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1. About the Fund

1.1 How were the four strategic innovation themes developed?

[The four strategic innovation themes](#) set out the big challenges facing the sector that would benefit from additional innovation.

Through the competitions, the Ofwat Innovation Fund supports initiatives that can deliver significant value for customers, society and the environment aligned with one or more of these themes. We consulted on these themes and published the five strategic themes in our [policy decision document](#) in August 2020.

Following the feedback we received during the pilot period, we consulted on updating the strategic innovation themes in April 2022 to align more closely to the [2050 water innovation strategy](#) and the UK Government [Strategic Policy statement](#) (please visit the [Ofwat website](#) to see responses to all consultations).

As a result, four updated themes for 2022–25 were published in our [policy decision document](#) in July 2022. We no longer explicitly reference open data or vulnerability in the themes. However, both would be implicit in theme 4 (and others), and both would easily be a means to fulfil this theme.

While no longer explicitly referenced in the themes, enabling activities are still very important to drive innovation in the sector and have a key role to play in helping the Fund achieve its outcomes. We invite entries in this important area as they will support the Fund's ambition to embed innovation practices and knowledge within water companies (and the sector) for the long term.

1.2 Who is funding the Innovation Fund?

The Innovation Fund is financed by household water and wastewater customers in England and Wales.

1.3 When are the next competitions?

We have run three rounds of the Water Breakthrough Challenge, and will run more rounds up to March 2025:

- The Water Breakthrough Challenge 4 opened on 5 September 2023.
- For 2024–25, we will aim to launch the competition in September and conclude by March of the following year.

The first 'open access' competition, the [Water Discovery Challenge](#), launched in January 2023. We will review the success of this initial competition before making a decision on the frequency of future open access competitions.

We will consider adjusting competition design parameters, including competition scheduling, if this will improve the Fund's outcomes. This may include the introduction of targeted, challenged-based competitions across this period. In the event that this happens, we will provide sufficient notice to stakeholders. As we design future competitions, we will also bear in mind the 2024 price review and its impact on the sector.

1.4 What do you mean by 'benefits for customers'?

One of the priorities for Ofwat's Innovation Fund is enabling the water sector to better meet the evolving needs of its customers. This is focused on household customers in England and Wales, although benefits to non-household customers are also encouraged. All entries that propose primarily to benefit non-household customers must also demonstrate how the proposal can benefit household customers.

Entries should clearly explain how the proposed innovation will make a difference for customers – for example, by lowering costs, giving them insights to help them plan their water use, or improving their experience of their local water environments.

2. The Water Breakthrough Challenge Round 4 ('Breakthrough 4')

2.1. How is Breakthrough 4 different from previous competitions in the Innovation Fund?

Breakthrough 4 has been designed to be consistent with round 3, with most features remaining the same.

In Breakthrough 4, Ofwat is eager to hear even bigger and bolder ideas, with a greater focus on generating and sharing knowledge, and rolling out successful innovations. The entry form questions and guidance have been updated to reflect this ambition.

In consultation with the water companies, timelines have been further Streamlined compared to the previous round. The aims are to: improve process efficacy; increase visibility across the Streams; ensure a Streamlined approach to portfolio recommendations based on gaps in the market and various levels of innovation risk; and manage entrants and winners of the competition as a unified cohort.

In light of this streamlined approach, Breakthrough 4 will resort to a single, unified judging panel to review entries to the Catalyst and Transform Streams.

Following feedback from the trial in the previous round, Breakthrough 4 will offer the opportunity of a live Q&A session for the entrants to respond to judges' questions as part of the entry process. Please note entrants will **not be requested to pitch to the judges** in this round.

In exceptional circumstances, some unsuccessful entrants to stage 1 of the Transform Stream might consider entering the Catalyst Stream (which closes on 3 January 2024) with a revised entry. Information about this option has been included in Appendix 2 of the Entrant Handbooks ([Catalyst](#) and [Transform](#)), and the [terms and conditions of the Challenge](#) have been updated accordingly. Please note, this does not represent a recommendation from the Fund to enter the Catalyst Stream. Entering the Catalyst Stream after the Transform Stream will not in any way guarantee that your entry will be successful in winning funding. All entries to the Catalyst Stream are subject to the same entry process, terms and conditions, and assessment.

