion of this funding for test and learn, scalable initiatives/interventions, to discover what it will take to deliver and how much it will cost (e.g. explore the potential benefits to be gained from identifying and addressing wastage/leakage causing continuous flows); and/or
- (ii) *a more permanent collaborative framework* to bring together ideas and funding to develop demand reduction solutions in a similar way to the existing RAPID process for supply-side solutions;
- (iii) *Funded case studies:* to test the wholesaler/retailer collaboration options currently being developed by the RWG WE Group (see 'PR24 Demand Delivery' section below); and
- (iv) *Mechanisms to identify and share wholesaler experience and good practice,* possibly through the RWG WE Group

(ii) Funding

How will demand reduction be funded and how do we ensure that sufficient funding is available to deliver the investment required? A study of short-term funding options and delivery mechanisms conducted by Economic Insight for the RWG WE Group in 2022 estimated at a very high level that meeting the NHH sector Government target could cost £22-31m per annum, in addition to the smart metering investment required to support it.

What are the options?

- *Wholesaler price controls:* Given other water sector investment priorities, it seems unlikely that the water company price controls will be able to fund all of the investment needed, and other sources will be required. Nor does it seem realistic to expect wholesalers to deliver the entire national demand reduction target. That being said, as wholesalers look at the options to deliver their demand/supply balance, NHH demand reduction initiatives may be considerably cheaper than new supply options. We need to consider how the avoidance of future supply-side investment could be quantified and used explicitly to fund more immediate demand reduction investment.

- *Retailers*: Retailers have an allowance of £0.47 per SPID in the REC for WE, and hence will need access to additional (non-REC) funding in order for them to deliver anything meaningful for their customers.
- *Customers*: Do we expect customers to contribute directly (funding some or all of their own investment), or indirectly (through water charges, a water efficiency levy, avoided supply-side investment, or Government funding) or a combination of all of the above, as in the UK energy sector? How much are NHH customers willing to pay? The design and strength of customer incentives will be a critical piece of this picture.
- *Third parties*: in a thriving, competitive market place (such as energy) third parties (as well as retailers and wholesalers) should be willing to enter the market, providing support to customers to reduce their demand.

What does the funding map look like and how do we ensure that funds are accessible by customers, retailers and third parties as well as wholesalers, on a sustainable basis?

Funding: Status and Action Required

Currently: taking into account forecast growth, wholesalers' final WRMPs and their PR24 Business Plans will quantify how much demand reduction they anticipate being able to deliver in NHH sector and their estimate of the cost to do so.

Additional action:

- (i) *Aggregate assessment*: aggregate picture of anticipated delivery against Defra target and the estimated cost. Defra has a legal obligation to review and publish progress against the target and we understand that the EA will shortly be in a position to publish the aggregate demand reduction envisaged by the WRMPs. To complete the picture, it would also be valuable to have an aggregated picture of the wholesalers' anticipated cost to deliver it;
- (ii) *NHH customers willingness to pay*: an understanding of how much customers are willing to pay, and how this changes in response to different forms of incentive and/or levels of support; and
- (iii) *Options for filling and funding the gap*: a study of funding options and implications – drawing on energy sector experience over the years, and building on lessons from work funded by the Innovation Fund and MIF, wholesaler/retailer case studies etc. This will then also inform the strength of customer incentives required to drive customer-led action.

(iii) PR24 Demand Reduction Delivery

It will be important to wholesalers under PR24 that the mechanisms for delivering demand reduction will give them as much certainty of outcome as possible, so that they are able to balance supply and demand and in order to mitigate their financial exposure to the price control incentive.

It will be important to retailers that they retain the option to provide water efficiency support to their customers, in order to give them competitive advantage in the retail market, and that support offered by wholesalers does not undermine competition in the NHH sector. Retailers are concerned that direct delivery by wholesalers (especially where it is 'free') effectively undermines retailer opportunities.

Ofwat has recognised that under these circumstances the delivery of water efficiency under the PR24 mechanism will require collaboration between wholesalers and retailers/third parties.

PR24 Demand Reduction Delivery: Status and Further action

Currently: some of the wholesalers are testing models of collaboration ahead of AMP8.

