

Energy Saving Trust's response to Ofwat's second consultation on scoping the Water Efficiency Fund

Targeting the fund

Q1: Do you support, partially support or not support our overall proposal of a two-stream approach that includes a large behavioural change campaign and separate competitive process for water efficiency projects? Please give reasons for your response.

Energy Saving Trust supports Ofwat's overall proposal of a two-stream approach that includes a large behavioural change campaign and separate competitive process for water efficiency projects.

The existence of the large behavioural campaign will be important to support change at a broad and meaningful scale and in a manner that 'sticks', having a lasting impact. A well-funded, developed and tested campaign has the potential to enter the public consciousness and address motivations and barriers for behaviour change at scale. It can also reinforce and normalise the message for individuals through multiple touch points to maximise the likelihood of the message sticking in people's minds.

Long term behaviour change will require well defined and targeted interventions which the Water Efficiency Fund (WEF) has the potential to support. In this way we see the Water Efficiency Lab (WEL) and Water Efficiency Campaign (WEC) supporting each other in a complimentary role, to address different aspects of water use for customers, providing the maximum chance of making meaningful impacts in reducing water use.

Additionally, this two-stream split provides an avenue for collaboration and input from sectoral experts. The scoping exercise by Artesia recommends inputs from market actors including trusted voices such as Energy Saving Trust and experts in behaviour change and customer-facing organisations. Given the mixed level of readiness for change identified across the sector, a broad range of voices and expertise will be key to mobilising change at a meaningful scale.

Q2: Do you support, partially support or not support the proposed division of funds between WEC and WEL, recognising there is flexibility for this to change in response to events? Please give reasons for your response.

Energy Saving Trust supports the proposed division of funds between WEC and WEL. We have no substantive comments on the specific amounts proposed but note that the approach taken to estimating costs (engagement with the Government Communications Service and review of previous campaigns) appears sensible and we agree that “a campaign would need to be large to make an impact”.

We also agree that it is sensible to allow flexibility for the division of funds to change in response to event.

Q3: What could we do to improve the effectiveness of our proposals for WEC?

There are a number of things that Ofwat could do to improve the effectiveness of their proposals for WEC, specifically they could:

- **Draw on a wider range of scientific evidence. While the hypothetical example set out within the Cost Benefit Analysis is intended only as an illustration of the types of campaign possible under the WEC, we think Ofwat could go further to fully take account of the complex nature of behaviour change:**
 - **The proposals appear to have been developed in the traditional approach to achieving behaviour change, which is broadly based around the Information Provision Model. This model suggests that people do not complete a given behaviour due to lack of awareness or understanding of its benefits. Therefore, by providing people with sufficient knowledge, they can then weigh up the pros and cons and engage in the desired behaviour. Evidence shows behaviour is more personal and intrinsically linked to a range of factors and domains and people do not follow fully rational approaches to engage with information campaigns and subsequently engage in that behaviour¹.**
 - **A nudge approach alone is unlikely to be as impactful as a holistic campaign approach. Contemporary research and meta-analyses²**

¹ Whitmarsh, L., Poortinga, W., & Capstick, S. (2021). Behaviour change to address climate change. *Current Opinion in Psychology*, 42, 76-81.

² Whitmarsh, L., Poortinga, W., & Capstick, S. (2021). Behaviour change to address climate change. *Current Opinion in Psychology*, 42, 76-81.

suggest that the impacts of nudge alone may have been over-emphasised, though if incorporated appropriately with other insights from behavioural science, public behavioural campaigns can benefit significantly. Among recommended factors for campaigns are:

- use of an established model for behaviour change
- testing different messages and hooks (e.g. some people may be motivated by the environment)
- incorporating norms
- considering habit formation

Water use comprises a highly personal and individualised group of behaviours and concepts and any campaign will need to appeal to people's heads, hearts and homes.

- Incorporating consumer-facing professionals such as manufacturers, plumbers, retailers etc as ambassadors for the campaign. These groups were flagged in the scoping research though the consultation document does not propose a clear role for them in the WEC. Not only could such groups be seen as trusted messengers (the 'everyperson' compared to a nationally backed campaign), they may also interact with householders directly about water use and in homes where water is being used. This proximity offers a strong opportunity to reinforce and amplify campaign messages or demonstrate tips to fully empower householders to take on new behaviours or adapt existing ones.
- Learn from the experience of other countries. We note that similar activity (to the proposed Water Efficiency Campaign) has been undertaken in recent years in other parts of Europe. Energy Saving Trust is a long-standing member of the European Energy Network (EnR) a voluntary network of 24 national energy agencies from EU member states and neighbour countries. One of the primary objectives of the network is to facilitate international comparison, information sharing and knowledge transfer.

