

A15: Board pro forma

PR19 Business Plan Presentation Pro-forma – August 2018 update

Briefing for Ofwat Non-Executive Directors and senior leadership

As indicated in our final methodology for the 2019 price review (PR19) published in December, this pro-forma draws together high level information and key metrics from the business plan and explains the drivers behind the business plan, the key benefits for customers and the impact on customer bills.

The pro-forma has been developed to support discussion at the PR19 business plan presentations taking place during September-October 2018, and to ensure a consistent approach across companies to briefing Ofwat board members for these. The pro-forma will be provided to Ofwat Board members and senior leadership ahead of these presentations. These presentations will not form part of our initial assessment of business plans process, nor are a substitute in any way for business plans.

The presentations are scheduled for an hour, with a presentation of 15 minutes followed by up to 45 minutes for questions and discussion. These presentations provide an opportunity for companies to set out their business plans to Ofwat, including Ofwat Board members. **We do not expect companies to use this pro-forma as the basis for the presentation itself.**

For PR19, we expect companies to deliver an ambitious business plan that delivers on our four key themes of innovation, great customer service, affordability and increased resilience. We are expecting companies to challenge themselves in these areas, and this pro-forma and the business plan presentations provide an opportunity for companies to demonstrate how they are meeting this challenge.

Guidance on completing the pro-forma

To support companies in completing this pro-forma, we have published guidance tables which include references to the relevant PR19 business plan tables to draw the information requested from. Where the information requested is not held in PR19 business plan tables, we have indicated where this should be drawn from by companies (for example, the PR14 final determination). The PR19 bill movement model has also been published in order to complete the bill movement waterfall chart (table 2.1).

Submission of pro-forma to Ofwat

We expect companies to submit the completed pro-forma, guidance tables and PR19 bill movement model to Ofwat along with PR19 Business Plans by 5pm Monday 3 September 2018.

Publication of the completed pro-forma

As outlined in our final methodology, to improve transparency we want companies to make their business plans available to us, companies, customers, stakeholders and other regulators. We therefore expect them to publish the whole of their business plans at the same time as they submit their plans to us in September 2018. We ask that companies publish their completed pro-forma, guidance tables and PR19 bill movement model alongside their business plans as well as submitting these to us on 3 September 2018.

If a company considers some information should not be published – because it is commercially sensitive information, for example – then the company will need to provide its stakeholders and us with strong, robust reasons that are specific to the information concerned.

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1. Background

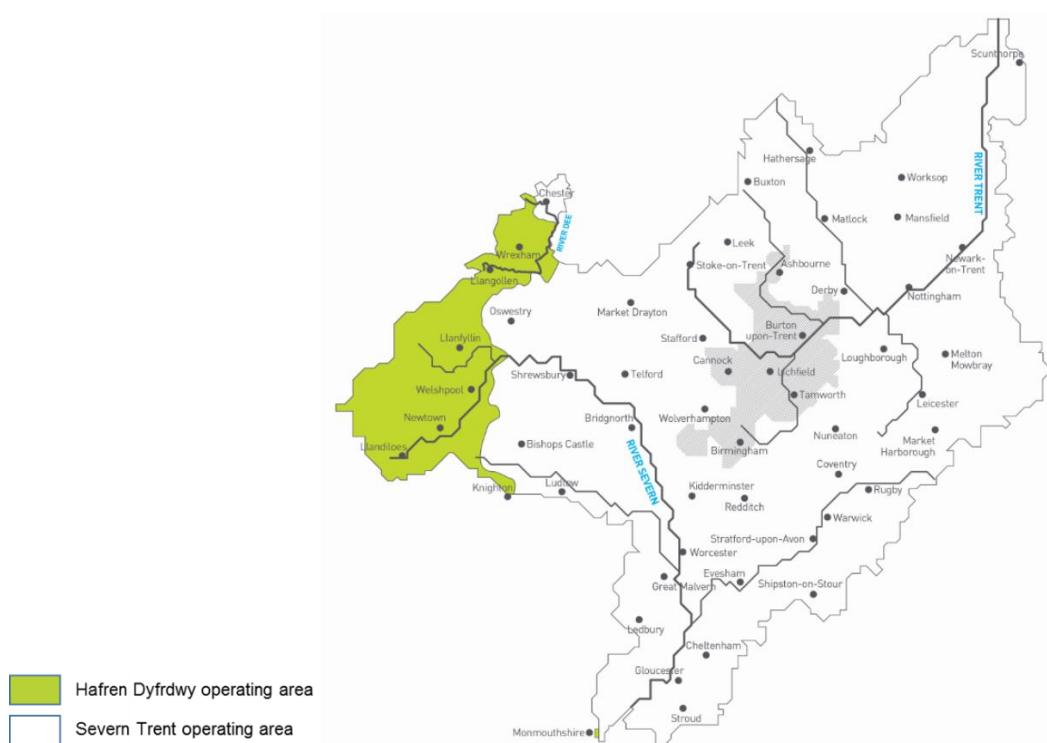
1.1 Company pen pic

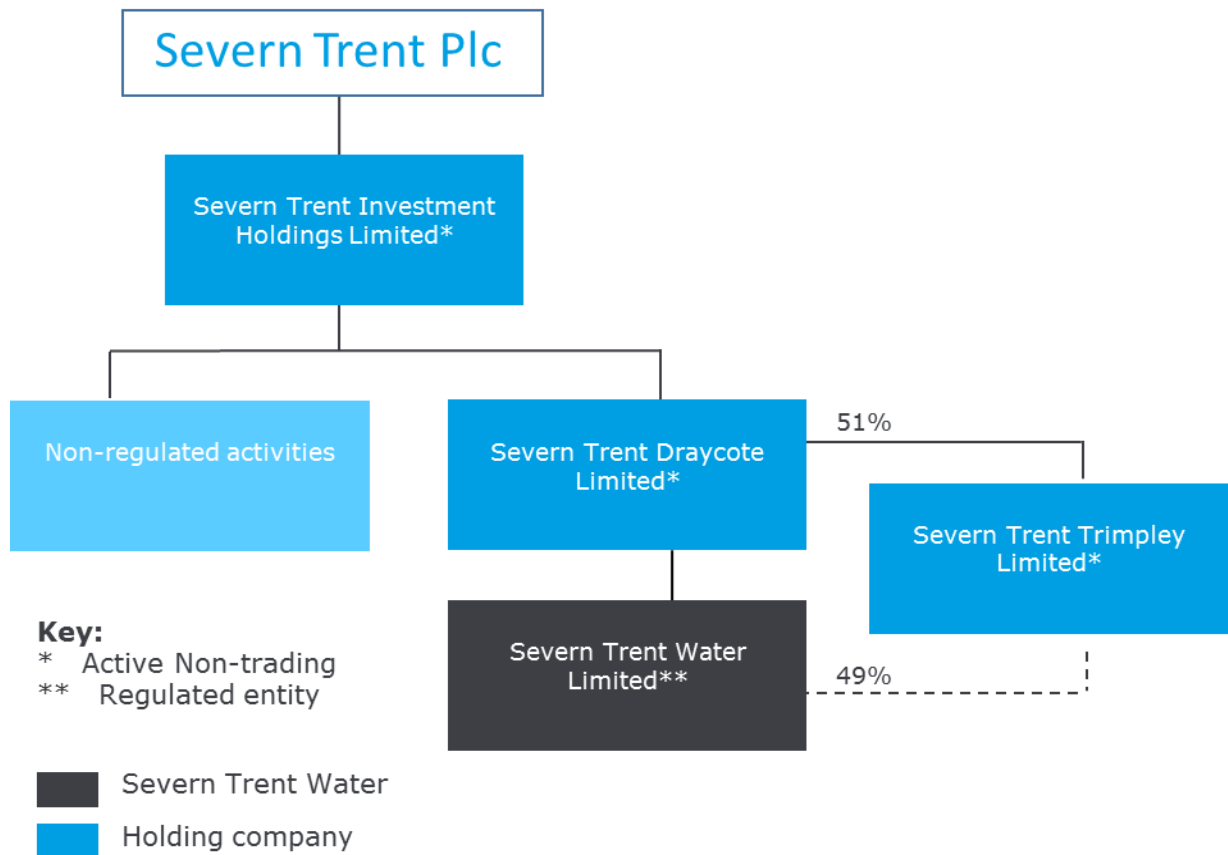
Severn Trent Water Limited (STWL) is a water and wastewater company located in the Midlands.

Since 2014 there have been no changes to the direct or indirect ownership of Severn Trent Water Limited. The ultimate parent company, Severn Trent Plc, is a public company whose ordinary shares are admitted to trading on the Main Market of the London Stock Exchange.

Two changes to our licence since 2014, however, have impacted the scope of our business plan.

- STWL exited the non-household retail market on 1 July 2018 and transferred its obligations to Water Plus Group Limited, a joint venture with United Utilities.
- In February 2017, STWL acquired the voting and non-voting ordinary share capital of Dee Valley Group plc. On 1 July 2018, modifications under section 103 of the WIA91 came into effect to re-align the boundaries of both licensees with the national boundaries of England and Wales.