Finally, [Water Discovery Challenge](#) Finalists who are eligible to enter the Catalyst Stream of Breakthrough 4 and intend to enter must notify the Fund delivery partners by 1 November 2023 at the latest. These entrants will be required to formally withdraw from the Water Discovery Challenge in order to enter the Catalyst Stream. The [Catalyst Stream Entrant Handbook](#) and the [Challenge terms and conditions](#) have been updated accordingly.

2.2 What are the key dates and stages for Breakthrough 4?

The two Streams of Breakthrough 4 have slightly different key dates, as the Transform Stream has a two-stage entry process:

Catalyst Stream

The Catalyst Stream opens for entries on 5 September 2023 at 12 noon (BST)

The Catalyst Stream closes for entries on 3 January 2024 at 12 noon (GMT)

Transform Stream

Stage 1 opens for entries on 5 September 2023 at 12 noon (BST)

Stage 1 closes for entries on 19 October 2023 at 12 noon (BST)

Stage 2 opens for entries on 16 November 2023 at 12 noon (GMT)

Stage 2 closes for entries on 10 January 2024 at 12 noon (GMT)

Both Streams

Judging Panel meeting: 26–27 March 2024

Winners announced: By mid-May 2024

3. Who can enter and partnership arrangements

3.1 Who can enter Breakthrough 4?

The lead entrant must be one of the [licensed water companies or NAVs in England or Wales](#). We strongly encourage lead entrants to enter the Challenge in partnership or consortia.

We encourage water companies and third parties to actively establish new partnerships to enter the Challenge. Partners of water companies do not need to be based in England and Wales.

Water companies can enter in partnership with any organisation within and outside the water sector and internationally. Examples include, but are not limited to: academia, water retailers, start-ups, and small businesses across sectors such as energy, manufacturing, health or financial services.

3.2 Can organisations other than the water companies in England and Wales lead entries to the Water Breakthrough Challenge?

For Breakthrough 4 water companies, including NAVs, are required to be the lead entrant. Other organisations, in partnership with the lead entrant, can develop the entry. If the entry is successful, entry partners will have access to the funding via the lead entrant.

For the Catalyst Stream, partners other than the lead water company can submit the entry via Submittable, which will then be shared with the lead entrant water company for validation.

3.3 Who would be the signatory of the winner's agreement if partners are submitting an entry to the Catalyst Stream?

A senior, accountable person employed by the lead entrant, i.e. the lead water company indicated in the entry, will act as signatory.

3.4 I'm a water retailer. Will I be able to access the funds directly in future rounds?

As a water retailer, you are able to enter Breakthrough 4 as part of a partnership or consortia led by a registered water company (including NAVs) in England and Wales.

The first Water Discovery Challenge was open to organisations other than water companies as the lead entrant. The entry period has now closed and [the Finalists have been announced](#).

3.5 For how long should partnerships be in place?

Partnerships should be in place for as long as is required for successful delivery of the initiative. Successful entries will provide evidence to the judges to demonstrate the strength of collaboration arrangements through the entirety of the initiative or project life cycle.

We recognise that it takes time to forge good relationships, so we'd encourage you to plan early and also have an eye on future competition rounds. We recommend that you do not wait for a competition to open to start developing relationships to ensure sufficient time is allowed to nurture relationships and hone entry ideas.

3.6 Do you have any advice for organisations from outside the water industry to find partners?

Please review our ['Find a partner' page](#) for up-to-date information on working with the water sector.

3.7 Can partners who have already worked together enter?

Organisations that have already worked together are welcome to enter. However, we strongly encourage the formation of new partnerships that bring additional value to individual entries.

3.8 What is the preferred partnership or consortium set up? Is a large consortium of organisations more likely to win funding than a group of two or three organisations?

We have not set out a preferred make up of partnership/consortia as we do not want to restrict any opportunities at this stage. Entries will be assessed against the assessment criteria.

You can read the full assessment categories and guidance for each Stream of Breakthrough 4 on their dedicated pages:

[Catalyst Stream](#)

[Transform Stream](#)

3.9 Who will be responsible for the legal agreements between participating companies?

The lead entrant (a water company, including NAVs) of any successful entries will receive the funds and is responsible for any relevant legal agreements.

