Assessment of Severn Trent Water's engagement and the outcomes for customers in the company's business plan 2015-20

Appendices
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Appendix 1: The Water Forum’s terms of reference

1. Aims of the Water Forum
The aims of the Water Forum are to:

a. Facilitate open discussions by key organisations and lead to a better understanding by all interested parties of the main obligations, issues and priorities in the delivery of water and wastewater services.

b. Ensure that customer and other stakeholders’ views are understood and represented to Severn Trent Water.

c. Challenge the phasing, scope and scale of work required to deliver outcomes that are realistic and achievable, including legally prescribed standards and the requirements of all regulators, and using appropriate third-party assurance as required.

d. Assess, challenge and report to Ofwat on: the effectiveness of Severn Trent Water’s engagement and on the acceptability to customers or otherwise of its overall business plan and bill impacts.

2. Role of the Water Forum
In order to meet its aims, the Water Forum will:

a. Approach to engagement
Challenge and advise Severn Trent Water as it strives for best practice when planning its customer engagement and research with its customers to gain an understanding of the main obligations, issues and priorities that need to be addressed.

b. Representation of customer and stakeholders’ views
Provide its views on customer priorities and any information members have on customer needs and on where services do not meet customer expectations.

Provide its views on the priorities and any information members have on the interests of other parties with a stake in the services of Severn Trent Water.

c. Interpretation of, and response to, outcome of engagement
Advise and challenge Severn Trent Water as it interprets customers’ views and decides how to reflect them in its longer-term strategy and business plans.

d. Approach to the delivery of outcomes
Facilitate constructive discussion of:

• Priorities, and options for resolution where conflicting priorities exist (trade-offs).
• The longer term planning required to meet aspirations for drinking water quality, environmental water quality and customer service.

Advise and challenge Severn Trent Water and its regulators to consider:

• The opportunities for using innovative or sustainable means of delivering the required or desired outcomes.
• The scope, justification and cost-effectiveness of the preferred delivery mechanism.
• Phasing delivery or outcomes to maximise the affordability and acceptability of Severn Trent Water’s overall business plan.

e. Delivery of existing outcomes
Monitor and challenge Severn Trent Water’s progress against the delivery of outcomes from its current business plan.
f. Other advice
Provide its views to Severn Trent Water on issues such as compulsory metering, social tariffs and on surface water drainage.

g. Report to Ofwat
Report to Ofwat on the effectiveness of Severn Trent Water’s engagement process and the company’s strategy and business plan. This report will consider the issues set out in Annex 1.

3. Role of the Chair
In order to enable the Water Forum to fulfil its role, the Chair shall:

a. Ensure Severn Trent Water is robustly challenged, to give proportionate assurance to Ofwat.

b. Facilitate Water Forum discussions in a manner that gives every member a fair chance to:
   • Contribute to discussions.
   • Challenge Severn Trent Water in its approach to customer engagement, interpretation of the outcome of that engagement and how those outcomes are reflected in its business and strategic plans.
   • Challenge Severn Trent Water’s regulators, including Ofwat.

c. Represent the views of the Water Forum to Severn Trent Water, its regulators and other parties with an interest in the services of Severn Trent Water.

d. Ensure that where the Water Forum does not reach consensus on its opinion, the full range of views of members are recorded and communicated.

e. Review the effectiveness of the Water Forum at appropriate stages during its operation and at least annually.

f. Appoint a Deputy Chair, as may be required, to support the fulfilment of its role.

4. Accountability and communication of opinion

a. The Water Forum has a remit to challenge, scrutinise, advise Severn Trent Water on the development of its business plan and strategic direction statement, and independently report its opinion on those documents to Ofwat. Accountability for both documents, and hence final decision making about them, lies with the Severn Trent Water Board.

b. The Severn Trent Water Board or Severn Trent Plc Executive Committee may ask that the Chair attend relevant meetings to report the views of the Water Forum. In turn, the Chair may request to report to the Severn Trent Plc Board or Severn Trent Executive Committee.

c. The Water Forum may report independently to Ofwat at any time, but will allow Severn Trent Water the opportunity to respond to any issues the Water Forum may wish to raise in the first instance.

d. The communication of Water Forum views to third parties, including the media, must be agreed by the Chair.

e. Minutes will be made publicly available once agreed by both the Water Forum and STW and subject to the redaction of price sensitive information.
5. Disclosure of information
a. Water Forum members may be provided with information that is commercially sensitive. Water Forum members will be asked to enter into a confidentiality agreement and act in a manner consistent with Severn Trent Plc’s Continuous Disclosure and Communications Policy and Standards including express undertakings to be bound by the laws regulating the breach of disclosure obligations relating to inside information, and their inclusion on insider lists.