Date: 01 July 2018

1.2 List of attendees

Andrew (Andy) Duff	Chairman
Liv Garfield	CEO
Dr James Jesic	Director of Production
Dr Anthony (Tony) Ballance	Director of Strategy and Regulation
Gill Barr	Chair of Severn Trent's CCG (Water Forum)

2. Key business plan metrics

PR19 key themes

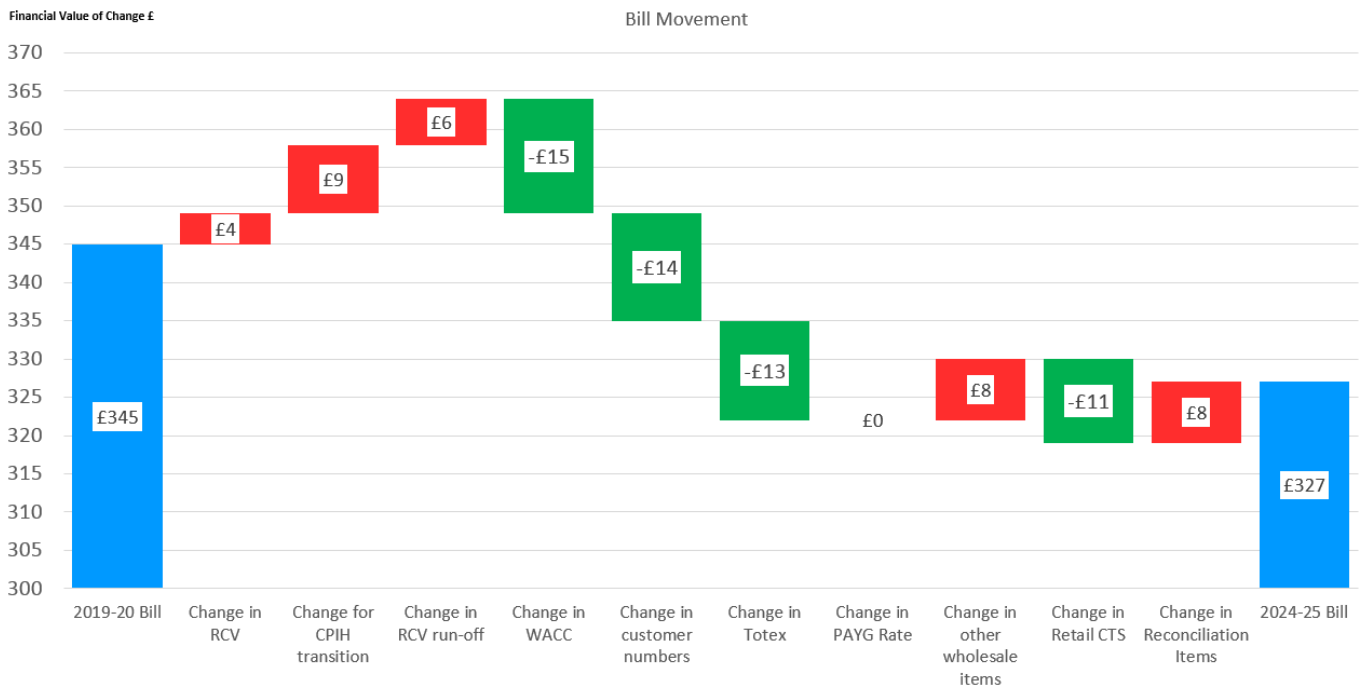
We want to create a benchmark for a ‘private’ company providing an essential public service, consistent with Ofwat’s four themes, which are embedded in our plan:

- To offer **great customer service** we need to truly understand what our customers want – we’ll do even more to show our customers that they are at the forefront of everything we do. We’ve created new commitments focusing on communities and collaborative working, and we’re reinforcing our company purpose ‘to serve’ with a community dividend that includes 1% of all profits.
- We’ve looked at **affordability** from our customers’ perspective and 11% tell us they find their bills unaffordable. So as well as a 5% bill reduction (CPIH), our biggest in two decades, we’re going to do more for our struggling customers with a social tariff that offers meaningful discounts and new options, to help 47% more customers in total. We understand that few of us may think of ourselves as vulnerable, and that vulnerability is often transient. So we’ll significantly expand our Priority Services Register and work with expert third parties and community groups to better serve those who may need a more tailored service.
- We know our customers expect us to be **resilient**; we’re on track to deliver the industry’s biggest resilience scheme in recent history; we’ve always geared our company close to Ofwat’s notional levels; we have sector leading governance and Board leadership; and we’re building people resilience within our region by building a new academy. And to support the skill base nationwide we are committing to open the facility to other smaller water companies.
- Over AMP6 we’ve created a culture, and provided the financial backing and expert support, so that anyone can **innovate**. Our track record illustrates this potential - early renewable energy adoption; leading phosphate removal; and a behaviours focused approach to catchment management. And we’ve consistently led the sector in promoting markets. We’re already trialling bioresources trading; exploring water trading options; and working towards a north-west to south-east interconnector.

Table 2.1: Waterfall chart

This chart provides an overview of what is driving changes to bills between 2019-20 and 2024-25. The inputs to the waterfall chart are in price base 2017-18 deflated using year-average CPIH.

Bill movement breakdown	
Inputs	£ per customer
2019-20 bill	345
Changes between 2019/20 and 2024/25	
Change in RCV	4
Change for CPIH Transition	9
Change in RCV run-off	6
Change in WACC	-15
Change in customer numbers	-14
Change in totex	-13
Change in PAYG rate	0
Change in other wholesale items	8
Change in retail CTS	-11
Change in reconciliation items	8
2024-25 Bill	327



Explanation of movement in customers' bills

We will continue to deliver the lowest average bills in the country, by going even further and reducing bills by 5% (using the Government's preferred measure of

inflation) - that's more than double our 2015-20 plan on a like-for-like basis. And we are keeping bills lower beyond 2025 by adopting CPIH from 2020.

The factors leading to a 5% CPIH bill reduction (12.9% compared to PR14 on a like-for-like basis) are:

- **wholesale and retail totex** - we're committing to become more efficient – by around 13%;
- **lower return to investors** – we have actively supported Ofwat's position in reducing returns;
- **adoption of CPIH** – we've had in-depth discussions about inflation with our customers. We're using the headroom created by our significant totex efficiencies and the lower WACC to shift away from the discredited RPI measure and adopt CPIH from 2020 (so the RCV grows in line with CPIH and not RPI). This helps keep bills lower for future generations, with 88% of customers supporting the balance of charges over time; and
- **managing the impact of ODIs** – we have deferred AMP6 ODIs to keep bills low in 2019/20, and are deferring this into AMP7.

Our significant reduction in bills, still maintains a target rating of at least BBB+ under our notional structure (consistent with Ofwat's assumptions on setting new debt financing costs by reference to A and BBB bonds).

Customer expectations

We started our plan by listening to what customers want. We've undertaken our most in depth and innovative insight programme with around 32,000 customers involved in research; 15,000 joining our online panel; 24,000 complaints reviewed; and 1.9 million contacts analysed.

In brief, we learnt that customers:

- want bills that are no higher than absolutely necessary and a fair balance of charges over time;
- want us to find new and better ways to help the 11% of our customers who told us that they might struggle to pay, and that they recognise personal circumstances may change over time;

- think that a reliable supply of clean water and an effective wastewater service are absolute non-negotiables, and we must continue to improve especially in areas such as low pressure;
- don't want us to cut corners when it comes to looking after and improving water infrastructure and conserving water – it is important that future generations have access to reliable water and wastewater services;
- get frustrated when we don't get things right, but what really upsets customers is when we don't take responsibility for a problem, fail to fix it first time or don't give them the respect and care they deserve;
- expect us to do more for the environment and rivers towns, cities and villages. They value the local environment and rivers, and want us to look after them by supporting the improvement of habitats on our sites, and creating more green spaces for the local community; and
- understand the importance of the company being financially sound and not carrying too much debt. A sense of fair play and transparency matters. So while they don't want us to pay excessive dividends, they agree that really good performance should be rewarded. And when we do perform well, they expect us to share the benefits with everybody, not just with shareholders.

Our resulting plan is supported by 85% of our customers.

Table 2.2: Key business plan metrics

Metric	PR14 (2019-20) 31 March 2020 estimate	PR19 (2024-25) 31 March 2025 estimate	2019-20 to 2024-25 % change (leakage and PCC)
Number of residential water only customers (000s)	302	322	
Number of residential wastewater only customers (000s)	801	785	
Number of residential water and wastewater customers (000s)	2,986	3,107	
Total leakage (MI per day) Based on PR19 definition, annual average	381.05	322.95	-15%
Leakage (cubic metres per km of main per day) Based on PR19 definition, annual average	8.15	6.82	-16%
Leakage (litres per property per day) Based on PR19 definition, annual average	104.2	85.7	-18%
Per Capita Consumption (PCC) Based on PR19 definition, annual average	133.27	128.61	-3.5%
ODI RoRE range	-2% to 1%	-3.0% to 2.6%	
Appointee WACC (real RPI)	3.7%	2.4%	
Appointee WACC (real CPIH)	4.8%	3.4%	
Credit rating – actual financial structure	BBB+	BBB+	
Metric	PR14 (2015-2020 Average)	PR19 (2020-25 Average)	
Adjusted interest cover notional	1.7	1.6	
FFO net debt notional	10.3%	10.5%	
Metric	2017-18 Actual	PR19 (2020-25 Average)	
Actual gearing	61.5%	64.1%	
Adjusted interest cover actual	2.4	1.6	
FFO net debt actual	11.4%	10.2%	

Commitment to financial resilience

Our commitment to financial resilience reflects four key elements:

- operate at a prudent level of debt consistent with our track record of gearing close to the notional level;
- expand our assessment of financial viability, as we have done this year through our seven year assessment;
- target a credit rating of at least BBB+ consistent with how Ofwat is setting the allowance for new debt and which provides sufficient headroom to manage any shocks; and
- set a base dividend consistent with a 5% real (CPIH) return on equity.

This framework provides us with the capacity to manage major shocks. However, equally important are our structures and reporting that allow us to monitor and respond. If a scenario occurred that put pressure on our credit metrics or covenants (profit or gearing), we have a number of short to medium term mitigating actions available to us, which support our financial viability statement.

Table 2.3: RCV

Control	1 April 2020 (£m) Opening RCV 2017-18 FYA (CPIH deflated)	30 March 2025 (£m) Closing RCV 2017-18 FYA (CPIH deflated)	% growth
Water resources RCV	379	398	5.1%
Water network Plus RCV	4,132	4,277	3.5%
Wastewater network Plus RCV	3,982	4,110	3.2%
Bioresources RCV	513	534	4.1%

Table 2.4: Dividends

Metric £m	2015-16	2016-17	2017-18		
Outturn (nominal prices)					
Dividends (based on PR14 actual company structure)	306	190	200		
Outturn (nominal prices)	2020-21	2021-22	2022-23	2023-24	2024-25
Illustrative dividends (based on PR19 actual company structure)	210	215	219	224	229

Illustrative dividend policy

Our illustrative dividend policy ensures all parties share in success. This means customers benefit from lower bills and better services, investors earn a reasonable return on the £4 billion they've contributed, consistent with the 5% base return identified by Ofwat (in real CPIH terms), and employees are rewarded for good performance.

Our Board will consider dividends following our half and full year results, based on:

- our dividend principles and overall performance;
- our financial viability assessment, which takes into account scenarios such as increasing investment to manage large incidents.

Additionally from 2020/21, we're creating a community dividend worth around £7.0m/year, comprising of:

- donations to Severn Trent Trust Fund (c.£3.5m/year);
- employee volunteering time (c.£1.0m/year); and
- creating social infrastructure with 1% of our profits (c.£2.5m/year).