It is a contractual matter between members of a partnership to make their own arrangements on how the funds and responsibilities will be split and allocated between different parties within the partnership. This also applies where there is a consortium of water companies.

The Fund strongly encourages entrants to develop collaboration agreements in advance of the project start to avoid delays if the entry is successful. You are welcome to use the [template collaboration agreement available on our website](#).

3.10 Can I enter Breakthrough 4 if I was unsuccessful in the Water Discovery Challenge?

Unsuccessful entrants to the Water Discovery Challenge can enter Breakthrough 4, provided they are doing so in partnership with a lead entrant water company.

4. Your initiative for entry

4.1 What kind of entries are you looking for?

Both Streams of Breakthrough 4 are looking for your ideas that address the big challenges facing the water sector – guided by [Ofwat's four strategic innovation themes](#). We aim to fund a wide range of entries that will showcase a diverse mix of innovative ways of working and solutions.

See sections 'What we are looking for' and 'Entering the Catalyst/Transform Stream' of the Entrant Handbooks ([Catalyst](#) and [Transform](#)) for more details on what we are looking for and the assessment criteria for both Streams.

4.2 Can you enter with a pre-existing initiative or project?

We seek innovative entries that go beyond business as usual to deliver tangible benefits for customers, society and the environment.

You should not enter with business initiatives as usual, but you can enter with initiatives that are part of a larger initiative or project.

The scope of the initiative you are entering should be made very clear. Please note, the entry will be assessed based on what will be delivered as part of that scope rather than the scope of any wider initiatives.

4.3 Can I submit my Water Discovery Challenge finalist project to Breakthrough 4 for a chance to win additional funding?

Discovery finalist projects shall not enter Breakthrough 4 while actively involved in the [Water Discovery Challenge](#).

If you are a Discovery finalist and wish to enter the Catalyst Stream of Breakthrough 4, you must notify the Fund delivery partners by 1 November 2023 at the latest. Discovery finalists who choose to do this must fully and unconditionally withdraw from the Discovery competition in advance of applying to Breakthrough 4.

Please note that both Discovery and Breakthrough 4 are competitive processes. Entering the Catalyst Stream after withdrawing from Discovery will not in any way guarantee that your entry will be successful in winning funding. All entries to the Catalyst Stream are subject to the same entry process, terms and conditions, and assessment.

4.4 Can I submit the same entry to future rounds?

The same entry may be submitted to future rounds, provided it can comply with the criteria for that round.

We will aim to provide clear feedback to support further development of unsuccessful entries. The same entry should not be resubmitted until relevant feedback has been considered.

We are also open to winners using later competition rounds to further the development of a previously successful entry – subject to continued compliance with the criteria for that round, including evidence and assurance that there is no double funding.

4.5 Will you welcome projects that move across several innovation stages (a 'stage-gate' approach, e.g., taking the initiative from pilot to rollout)?

Yes. We are seeking ambitious and innovative entries. However, we recognise that audacious “sector-changing” plans can present risks. As such, we actively encourage entrants to use stage gates as part of their governance plans to mitigate innovation risks. This is an established approach to innovation and project management.

Entrants will be responsible for managing delivery against milestones and adapting delivery to realise the intended impact most efficiently and effectively, with the support of Ofwat and the Breakthrough 4 delivery partners. Please note we are unable to offer partial funding, so the decision to fund or not fund is made against the entire entry.

4.6 What is your advice on delivery timeframes for the initiatives funded through Breakthrough 4?

We are open to a wide range of project delivery timelines, from less than a year to multi-year periods that continue beyond 2025. There is no requirement for delivery to be completed within the current asset management plan (AMP) period.

We expect initiatives entered into Breakthrough 4 to start within six months of being awarded funding. While we recognise that particularly complex entries may require a longer mobilisation period, based on past winners' experience and feedback, we strongly encourage entrants to consider the following points in advance of the project start to avoid delays if the entry is successful:

- Ensuring you've agreed on how the project will be governed and the role of each partner.
- Ensuring you have started discussing contractual arrangements with partners, including developing collaboration agreements and allowing sufficient time in the project plan for these to be completed (if they aren't already in place). A [template collaboration agreement is available on our website](#).
- Considering your procurement needs and possible supply chain delays
- Considering any regulatory requirements: You may wish to reach out to [StreamLine](#), the regulatory advice service for innovators in England and Wales, run jointly by Ofwat, the Drinking Water Inspectorate and the Environment Agency.
- Considering resourcing requirements for each stage of the project, with mitigations in place for any changes.

