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1. About the Fund

1.1 Who is funding the Innovation Fund?

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

1.2 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. 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 by improving their experience of their local water environments.

All entries that propose primarily to benefit non-household customers must also demonstrate how the proposal can also provide benefits to household customers. More guidance is available on Ofwat's website.

1.3 What do the findings of the Independent Water Commission mean for the Water Discovery Challenge?

The Independent Water Commission has reviewed the water sector in England and Wales and has set out a new direction. The UK government has confirmed it supports the recommendation to establish a new water regulator in England that will bring together Ofwat, the Drinking Water Inspectorate, the water functions of the Environment Agency and Natural England. The Independent Water Commission has also recommended changes to the regulatory arrangements in Wales for the Welsh Government to consider.

The UK government will publish a white paper at the start of 2026. The UK government has also confirmed that Ofwat will remain in place and continue to operate during the transition to the new regulator.

The government is not revisiting the 2024 price review funding decisions including the £600m Water Innovation Fund. We will therefore continue delivering our business-as-usual activities, including the Water Discovery Challenge.

[Read the full update on our website.](#)



2. About The Water Discovery Challenge (Discovery)

2.1 How is Discovery different to other competitions in the Innovation Fund?

The Water Discovery Challenge (Discovery) aims to accelerate the discovery, development, and adoption of promising innovations by the water sector. It will do this by directly supporting organisations with innovative propositions and facilitating their engagement with water companies. It will bring together a blend of financial and non-financial support to support innovations to launch and succeed in the water sector in England and Wales.

Discovery will welcome entries from all sectors and all types of organisations, domestic or international. Unlike previous Fund competitions, there will be no requirement for organisations to partner or receive sponsorship from a water company to enter.

2.2 What are the key dates and stages for Discovery?

Entries open: 20 January 2026 at 1pm (GMT)

Entry period closes: 8 April 2026 at 1pm (BST).

From eligible entries, up to 20 finalists will be announced in July 2026. These entries will enter the **Finalists Stage** which runs between July 2026 and February 2027, with an award of up to £100,000 and a 7-month package of support to refine their Development Plan for submission to the following stage.

Submission to next stage: February 2027

From the submissions to the next stage (Development Plan), up to 10 winners will be announced in April 2027. These entries will enter the **Winners Stage** which runs between April and October 2027 and will be awarded up to £550,000 and receive a 6-month support package.



3. Who can enter

3.1 Who can enter Discovery?

We welcome entries from all sectors and all types of organisations, domestic or international.

To be eligible, organisations entering must:

- Be a UK incorporated entity
- Hold a UK business bank account upon entry
- Comply with the [terms and conditions](#)
- Not be [a regional water or wastewater company](#) in England and Wales

A “UK Incorporated Entity” includes any private limited company, limited liability partnership, incorporated charity and Community Interest Company which is incorporated in part of the United Kingdom. Sole traders and unincorporated partnerships are excluded. Potential entrants are encouraged to ask if in doubt. Subsidiaries of international organisations are welcome.

3.2 I’m a water retailer or small water company. Can I enter?

As a water retailer or small water company (sometimes referred to as New Appointments and Variations or NAVs), you are eligible to enter Discovery.

3.3 Are universities eligible to enter Discovery?

Most universities in the UK are incorporated charities, or incorporated by Royal Charter and therefore eligible, but we advise you to check with your institution directly as they would know the specifics of your organisation’s legal status.

Please also refer to FAQ 3.1 for our full eligibility criteria.



3.4 My organisation is not based in the UK. Am I still able to enter Discovery?

The Water Discovery Challenge welcomes entries from all sectors, and innovative propositions can be from anywhere in the world. Whilst we are open to both domestic and international organisations, to be eligible, organisations must be a UK incorporated entity and hold a UK business bank account upon entry.

UK subsidiaries of international organisations are very welcome, and entering organisations are welcome to form partnerships and supplier relationships to support them to enter.

3.5 I have been developing an idea with a water company. Am I eligible to enter Discovery?

Organisations that have worked or are working with water companies in England and Wales are welcome to enter the Water Discovery Challenge.

Funds received through Discovery should **not** be paid to water companies during the Finalist Stage. This is because regional water companies in England and Wales will play an important role in supporting the delivery of the challenge by providing Finalists and Winners with mentoring support. Water companies in England and Wales are not eligible to be partners on Discovery Challenge entries.

