

[REDACTED]
[REDACTED] We were founded in the United Kingdom, and now operate across five continents and 22 countries. We support more than 350 water agencies, 35 of these Australian, across the public and private sector in the identification and adoption of leading-edge technology and innovation.

While the IPART Positioning Paper refers to 'encouraging innovation' in the Sydney Water business, the text as written is not consistent with this objective.

There are a number of significant barriers to innovation in NSW water utilities, and the Positioning paper does not address these to any extent.

These barriers include, but are not limited to:

- Paucity of research and innovation funding
- Low risk appetite and tolerance for failure
- Excessive governance and procurement
- Short-term performance reporting.

Leading practices in regulation worldwide incentivise innovation, and there is no mention of such in the document. We believe that an opportunity has been missed by IPART, and that Sydney Water and others should be incentivised to innovate, and that innovation expenditure should be commensurate with their private sector counterparts.

Attached is a list, by no means exhaustive describing the means by which leading regulators encourage (and incentivise) innovation in their respective sectors. Notable examples include those of the UK energy regulator (OFGEM), who are leading the way in this field, while the UK water regulator (OFWAT) are currently copying their model.



30 October 2020

Tribunal Members
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35 Haymarket Post Shop
Sydney NSW 1240

Dear Dr Paul Paterson, Ms Deborah Cope and Ms Sandra Gamble,

Thank you for the opportunity to provide feedback on the Position Paper for the WATER PRICING AND LICENSING - REGULATING WATER BUSINESS. SPECIAL REVIEW.

While the IPART Positioning Paper refers to 'encouraging innovation' in the Sydney Water business, the text as written is not consistent with this objective.

There are a number of significant barriers to innovation in NSW water utilities, and the Positioning paper does not address these to any certain degree.

These barriers include, but are not limited to:

- Paucity of research and innovation funding
- Low risk appetite and tolerance for failure
- Excessive governance and procurement
- Short-term performance reporting.

Leading practices in regulation worldwide incentivise innovation, and there is no mention of such in the document. We believe that an opportunity has been missed by IPART, and that Sydney Water and others should be incentivised to innovate, and that innovation expenditure should be commensurate with their private sector counterparts.

Provided here is a list, by no means exhaustive, describing the means by which leading regulators encourage (and incentivise) innovation in their respective sectors. Notable examples include those of the UK energy regulator (OFGEM), who are leading the way in this field, while the UK water regulator (OFWAT) are currently copying their model.

Network Innovation Stimulus

(<https://www.ofgem.gov.uk/network-regulation-riio-model/current-network-price-controls-riio-1/network-innovation>)

- Introduced as part of the RIIO-T1 and RIIO-GD1 price controls to provide essential backing to innovative projects
- Projects which aim to help make the energy networks smarter, accelerate the development of a low carbon energy sector and deliver financial benefits to consumers.

Network Innovation Competitions (NICs)

- Two annual NICs included within the Stimulus, one for electricity transmission companies and one for gas network companies.

Network Innovation Allowance (NIA)

(<https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation/electricity-network-innovation-allowance>)

- Set allowance each RIIO network licensee receives as part of their price control allowance.

Innovation Link

(<https://www.ofgem.gov.uk/about-us/how-we-engage/innovation-link>)

- 'One stop shop' offering support on energy regulation to businesses looking to launch new products, services or business models
- Supported start-ups, corporations, councils and not-for-profits.

Regulatory Sandbox

(<https://www.ofgem.gov.uk/publications-and-updates/what-regulatory-sandbox>)

- Enables innovators to trial new products, services and business models without some of the usual rules applying
- Now run two application rounds (called 'windows')

OfWat

<http://brilliantnoise.com/wp-content/uploads/2020/09/UK-2050-Water-Innovation-Strategy.pdf>

<https://www.ofwat.gov.uk/wp-content/uploads/2019/10/Time-to-act-together-Ofwats-strategy-1.pdf>

Ofwat water innovation competitions

<https://www.ofwat.gov.uk/wp-content/uploads/2020/08/Ofwat-water-innovation-competitions-briefing-sheet.pdf>

- Ofwat has established a £200 million innovation fund to encourage innovations that will transform water and wastewater services in England and Wales.
- In 2021 Ofwat will run two types of competition that water companies, new entrants and others can enter with their innovations.
 - A £2 million 'Innovation in Water Challenge' for small projects up to £250k. The first round will open for entries from January 2021.
 - A £40 million main competition. The first round will open for entries from April 2021.
- Further rounds of each competition planned through to 2025.

Water Industry Commission for Scotland (WICS) and Scottish Government ethical business regulation

https://www.watercommission.co.uk/UserFiles/Documents/SRC21_Innovation%20and%20Collaboration_Methodology_WICS_amended.pdf

Hydro Nation Water Innovation Service

<https://www.hnwis.scot/>

- The Hydro Nation Water Innovation Service (HNWIS), established by the Scottish Government through Scottish Enterprise and Highlands and Islands Enterprise, works with innovative Scottish companies, particularly Small and Medium Enterprises (SMEs) and supports them along the innovation path to commercialisation.
- Supports companies through; market Insight and information, company collaboration, general support and guidance, and HNWIS technical support.

Once again, thank you for your consideration of this feedback. I would welcome the opportunity to discuss this in more detail.

With best regards,