This c.£7.0m/year package will help our vulnerable customers, and make a real difference to communities. We'll be establishing an advisory board – including customer representatives - to guide where best to spend the money and obtain match funding from others.

Box 1 - The Severn Trent community dividend

Over the past three years, we've made significant progress in serving our customers - by reducing costs, investing in extra services and supporting lower bills for the future. For example, customers experience 6,000 fewer sewer flooding incidents today compared to 2015.

Despite this, we want to do more to truly serve our communities.

We operate across some of the most deprived regions in the UK. Many of our customers struggle to pay their bills. As one of the largest companies in the region, we've both the tools and opportunity to make a genuine difference.

That's why we've established a community dividend. Funded from our investors, this will run alongside our customer dividend, which shares the benefits of outperformance - by building on our existing employee volunteering and Trust Fund donations plus 1% of our profits. Our aim is to make a real difference in our communities by building a lasting legacy, helping our most vulnerable customers, enhancing the environment and building social infrastructure.

We're establishing an advisory board that will include representatives from charities, government and business – and importantly, our customers themselves. This group will help inform how our contributions can maximise the positive impact on the community and to encourage other bodies, notably business and government, to match our funding.

3. Appendices

Appendix 1: Company presentation attendee biographies

Andrew Duff – Chairman



Andrew has extensive experience of international and regulated business, strategic management and customer service transformation in high profile, dynamic environments.

Andrew spent 16 years at BP in global marketing, strategy and oil trading roles. He joined National Power in 1998 and played a leading role in its restructuring and transformation through the opening of competition in energy markets. He became CEO of what became Npower from 2003 to 2010 and has subsequently been a NED of Wolseley Plc and Chairman of Elementis Plc. Andrew is a Hampton-Alexander Review Committee member and a senior trustee of Macmillan.

Liv Garfield – CEO



Liv brings a wealth of experience managing complex infrastructure in a regulated environment. Liv was CEO of BT Openreach where she led the commercial roll-out of fibre broadband across the country. Prior to this she held pivotal roles as Group Director of Strategy and Regulation, Managing Director Commercial and Brands, Global Services, and UK Customer Services Director. Before joining BT, Liv worked for Accenture designing and implementing innovative business change solutions across a range of sectors. Liv was awarded Veve Clicquot's Business Woman of the Year award in 2018 for her commitment to customer service and responsible business.

Dr James Jesic – Director of Production



James is a chartered chemical engineer who joined Severn Trent's graduate programme in 2003. He was appointed as Managing Director of Production in 2017. During this time, James has had full accountability for the resilience and operational management of a multi-billion pound asset base, being responsible for producing and supplying high quality drinking water and collecting and treating waste water for millions of customers. James has delivered industry-leading customer service performance, as well as sector-leading environmental results. He has a PhD in Chemical Engineering, is a member of the Institute of Chemical Engineers and has attended Harvard Business School.

Dr Tony Ballance – Director of Strategy and Regulation



Tony has 25 years' experience working in the water and wider utilities sector including every price review since 1994.

He was Chief Economist of Ofwat from 1993 to 1999, after which he was Director of London Economics and Director of Stone and Webster.

For Severn Trent, Tony leads the company's strategy and regulation team and is also responsible for strategic asset planning, environmental sustainability, communications and government affairs. He has led the Changing Course series of thought leadership advocating water trading, stronger incentives, and sustainable financing. Tony chairs the Corporate Advisory Panel of the Regulatory Policy Institute.

Gill Barr – Chair of Severn Trent’s CCG



Gill was appointed to Chair Severn Trent’s CCG, the Water Forum, in January 2016. She has an extensive background in strategy and marketing, predominantly in the retail sector. She champions customer focused decision making to drive improvements where outcomes matter most for them.

As an Executive, she has been the CMO of John Lewis, The Co-operative Group, and MasterCard and Business Development Director at Kingfisher. Since 2015, she has had a portfolio career as a Non Executive Director and currently sits on the Boards of PayPoint plc, Wincanton plc and N Brown Group plc.

Appendix 2: Business plan executive summary

SERVING YOU AND YOUR COMMUNITY

Introducing our plan for our customers

Today, we all expect the companies that serve us to be a positive influence in our lives, and to benefit the society we live in. Being 'almost good enough' is, frankly, just not good enough - we'll only give our custom to the brands we trust.

While none of us have a choice about who provides our water - so we can't vote with our feet - customers quite rightly have very high expectations of water companies. At Severn Trent, we know we are uniquely privileged. We see the next five years as a critical opportunity to show how we're running a public service for the public good. And we're going to build on our long term track record and take service standards to new, ambitious levels. We'll do this by:

- further reducing the service failures that irritate and inconvenience you;
- giving you the respect, attention and personalised service you deserve, particularly when things go wrong; and
- playing a much bigger role in your community.

And we're going to do all this while lowering bills and providing financial support to customers who still struggle to pay.

But is this good enough? We understand the scepticism about 'big business' and the role 'private' companies have in providing essential services like water. So we want to be a role model for private companies delivering a public service. We're going to show that we're a responsible organisation that does things for the right reasons – that makes balanced decisions for the long term and always considers you and your interests. A company that's more than a 'silent partner' in your life, we want to be a company that you'd positively choose to provide your water, if you had the choice.

Our goal is to be the most trusted water company by 2020 and every year thereafter. But trust has to be earned - it is given, not taken, and it has to be given by you, our customers.

What you told us

Good listeners make better decisions. So before we started writing a single word of our plan for 2020-25, we started by listening to what you think and want from us. We focused on having good *quality* conversations, rather than quantity, because we want to keep these conversations going in the future. Even so, more of you than ever before took part in our research - over 32,000 of you - and we looked again at 24,000 complaints we'd

received, as well as taking on board criticisms made on social media. In brief, this is what we learnt:

You want bills that are no higher than absolutely necessary. Water is essential - and it must be affordable for all. At the same time, you're concerned that even the lowest bill can be too high for some people. So you want us to find new and better ways to help the 11% of our customers who told us that they might struggle to pay, and to understand that your personal circumstances may change from time to time.

You think that a reliable supply of clean water and an effective wastewater service are absolute non-negotiables, and you want us to keep improving in these areas. But it's also clear that we need to focus on other important aspects of service that haven't been high enough on our radar (because we hadn't always seen them from your perspective) - such as low pressure.

You don't want us to cut corners when it comes to looking after and improving water infrastructure – you want to know that your children and grandchildren will also have access to reliable water and wastewater services. And you want us to do everything we can to conserve water.

Like us, you know that we don't always get everything right. But while this frustrates you, what really upsets you is when we don't take responsibility for a problem, fail to fix it first time or don't give you the respect and care you deserve.

You expect us to do more for the towns, cities and villages where we all live and work. You value your local environment and rivers, so you want us to look after them properly. And you support our efforts to improve habitats on our sites, and to create more green spaces for you to enjoy.

You also understand the importance of us being financially sound and not carrying too much debt. A sense of fair play and transparency matters. So while you don't want us to pay excessive dividends, you agree that really good performance should be rewarded, as long as poor performance is penalised. And when we do perform well, you expect us to share the benefits with everybody, not just with shareholders.

So what are we going to do?

This is what you can expect from us over the next five years:

Affordability

Not content with having the lowest average bills in the country since 2010, we're now going to go even further to help your household finances by reducing bills by 5% (taking into account the Government's preferred measure of inflation) - that's more than double our 2015-20 plan on a like-for-like basis. So we'll keep delivering the lowest average bills in England.

Over the next five years our investors will be earning a lower return – so there'll be a drop in bills straight away in 2020/21. We're also committing to become more efficient – by around 13%. These efficiencies will help us to keep bills down in the following four years, as we deliver around £6.6bn of investment to maintain and improve services.

And we've also thought carefully about when is the right time to deliver these savings – for customers today or for customers in the future? We asked some of you in research, and 88% supported the balance we've struck.

Supporting those in need

We already help almost 36,000 people per year who are struggling to pay their bills with our social tariff. But we know that even more people need support. We're going to almost triple the number of customers benefiting from our social tariff, which you helped us design. We're also introducing more options, like payment breaks, because some of you told us your money worries were temporary, and you just needed some breathing space to get back on track. We'll be making this much easier for you by proactively contacting you and making the process easier. In total, we'll be helping 47% more customers.

Some of you have circumstances that can make you more vulnerable if there's an issue with our service, or mean that you find it difficult to contact us. You told us you don't want to be treated differently, just as a valued customer like any other, and given a service that meets your needs. So we not only designed our service with our customers, but also with the help of experts like St John's Ambulance and Guide Dogs for the Blind. We'll keep working with them and others to identify those of you who may benefit from a more tailored service – ideally before you even ask.

A better service

The last few years have seen us make some solid improvements in the service we provide. For example, your wastewater services are amongst the best standard and value in our industry. We consistently score in the top two on the Environment Agency's assessments, and since 2015, customers have experienced 6,000 fewer sewer flooding incidents. But we want to set the bar even higher. So we're targeting another 8% reduction in all forms

of sewer flooding and a 17% reduction in pollutions in the next five years.

In some areas we haven't performed as well. We know the frustrations some of you felt with our water service during the extreme freeze and rapid thaw weather conditions in late February and early March 2018. Some customers didn't receive the service they rightly expect, so we're reviewing where we invest in our infrastructure, how we make sure any disruption to you is minimised if something does go wrong, and in the case of very cold weather, how we can better help you to protect your pipes.

We're targeting real improvements in other areas too, so that we give you a water service that's one of the best in the industry. We're committing to a 48% improvement in managing drinking water quality risks, 5% fewer complaints about the appearance of drinking water, and we're making a new commitment to resolve 95% of low pressure complaints first time (because previous measures we used weren't quite getting to the root of your issue). And we'll keep reducing interruptions to your supply, so that we're in the top 25% of all the water and wastewater companies.

We're also going to do more of the things that can lift your day a little. Showing that we really do care can make a real difference – you want a service that's human and receptive, especially if we've got something wrong. We'll do our very best to sort your problem out - compensating you if appropriate - and learn lessons from it. We've already extended our non-emergency contact hours to 24/7, just like our operational contact centre, so you can contact us about anything, at any time.

Investing for the long term

We're planning ahead so that the generations to come can rely on us. In our last plan, we were given the go ahead to safeguard the next 100 years of water supply to Birmingham with a major infrastructure scheme - and while we don't have any projects of this magnitude planned over the next five years, we're going to continue investing in our strategic grid to improve the ability of our water supplies to cope with shocks and strains - like the extreme weather we experienced in February and March 2018.

