

Ofwat Innovation fund – approach for 2022-25

Overview

General Comments

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Detailed Response

Specific Comments

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6	Do you have any comments on our themes for 2022-25 of the Fund?
<p>Scottish Water welcomes the greater alignment of the Ofwat innovation themes to the sector innovation strategy. We note that the challenge around “providing clean water for all” in the sector strategy does not feature in the Ofwat themes.</p> <p>The provision of drinking water in the UK, while of a high standard, does require a rethink as to whether the current centralised treatment, chemical and energy-intensive approach is the most sustainable. Development of sustainable demand for drinking water and non-potable water requires the development of innovative approaches. This seems to be a significant omission from the themes. It may be implicit in Theme 1 but perhaps needs to be called out as a key challenge.</p>	
7	Do you have a view on if we should use specific, targeted challenge(s) for future competitions? If you think we should, do you have a view on how we should create them and which future competitions we should apply them to?
<p>Specific, targeted challenges for future competitions should form part of the approach to innovation funding.</p> <p>Innovation has a greater chance of success, and a greater pace of adoption, if it is addressing an unmet, end-user need. Our experience in Scottish Water shows that when there is a pull from the Business for innovation the pace of adoption is increased and the willingness to overcome barriers is greater. Part of the challenge that we have as a sector in being perceived to be slow to innovate is due to innovators and the supply chain having to second guess what the innovation need is likely to be, and what the investment priorities are.</p>	

It is important that specific challenges are included as a subset of the innovation themes so that there is strategic alignment. Otherwise, there will be confusion in the innovation 'ecosystem' about where to focus.

Whilst at a macro level the challenges faced by the water industry are common, the starting point for individual companies may differ greatly. A degree of alignment of challenges with the investment priorities of individual companies is required to ensure there is sufficient market demand for the innovation ie the rate of adoption across the sector will vary unless there is an imperative to invest.

Identification of the challenges should be carried out in conjunction with the water companies. *Spring* has been established to co-ordinate sector level innovation and this should be used to facilitate the identification and development of the challenges.

Section 3: Proposed competition approach for 2022-25
8 If we introduce this new competition focused on earlier stage innovations, would innovators consider entering? Please explain your answer.

The terms of a competition focused on early-stage innovation should be clearly set out for potential entrants. There are examples of programmes eg *CanDo*, run by Scottish Enterprise, where early-stage ideas are sought which focus on a specific challenge, with funding provided to conduct feasibility testing and piloting.

Without a clear focus it would also make assessing early-stage ideas difficult as they can only be judged on their individual merits, rather than in comparison to something else.

A competition of the type proposed could be useful in providing early-stage innovators with market validation and understanding to enable them to attract or secure investor-support. A clear route that goes beyond this stage to market is important, as neither the Ofwat innovation fund nor the industry has the capacity to support product development to market.

It is important to focus more broadly than technological innovation and highlight behavioural and customer innovations also.

9 Do you have any views on how we could structure the new competition? We have provided indicative figures above but would welcome your thoughts on entry value limits, the amount of the overall fund allocated to this new competition, the frequency of this new competition (for example annually)?

The level of award (up to £250,000) seems reasonable for early-stage ideas, allowing the idea to be validated and tested, proving there is merit in further development. However, there would need to be involvement of subject matter experts and business advisors to determine whether the technical and commercial merits of the proposed ideas have merit. The evaluation of ideas would also have to be focused on potential ie the judging panel would need to have an appropriate skill-set to support this.

<p>Scottish Water can also see a way of raising the stakes by bringing in a big challenge opportunity. Ofwat could link with the World Bank, the Earthshot prize, and/or the Gates Foundation, for example, to create a high-level, eye-catching award in a particular area of innovation.</p>	
10	<p>Is there anything else we should consider if we introduce this new competition?</p>
<p>The main question that needs to be considered in running this type of competition is - what is it a gateway to?</p> <p>Partnership with Innovate UK or venture capital funds should be considered so that ideas with potential have access to the support they need to take them to fruition.</p> <p>To help achieve this level of support Scottish Water would suggest building the following into the competition:</p> <ul style="list-style-type: none"> • bringing along partner groups or organisations • assessing products with regulators • innovating in the social space 	
11	<p>How could water companies and water stakeholders most effectively support and engage with this proposed new competition?</p>
<p>Water company and stakeholder support should be in the arena of providing challenges for the innovators to target; as well as feedback on whether the ideas have potential. Guidance on what criteria would need to be met for the idea to be accepted should also be provided.</p>	
12	<p>Do you have any views on the areas we have identified for potential water company and water stakeholder support?</p>
<p>Scottish Water supports the areas identified for water company support.</p>	
13	<p>Do you have any comments on our proposed approach for the Catalyst stream for 2022-25? We have provided indicative figures but would welcome your thoughts on award amounts, entry values, entry requirements, entry process and frequency of competitions?</p>
<p>No comment</p>	
14	<p>Do you have any comments on our proposed approach for the Transform stream for 2022-25? We have provided indicative figures but would welcome your thoughts on award amounts, entry values, entry requirements, entry process and frequency of competitions?</p>
<p>No comment</p>	
15	<p>Should we enable any organisation to enter the Transform stream without needing to be in partnership with a water company? Please explain why.</p>

	<p>There is a risk that organisations entering the Transform stream without end-user involvement will develop solutions that do not address need; or are so radical they will not be adoptable by the industry.</p> <p>The challenge will be in evaluating the proposals and determining whether they are likely to be adopted by the industry.</p>
16	<p>Does the proposed competition approach for the innovation fund for 2022-25 make you more or less inclined to enter? Please explain your answer.</p>
	<p>Does not change our inclination to enter.</p>
17	<p>Are there any barriers you can see with our proposed competition approach for 2022-25?</p>
	<p>No comment</p>
18	<p>Are there other ways or approaches you think we should consider for the innovation fund for 2022- 25 that may better enable new innovations to come forward and / or make future competitions more appealing to innovators?</p>
	<p>No comment</p>
19	<p>Do you have any further comments on either the proposed approach for 2022-25 or your experiences from the pilot period?</p>
	<p>No comment</p>
20	<p>The innovation fund was set up to run between 2020-25, we would welcome your thoughts on if we should consider running the innovation fund, or an adapted version of the fund, beyond 2025.</p>
	<p>The innovation fund needs to be run independently of the constraints of regulatory periods. True innovation is a messy process and constraining it within regulatory periods leads to uncertainty and inefficiency. The fund needs to be a rolling one, particularly where funding is required at both early-stage and Transform/Catalyst stage. Innovators will need some assurance that, if they invest time and money developing solutions, future funding sources will be available.</p>
21	<p>To help us improve in future, we would welcome any thoughts you have on this consultation.</p>
	<p>No comment</p>



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