Discovery is particularly interested in supporting innovators who are yet to be connected to the water sector, so if you are already collaborating with a water company, you may wish to also consider entering the 7th round of the Water Breakthrough Challenge, opening in September 2026. Please sign up to [our newsletter](#) to keep up to date with the Water Breakthrough Challenge.

3.6 Can organisations enter Discovery in partnership or as part of a consortium?

Entrants are welcome to form partnerships of organisations/consortia, but you can also enter as a single organisation. It is not mandatory to enter as part of a partnership or consortium.

All formal agreements, including the Winner's Award Agreement, will be held solely with the lead entrant organisation that submitted the bid. While we encourage collaborative entries, the lead organisation remains the primary point of contact and is responsible for



the delivery of the project and the management of any partners or sub-contractors. Please ensure you've read our [terms and conditions](#).

4. Your initiative for entry

4.1 What kind of entries are you looking for?

We are seeking bold and ingenious innovations that can help solve the biggest challenges facing the water sector today and into the future.

In particular, we are looking for innovations that:

1. Have the potential to have a **positive impact for water customers, communities and the environment**.
2. **Innovation enablers and innovative solutions** ready for concept proofing, testing, early feasibility studies, development and verification in the water sector.
3. Are delivered by teams that have the **capacity, capability and commitment to deliver**.
4. Have the **ability to succeed, be sustainable and/or gain wide adoption across the water sector in England and Wales**.

These four categories comprise our **assessment criteria** which we will use to assess and evaluate all entries received into Discovery.

4.2 What level of innovation maturity are you looking for?

We are looking for innovators from any sector with bold ideas that can help solve some of the biggest challenges faced by the water sector.

To help you understand if your initiative fits into what we're looking for, we specifically would like to welcome entries at the more mature part of level 2 and less mature part of level 3 on the [Innovation Maturity Framework](#). This is loosely equivalent to Technology Readiness Level (TRL) 3-6 if your solution is technological, but all types of innovation are welcomed.

A key objective of Discovery is to support innovators to progress through this maturity framework, as well as preparing Finalists and Winners to further scale their solutions beyond the Challenge, for example by providing a pathway to working directly with water companies or entering future rounds of the Water Breakthrough Challenge through new partnerships.



4.3 Which sectors are you looking for entries from?

We are looking for **all** bold and innovative solutions, but particularly welcome innovations from outside the water sector. This could include, but is not limited to, those working in industries such as energy, cities and transport, construction, manufacturing, aerospace, chemical processing, agriculture and digital, data and AI.

4.4 Can I enter with a pre-existing initiative or project?

Yes, you can enter with a pre-existing initiative or project but please note that we are particularly looking for early-stage innovations (TRL 3-6).

To ensure we are supporting new breakthroughs, solutions that have already received funding as part of the Water Discovery Challenge 1 are not eligible for entry in this round. While organisations that were previously successful are welcome to apply again, their submission must be a new and distinctively different solution.

4.5 Is there a timeframe for delivery of the initiatives funded through Discovery?

Discovery is a 20-month Challenge with two stages of selection and support.

The Finalist Award of up to £100,000 will need to be spent between July 2026 and the beginning of the Winner's Award stage in April 2027.

The Winners Award of up to £550,000 will be required to be spent on defined activities as set out in a Development Plan, but there are no specific time restrictions relating to when the funding needs to be spent. It should not be committed before Winners receive funding.

4.6 Can I fund my PhD through the Water Discovery Challenge?

Whilst most universities will likely be eligible to enter the Water Discovery Challenge, it is unlikely that the Challenge will be suitable to fund a doctoral degree (PhD). This is due to the assessment criteria for entries we are seeking and the timeframes that funding needs to be spent within.

You are welcome to fund research through the Water Discovery Challenge where it meets the assessment criteria within the timeframes of the Challenge.



5. Entering the Water Discovery Challenge

5.1 What will I need to submit to enter Discovery?

You must submit the online entry form, available [here](#).

The entry form is made up of four types of questions:

- **Eligibility criteria** – these are questions that will be used to determine eligibility.
- **Unassessed questions** – these questions are unassessed and will be used to manage your entry, support portfolio decision making, enable monitoring and evaluation of the Challenges and create publications and announcement materials if your entry is successful. Generally, these questions are not visible to assessors or sector reviewers when completing their individual review.
- **Assessed questions**
 - **General information** – these questions provide general information about your entry, providing context for assessors, sector reviewers and judges without being directly scored against assessment criteria.
 - **Assessment Criteria specific questions** – this is assessed against the assessment criteria by the judges and assessors.