We need to safeguard the future of the water environment and make sure that when we draw water from it, we're not putting it at risk. And we know that we need to prepare for population growth and uncertainty from climate change. To meet these challenges and protect our water for future generations, we're committing to reduce leakage by 15% - our biggest ever reduction in a five year period. We know that many of you want to help too, so we're aiming to triple the rate at which we install water meters and do even more to encourage everyone to use water more efficiently.

And where there's uncertainty about how climate change could impact us, we'll only share the costs of any investment with you once we know that it's needed.

So how are we going to deliver?

How (and why) we deliver is just as important as what we'll deliver. We'll hold fast to our values of putting you first, acting with integrity, protecting our environment, and creating an awesome company for our people... by supporting our culture and our commitment to diversity and inclusion for all... and by using our skills to build relationships which provide practical benefits to our communities.

For example, we've created a culture that encourages all of our people to think of each day as an opportunity to do something better. Many of our best ideas come from our people - helping to improve our service and keep our costs down. Our most ambitious goals will depend on brilliant ideas. So in the case of leakage, we're already using satellites and trialling robots to detect leaks in pipes.

Being innovative also means looking at how we can work with others to improve our services. So we've started to trial trading sludge, explore trading water and going out to the market to seek creative proposals to increase the availability of raw water in the East Midlands. And we're playing our part in the nationwide picture by working with others to look at how an interconnecting pipe could move water from the North West to customers in the South East.

Playing a bigger part in society

We want to show the difference that we can make to the communities we all call 'home'.

Almost a third of the UK's social mobility 'coldspots' are in our region. While we already focus our apprenticeships and graduate schemes in these areas, we're going to change our recruitment practices so that everybody in our region is aware of the fantastic career opportunities we offer. We're also going to put £10m of our own money into a technical academy that will not only bolster our own engineering skills - it will help to underpin the skills of the Midlands as a whole, and also be a place where other water experts, such as local authorities and smaller water companies, can come together to share expertise.

We'll do our bit to help make where you live greener. Over the next five years, we'll improve up to 2,100km of rivers, taking the total since 2015 to 3,600km - more than half of the rivers in your region. Working with other organisations like the Wildlife Trusts, we're going to encourage local communities to help us improve biodiversity in areas covering the equivalent of 1,500 football pitches. Where we're working to fix sewer flooding, we're going to take the opportunity where we can to create new green spaces to enjoy - adding up to £600,000 of new natural capital. And volunteering by our own people will keep playing an important role too. Over the last year, 40% of us have volunteered our time to clean up around 40km of riverbank.

Some of the problems our communities face can't be solved by us alone, like complicated flooding issues that need different organisations to work together to fix. We've great experience of working in partnership and we're going to keep working with local authorities, the Environment Agency and local communities to tackle these tough issues.

We're making sure we provide as much support to your children and grandchildren as we do to you. We want to inspire a generation to change their water use, so we're taking an innovative roadshow into primary school playgrounds across our region. We'll also promote the benefits of hydration and spark their interest in a career with us in the future. At the same time, we're helping almost 500 schools in our region to find and tackle issues with lead in their pipework.

And throughout all this, we'll make sure we keep you really informed, because when you do hear a little bit more about what we do, you're usually positive about it and want to know more. So, we'll tell you about how your money is spent, how you're making a contribution to your community, how your service compares to others and how you can get more out of it. One of the first examples of this commitment in action is that this summer, for the first time in over a decade, we've used TV adverts to promote how we can all use water wisely.

Being a responsible company

Who owns water companies and how they're financed has been a hot topic lately. While many of you don't worry about it, others are uncomfortable with the idea of a private company providing a public service. But what you all have in common is the desire for things to be fair and transparent.

As one of the country's 100 largest companies listed on the London Stock Exchange, we have a responsibility to identify and implement best practice, and to be a role model for others. For example, we're helping set the standard for our sector regarding transparency and fairness on a range of topical issues such as executive pay and financing, as well as on the taxes and dividends we pay. And we know the importance of explaining how we've reached the decisions that we've made, and how we've considered your interests.

Explaining how our finances work and how we've calculated dividends in everyday language can be difficult. So to keep things simple, we've established a set of principles, and every year we'll keep you informed about how we've followed them.

Sharing the benefits with everybody

When we deliver better performance to you than we promised, we're rewarded financially. We're going to carry on sharing those benefits between our customers and our business - just as we have done in the last five years for example we chose to reinvest £220m of our cost savings into areas such as water quality, security, improving the health of our assets, innovating for the future and supporting vulnerable customers.

We're also going to continue linking the bonuses of everyone in our business directly to the performance we achieve for you. This isn't a one-sided deal - if we don't deliver what we've promised, we give money back to you.

From 2020/21 onwards, we're going to do even more to serve our communities by creating a new community dividend. Comprising employee volunteering time, donations to the Severn Trent Trust Fund and 1% of our profits (which could amount to £2.5m a year), this package will help our most vulnerable customers, enhance the environment and make a real difference to communities. We'll be establishing an advisory board – that will include representatives from customers - to guide where best to spend the money and also obtain match funding from other bodies.

Our plan - responsible, challenging but can be done

We believe we've created a responsible, challenging but achievable plan that will set the benchmark for how a privately owned company can deliver public good, not just in the water sector but across UK industry in general. But the last word should be yours. You gave our plan an 85% acceptability rating – we now need to deliver it.

Appendix 3: CCG report executive summary

waterforum

Our assurance

We are pleased to assure that from everything we have seen and read, Severn Trent has engaged effectively with its customers. We are confident that the company really understands their priorities and that the business plan is predicated on delivering services which will meet their expectations. We are particularly pleased to see the degree of ambition in the plan, particularly in areas where Severn Trent has had weaker performance, such as interruptions to supply, but which are high priorities for customers.

To rely on our report we know that Ofwat must be confident in our independence from Severn Trent. We have summarised here how we maintained a robust, arm's length relationship and our challenges on customer engagement, which Ofwat has put at the heart of PR19. Finally, we have briefly commented on the linkage we have seen between customer views and the main elements of the business plan.

Our independence

The success of our process critically relied on our independence. The Water Forum introduced independence in two main ways. First, we wanted to have sufficient expertise to frame issues ourselves so that we did not rely on management to define the choices open to us for challenge. Second, we designed our ways of working to ensure our process was demonstrably independent of the company.

Expertise

In light of the Ofwat brief, we recruited new members to fill skill gaps. For example, given the emphasis on our scrutiny of customer engagement, we appointed a thought leader in helping organisations listen to what really matters to customers. Dr Nick Baker has chaired the Market Research Society (MRS) think tank, The Delphi Group and been a board member of the MRS since 2014. Similarly, we were joined by an expert in climate change, resilience and risk. Dr Steve Wade delivers consulting projects on climate projections, flood risk management and water resources planning. These specific subject matter experts, were joined by two local authority professionals (Jan Britton, Chief Executive of Sandwell and Dr Stuart Young, Executive Director of East Midlands Councils), who framed our debate in the local context. In total we welcomed six new independent expert members who, in

combination with the formidable experience and expertise of our regular members, provided intellectual independence and diversity of thought.

Ways of working

Whilst we have worked very closely with Severn Trent, we have been rigorous in ensuring our relationship was at arm's length. There are many examples of this such as our private sessions, sub group discussions and ensuring that company proposals were properly evidenced.

Evidencing our independence

Independence is intrinsically difficult to evidence. To address this, we conducted our own peer review process, which showed how the introduction of expertise has contributed independent thinking which has had a tangible impact on the business plan. The summary of the review is in our Governance chapter and the full report is in our appendices.

Independence summary

We were unsurprised to hear that the company found our feedback detailed, rigorous and unrelenting. Illustratively, as late as the 8th August 2018, we challenged the company to rerun their acceptability research to capture changes to the business plan.

Nonetheless, we believe our challenge has been constructive and effective. We concur with the company's view that Severn Trent customers have been provided with a much better plan as a result of our involvement and challenge. In large part that is due to the company's thoughtful and non-defensive response to challenge. It has welcomed different perspectives and embraced new perspectives where they have added value to the customer.

Our challenge on customer engagement

The Water Forum has had a significant impact on the way the company engaged with its customers and stakeholders. We made two main challenges to the company.

Firstly, we challenged the company to develop a strategic framework for all research and insight development. The company's resulting framework helped to gather all the questions to be addressed at the start. The research programme was then designed to sequence projects to answer those questions both effectively and efficiently.

We proposed a framework predicated on a challenge as to whether all customer needs are equal. The resulting 'hierarchy of needs¹', helps to distinguish between different kinds of customer needs including constructs that acknowledge customer's attitudes to, and affinity with, water. The company accepted the challenge and built on it by improving the framework, introducing further detail into the construct that increased its usefulness. The framework has been invaluable in ensuring that every piece of work had an explicit role in building knowledge and avoiding wasteful repetition. As a result, the learning has been cumulative, highly focused and relevant to the issues addressed in the business plan.

The second main challenge was in the actual implementation of the research programme. This involved a large number of challenges ranging from sampling parameters to new techniques such as social media scraping. An example was working harder to get the views of customers who were not available during the field-work for Willingness to Pay; our hypothesis was that they might have different views to those who were more accessible. This turned out to be the case and previously ignored 'non responders' turned out to have distinctive opinions.

Virtually all of our challenges were accepted and implemented. The research programme scope has been proportionate; we believe that the PR19 programme offered better value for money than PR14 despite a spend that doubled to £1.4m. We observe that the quality of customer engagement has significantly improved and we are confident that the changes are permanent. Indeed, we anticipate that progress will continue to be made and our report includes a 'to do' list for future development opportunities.

Engagement summary

A wide variety of tools have been used to assess customer priorities. The results from each have been triangulated to ensure rigour. The quality of the work and the inferences that have been drawn from it have been independently assured. We can see a strong and well evidenced connection from the research and engagement to the priorities that are reflected in the plan. Our views are supported by the strong results from the customer acceptability testing (85%) which shows customers support the proposed plan.

¹ Abraham Maslow, 1943, 1967, 1987

Our assessment of the links between customer views and the plan

We have been structured and disciplined in ensuring we could see clear linkages between customer priorities and the Severn Trent plan to deliver them. The business plan is structured in terms of nine customer outcomes. We have scrutinised and challenged each one and are now confident that each is a fair reflection of customer priorities.