The remit of some of these agencies includes water efficiency, for example ADENE in Portugal and EWA (Malta's Energy and Water Agency) in Malta. Indeed,

the EnR now has a dedicated Water–Energy Nexus Working Group which is chaired by ADENE (and in which Energy Saving Trust participates). The group has a broad range of water related topics they are interested in exchanging knowledge and best practice on including:

- **water efficiency and combined water–energy efficiency**
- **water–energy nexus in renewable energy**
- **water reuse and new water sources (e.g., desalination)**
- **water and energy monitoring**
- **estimated impacts and contribution of water and energy integrated approaches to climate adaptation and mitigation goals**

Countries involved in the working group are Portugal (ADENE), Croatia (EIHP), Finland (Motiva) France (ADEME), Greece (CRES), Italy (ENEA), Malta (EWA), Netherlands (RVO) Slovakia (SIEA). All these agencies are involved in, or have an interest in, water efficiency related activities in their countries.

We have strong relationships with each of these agencies and as such, if it would be useful, we would be happy to send out a request for specific information to EnR members and/or arrange short calls for relevant Ofwat staff with relevant EnR members to see if they have any relevant insight that could help inform the design of the approach to the Water Efficiency Campaign.

Closer to home as part of the Home Energy Scotland advice service, which Energy Saving Trust delivers on behalf of the Scottish Government, we also deliver the 'Water is Always Worth Saving' campaign which provides free water efficiency advice³ and water saving devices to householders. This service is delivered on behalf of Scottish Water alongside our home energy advice. Since 2017 we have delivered water saving packs and advice to more than 97,000 households across Scotland. Using Energy Saving Trust's savings factors for behavioural changes and water saving devices, it is estimated that the advice provided in 2021/22⁴ and the 2020 Arran community campaign have helped customers to achieve lifetime savings of over 280,000,000 litres of water, £675,000 energy bill savings and 2,790t CO₂e reductions through reducing the amount of water they use.

³ See, for example: <https://energysavingtrust.org.uk/advice/saving-water-at-home/>

⁴ Up to the end of February 2022

We would be happy to share our experience of operating the Scottish Water scheme if this would be helpful to Ofwat in designing the Water Efficiency Campaign.

- **Learn from the experience of other sectors. As well as learning from the experience of other countries there is considerable scope to learn from resource efficiency campaigns in other sectors, for example the UK Government’s ‘It All Adds Up’ campaign which promotes simple actions to “cut bills by bringing down the amount of energy needed to keep homes warm and stay safe”⁵.**
- **Ensure that linked support is available across England and Wales so that people are able to take concrete action to save water (for example, by fitting a hose gun attachment, a regulated shower head or a cistern displacement device) as a result of increased awareness and understanding. Our experience of delivering the ‘Water is Always Worth Saving’ campaign on behalf of Scottish Water shows that a combination of behaviour change advice plus water saving device produces the most lasting change (compared to device alone or behaviour change alone). The level of engagement had with the householder also impacts likelihood to take action and continue to take action – e.g. having an in-depth conversation at a stall at an event and taking home water saving devices that day makes more of an impact than receiving a brochure in the post or by email.**

People think it is important to save water and energy but need simple actions to undertake. If behaviours/devices are thought to be too difficult or complicated to implement it will put people off from taking action.

While the consultation proposals recognise the importance of creating “routes to lead people to meaningful action: for example, via a web portal and/or phone line that link to relevant services from water companies, retailers and others” the extent to which services are available to support people to take concrete action is not clear, nor is it clear whether the provision of such services is consistent across England and Wales. In this context we think that greater consideration should be given to ensuring that, if people want to take action as a result of increased awareness and understanding, there is adequate support available for them to do so.

