



Action for Warm Homes

Innovation Fund Consultation Response

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NEA response to open consultation on Ofwat's Innovation Fund – approach for 2022-25

National Energy Action (NEA) is the national fuel poverty and energy efficiency charity, who has campaigned for the last forty years to ensure everyone can live in a warm and safe home. For decades our Innovation and Technical Evaluation Team have been at the forefront of trialling new technologies in fuel-poor households to better understand how innovation and technology can make a fundamental and sustainable difference to comfort, warmth, and the affordability of energy bills.

Since 2019, we have been working on raising awareness of water poverty, aligning policy and practical action to make a positive change for households in water poverty and fuel poverty. We were a successful applicant to the first round of the Water Breakthrough Challenge, for our consortium bid "Transforming Customers' Lives: Integrated Pathways to Fair and Sustainable Water (FAIR WATER)". We have also agreed to be an expert advisor to two projects funded during the second round of the competition. In addition, our Chief Executive, Adam Scorer, has been on the judging panel for the Catalyst stream of the competition.

NEA welcomes the opportunity to provide our views on the future of the innovation fund, which can be found in the remainder of this document. We have chosen not to respond to all of the questions in the consultation document.

Q1. Do you have any comments on our themes for 2022-25 of the fund?

Of the projects funded in the first two rounds of the fund, very few were focused on delivering outcomes for customers in vulnerable circumstances, and we are concerned that the proposed revisions to the themes will not correct this. There was a clear focus on addressing vulnerability and affordability during PR19, and this focus has continued during the current AMP and into the initial outlook for PR24.

NEA would therefore like to see the following (or similar) wording included as a theme in the innovation framework to ensure low-income and vulnerable households are supported:

"Considering new ways of supporting customers with affordability issues and those in vulnerable circumstances, through direct and indirect support which benefits customers, and keeps bills affordable."

the national energy action charity

President: Baroness McIntosh. Vice-Presidents: David Green OBE; Baroness Hilton of Eggardon; David Porter OBE; Lord Shipley of Gosforth OBE. Chair: Claire Durkin. Chief Executive: Adam Scorer.

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We believe the inclusion of affordability and vulnerability as a key strategic challenge to be addressed by the innovation competition will reflect the importance Ofwat placed on this theme during PR19 and continues to do in the current AMP. Given the current cost of living crisis, which Ofwat research shows is having a substantial impact on water customers' health and wellbeing, we feel it more important than ever that innovators are encouraged to find solutions to help some of the hardest hit in society.

Q2. 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?

Specific and targeted challenges have been used successfully elsewhere (for example, Ofgem's Strategic Innovation Fund (SIF) currently launches four targeted challenges via UKRI). However, these challenges often overlap, and therefore it can become challenging to decide which to apply to.

The current approach of application for the Ofwat innovation fund allows applicants to apply against multiple challenges, which in many instances is most appropriate. Therefore, we would support retaining this approach. However, it may be appropriate to consider if the application questions would differ by challenge area – if so, these could be asked of the applicants on selection of the challenges they select as being addressed by their project.

It may also be appropriate to consider if there are specific challenges which could be introduced, alongside the pre-agreed themes, for each competition. This could encourage additional, targeted entries, which could help the sector address some of the current challenges that may either fall outside of the themes, or that warrant additional attention.

Finally, an alternative approach could be to have 'priority' challenges which must be addressed in addition to another challenge or theme. For example, if the competition was to focus on affordability as a priority challenge, it could encourage innovators to think about how they can address affordability issues through work in other areas, such as data or engagement.

Q7. Do you have any views on the areas we have identified for potential water company and water stakeholder support?

We agree with the areas identified for potential water company and stakeholder support; we would request that, particularly in regard to the selection of winners, charities and/or consumer bodies are adequately represented on the panel, to ensure that customers' voices are heard. These stakeholders should also span a wide range of consumer issues, to ensure a rounded approach is taken.

Q10. Should we enable any organisation to enter the Transform stream without needing to be in partnership with a water company? Please explain why.

No, we think it is appropriate for entries to the Transform stream to be in partnership with a water company, as this ensures accountability, relevance, and assessment of direct customer impacts.

Q15. 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.

We believe it is appropriate to continue with an innovation fund past 2025 to ensure that future challenges can be addressed. The themes and challenges should be reviewed and updated regularly (perhaps on an agreed three-year timescale, with the option for targeted challenges to be introduced with each round of

the competition). It may be appropriate to review the structure of the competition following feedback of the 2022-25 rounds.

It is especially important to consider the longevity of the challenges we are trying to address. In the context of affordability issues, the current cost of living crisis is pushing households to the extremes, and poverty is going to be a long-term issue for many. The industry has committed to a number of targets which extend past 2025, including having 'zero households in water poverty' and achieving net-zero by 2030. Therefore, this competition (or alternative funding sources) must be available for the longer-term to ensure these challenges can be appropriately addressed.

Finally, we wish to reiterate our calls for a stronger focus on affordability and vulnerability in this competition and any future iterations. So many stakeholders are publicly discussing the current cost of living crisis, with many support organisations stating they are now "running out of tools in the tool box". We need to start thinking, and quickly, about the solutions we can develop to try and minimise the impact of this crisis on households. Doing so could literally save lives, and every opportunity to identify appropriate solutions must be maximised. We would therefore urge Ofwat to consider this as a key theme, and to also consider introducing this as a specific challenge (as proposed in Q2) for the next round of the competition.

We would be happy to discuss any of the points raised within this letter with you further,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jess Cook', written in a cursive style.

Jess Cook (Project Development Manager (Water Poverty))

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