4.7 Can the initiative be carried out between the sites of the partners and not solely the lead entrant?

The location of work will be up to those submitting the entry.

5. Entering the Water Breakthrough Challenge

5.1 What will I need to submit to enter Breakthrough 4?

A summary of what you are required to submit to enter Breakthrough 4 is provided on the ['Get involved and enter' page](#).

5.2 Can I switch between the two Streams of Breakthrough 4?

You will not be permitted to switch Streams once you have submitted your entry.

However, if you enter the Transform Stream and are unsuccessful at stage 1, you are considered to have exited the Challenge altogether.

If you exit the Transform Stream at Stage 1, you may enter the Catalyst Stream if the entry meets all of the eligibility criteria. Your likelihood of success does not increase in the Catalyst stream if you have previously entered the Transform stream. Beyond standard feedback provided at the sole discretion of the Fund, no assistance can be provided by Ofwat or the delivery team to any entrant. Further information is available in Appendix 2 of the Entrant Handbooks ([Catalyst](#) and [Transform](#)).

5.3 I'm entering the Transform Stream – what will happen if I'm invited to Stage 2?

If you're successful in Stage 1 of the Transform Stream, you will be invited to Stage 2 when it opens on 16 November 2023 at 12 noon (GMT).

You will have access to your entry again in Submittable, and the entry form will have been updated to reflect the changes set out in the Entrant Handbooks ([Catalyst](#) and [Transform](#)). You can change answers to all your questions in this period, provided that the entry remains consistent with what was submitted during Stage 1.

You will be welcome (but not obliged) to re-record your pitch recording during the Stage 2 entry period.

Once Stage 2 closes on 10 January 2024 at 12 noon (GMT), your entry will be completely reassessed. This may be by a different assessment team who first reviewed your entry.

5.4 Is the entry to the competition confidential?

You will be asked to indicate in your entry the sections which are confidential. Entries, including confidential information, will be shared in confidence with those involved in running and assessing entries, i.e., the Challenge delivery partners, assessors and the judging panel. Details of entries will be considered as part of our ongoing evaluation activities and may form evidence for future policy developments.

Ofwat may include non-confidential information about your entry in decision documents and other publications.

Please refer to the [Challenge terms and conditions](#) for more information.

5.5 Can you accommodate reasonable adjustments to support me to enter?

We are committed to enabling a diverse range of entrants to enter Breakthrough 4. If there are any reasonable adjustments that would support you to enter, catering for any additional needs you may have, please contact waterinnovation@challengeworks.org.

5.6 How many entries can I submit?

You can submit as many entries into the Challenge as you like, providing each entry is for a different initiative. We will ensure that we progress a diverse portfolio of entries in terms of entry themes, types, entrants and geographic location.

5.7 I can't seem to work on multiple entry drafts on Submittable; what should I do?

If you wish to work on more than one draft of the online entry form during the entry period, please contact the team at waterinnovation@challengeworks.org for assistance.

5.8 I need help using Submittable; what should I do?

If you're having any problems with Submittable, please contact the team at waterinnovation@challengeworks.org for help. There are self-service help files available directly [from Submittable](#).

5.9 When I export from Submittable, the rich text formatting is removed; what can I do?

Unfortunately, the export feature in Submittable strips away any rich text formatting, such as bold, italics and bullet points. Submittable is exploring adding exporting rich text formatting in their development roadmap, but please be reassured that assessors and judges have access to review your entry directly on Submittable so they can see entries with all the formatting that is input when you submit.

5.10 I'm having problems uploading attachments in Submittable; what should I do?

There are known issues with using Submittable when using certain firewalls, which block the ability to upload documents to Submittable. At this time, we are aware that this most commonly affects entrants using Submittable while the Dwr Cymru Welsh Water firewall is active.

Where possible, please save your entry and attempt to use a device not using a firewall, but if this isn't possible or practical, please feel free to send any relevant attachments to

waterinnovation@challengeworks.org with reference to your entry, and we will attach them on your behalf.