⁵ See: <https://www.gov.uk/government/news/small-changes-mean-energy-advice-campaign-adds-up-to-big-savings>

- **Ensure that the WEC is aligned to relevant climate change mitigation communications and campaigns. Figure 4 (which sets out the characteristics of the WEC that Ofwat thinks will be important) includes a section on ‘compatibility’ which notes that the campaign should "fit with existing work, regional differences, retail and wholesale roles, drought comms and adapts to events" and that the text associated with this diagram also notes the importance of fitting with "the weather and other events". We very much support the intention that the WEC fits with existing work and would like to emphasise the importance of ensuring that it ‘fits’ with relevant climate change mitigation communications and campaigns. Changing behaviours to save hot water results not only reduces greenhouse gas emissions but also results in long-term energy bill savings (about 12% of a typical gas heated household’s energy bills is from heating the water for showers, baths and hot water from the tap) thus providing an incentive to householders to save water over the long term. We note that there is a risk that those receiving advice and support on saving water in order to adapt to our changing climate may conclude that mitigation is no longer needed or that it has failed and so adaptation is the only action they can take. It is therefore vitally important that if messages about adaptation are used in any campaign it is made clear that mitigation is essential and that adaptation, while also essential, is not a substitute for action on mitigation.**
- **Consider taking a test and learn approach to some of the campaign to establish what works, tailor messaging to regions and ensure that the ‘messenger’ is impartial and trusted.**

Q4: What could we do to improve the effectiveness of our proposals for WEL?

In considering ways to improve the effectiveness of the proposals for the WEL it may be helpful to look at experience of similar activity in other sectors. Energy Saving Trust administers the Energy Industry Voluntary Redress Scheme⁶ on behalf of Ofgem. Under the scheme, registered charities, community interest companies, cooperative societies and community benefit societies can apply for funds to deliver energy related projects to support customers in vulnerable situations. Since Energy Saving Trust took over this work in 2018, the scheme has funded over 500 projects and has distributed over £110 million in funding.

⁶ <https://energyredress.org.uk/>

In addition to its priority on supporting energy consumers in vulnerable situations, the Energy Redress scheme can also spend up to 30% of its budget on projects that support innovation which benefits all energy consumers or which reduce carbon emissions. The scheme prioritises projects with high replication potential and which target key challenges to delivering net zero or issues faced by energy consumers in order to maximise the positive impact of the funding.

Examples of funded projects include:

- A cluster of projects taking different approaches to making low carbon retrofit more accessible and affordable and maximising the social benefit from it through social enterprise approaches.
- Projects developing new social enterprise business models to deliver community-owned energy for more applications and empowering and rewarding social housing tenants for participating in demand shifting.
- A project building the needs of people living with disabilities into the user-testing of new carbon reduction technologies.

We should be happy to share our experience of operating the Redress scheme if this would be helpful to Ofwat in designing the WEL.

We also think that Ofwat may be learn from relevant experiences in other countries. We note that similar activity (to the proposed Water Efficiency Lab) may be underway/have taken place in recent years across Europe.

As noted in our response to question 3 above Energy Saving Trust is a long-standing member of the European Energy Network (EnR) a voluntary network of 24 national energy agencies from EU member states and neighbour countries. One of the primary objectives of the network is to facilitate international comparison, information sharing and knowledge transfer.

The remit of some of these agencies includes water efficiency (for example ADENE in Portugal). We have strong relationships with all 24 agencies and as such, if it would be useful, we would be happy to send out a request for specific information to EnR members and/or arrange short calls for relevant Ofwat staff with relevant EnR members to see if they have any relevant insight or contacts that could help inform the design of the approach to the Water Efficiency Lab.

Q5: Which areas do you think the WEL could most usefully contribute to?

We have not responded to this section of the consultation as we have focused on the WEC.

Q6: In relation to the Cost Benefit Analysis, do you agree with our estimation of the likely benefits of the WEF? How could this be improved?

We agree with the estimation of the likely benefits. Estimations of this kind are always open to significant uncertainty due to the inability to predict the impact of campaigns accurately, particularly where behaviour change is involved. However, the analysis appears thorough and grounded in appropriate and evidence-based assumptions. Based on our experience of estimating, monitoring and evaluating impacts of similar campaigns, we see no reason to make any adjustment to the benefits estimates.

Implementing the fund

Q7: Do you support, partially support or not support the WEC being run by a central delivery body as outlined in section 5.2.1. Please give reasons for your answer and outline any other approaches to running the WEC you think would be more effective.

We support the WEC being run by a central delivery body, but we think there are some advantages to third party management around timing and pace of delivery that go beyond those discussed in the consultation document. These advantages could also be realised by a central delivery body appointed by competition but are less likely under a special purpose vehicle created to be a central delivery body.

WEC delivery model

Ofwat has identified a number of delivery models for the WEC and is seeking views from stakeholders on these models through this consultation.

Central delivery body

We agree with Ofwat that the central delivery body model has some key strengths. We agree that this could be an effective way of delivering the water efficiency campaign because it would be able to overcome the co-ordination challenges, create a unified brand and partner with a range of other organisations. A central delivery body could be created from scratch as a special purpose vehicle or be competitively commissioned via open competition.