6. Membership
a. The Water Forum will comprise the following members who have a statutory remit in the water sector:
   - Consumer Council for Water
   - Drinking Water Inspectorate
   - Environment Agency
   - Natural England
b. Each organisation will appoint a single member to the Water Forum and may bring a colleague to provide support or technical input. In instances where the appointed Water Forum member is unavailable, a delegate should attend.
c. The quorum necessary for the meeting will be four members.
d. Ofwat will be invited to attend meetings as an observer or to provide technical input.
e. Membership may be extended to other parties with an interest in the services of Severn Trent Water upon agreement of the Chair.
f. Members will be required to declare interests in Severn Trent Water and/or Severn Trent Plc prior to the commencement of each meeting.

7. Independent advice and third party assurance
a. The Water Forum will be provided by Severn Trent Water with sufficient third-party assurance as may be required to fulfil its remit.

8. Meetings and operation
a. Meetings shall be convened as the need arises at key stages during the price review and no less than three times a year.
b. Agendas and other materials will be electronically circulated five working days in advance of each meeting.
c. Agendas will be developed by Severn Trent Water and approved by the Chair.
d. The Water Forum’s forward work programme and approach will be developed by Severn Trent Water and agreed by members.
e. Severn Trent Water will provide secretariat and administrative support and all costs.
### Appendix 2: About the member organisations

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CBI</strong></td>
<td>The CBI nationally represents some 240,000 large and small business customers in a range of sectors.</td>
</tr>
<tr>
<td><strong>CCWater</strong></td>
<td>CCWater is the statutory consumer representative body for the water industry.</td>
</tr>
<tr>
<td><strong>Coventry CAB</strong></td>
<td>Coventry CAB provides support and advice to around 8,000 people in the Coventry area. It brings specific expertise in supporting vulnerable customers or those who have entered, or may enter, into debt.</td>
</tr>
<tr>
<td><strong>DWI</strong></td>
<td>The DWI is the statutory water quality regulator for the industry.</td>
</tr>
<tr>
<td><strong>East Midlands Councils</strong></td>
<td>The East Midlands Councils represents local authorities in the East Midlands. Its representative on the Forum was elected by East Midlands Councils members.</td>
</tr>
<tr>
<td></td>
<td>There are more than 80 local authorities in Severn Trent Water’s area. They are customers of the company and also work in partnership with it on issues such as flooding and capacity planning.</td>
</tr>
<tr>
<td><strong>Environment Agency</strong></td>
<td>The Environment Agency is a statutory regulator whose responsibilities to the water industry principally relate to water abstraction and environmental impact.</td>
</tr>
<tr>
<td><strong>Natural England</strong></td>
<td>Natural England is a statutory body responsible for protecting England’s natural environment.</td>
</tr>
<tr>
<td><strong>NFU</strong></td>
<td>The NFU represents some 55,000 farmers nationally. In Severn Trent Water’s area, agriculture accounts for some 12% of total water use.</td>
</tr>
<tr>
<td><strong>SSE</strong></td>
<td>As one of the UK’s leading suppliers of electricity and gas, SSE brings considerable commercial, customer service and business planning expertise to the Forum.</td>
</tr>
<tr>
<td><strong>West Midlands Councils</strong></td>
<td>The West Midlands Councils (latterly the Centre for Local Government – West Midlands) represents local authorities in the West Midlands. Its representative on the Forum was elected by West Midlands Councils members.</td>
</tr>
</tbody>
</table>
Appendix 3: PR14 Customer Engagement Working Group (CEWG)

Terms of Reference

1. Aims of the Customer Engagement Working Group
   The aims of the Customer Engagement Working Group are to:
   a. Facilitate open discussions by key organisations and lead to a better understanding by all interested parties of customer engagement, current customer research, PR14 specific customer research, with the opportunity to look at the customer engagement plans in greater detail than the Water Forum might have the time to do.
   b. Ensure that customer and other stakeholders’ views are understood and represented to Severn Trent Water and fed in to the research development.
   c. Assess, challenge and report to the Water Forum on the effectiveness of Severn Trent Water’s customer research and engagement and how the outputs have been translated into the planning process.
   d. For any aspect of stakeholder engagement, act as a resource to enable more in-depth discussion and development of the work programme than would be possible within Water Forum meetings.

2. Role of the Customer Engagement Working Group
   In order to meet its aims, the Customer Engagement Working Group will:
   Challenge and advise Severn Trent Water as it strives for best practice when planning its PR14 customer engagement and research with its customers to gain an understanding of the main obligations, issues and priorities that need to be addressed.
   Advise and challenge Severn Trent Water as it interprets customers’ views and the outcomes of customer engagement and decides how to reflect them in its longer-term strategy and business plans.

3. Membership
   The Customer Engagement Working Group will comprise the following members who have a statutory remit in the water sector:
   • Consumer Council for Water
   • Drinking Water Inspectorate
   • Environment Agency

   Each organisation will appoint one or more members to the Customer Engagement Working Group and may bring further colleagues to provide support or technical input.

   The views of Local Authorities will also be represented in the Customer Engagement Working Group, through a member appointed from the Water Forum.