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

We are committed to enabling a diverse range of entrants to enter Water Discovery Challenge. 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.

Our entry form platform, Submittable, supports a wide range of screen readers and accessibility software.

5.3 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.



5.4 Is the entry to the competition confidential?

You will be asked to indicate in your entry that you are happy for your entry to be made public should Ofwat be subject to a Freedom of Information request or if you consider the content of your entry confidential.

Entries, including confidential information will be shared with those involved in running and assessing entries, including our delivery partners, assessors and the judging panel in confidence in line with our [Privacy Policy](#). Details of entries will be considered as part of our ongoing evaluation activities and may form evidence for future policy developments.

Ofwat intends to publish details of its Funding decisions and its reasons for awarding funding. Ofwat will take account of entrants' preferences in relation to the confidentiality of their entries in these publications.

5.5 I need help using Submittable, what should I do?

If you're having any problems with Submittable and require help, please contact the team on:

waterinnovation@challengeworks.org

There are also self-service help files available direct from Submittable [here](#).

5.6 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 are 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 can see entries with all the formatting that is input when you submit.

5.7 I have a question about the entry process – what should I do?

We will be hosting a [launch webinar](#) on 29 January 2026 at 1pm GMT. Once this webinar is complete, a recording together with a transcript will be hosted on our entrant support page.

Following the launch webinar, there will be a series of [webinars](#) made available.



If you still have questions after reading the [Innovator Handbook](#) and FAQs, please email us at waterinnovation@challengeworks.org

6. Costs & Funding. Costs & Funding

6.1 How much money is available for winning entries?

Through the Water Discovery Challenge, there is approximately £7.5 million total funding available for successful entries. Individual entries can request up to £650,000 in total, split between the Finalist Award (up to £100,000) and the Winner's Award (up to £550,000)

Up to 20 Finalists with the most promising entries will be awarded up to £100,000 to develop, with a range of expert support and access to and mentoring from water companies.

Up to 10 Winners will be awarded up to £550,000 to further grow their innovation, receiving further support to further accelerate their progress.

6.2 How will I receive Funds awarded through Discovery?

Funding will be awarded in pounds sterling (GBP) into a UK business bank account associated with the entrant organisation.

- The Finalist Award will be paid in advance as a single lump sum payment in Pounds Sterling (GBP).
- The Winners Award will be paid in Pounds Sterling (GBP), depending on the Development Plan of each Winner.

Entrants are responsible for all applicable taxes and other charges.

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

We are open to initiatives which have successfully secured additional external public or private funding.

Award funds should not be duplicative of existing funding awards from the Water Innovation Fund

If you have entered an innovation into another Ofwat funded competition, such as WEL 1, you can still enter Discovery. However, you will not be able to receive funding for the same innovation from both competitions. This means that if your entry is selected as a winner for



WEL 1 you will need to decide whether to accept the WEL 1 funding and withdraw your Discovery entry, or to withdraw from WEL 1 and continue as a Discovery entrant, at your own risk of potentially not being selected as a Discovery Finalist. WEL 1 winners will be informed in mid-May 2026; Discovery Finalists will be informed by mid-July 2026.

6.4 Are the funds State Aid?

Funds from this competition are not classified as State Aid.

6.5 Is the Funding award subject to VAT?

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

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

In the Development plan for Finalists, 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.

6.6 Can I use funding to cover overheads?

In the Finalist Stage, funds can be used to fund any reasonable costs related to developing the innovation and organisations, including labour costs and working through suppliers and any direct costs often included within overheads, including for example office space, accountants and legal costs. We would not expect Finalists at this stage to fund unspecified overhead costs, except where these are supplier charges.

In the Development plan for Finalists, organisations are welcome to use their preferred approach to calculating overheads when outlining how you plan to spend the funds awarded. Further guidance may be provided during the Finalist stage.

7. Intellectual Property Rules (IPR)

7.1 What are the IPR requirements for Discovery?



There are no IPR requirements for the Water Discovery Challenge. IPR brought into the challenge by an innovator remains with the innovator with no obligation to share it royalty-free. IPR developed during the challenge also remains with the innovator with no obligation to share it royalty-free.