We do think that Ofwat should consider some of the potential timing risks associated with the central delivery body model if created from scratch as a special purpose vehicle in a similar mould to Smart Energy GB. The central delivery body formed this way will take some time to establish before setting out its plans and beginning to deliver the campaign. Ofwat has indicated it would like to initiate the WEC before the end of 2025 which means that a new delivery body could face challenges appointing its senior team and being fully resourced and have engaged widely with stakeholders

in order to commence delivering the campaign by the end of 2025. In addition, establishing ways of working, corporate structure and recruiting the right staff in key roles will take time.

Third party delivery

We think that third party delivery of the campaign could similarly achieve the advantageous outcomes associated with a central delivery body and we recommend that Ofwat continues to consider models following this current consultation phase.

Energy Saving Trust is one of several bodies identified in the consultation as a third party that could potentially deliver the WEC. As a mission-based organisation with significant experience of delivering impactful water efficiency advice, Energy Saving Trust would seek to help Ofwat to deliver the WEC under any of these models as a delivery partner, part of a competitive consortia bid or delivering the campaign as a third party.

In the consultation Ofwat set out several challenging areas where a third party may struggle to deliver the WEC which mean this model is not the favoured approach for the WEC. Specifically, these are that to deliver the WEC a third party would require a high degree of focus, would need to manage substantial procurement risks and that delivery organisations would need to be resourced appropriately. We don't agree with this analysis, noting that Energy Saving Trust would be able to meet all of the challenges set out and pointing to our track record in delivering initiatives such as the Ofgem Redress funds and work for Scottish Water and therefore we think Ofwat should continue to consider this model of delivery in their options assessment.

Energy Saving Trust's potential role in WEC delivery

Ofwat identify a number of roles that third parties like can play in delivering the WEC and Energy Saving Trust is well positioned to support Ofwat at any level or role – from supporting partner to controlling mind – as a key partner to help deliver the campaign:

- Energy Saving Trust has more than 30 years of experience of providing impartial resource efficiency advice to people across the UK.
- We already deliver water efficiency campaigns within the UK in Scotland on behalf of Scottish Water. As part of the Home Energy Scotland advice service, operated on behalf of the Scottish Government, we also provide free water

efficiency advice⁷ and water saving devices to householders. This service is delivered on behalf of Scottish Water alongside our home energy advice. Since 2017 we have helped more than 97,000 households across Scotland.

- We are a trusted intermediary. In 2022/23 we reached over 12 million consumers through our website and media channels, helping 139,000 individual households directly with energy saving advice through our advice services.
- We have considerable experience and expertise in marketing and behaviour change in energy and water. For example in a water context using Energy Saving Trust's savings factors for behavioural changes and water saving devices, it is estimated that the advice provided in 2021/22⁸ and the 2020 Arran community campaign have helped customers to achieve lifetime savings of 280,000,000 litres of water, £675,000 energy bill savings and 2,790t CO₂e reductions through reducing the amount of water they use.
- Energy Saving Trust is experienced in delivering campaigns and programmes with their own specific brand names. This will be important for any participation of Energy Saving Trust in the WEC which we would expect to have a specific water focused branding rather than use any third party brand such as our own. For example, we deliver advice under the Home Energy Scotland and NEST brands, on behalf of the Scottish Government and Welsh Government respectively, which have their own distinctive identity separate from Energy Saving Trust's own brand.

Q8: Do you support our proposal to integrate the administration of the WEL with the Innovation Fund? Please give reasons for your answer.

No response.

Q9: Do you support the outline roles and responsibilities proposed for: a) Ofwat (Y/N) b) The advisory panel (Y/N) c) The delivery partner (Y/N) d) The evaluation partner (Y/N) How could our proposed approach to governance be improved?

The outline roles and responsibilities proposed for Ofwat, the advisory panel, the delivery partner and the evaluation look reasonable. However, we note that the number of roles listed for each of these bodies appears to be considerably greater for the WEL than for the WEC. The reasons for this are not clear. We think that there are a

⁷ See, for example: <https://energysavingtrust.org.uk/advice/saving-water-at-home/>

⁸ Up to the end of February 2022

number of roles for the bodies listed in relation to the WEC that are missing, including (but not necessarily limited to) expanded roles for the evaluation partner and for the advisory group. For example, the consultation document proposes that the sole role of the evaluation partner in relation to the WEC is to “advise on the evaluation of the WEC”, however there is likely to be benefit in the evaluation partner undertaking additional activities such as agreeing with project sponsors how the WEC will be evaluated. We also note that there is no mention of either evaluating the impact of the WEC or evaluating the impact of the WEL in Table 1 which appear to be important omissions.

