

6 INDUSTRY COMMENT

ON TARGET?

With a 9% non-household consumption reduction target now in place, Sarah McMath asks: will final Water Resource Management Plans be ambitious enough on NHH smart metering?

Six months ago, we were concerned to see that many water companies were overlooking the potential of the non-household market in their draft Water Resources Management Plans (WRMPs).

While companies' plans included details about smart meter rollouts to domestic customers, there was little or no detail about whether non-household (NHH) customers would be included.

As a market that consumes around a third of the total potable water in England, this is a huge but potentially missed opportunity. Furthermore, just 1% of NHH customers use nearly half of the water in the market, that's 15% of the country's total being used by around 13,000 customers alone.

Six months on, we are seeing hints of ambition in companies' final WRMPs to roll out smart metering to business customers with the same immediacy as household customers. The primary driver for the change is undoubtedly linked to Defra's announcement in January that companies must reduce overall NHH consumption by 9% by 2038, and 15% by 2050.

Defra's target followed Ofwat's publication of the Final Methodology for PR24, which emphasised that plans should include both domestic and NHH customers and that they should be ambitious and well-evidenced.

The bottom line for most water companies is that achieving the consumption reduction target requires access to much more detailed, granular consumption data than is currently available. And that means one thing – investing in smart (Advanced Metering Infrastructure or AMI) meters.

Interim Metering Strategy

Recognising the small window of opportunity to make the case for smart meter investment, the Strategic Panel published an Interim Metering Strategy in April, which outlined the findings of research that concluded there was a strong business case for smart metering and provided further evidence and materials to help companies build their business case.

The strategy recommended companies accelerate their plans for smart meters via one of two approaches: companies that already have large-scale plans to roll out smart meters to domestic customers should include NHH customers at the same time; alternatively, companies that do not have large-scale plans should focus on making all medium and large meters 'smart', which represent more than 70% of the market's water consumption.

Fundamentally, the vast majority of NHH customers use similar volumes of water, for similar purposes, as domestic customers. So the recommendation essentially sets

out that water companies need to adopt the same approach for both i.e. rolling out smart meters to NHH and household customers at the same time.

It was clear from the conversations we had with companies, following the publication of the strategy, that the importance of maximising the number of NHH customers with smart meters is now widely accepted – but with the focus being on the data they can deliver, rather than the assets themselves.

The need to invest in smart meters, and ensure data interoperability, is not the only area on which companies agree. They also shared several concerns. The first is whether Ofwat will support the requested funding – not only for smart meters, but the numerous other priorities that are competing for investment in AMP8, such as the need to tackle combined sewer overflows (CSOs).

Then there are questions relating to whether the supply chain will be able to meet the increase in demand for smart meters, the production of which has been affected by the international shortage of semiconductors and global economic volatility. And whether companies have enough installers!

One of the current challenges to rolling out smart meters efficiently is companies' reluctance to replace existing meters before the end of their usable life. Following discussions with Ofwat, the interim metering strategy encourages companies to propose replacing meters when they are no longer able to provide the data they need – i.e. they are technically obsolete – rather than due to their age.



Sarah McMath is the chief executive of MOSL.

Water security

We have and will continue to strongly recommend that companies make the case for taking this approach based on the operational efficiencies it could generate and the benefits from having more smart meters in the ground sooner.

Given the challenges the market faces, particularly in terms of its overriding priority to keep the water flowing, we encourage companies to submit the investment plans that are needed. Water security is one of the biggest risks to businesses in drought and water shortage situations. Water is essential to businesses, securing our domestic food supply, manufacturing, agriculture, and a number of other sectors. Put simply, if water companies cannot manage demand, businesses won't have access to water. Smart metering, and timely consumption data, play a critical role in enabling the market and wider industry to better understand and manage demand.

Defra has now set the market a significant target. Ofwat has made it clear that plans should be ambitious. We look forward to seeing just how ambitious they are in companies' final WRMP plans in the coming months.

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