Bill impact

Lowest possible bills is the first outcome that the company seeks to deliver. The company is proposing a bill reduction of 5% in nominal terms and this from a bill, which is currently the lowest combined bill in the industry. There are many drivers of this outcome but one is the Real Options approach where customers are protected from the cost of investments that, in light of unpredictable and changing circumstances, may not be required. We are satisfied by the evidence that this approach is welcomed by customers.

Investment

The investment proposals underpin a number of the outcomes in the plan: Good to drink, Water always there, Wastewater safely taken away and Thriving environment.

We have scrutinised closely the company proposals for investment for AMP7, especially those which form the basis of Cost Adjustment and Enhancement proposals. This scrutiny has contributed to a reduction in both the number and scale of the proposals now being submitted. The remaining proposals focus on three principle areas; resilience of long term water supply; environmental improvements and enhanced security.

For each of these areas we have challenged the evidence of the need for investment, and the extent to which there is a direct link to evidence of customer support. We have ensured that a wide range of options were examined and have sought assurances, including through access to expert external assurance, that an optimal proposal was being submitted. Finally, we have insisted that customers are protected should a scheme not proceed, or be conducted at a lower cost.

Late in the process, the company suggested an innovative approach for some proposed investments, where new relevant evidence or guidance is anticipated during the next few years. We rapidly undertook scrutiny of the “Real Options” approach and the specific proposals being put forward. We challenged the company to conduct new specific deliberative research to gauge customer reaction to this approach, and the potential change to their bill if all of the options were triggered. At

our last meeting, armed with this research, we were able to support the inclusion of this approach in the business plan. The result is a lower initial scale of investment than had been envisaged, with a lower initial bill, but with a robust series of triggers, each with appropriate governance, should new evidence require further shovel-ready schemes to be initiated. All of this being in the context that the company has confirmed its commitment to deliver on its statutory obligations, relating to the environment and drinking water quality, which are so important to its customers.

Retail

The business plan considers the retail experience under A service for everyone. However, for many customers it will be their only contact with the company and so influences broad perceptions of all of the services provided.

As the C-MeX and D-MeX measures are still under development we focused our scrutiny on the company proposals for Affordability and Vulnerability.

Affordability

Proposals on how to support customers struggling with affordability are clearly based in research that we have read and in some cases attended. For example, as a direct result of customer feedback, there will be a more flexible approach to the social tariff scheme. Along with customer acceptance of a higher level of cross subsidy, this will result in many more customers receiving help than at present.

Vulnerability

The company has sensitively evolved its approach as a result of challenge from the Water Forum and evidence from customer engagement. Innovative work, which has used both operational data and research, including with those who have experienced a service failure, has led to far greater understanding of customer needs and the development of appropriate responses. These have recently been refined following the Freeze Thaw event and the subsequent heatwave. We are confident that the company has a much better understanding of how it can help customers and how it can work with others in the community to support those who need it.

Trust

There are two outcomes in the plan, which relate to trust. Company you can trust is the most obvious but we have seen in many research projects how *a positive difference (in the community)* will motivate trust.

The Water Forum continually reflected on the nature of trust. Our interest was partly triggered by the company's strategic vision to be the most trusted water company and partly by the Ofwat campaign *#trustinwater*. Whilst trust levels for Severn Trent are high (70% in the most recent results), we discussed how the company could continually demonstrate their commitment to all stakeholders. We were encouraged by customers' response to the Community Dividend proposal and note they are particularly motivated by involvement; the Advisory Board that determines how resources are allocated will be important to establish credibility. We recognise this is an innovative proposal that reflects the top of the hierarchy of needs.

Our assessment of measures of Severn Trent's performance

The company has proposed an appropriate suite of outcomes, which are reflective of the areas that are most important to customers. The company has risen to the challenge of developing flow charts called driver trees for each outcome, which have been influential in identifying the more important activities to drive improvement in these outcomes. Combining this with the development of frameworks for each performance commitment has enabled transparent choices to be made on issues such as the handling of intrinsic variation or the use where appropriate of reputational incentives.

The company has proposed an appropriate range of performance commitments that will be used to monitor their performance. The target adopted for each has been scrutinised to ensure it is stretching and taking account of historic performance, comparative information including, where appropriate, a judgement on likely Upper Quartile performance by 2024/5. In several instances, the company accepted the challenge to adopt a more stretching target than had been their initial intention. For example, the company had adopted a 15% reduction in leakage for AMP7 but had projected more modest improvement in following AMPs. It is now proposing an overall 50% reduction by 2045. The Water Forum questioned whether the company should be able to earn rewards for improving performance where they operate under legislation. An example would be improvements in numbers of pollution incidents. Ultimately, the Forum accepted that the company has proposed solutions it believes to be in the best interests of its customers.

The company has made real efforts to broaden the scope and nature of customer engagement including being innovative in the choice of methods and synthesis of results. The emerging suite of performance commitments and, where relevant, associated Outcome Delivery Incentives, have been socialised with customers through qualitative research and the modelled consequences of their use tested in acceptability research.

Summary

The Severn Trent business plan has been designed with a clear line of sight to the customer informed by a strong customer engagement programme. We have challenged the company with detail and rigour. It is to the company's credit their response has been thoughtful, constructive and non-defensive. We believe that the business plan has been strengthened by this process.

However, the most important verdict is from customers. We are pleased to see that, after robust acceptability testing research, 85% of customers find the bills implied by the plan acceptable.

Appendix 4: Current operational performance

Table 4.1: PR14 Performance Commitments

Please indicate in the table below which PR14 performance commitments have been met and which have not been met over the PR14 period. This table is not for Service Incentive Mechanism (SIM) data, for which table 4.2 has been provided. For financial ODIs please also indicate total forecast outperformance payment or underperformance penalty for the PR14 period.

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ²	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
1	W-A1	Number of complaints about drinking water quality	No	No	No	No	Yes	-6.6573	-1.0359
2	W-A2	Compliance with drinking water quality standards	No	No	No	No	No	-0.1717	0.0000

² **PCL met?** - if the performance commitment level (PCL) for the reporting year was met, or is forecast to be met, enter 'Yes'. If the PCL for the reporting year was not met, or is forecast not to be met, enter 'No'. If a PCL has not been set for the reporting year enter "-" (hyphen).

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ²	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
3	W-A3	Asset stewardship – number of sites with coliform failures	Yes	Yes	No	Yes*	Yes	-0.4630	0.0000
4	W-A4	Successful catchment management schemes	-	-	-	Yes	-	0.0000	9.2700
5	W-B1	Resource efficiency (distribution input per customers)	No	No	No	No	No	0.0000	0.0000
6	W-B2	Leakage	Yes	Yes	No	Yes	Yes	-0.6650	0.0000
7	W-B3	Speed of response in repairing leaks	No	No	No	No	No	-2.4909	-3.0895
8	W-B4	Number of minutes customers go without supply each year	Yes	Yes	No	Yes*	Yes	-14.6960	0.8749
9	W-B5	% of customers with resilient supplies (those that benefit from a second source of supply)	-	-	-	-	Yes	0.0000	0.0000
10	W-B6	Asset stewardship – mains bursts	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
11	W-B7	Customers at risk of low pressure	Yes	Yes	Yes	Yes	Yes	0.1556	0.0726
12	W-B8	Restrictions on water use	Yes	Yes	Yes	Yes	Yes	0.0000	1.3521
13	W-B9	Timing delays on Birmingham resilience scheme	-	-	Yes	Yes	Yes	0.0000	0.0000
14	W-B10	Non-delivery of the outcome of the Birmingham resilience scheme	-	-	Yes	Yes	Yes	0.0000	0.0000
15	W-B11	Timing delays on community risk schemes	-	-	Yes	Yes	Yes	0.0000	0.0000
16	W-B12	Non-delivery of the community risk schemes	-	-	Yes	Yes	Yes	0.0000	0.0000
17	W-B13	Timing delays on EVA maintenance	-	Yes	Yes	Yes	Yes	0.0000	0.0000

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ²	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
18	W-B14	Non-delivery of the EVA maintenance	-	Yes	Yes	Yes	Yes	0.0000	0.0000
19	W-C1	Customers rating our services as good value for money	Yes	Yes	Yes	Yes	Yes	0.2500	0.2486
20	W-D1	Improvements in river water quality against WFD criteria	-	-	-	-	Yes	0.0000	0.0000
21	W-D2	Asset stewardship – environmental compliance	No	No	No	No	No	0.0000	0.0000
22	W-D3	Biodiversity	-	-	-	-	Yes	0.0000	0.0000
23	W-D4	Sites with eel protection at intakes	-	-	-	-	Yes	0.0000	0.0000
24	W-E1	Size of our carbon footprint	No	No	No	No	No	-1.1475	-0.9288
25	W-F1	Improved understanding of our services through education	No	Yes	Yes	Yes	Yes	0.0000	0.0000
26	S-A1	Number of internal sewer flooding incidents	Yes	Yes	Yes	Yes	Yes	25.3063	5.402 ³
27	S-A2	Number of external sewer flooding incidents	Yes	Yes	Yes	Yes	Yes	111.2413	-
28	S-A3	Partnership working	-	-	-	-	Yes	0.0000	-

³ This value represents the net outperformance payment available before the wastewater ODI cap is achieved. All other wastewater ODIs are therefore nil.