In relation to the advisory panel, we note that its role in relation to the WEC is proposed as being to “support the WEC by facilitating data sharing and collaboration”. This feels like an unnecessarily limited role for the advisory panel. We believe that any advisory panel should have a broader role and that this should include making recommendations to Ofwat, for example about the shaping the development of the WEC.

Q10: What sort of representation should we seek on the advisory panel?

Energy Saving Trust agrees with Ofwat’s view that the panel will need “people who can bring a deep understanding of the issues facing the sector, expertise in specific areas (major campaigns, behaviour change etc), representation that explicitly covers both England and Wales, links to relevant areas of government including departments and regulators and expertise in both strategic planning and implementation”. We think that the panel should have representation from relevant UK Government and Welsh Government departments and that this should include representatives from Defra (whose responsibilities include water efficiency) and the Department for Energy Security and Net Zero (whose responsibilities include climate change mitigation which is relevant here because reducing hot water use reduces greenhouse gas emissions). We also think that it will be important to have consumer representation (through for example, the Consumer Council for Water) on any advisory panel as well as relevant academic/subject experts (for example the UK Government’s behavioural insights team and the Climate Change Committee).

We agree that the advisory panel should be small and agile. However, we note that there is likely to be a wider group of stakeholders beyond a ‘small and agile’ advisory panel whose additional insight and experience is likely to be useful, for example those with experience of delivering this type of campaign in Scotland and those with an interest in water efficiency from a climate change mitigation perspective. We

therefore think that it would be useful if consideration could be given to how additional experience and insight in these areas could be sought out as and when necessary.

One final point is that we note that the use of an advisory panel is equally possible with both a special purpose vehicle and a third-party delivery manager. We work with a similar panel structure ourselves in the delivery of Ofgem Redress and for community energy funds which we manage for the Scottish Government. A further benefit of such a panel is to facilitate strong links with the key stakeholders and this would be an important role for the panel if delivery of the WEC is carried out by a third party as this would help to mitigate the risk that otherwise the campaign would not have consistent, direct links from its water industry stakeholders.

Q11: Under the Innovation Fund, those requesting funds from the annual breakthrough challenge are required to provide a contribution of 10%. This is to make sure that bids have corporate backing and as a demonstration of commitment. Do you support taking a similar approach for projects in the WEL?

No response.

Q12: Do you have any comments on the proposals set out in Appendix B relating to evaluation, financing, achieving a legacy or protecting the funds? Please give reasons.

Energy Saving Trust has some specific comments on the proposals relating to evaluation.

Energy Saving Trust agrees with the consultation's proposed overall approach to the fund's evaluation. We agree that getting a contractor involved at the start of the campaign is important, especially to work on developing the theories of change to understand what impact is to be expected and how the activity will lead to the expected impact. This will ensure that the intermediary actions can be assessed to understand how the impact has been achieved or to understand why it has not occurred.

It is important that any data that needs to be collected by the projects is thought about in advance and that projects are provided with clear guidance (ideally written but also verbally e.g. delivered in a webinar) to ensure that the data is collected in the correct way and in a timely fashion. Projects should have access to an evaluation specialist to help support them in this. The evaluation plans need to strike the balance between being easy to be completed and consistent across projects for comparison but also have the flexibility to ensure that data is collected that is relevant to the individual projects.

We also think that process and impact evaluation should form part of any evaluation plans and note the importance of taking learnings from delivery team(s) as well as the projects.

Finally, we would like to emphasise the importance of ensuring that there is a mix of qualitative and quantitative data collected to ensure a comprehensive understanding of why change has happened.

Timescales

Q13: Do you agree with our indicative timescales (Y/N)? Please give reasons.

Energy Saving Trust agrees with Ofwat's indicative timescales for the WEL (6.1) and the WEC (6.2). If the forthcoming general election results in a change of government, it will be important that plans for the WEC and the WEL take the ambitions of any new government into account. A change in context may necessitate changes to timescales for both the WEC and the WEL.

Q14: Do you support the use of a gated mechanism to provide oversight of the WEC (Y/N)? Please give reasons.

Yes, Energy Saving Trust supports the use of a gated mechanism to provide oversight of the WEC. We think this is a sensible approach as it not only gives Ofwat good oversight of the campaign, but it also provides them with the ability to direct the campaign

Q15: Is there anything else we should consider when designing the approach to the WEL?

No response