5.11 I have a question about the entry process; what should I do?

We offer one-to-one surgery sessions during the entry period to give entrants an opportunity to ask questions about the entry process. Their aim is to help clarify publicly available information and support entrants in understanding the guidance currently available.

You can [sign up for a 15-minute session](#), and one of the delivery teams from Challenge Works, Isle and Arup will aim to answer all your questions on the short call. If we aren't able to answer your question on the day, we will then go away and aim to get back to you as soon as possible with an answer.

You are welcome to book as many surgery sessions as you wish, and you can bring along multiple team members.

Surgery sessions will be carried out using Zoom. If this is a technical issue for you, please email us at waterinnovation@challengeworks.org, and we can organise a phone call or use Microsoft Teams.

Please note the delivery team will not be able to provide any guidance on entries themselves through the surgery sessions.

6. Pitch Recordings

6.1 What are pitch recordings, and what should they look like?

Pitch recordings are short video recordings that are viewed alongside your entry to help assessors' and judges understand and review your entry. These must be recorded during the entry period by booking a pitch recording session with the Challenge delivery team. You can book your pitch recording session for the [Catalyst Stream](#) or the [Transform Stream](#) via the relevant web pages.

Within your pitch, you should outline:

- The problem the entry aims to address and what benefits it will have for customers, society and/or the environment if successful. As a guide, we suggest this should be around a quarter of your pitch.
- What is innovative about your entry? As a guide, we suggest this should be around a quarter of your pitch.

- What you intend to do within your entry, focusing on the activities you will undertake. As a guide, we suggest this should be around half of your pitch.

You are welcome to use slides or other visual aids within your pitch recording. The entry form allows you to upload any presentation/visuals used in the pitch recording (optional).

For the Catalyst Stream, pitch recordings are required and should be no longer than 3 minutes in length.

For the Transform Stream, pitch recordings are required and should be no longer than 5 minutes in length.

We ask that you do not come to pitch recording sessions with pre-recorded pitches, with the exception of any short (up to 30-second) video excerpts.

To promote equity, diversity and inclusion and reduce any potential bias in the entry process, we continue to exclude speaker videos in pitch recordings for Breakthrough 4. We ask that you present slides or other visuals while talking.

6.2 What has changed about pitch recordings since the previous rounds?

In Breakthrough 4, we are continuing to request all entries across both Transform and Catalyst Streams submit a pitch recording as part of the entry process. You can book your pitch recording session for the [Catalyst Stream](#) or the [Transform Stream](#) via the relevant web pages.

During assessment and judging, all entries are reviewed by technical assessors and judges, who will have access to the pitch recordings together with the rest of the entry materials. In this round, entrants will not be required to pitch live in front of the judges. However, they will be invited to a live Q&A session to respond to judges' questions as part of the entry process.

6.3 What happens in a pitch recording session?

A pitch recording session is designed to give you a supportive space to record your pitch. By default, these happen on Zoom, but let us know at waterinnovation@challengeworks.org if this is a problem for you.

When you join the session, you will be joined by a team member from the Challenge delivery team.

You will be invited to test that your sound and screen sharing are all working well. When you've tested these out and are ready, we will then invite you to record your pitch. We will offer to give you time prompts (for example, 'One minute remaining') using the chat or to

leave you to it. We will stop the recording when the allotted time is up (3 minutes for Catalyst Stream entries, 5 minutes for Transform Stream entries).

Assuming there is time left in the 15-minute recording slot, we will ask you if you are happy or if you wish to have a second attempt at the recording. If, after the second attempt, you are still not happy, we will offer you an alternative 15-minute slot to try again.

6.4 Is there a Q&A on the pitch recording session?

There will be no questions asked of you on the pitch recording session.

However, Breakthrough 4 will offer the opportunity of a live Q&A session with the judge's panel during the judging days in March 2024. More information about this will be shared if you are invited to the live session with judges.

Please note entrants will not be requested to pitch to the judges in this round.

7. Costs & Funding

7.1 How much money is available for winning entries?

Approximately £10 million is available in the [Catalyst Stream of Breakthrough 4](#) for individual entries seeking funding of between £150,000 and £2 million.

Approximately £30 million is available in the [Transform Stream of Breakthrough 4](#) for individual entries seeking funding of between £2 million and £10 million.