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ²	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
29	S-A4	Asset stewardship – blockages	Yes	Yes	Yes	Yes	Yes	0.0000	-
30	S-A5	Statutory obligations (Section 101A schemes)	-	-	-	-	Yes	0.0000	-
31	S-B1	Customers rating our services as good value for money	Yes	Yes	Yes	Yes	Yes	0.2500	-
32	S-C1	Improvements in river water quality against WFD criteria	-	-	-	-	Yes	0.0000	-
33	S-C2	The number of category 3 pollution incidents	Yes	Yes	Yes	Yes	Yes	10.8339	-
34	S-C3	Asset stewardship – environmental compliance	No	No	No	No	No	0.0000	-
35	S-C4	Biodiversity	-	-	-	-	Yes	0.0000	-
36	S-C5	Sustainable sewage treatment	-	-	-	-	Yes	0.0000	-
37	S-C6	Serious pollution incidents	Yes	No	Yes	Yes*	Yes	0.0000	-
38	S-C7	Overall environmental performance	-	-	-	-	-	0.0000	-
39	S-C8	The number of category 4 pollution incidents	Yes	No	Yes	Yes	Yes	0.0000	-
40	S-D1	Size of our carbon footprint	Yes	Yes	Yes	Yes	Yes	0.3646	-
41	S-E1	Improved understanding of our services through education	No	Yes	Yes	Yes	Yes	0.0000	0.0000
42	R-A1	Customer satisfaction with their service (based on a survey)	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
43	R-A2	Customers' experience of dealing with us (based on Ofwat's SIM)	No	No	No	No	-	0.0000	-18.889

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Severn Trent Water

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ²	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
44	R-B1	Number of customers helped by a review of their tariff and water usage and/or supported by our social fund	No	Yes	Yes	Yes	Yes	0.0000	0.0000
45	R-B2	% of customers who do not pay	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
46	A1	Discoloured water contacts	-	-	-	Yes	Yes	-	0.3670
47	A2	Mean zonal compliance (MZC)	-	-	-	No	No	-	0.0000
48	B1	Average duration of interruptions – 3 hours or longer (planned and unplanned interruptions)	-	-	-	Yes	Yes	-	0.0000
49	B2	Sustainable economic level of leakage	-	-	-	Yes	Yes	-	0.0000
50	B3	Security of supply index (SOSI)	-	-	-	Yes	Yes	-	0.0000
51	B4	Number of bursts	-	-	-	Yes	Yes	-	0.0000
52	C1	Gross operational greenhouse gas emissions	-	-	-	Yes	Yes	-	0.0000
53	D1	Customers' perception based on market research	-	-	-	Yes	Yes	-	0.0000
54	E1	Per capita consumption and water efficiency	-	-	-	Yes	Yes	-	0.0000
55	E2	Service incentive mechanism (SIM)	-	-	-	Yes	Yes	-	-0.0078
Total cumulative financial ODI								122.1103	-6.3638

* Our latest forecasts for these three PCs show that we will not meet the CPL. For consistency and to guard against late data changes, we have not made the change as it impacts the assured financial modelling.

Table 4.2: PR14 Service Incentive Mechanism (SIM) Performance

SIM Performance	2015-16	2016-17	2017-18
Total annual SIM score (out of 100)	83.7	83.6	83.2

Appendix 5: PR19 proposed performance commitments

Table 5.1: Common Performance Commitments

No.	Common performance commitment ⁴	ID (eg W-A1)	2019-20 forecast performance level (where relevant)	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change (leakage and PCC PCs)
1	Water quality compliance – the DWI's Compliance Risk Index (CRI), a score greater than or equal to zero, where zero is least risk	H01	7	0	NFI	Not applicable	
2	Water supply interruptions – average supply interruption greater than 3 hours (minutes per property)	G01	00:08:50	00:08:41	Out and Under	In-period	
3	Mains bursts – number of water mains bursts per 1,000 kilometres of total length of mains	G04	113.69	147.66	Out and Under	In-period	
4	Unplanned outage – proportion of unplanned outage of the total company production capacity (%)	G05	Stable	Stable	NFI	Not applicable	

⁴ This table includes all PR19 common performance commitments with the exception of C-Mex and D-Mex, as the design of these is different.

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Severn Trent Water

No.	Common performance commitment ⁴	ID (eg W-A1)	2019-20 forecast performance level (where relevant)	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change (leakage and PCC PCs)
5	Leakage – megalitres per day (Ml/d), three-year average	G02	387.63	-15%	Out and Under	In-period	-15%
6	Per capita consumption – average amount of water used by each person that lives in a household property (litres per person per day), three-year average	G03	133.27	-3.5%	NFI	Not applicable	-3.5%
7	Risk of severe restrictions in a drought – percentage of the population the company serves that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought	G06	63.7%	58.2%	NFI	Not applicable	
8	Treatment works compliance – % compliance with environmental permits at water and wastewater treatment works (EA's Environmental Performance Assessment definition)	C01	99.61%	100%	Under	In-period	
9	Internal sewer flooding – number of incidents per year per 10,000 sewer connections (sewerage companies only), (if uncapping is allowed)	F01	1.70	1.51	Out and Under	In-period	
10	Sewer collapses – number per 1,000km of sewer (sewerage companies only)	F03	Stable	Stable	Out and Under	In-period	

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Severn Trent Water

No.	Common performance commitment ⁴	ID (eg W-A1)	2019-20 forecast performance level (where relevant)	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change (leakage and PCC PCs)
11	Pollution incidents – category 1-3 pollution incidents per 1,000km of sewerage network, as reported to the Environment Agency and Natural Resources Wales (sewerage companies only)	F02	27.41	22.49	Out and Under	In-period	
12	Risk of sewer flooding in a storm – percentage of population at risk of sewer flooding in a 1-in-50 year storm (sewerage companies only)	F04	4.11	3.95	NFI	Not applicable	

Appendix 6: Expenditure

Table 6.1: Totex

Total expenditure	Price base	PR14 final determination 2015-2020	Proposed for PR19 2020-2025
Water network plus (£m)	2017-18 FYA (CPIH deflated)	3,130	2,608
Water resources (£m)	2017-18 FYA (CPIH deflated)		353
Wastewater network plus (£m)	2017-18 FYA (CPIH deflated)	3,075	2,550
Bio resources (£m)	2017-18 FYA (CPIH deflated)		312
Residential retail costs	Outturn (nominal prices)	543	460

Note: both PR14 and PR19 values have been shown on a like-for-like basis (both exclude third party and pensions)

Table 6.2: Direct Procurement for Customers (DPC) proposals

No.	Project name	Total project cost (£m) 2019-20 to 2049-50 2017-18 FYA (CPIH deflated)
1.	East Midlands Raw Water Storage	89

We're supportive of the use of Direct Procurement where it benefits customers. We've developed a transparent, repeatable framework, with advice from a specialist company, to assess which major projects would create better value for customers if they were delivered through DPC. All projects with a whole life totex of £80 million or greater have been assessed using this approach.

This framework identified that the East Midlands Raw Water Storage scheme would be potentially beneficial if delivered by DPC. The scheme is a project to develop a raw water storage facility and construct a new water treatment works by 2031. The scheme is one of 19 that form part of our response to climate change, uncertainty and potential AMP8 environmental programmes.

However, given the uncertainty on the pace and scale on deployable output reduction and the irreversibility of such a supply side scheme, we are proposing to include a 'real option' in our plan that gives us the right but not obligation to deliver the scheme. We are therefore adopting a twin track approach combining:

- an early DPC tender process; going to the market for innovative options to provide 45MI/day in that location and test the market appetite for DPC; and
- early in-house feasibility for the East Midlands Raw Water Storage scheme (that will enable a late DPC process should the early process not provide a better option and the uncertainty mechanism be triggered).

Appendix 7: Trust, confidence and assurance

Our Board uses an established enterprise risk management system that allows it to take a holistic view of risk – complementing the three facets of Ofwat’s resilience in the round approach. This system isn’t static, recent improvements include flightpath analysis that maps risk reduction over time.

Within our plan, we’ve sought to give a rounded view of how we’re managing risks. For example:

- we’ve retained gearing close to the notional level and moved to a seven-year viability statement to evidence our financial resilience;
- we’re focusing on skills development, succession planning with fair and balanced decision making, to support corporate resilience; and
- for operational resilience, our plan builds on a systems approach, increasing focus on catchment management and the creation of natural capital while managing flood risks, along with the lessons from the recent freeze-thaw event.

Our approach to assurance is the result of a decade’s work to build a robust assurance framework - used for all our performance reporting.

But we’re also clear that no matter how good, assurance by itself is not infallible. So we complement our framework with a set of values (‘doing the right thing’) that encourages all our people to raise concerns. We also ensure our assurance looks at the bigger picture. For example, in our latest APR we added a £0.8m penalty to reflect an increase in real leakage losses in 2016/17. We weren’t required to do this, our reported performance accurately reflected improvements in our measurement of leakage – but it was the right thing to do, given Ofwat’s direction to align the industry’s approach.

Our plan continues this approach.

We engaged PwC to develop a bespoke risk-based approach to our assurance. Using Ofwat’s methodology building blocks, our framework determined areas of greatest risk by reviewing operational, financial and customer impact - enabling proportionate application of our three lines assurance model. This framework guided our Audit Committee and Board through the PR19 process, allowing them to challenge delivery, monitor risk mitigation and ultimately evidence their assurance statement.

The Board sought to ensure the 'bigger picture' has always been considered in its decision making, for example, through its principle-based approach to dividend policy and the creation of a community dividend. We believe we manage financial risk prudently and are even-handed in how we share outperformance returns with customers and shareholders; we pay our taxes fully and on time; we pay dividends and executive salaries that are reasonable, sustainable and linked to delivery of customer outcomes; we avoid complex offshore financial vehicles. And we publish this information annually.

Cover sheet

Introduction

These guidance tables support companies in completing the pro-forma for their Business plan presentations to Ofwat Board members and senior leadership that will take place during September-October 2018.

The tables include references to the relevant PR19 business plan tables from which to draw information. Where the information requested is not contained in the PR19 business plan tables, we have indicated the alternative source of the information e.g. the PR14 final determination, Annual Performance Report (APR).

Instructions

Please select your company from this drop down list: **Severn Trent England** The company name will be automatically copied across to each table.

Please complete all cells for each table. For the purposes of this pro-forma only (which does not contain validation checks), if particular cells are not applicable, these can either be left blank or NA entered.

Submission

We expect companies to submit these guidance tables alongside their completed pro-forma and PR19 bill movement model to Ofwat along with their PR19 Business Plans by 5pm on Monday 3 September 2018.