Further action:

- (i) *Design of the PR24 performance commitment:* the design of the incentive must drive water efficiency activity and ensure that it does not punish wholesalers for economic growth outside their control or reward them for business closures for which they are not responsible.
- (ii) *Wholesaler/retailer collaboration:* by the end of the financial year, the RWG WE Group will develop a series of funding and delivery models for wholesaler/retailer/third party collaboration, that will be recommended for use across the whole market to ensure consistency for customers. The models will be developed as strawmen, and will include:
 - a model where retailers/third parties identify a demand reduction opportunity and are able to access some wholesaler funding (incentive) to support delivery;
 - a model where wholesalers identify the demand reduction opportunity and seek retailer collaboration in delivery;
 - joint education and awareness raising; and
 - direct customer incentives (through wholesale charges).
- (iii) *Cost effective interventions:* building on the 'what works' and the funding/cost assessments highlighted in the sections above, identify and share the most cost-effective WE interventions across the market. This information could also be built into the customer awareness raising strategy to help customers understand how they can make a difference.

(iv) Measurement and Reporting

The Government has a legal obligation to monitor progress against the national demand reduction target, but the level at which demand will be measured for this purpose also includes factors such as economic growth, so the level of demand reduction delivered from water efficiency activities won't necessarily be visible. Hence the NHH sector needs a consistent way of measuring and reporting the impact of WE interventions, so that we can see the effect of the industry's efforts to reduce consumption separately from other factors, so that wholesalers can each report against their PR24 performance commitments on a consistent basis, and retailers/customer/third parties can evidence their own contributions on a like-for-like basis in all wholesale regions.

The availability of more granular consumption data will be critical not only for monitoring and measuring progress, but also for delivering demand reduction – to assess the potential for reduction, to identify possible leaks and wastage, and to compare consumption across NHH peer groups. The consistent roll out of smarter metering solutions across the market will be vital.

Measurement and Reporting: Status and Further Action

Status: It appears that significant progress will be made during APM8 in the roll-out of smart metering to the NHH sector. We now know that some wholesalers have committed to replace 100% of their dumb meters with smart metering by 2030, but it's not yet clear whether the funding for this will be 'allowed'.

Further action required:

- (i) *Smart metering roll-out:* continue to emphasise to wholesalers and Ofwat the need for smart meter roll out during AMP8, on a basis that is consistent across the market (to ensure a consistent service for similar customers), and ensuring inter-operability of data outputs;
- (ii) *Bottom-up measurement of WE activity impact:* Until we have wider penetration of smart meters, we will need a way of consistently tracking the level of WE activity and the impact of demand reduction activities. The RWG WE Group has started work on a common measurement/tracking solution to be used across the market in the absence of actual consumption data – by March 2024. This is likely to be based on an agreed savings (litres/day) delivered by specific types of water efficiency device or intervention.

In practice, this level of activity tracking may continue to be required in parallel with smart meters. Given that changes in NHH consumption may be driven by other factors, we will need an agreed method for proving reductions in consumption even once smart meters are in place.

In summary, the RWG WE Group is, or will be, working on the following actions during the remainder of 2023/24:

- Options and models for wholesaler/retailer collaboration to identify, fund and deliver water efficiency interventions during AMP8;
- A method for tracking and measuring the impact of water efficiency activities to support wholesaler reporting and the collaboration models above; and
- Dialogue with RWG Tariff Group about tariff structures to support greater water efficiency.

These actions, and other areas of progress, are shown in amber text in the Roadmap diagram overleaf.

The biggest gaps, circled red in the diagram, are around:

- Raising customer awareness and creating incentives for NHH customers to become more water efficient; and
- Developing a better understanding of what it will take for the NHH market to 'move the dial'.

Ofwat's Water Efficiency funding would be ideal for tackling these big-ticket issues.

In the meantime, we have highlighted throughout this paper a number of areas that would benefit from further studies (awareness raising strategy, wholesale tariff options, customer incentive options etc.), which are outside the scope of the RWG. We would welcome further stakeholder dialogue on how these could be taken forward.

RWG Water Efficiency Roadmap to Delivery – Nov 23 Update

