

14 December 2023

MOSL and the Strategic Panel's response to revised draft Water Resources Management Plans

Dear Wholesaler CEOs,

Cc: Ofwat, Defra, Environment Agency

Earlier this year, MOSL and the Strategic Panel were pleased to provide feedback on wholesalers' draft Water Resources Management Plans (WRMPs). In separate open letters, we set out our view that we did not believe draft plans had considered the needs and potential of the non-household (NHH) market sufficiently.

We are pleased by the open and constructive conversations we have had with wholesalers over the last six months on how our feedback - which was echoed by other stakeholders including the Environment Agency and Waterwise - would help inform the updated WRMPs.

Having reviewed the updated plans recently published, we wanted to provide feedback on areas where there has been positive movement, as well as the areas we believe need more action and focus on the needs of the NHH market and its customers.

Our view of companies updated WRMPs

The next WRMP period is particularly significant for NHH customers as it is the first time since the market opened in 2017 that it has been through a full planning cycle.

We also recognise plans are being developed in an increasingly turbulent time, with new or expanded business connections already being turned down in more than one wholesaler region due to water shortages. This is alongside the pressure on wholesalers to tackle storm overflows, reduce abstractions to protect the environment, and the need to be particularly mindful of the impact on bills due to the cost-of-living crisis.

We are pleased to see that there has been clear movement in a number of plans around NHH smart metering and water efficiency and closer alignment in achieving Defra's Environmental Improvement Plan target to reduce NHH water consumption by 9% by 2038.

Since the draft plans were published the Strategic Panel published its [Interim National Metering Strategy](#) for the NHH market, urging water companies to accelerate the rollout of smart meters to non-household customers. The strategy recommends companies roll out smart metering to all NHH customers in AMP8, specifically that companies with large-scale plans to roll out smart meters to domestic customers should include NHH customers at the same time.

The strategy further iterates, that companies unable to do so should prioritise ensuring all medium (25-50mm) and large (50mm or more) meters are smart in AMP8. In doing so, targeting just 13% of the meters in the market will mean that nearly three quarters (72 per cent) of water consumption is smart metered.

We are pleased to see reference to the interim NHH metering strategy in a number of updated plans as well as greater use of the [research](#) commissioned by MOSL and the Metering Committee to determine the business case for NHH smart metering.

In March 2024, the Strategic Panel plans to publish a final National Metering Strategy for the NHH market to build on the interim strategy mentioned above. This will set out the important next steps that are needed in this area, including around how data from NHH smart meters is collected and shared.

Progress against what we wanted to see

- We are pleased there is greater clarity in most updated plans when mentioning 'customers' whether that is referring to households, NHHs or all customers. Not all plans make such a clear distinction, however.
- Plans now make clear reference to Defra's target to reduce water demand in the NHH market by 9% by 2038. While most set out plans to achieve this target, some plans do not and lack the measures needed to do so. We expect companies in that position to develop plans to meet the legally binding target in time for the start of AMP8.
- Most plans provide greater clarity on NHH smart meter (AMI) rollouts in AMP8 and greater levels of ambition. Some companies have moved from no NHH smart meter roll out plans in AMP8 to a full rollout to all NHH customers in AMP8. That is great to see. The least ambitious plans won't roll out smart meters to all NHH customers until 2040.
- We are pleased to see many plans now heed our advice to include NHH customers when rolling out smart meters to domestic customers given one million smaller NHH customers are almost indistinguishable from households in terms of the volume of water they use, how they use it (toilets, sinks, etc.) and meter sizes. We encourage the remaining companies to follow their lead.
- As touched on above, we were pleased to see reference to the interim NHH metering strategy and accompanying research in a number of plans to support the business case for NHH smart metering.

- Most updated plans provide greater detail on what water efficiency services would be offered to different categories of NHH customers, but we note that some companies still only intend to undertake trials in AMP8. We encourage those companies to bring forward plans given water security is a 'here-and now' problem, evidenced by some wholesalers now having to refuse new NHH demand requests, constraining, or even turning away business in their regions.
- An ambition to work with retailers around water efficiency is now a common theme across most plans but determining what this collaboration will look like must now be a priority. Ofwat has said this will be a prerequisite to qualify for outperformance payments against the NHH demand reduction performance commitment in PR24. This will be supported by work the Retailer Wholesaler Group (RWG) Water-efficiency sub-group has commissioned in this area.
- There is more work to be done to move towards a country-wide approach to smart metering and demand reduction. However, we are pleased to see high levels of ambition from some water companies whose regions are not currently designated as 'water stressed'.

Next steps

The fact that some wholesalers are now having to refuse new or expanded NHH demand requests highlights that water security is a here and now issue. As well as the responsibilities on wholesalers to prioritise their water efficiency efforts and collaboration with retailers, we believe it is also crucial that:

- Government acts on the National Infrastructure Commission's recent recommendation to enable water companies to 'implement compulsory metering beyond water stressed areas by 2025 'and a systematic roll out of smart meters to household and NHH customers'.
- Government provides clarity on the level of ML/day reductions that need to be made by NHH customers and whether this is a uniform reduction across different wholesaler regions. We are happy to support this with the unique national insight we can provide from the market data we hold.
- All wholesalers develop plans that include the necessary measures to make strong progress towards Defra's 9% target by the end of AMP 8 to avoid this being backloaded when it may be too late to avoid water shortages. We do not believe that undertaking trials around NHH water efficiency measures is aligned with the imminent water security challenges we face as a country.
- Ofwat ensures there are the appropriate level of incentives/penalties in the PR24 determinations to drive progress towards the 9% target. Deferring the bulk of activities to deliver the target beyond 2030, as proposed by some wholesalers, will see business growth and the associated jobs it would bring throttled back.
- Wholesalers ensure the infrastructure is up and running to transmit and hold smart meter data and make it available to all who can derive value from it (directly or indirectly) – wholesalers, retailers, customers, third parties. Putting meters in the ground is just the first step to gaining access to the accurate, timely meter reads and detailed consumption data that will be critical in meeting future demand challenges. We note

some companies plan to roll out smart meters before implementing the communications network needed to transmit their data. We are working to support an agreed standard for the sharing of data from NHH smart meters as part of the National Metering Strategy.

We hope our feedback has been useful and look forward to working closely with you as we head towards the implementation of WRMPs. We will be making this letter publicly available on our website to share our views more widely and support transparency across the market.

Alongside this letter, we have shared a table that summarises MOSL's interpretation of the NHH smart metering and water efficiency commitments in the updated WRMPs. If you have any comments or queries about our interpretation of plans, please do get in touch as we will be looking to make this publicly available on 11 January.

Regards,



Sarah McMath
Chief Executive



Rick Hill
Strategic Panel Interim Chair