Table 2.2 Key business plan metrics

Severn Trent England

Line description	Item references	Units	DPs	PR14 (2019-20) 31 March 2020 estimate	PR19 (2024-25) 31 March 2025 estimate	2019-20 to 2024-25 % change	PR14 (2015-20 average)	2017-18 actual	2020-21	2021-22	2022-23	2023-24	2024-25	PR19 (2020-25 Average)
A Explanatory variables														
1	Number of residential water customers (000s)	R3017 + R3018	000s	3	302.413	322.161								
2	Number of residential wastewater customers (000s)	R3019 + R3020	000s	3	801.340	784.541								
3	Number of residential water and wastewater customers (000s)	R3021 + R3022	000s	3	2985.843	3107.162								
4	Total leakage	BN2345	MI/d	2	381.05	322.95	-15.25%							
5	Leakage/km/main/day	APP2007	cm/km/day	1	8.2	6.8	-16.3%							
6	Leakage/property/day	APP2006	l/p/d	1	104.2	85.7	-17.8%							
7	Per Capita Consumption (PCC)		l/p/d	2	133.27	128.61	-3.50%							
8	ODI RoRE range		%	2	-2% to 1%	-3% to 2.6%								
9	Appointee WACC (real RPI)		%	2	3.70%	2.40%								
10	Appointee WACC (real CPIH)		%	2	4.80%	3.40%								
11	Credit rating – actual financial structure	A8A01D01	Text	0	BBB+	BBB+								
B Financial metrics														
12	Actual gearing	A8A007	%	2				61.50%	62.88%	63.57%	64.25%	64.80%	65.07%	64.11%
13	Adjusted interest cover actual	A8A003	ratio	2				2.40	1.59	1.61	1.62	1.64	1.70	1.63
14	Adjusted interest cover notional	A8003	ratio	2				1.70	1.48	1.49	1.56	1.64	1.61	1.56
15	FFO net debt actual	A8A005	ratio	2				0.11	0.10	0.10	0.10	0.10	0.10	0.10
16	FFO net debt notional	A8005	ratio	2				0.10	0.10	0.10	0.11	0.11	0.10	0.10

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 2.2 Guidance

Information in this table is mainly drawn from the PR19 Business plan data tables issued in June 2018 or requires manual input.

Line	Further information
Block A Explanatory variables	
1	Water only columns in PR19 Business plan table R1 line 16.
2	Wastewater only columns in PR19 Business plan table R1 line 16.
3	Water and wastewater columns in PR19 Business plan table R1 line 16.
4	PR19 Business plan table Wn2 line 25.
5	PR19 Business plan table App7 line 7.
6	PR19 Business plan table App7 line 6.
7	Per Capita Consumption (litres/person/day) should be drawn from App1.
8	PR14 ODI RoRE range to be drawn from the RoRE range table in the PR14 Company specific appendices. The PR19 ODI RoRE range is to be calculated by companies from their financial model.
9	Appointee WACC (real RPI) requires manual input. For PR14, this is the 'allowed wholesale return' from the company specific appendix plus the retail margin adjustment of 0.14% as stated in Final price control determination notice: policy chapter A7 – risk and reward. As the PR14 WACC components were all deflated using a long-term RPI assumption of 2.8% and 3.0% is being assumed for PR19, for comparability in this table, the difference of 0.2% must be deducted from the allowed wholesale return before adding the retail margin adjustment. For PR19, this will either be line 16 of App32 (sector notional WACC) or line 36 of App32 if the company is using block B to set out a claim for a different WACC. In PR19 Business plan table App32 we ask for these figures in nominal terms, so companies will need to transform these with an assumption of RPI of 3% using the Fisher equation: Nominal to RPI: $((1 + \text{nominal wacc}) / (1 + 3\%)) - 1$.
10	Appointee WACC (real CPIH) requires manual input. For PR14, this is the 'allowed wholesale return' from the company specific appendix plus the retail margin adjustment of 0.14% as stated in Final price control determination notice: policy chapter A7 – risk and reward. As the PR14 WACC components were all deflated using a long-term RPI assumption of 2.8% and 3.0% is being assumed for PR19, for comparability in this table, the difference of 0.2% must be deducted from the allowed wholesale return before adding the retail margin adjustment and adjusting by CPIH. The CPIH adjustment should use the Fisher equation: RPI to CPIH = $((1 + \text{RPI wacc}) / (1 + 2\%)) - 1$. For PR19, this will either be line 16 of App32 (sector notional WACC) or line 36 of App32 if the company is using block B to claim for a different WACC. In PR19 Business plan table App32 we ask for these figures in nominal terms, so companies will need to transform these with an assumption of CPIH of 2% using the Fisher equation: Nominal to CPIH: $((1 + \text{nominal wacc}) / (1 + 2\%)) - 1$.
11	For 2019-20, PR14 credit rating requires manual input from PR14 Business plan table A8 line 33. For 2024-25, PR19 Business plan table App10 line 34.
Block B Financial metrics	
12	2017-18 is the actual gearing for 2017-18 from APR table 4H line 3. For 2020-25, actual gearing is to be taken from PR19 Business plan table App10 line 23.
13	2017-18 is the actual adjusted interest cover for 2017-18 from APR table 4H line 14. For 2020-25, actual adjusted interest cover is to be taken from PR19 Business plan table App10 line 25.
14	PR14 (2015-20) is the average notional adjusted interest cover as reported in PR14 Business plan table A8 line 25. For 2020-25, notional adjusted interest cover is to be taken from PR19 Business plan table App10 line 3.
15	2017-18 is the actual FFO net debt for 2017-18 from APR table 4H line 15. For 2020-25, actual FFO net debt is to be taken from PR19 Business plan table App10 line 27.
16	PR14 (2015-20) is the average notional FFO net debt as reported in PR14 Business plan table A8 line 26. For 2020-25, notional FFO net debt should be taken from PR19 Business plan table App10 line 5.

Table 2.3 RCV year balances
Severn Trent England

Line description	Item references	Units	DPs	1 April 2020 Opening RCV	30 March 2025 Closing RCV	% Growth
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Price base

2017-18 FYA (CPIH deflated)

A	RCV year balances						
1	Water resources RCV	APP8012WR and APP8021WR	£m	3	378.945	398.094	5%
2	Water network plus RCV	APP8012WN and APP8021WN	£m	3	4,131.934	4,276.955	4%
3	Wastewater network plus RCV	APP8012WWN and APP8021WWN	£m	3	3,981.869	4,109.817	3%
4	Bioresources RCV	RCV1011BIO_FYA_CPY and APP8021BIO	£m	3	512.795	533.947	4%

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 2.3 Guidance

Information in this table is drawn from PR19 Business plan table App8.

Line	Further information
Block A	RCV year balances
1	PR19 Business plan table App8 lines 16 and 108.
2	PR19 Business plan table App8 lines 30 and 109.
3	PR19 Business plan table App8 lines 69 and 110.
4	PR19 Business plan table App8 lines 55 and 111.

Table 2.4 Dividends

Severn Trent England

Line description		Item references	Units	DPs	2015-16	2016-17	2017-18	2020-21	2021-22	2022-23	2023-24	2024-25
Price base					Outturn (nominal)							
A	Dividends - nominal prices											
1	Dividends based on PR14 actual company structure	BO3402	£m	3	306.000	190.346	199.615					
2	Dividends based on PR19 actual company structure	A10017A	£m	3				210.323	214.736	219.396	224.301	229.494

Key

Input from PR19 Business plan tables

Input from alternative source

Calculation

Table 2.4 Guidance

Information in this table is drawn from APR table 1a and PR19 Business plan table App11 in nominal prices.

Line	Further information
Block A	Dividends - nominal prices
1	Dividends based on PR14 actual company structure (nominal prices) to be drawn from APR table 1A line 15
2	PR19 Business plan table App11 line 17.

Table 4.1 PR14 Performance Commitments **Severn Trent England**

A	B	C	D	E	F	G	H	I	J	K
Line	ID (eg W-A1)	Performance commitment	2015-16 PCL met?	2016-17 PCL met?	2017-18 - PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODIs (outperformance payments and underperformance penalties) 2015-16 to 2017-18 actual	Cumulative ODIs (outperformance payments and underperformance penalties) 2018-19 and 2019-20 forecast	Total cumulative financial ODI