7.2 Who receives funds awarded through the Breakthrough Challenge?

The lead water company will receive the funds for winning entries.

7.3 How is the money split between the different partners?

The lead water company will receive the funds. It is a contractual matter between members of a partnership how the funds will then be split and allocated between different parties within the partnership. This also applies where there is a consortium of water companies.

7.4 What costs should I show in my entry?

We expect entries to demonstrate cost efficiency and good use of customer money, with a clear case for any costs included in the entry budget.

Strong entries will reassure assessors, the judging panel and Ofwat that entrants have a realistic cost breakdown and financial plan, with cost risks and associated contingency arrangements identified.

7.5 Can you enter if you're planning to enter into another competition or if you have received funding previously?

We are open to initiatives that have successfully secured additional external public or private funding. However, entrants must confirm that:

- There is no duplicative or double funding and
- They are not restricted by their current funding source when requesting additional and alternative funding through this Fund.

7.6 Are the funds State Aid?

Funds from this competition are not classified as State Aid.

7.7 As a water company, do I have to contribute a minimum of 10% financial contribution, or can I suggest alternatives?

A maximum of 90% of each entry's financial costs will be provided by funding from Breakthrough 4. Entry partners must provide the remaining 10% of the entry's total financial costs as a mandatory 10% financial contribution. Entry partners have the flexibility to decide how the remaining 10% is funded, as long as it is not funded by charges to water customers in England and Wales.

We welcome any additional financial and/or non-financial contributions beyond the minimum 10% and have seen many entries do this in previous rounds.

7.8 How should I treat taxes in the costs I show in my entry form?

Following confirmation from HMRC, receipt of funds through the competition is not subject to VAT.

Activities undertaken within entry projects are subject to VAT and are subject to the usual rules of recoverability for water companies.

Entry delivery costs should be inclusive of applicable taxes, which are not recoverable, reflecting the true costs of the initiative.

Where taxes are fully recoverable, such as VAT, costs should be shown net of (excluding) the recoverable amount.

Taxes that are not recoverable should be included, for example, customs duties payable on goods imported into the UK.

7.9 What are nominal prices/nominal value?

Nominal prices are money in today's value rather than a deflated or inflated value. For example, water companies often operate in 2017/18 prices in line with the current AMP cycle. The amount you bid for in the Water Breakthrough Challenge is the amount you will receive, if successful, in today's money.

7.10 How should I calculate my overhead costs?

You are welcome to use your preferred approach to calculating overheads; please provide details of the approach you have used within the template.

7.11 Can I edit formulas and change the formatting for the entry template?

Yes, please feel free to change the formatting and overwrite any formulas for the template.

The template is provided as a guide. Please ensure all the relevant information required by the template is included and easy to identify.

8. Intellectual Property Rules (IPR)

8.1 Which of the IPR options should I pick for my entry?

Entrants to Breakthrough 4 will have two IPR options to choose from:

Option 1 – default IPR terms (previously known in Breakthrough 2 Catalyst as "Background IPR trial terms")

Option 2 – alternative IPR terms;

Where possible, you should adopt the default IPR terms, which we hope you will find fair and reasonable given the investment of customer money in entries. The aims of these IPR terms are to ensure all customers benefit equally from the innovation funded through the Breakthrough 4.

If, for any reason, you are unable to adopt the default IPR terms, we ask you to share more details about this in your entry form in requesting alternate IPR terms, which are reviewed on a case-by-case basis by Ofwat.

In respect of all the options available, you will be required to answer questions on your IPR proposals as part of the entry form. We may seek further clarification on these proposals following the submission of your entry.

8.2 What do you mean by ‘fair, reasonable and non-discriminatory’?

In order to assess whether the proposed IPR terms are fair, reasonable and non-discriminatory, we expect you to provide information in your entry that demonstrates how the proposed royalties, remuneration and/or principles are:

- reasonable in light of market standard royalties or other remuneration;
- no less favourable than the terms that you may offer to third parties;
- in all cases, proportional to the funding contributed by Ofwat to the development of the relevant Foreground IPR; and
- Generally, in line with the principle that the Foreground IPR (and therefore the Background IPR required to use the Foreground IPR) must be used for the benefit of the customers of all water companies and present value for money for those customers.

END.