A	PR14 Performance Commitments									
1	W-A1	Number of complaints about drinking water quality	No	No	No	No	Yes	-6.6573	-1.0359	-7.6932
2	W-A2	Compliance with drinking water quality standards	No	No	No	No	No	-0.1717	0.0000	-0.1717
3	W-A3	Asset stewardship – number of sites with coliform failures	Yes	Yes	No	Yes*	Yes	-0.4630	0.0000	-0.4630
4	W-A4	Successful catchment management schemes	-	-	-	Yes	-	0.0000	9.2700	9.2700
5	W-B1	Resource efficiency (distribution input per customers)	No	No	No	No	No	0.0000	0.0000	0.0000
6	W-B2	Leakage	Yes	Yes	No	Yes	Yes	-0.6650	0.0000	-0.6650
7	W-B3	Speed of response in repairing leaks	No	No	No	No	No	-2.4909	-3.0895	-5.5804
8	W-B4	Number of minutes customers go without supply each year	Yes	Yes	No	Yes*	Yes	-14.6960	0.8749	-13.8211
9	W-B5	% of customers with resilient supplies (those that benefit from a second source of supply)	-	-	-	-	Yes	0.0000	0.0000	0.0000
10	W-B6	Asset stewardship – mains bursts	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
11	W-B7	Customers at risk of low pressure	Yes	Yes	Yes	Yes	Yes	0.1556	0.0726	0.2282
12	W-B8	Restrictions on water use	Yes	Yes	Yes	Yes	Yes	0.0000	1.3521	1.3521
13	W-B9	Timing delays on Birmingham resilience scheme	-	-	Yes	Yes	Yes	0.0000	0.0000	0.0000
14	W-B10	Non-delivery of the outcome of the Birmingham resilience scheme	-	-	Yes	Yes	Yes	0.0000	0.0000	0.0000
15	W-B11	Timing delays on community risk schemes	-	-	Yes	Yes	Yes	0.0000	0.0000	0.0000
16	W-B12	Non-delivery of the community risk schemes	-	-	Yes	Yes	Yes	0.0000	0.0000	0.0000
17	W-B13	Timing delays on EVA maintenance	-	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
18	W-B14	Non-delivery of the EVA maintenance	-	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
19	W-C1	Customers rating our services as good value for money	Yes	Yes	Yes	Yes	Yes	0.2500	0.2486	0.4986
20	W-D1	Improvements in river water quality against WFD criteria	-	-	-	-	Yes	0.0000	0.0000	0.0000
21	W-D2	Asset stewardship – environmental compliance	No	No	No	No	No	0.0000	0.0000	0.0000
22	W-D3	Biodiversity	-	-	-	-	Yes	0.0000	0.0000	0.0000
23	W-D4	Sites with eel protection at intakes	-	-	-	-	Yes	0.0000	0.0000	0.0000
24	W-E1	Size of our carbon footprint	No	No	No	No	No	-1.1475	-0.9288	-2.0763
25	W-F1	Improved understanding of our services through education	No	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
26	S-A1	Number of internal sewer flooding incidents	Yes	Yes	Yes	Yes	Yes	25.3063	5.4020	30.7083
27	S-A2	Number of external sewer flooding incidents	Yes	Yes	Yes	Yes	Yes	111.2413	-	111.2413
28	S-A3	Partnership working	-	-	-	-	Yes	0.0000	-	0.0000
29	S-A4	Asset stewardship – blockages	Yes	Yes	Yes	Yes	Yes	0.0000	-	0.0000
30	S-A5	Statutory obligations (Section 101A schemes)	-	-	-	-	Yes	0.0000	-	0.0000
31	S-B1	Customers rating our services as good value for money	Yes	Yes	Yes	Yes	Yes	0.2500	-	0.2500
32	S-C1	Improvements in river water quality against WFD criteria	-	-	-	-	Yes	0.0000	-	0.0000
33	S-C2	The number of category 3 pollution incidents	Yes	Yes	Yes	Yes	Yes	10.8339	-	10.8339
34	S-C3	Asset stewardship – environmental compliance	No	No	No	No	No	0.0000	-	0.0000
35	S-C4	Biodiversity	-	-	-	-	Yes	0.0000	-	0.0000
36	S-C5	Sustainable sewage treatment	-	-	-	-	Yes	0.0000	-	0.0000
37	S-C6	Serious pollution incidents	Yes	No	Yes	Yes*	Yes	0.0000	-	0.0000
38	S-C7	Overall environmental performance	-	-	-	-	-	0.0000	-	0.0000
39	S-C8	The number of category 4 pollution incidents	Yes	No	Yes	Yes	Yes	0.0000	-	0.0000
40	S-D1	Size of our carbon footprint	Yes	Yes	Yes	Yes	Yes	0.3646	-	0.3646
41	S-E1	Improved understanding of our services through education	No	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
42	R-A1	Customer satisfaction with their service (based on a survey)	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
43	R-A2	Customers' experience of dealing with us (based on Ofwat's SIM)	No	No	No	No	-	0.0000	-18.8890	-18.8890
44	R-B1	Number of customers helped by a review of their tariff and water usage and/or supported by our social fund	No	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
45	R-B2	% of customers who do not pay	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000	0.0000
46	A1	Discoloured water contacts	-	-	-	Yes	Yes	-	0.3670	0.3670
47	A2	Mean zonal compliance (MZO)	-	-	-	No	No	-	0.0000	0.0000
48	B1	Average duration of interruptions – 3 hours or longer (planned and unplanned interruptions)	-	-	-	Yes	Yes	-	0.0000	0.0000
49	B2	Sustainable economic level of leakage	-	-	-	Yes	Yes	-	0.0000	0.0000
50	B3	Security of supply index (SOSI)	-	-	-	Yes	Yes	-	0.0000	0.0000
51	B4	Number of bursts	-	-	-	Yes	Yes	-	0.0000	0.0000
52	C1	Gross operational greenhouse gas emissions	-	-	-	Yes	Yes	-	0.0000	0.0000
53	D1	Customers' perception based on market research	-	-	-	Yes	Yes	-	0.0000	0.0000
54	E1	Per capita consumption and water efficiency	-	-	-	Yes	Yes	-	0.0000	0.0000
55	E2	Service incentive mechanism (SIM)	-	-	-	Yes	Yes	-	-0.0078	-0.0078

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 4.1 Guidance

This table should include all PR14 performance commitments and be populated manually. The default data source for each column is outlined below. Note: some companies have previously restated PC data for a few performance commitments. In these cases, companies should use the restated data.

Column	Further information
Block A	PR14 Performance Commitments
B	Company PC reference
C	PC name
D	APR table 3A (2016)
E	APR table 3A (2017)
F	APR table 3A (2018)
G	PR19 Business plan table App5 (column W)
H	PR19 Business plan App5 (column AC)
I	APR table 3A (2016, 2017 and 2018). £m to 4 decimal places 2012-13 prices, net of tax
J	PR19 Business plan App5. £m to 4 decimal places 2012-13 prices, net of tax
K	Total cumulative financial calculated from the sum of columns I and J.

Table 4.2 Service incentive mechanism**Severn Trent England**

Line description		Item reference	Units	DPs	2015-16	2016-17	2017-18
A	SIM score						
1	Total annual SIM score (out of 100)	KI001U	nr	0	84	84	83

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 4.2 guidance

Information in this table is drawn from PR19 Business plan table R10.

Line	Definition
Block A	SIM score
1	The total annual SIM score is the addition of R10 lines 5 and 7.

Table 5.1 Common performance commitments

Severn Trent England

A	B	C	D	E	F	G	H
Line	Description	ID (eg W-A1)	2019-20 forecast performance level (where relevant)	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change
A	PR19 Common performance commitments summary						
1	Water quality compliance – the DWI's Compliance Risk Index (CRI), a score greater than or equal to zero, where zero is least risk	H01	7	0	NFI	Not applicable	
2	Water supply interruptions – average supply interruption greater than 3 hours (minutes per property)	G01	00:08:50	00:08:41	Out and Under	In-period	
3	Mains bursts – number of water mains bursts per 1,000 kilometres of total length of mains	G04	113.69	147.66	Out and Under	In-period	
4	Unplanned outage – proportion of unplanned outage of the total company production capacity (%)	G05	Stable	Stable	NFI	Not applicable	
5	Leakage – megalitres per day (Ml/d), three-year average	G02	387.63	329.49	Out and Under	In-period	-15.0%
6	Per capita consumption – average amount of water used by each person that lives in a household property (litres per person per day), three year average	G03	133.27	128.61	NFI	Not applicable	-3.5%
7	Risk of severe restrictions in a drought – percentage of the population the company serves that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought	G06	63.70%	58.20%	NFI	Not applicable	
8	Treatment works compliance – % compliance with environmental permits at water and wastewater treatment works (EA's Environmental Performance Assessment definition)	C01	99.61%	100%	Under	In-period	
9	Internal sewer flooding – number of incidents per year (sewerage companies only)	F01	1.7	1.51	Out and Under	In-period	
10	Sewer collapses – number per 1,000 kilometres of sewer (sewerage companies only)	F03	Stable	Stable	Out and Under	In-period	
11	Pollution incidents – category 1-3 pollution incidents per 1,000km of sewerage network, as reported to the Environment Agency and Natural Resources Wales (sewerage companies only)	F02	27.41	22.49	Out and Under	In-period	
12	Risk of sewer flooding in a storm – percentage of population at risk of sewer flooding in a 1-in-50 year storm (sewerage companies only)	F04	4.11	3.95	NFI	Not applicable	

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 5.1 Guidance

This table should be populated manually by the companies. The data in this table should be consistent with the data in PR19 Business plan data table App1 (PCs and ODIs).

Column	Further information
Block A	PR19 Common performance commitments summary
B	Description of the PR19 common performance commitment.
C	Company PC reference
D	PR19 Business plan App1 (column AP)
E	PR19 Business plan App1 (column AU)
F	PR19 Business plan App1 (column R)
G	PR19 Business plan App1 (column T)
H	% change between 2024-25 and 2019-20 for leakage and per capita consumption only.

Table 6.1 Total expenditure

Severn Trent England

Line description	Item references	Units	DPs	Price base	PR14 final determination expenditure 2015-20	Proposed for PR19 2020-25
A	Total expenditure summary					
1	Water network plus	W3026TERWD plus W3026TEWT plus W3026TETWD	£m	3	2017-18 FYA (CPIH deflated)	2607.922
2	Water resources	W3026TEWR	£m	3	2017-18 FYA (CPIH deflated)	352.642
3	Wastewater network plus	S3040TCASC plus S3040TCAST	£m	3	2017-18 FYA (CPIH deflated)	2549.500
4	Bio resources	S3040TCASTP plus S3040TCASDT plus S3040TCASDD	£m	3	2017-18 FYA (CPIH deflated)	312.000
5	Residential retail costs	BM9023 plus BM4017	£m	3	Outturn (nominal prices)	459.878

Key

	Input from PR19 Business plan tables
	Input from alternative source
	Calculation

Table 6.1 Guidance

Information in this table is drawn from the PR19 Business plan tables WS1 and WWS1 or requires manual input from the PR14 company specific appendix.

Line	Further information
Block A	Total expenditure summary
1	PR14 final determination expenditure: Water network plus and water resources PR14 final determination to be drawn from PR14 company specific appendix table A2.4 line 6 - allowed totex For 2020-25 this is totex for raw water distribution, water treatment and treated water distribution from PR19 Business plan table WS1 line 36
2	PR14 final determination expenditure: Water network plus and water resources PR14 final determination to be drawn from PR14 company specific appendix table A2.4 line 6 - allowed totex For 2020-25 this is totex for water resources from PR19 Business plan table WS1 line 36
3	PR14 final determination expenditure: Wastewater network plus and bioresources PR14 final determination to be drawn from PR14 company specific appendix table A3.4 line 6 - allowed totex For 2020-25 this is totex for sewage collection and sewage treatment from PR19 Business plan table WWS1 line 36
4	PR14 final determination expenditure: Wastewater network plus and bioresources PR14 final determination to be drawn from PR14 company specific appendix table A3.4 line 6 - allowed totex For 2020-25 this is totex for sludge transport, treatment and disposal from PR19 Business plan table WWS1 line 36
5	Residential retail to be drawn from PR14 final determination in nominal prices. For 2020-25 this is opex (line 10) and capex (line 15) from PR19 Business plan table R1 in nominal prices.

Table 6.2 Direct procurement for customers
Severn Trent England

Line description	Item reference	Units	DPs	Total Project Cost 2019-20 to 2049-50
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Price base	2017-18 FYA (CPIH deflated)
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A	Direct procurement for customers proposals				
1	East Midlands Raw Water Storage	APP21P105	£m	3	89.152
2	[Project 2 name]	APP21P205	£m	3	
3	[Project 3 name]	APP21P305	£m	3	
4	[Project 4 name]	APP21P405	£m	3	
5	[Project 5name]	APP21P505	£m	3	
6	[Project 6 name]	APP21P605	£m	3	
7	[Project 7 name]	APP21P705	£m	3	
8	[Project 8 name]	APP21P805	£m	3	
9	[Project 9 name]	APP21P905	£m	3	
10	[Project 10 name]	APP21P1005	£m	3	

Key

	Input to PR19 Business plan tables
	Input from alternative source
	Calculation

Table 6.2 Guidance

Project names and total appointee costs (line 5) from PR19 Business plan table App21.