   Any further member of the Water Forum may join the working group. Membership may be extended to other parties as and when required.

4. Independent advice and third party assurance
   The Customer Engagement Working Group will be provided by Severn Trent Water with sufficient third-party assurance as may be required to fulfil its remit, for example the peer review reports on the Willingness to Pay survey.
5. Meetings and operation

- Meetings shall be convened as the need arises at key stages during the price review.
- Agendas and other materials will be electronically circulated five working days in advance of each meeting.
- Agendas will be developed by Severn Trent Water with input from other members of the group as necessary.
- The Customer Engagement Working Group’s forward work programme and approach will be developed by Severn Trent Water and agreed by members.
- Minutes will be circulated following the meeting for comment by all members.
- Severn Trent Water will provide the secretariat for the group.

6. Role of the chair of the CEWG

David Wurr (CCWater) was elected chair of the CEWG on 29 Aug 2012, with Milo Purcell (DWI) taking the role of deputy chair.

The role of the chair is as follows:

- Chair CEWG meetings in a manner that gives every member a fair chance to contribute to discussions and challenge STW in its approach to customer engagement, interpretation of the outcome of that engagement and how those outcomes are reflected in its business and strategic plans.
- Agree the minutes of the CEWG meetings (secretariat to be provided by STW).
- Report back to the Water Forum on CEWG activities.
- Ensure that where the CEWG does not reach consensus on its opinion, the full range of views of members are recorded and communicated.
- Review the effectiveness of the CEWG at appropriate stages during its operation and at least annually.
- Input into the customer engagement aspects of the assurance report.
- Appoint a Deputy Chair, as may be required, to support the fulfilment of its role.
Appendix 4: PR14 Assurance Working Group (AWG) Terms of Reference

1. Aims of the Assurance Working Group
The PR14 Assurance Working Group (AWG) is answerable to the Water Forum.

The aims of the Assurance Working Group are to:

a. Understand the assurance processes that Severn Trent Water uses to ensure its business plan for 2015-20 is based on robust cost estimates, sound data, appropriate efficiency and appropriate engagement.

b. Advise the Water Forum on issues arising from Severn Trent Water’s assurance process which may materially impact on Severn Trent Water’s business plan for 2015-20.

c. For any aspect of assurance, act as a resource to enable more in-depth discussion and challenge than would be possible within Water Forum meetings.

The Severn Trent Water/Plc Board and its Audit Committee have an assurance process for the development of its 2015-20 plan. Severn Trent Water will regularly provide progress updates to the AWG. The AWG will use the outputs from STW to provide the Water Forum with assurance about Severn Trent Water’s proposed plan.

2. Role of the Assurance Working Group
The role of the AWG is to ensure that Severn Trent Water, in production of the business plan, has sought to sufficiently challenge itself to identify cost effective and innovative solutions.

In order to meet its aims, the Assurance Working Group will:

• Report to the Water Forum on: the appropriateness; and outcome of Severn Trent Water’s assurance process.

• Work with Severn Trent Water’s current assurance provider (Atkins) to determine areas of Severn Trent Water’s business plan submission where clarification may be required. In particular to establish:
  – The reasonableness of the cost estimates within the plan.
  – The reasonableness of the targets for measures of success given the associated cost.
  – The appropriate application of customer values in evaluating the cost/benefit of potential improvements.
  – The reasonableness of future efficiency savings.

• Contribute, as appropriate, to the production of the Water Forum’s report to Ofwat.

3. Membership
Any member of the Water Forum may join the working group. Membership will comprise at least three members.

Membership may be extended to other parties as and when required. Each member may bring further colleagues to provide support or technical input.
4. Meetings and operation
• Meetings shall be convened as the need arises at key stages during the price review.
• Agendas and other materials will be electronically circulated five working days in advance of each meeting.
• Agendas will be developed by Severn Trent Water with input from other members of the group as necessary.
• The Assurance Working Group’s forward work programme and approach will be developed by Severn Trent Water and agreed by members.
• Minutes will be circulated following the meeting for comment by all members.
• Severn Trent Water will provide the secretariat for the group.

5. Role of the chair of the Assurance Working Group
Richard Butler (CBI) was elected chair of the AWG in February 2013 with Ian Butterfield (Natural England) taking the role of deputy chair.

The role of the chair is as follows:
• Chair meetings in a manner that gives every member a fair chance to contribute to discussions and challenge STW in its approach to assurance.
• Agree the minutes of the meetings.
• Report back to the Water Forum on the group’s activities.
• Ensure that where the group does not reach consensus on its opinion, the full range of views of members are recorded and communicated.
• Review the effectiveness of the group at appropriate stages during its operation and at least annually.
• Appoint a Deputy Chair, as may be required, to support the fulfilment of its role.

6. Proposed assurance structure for PR14

Severn Trent Water (Business Units) and Atkins to work collaboratively with AWG (sharing information and providing progress updates); so that the AWG can effectively discharge its responsibility through to the Water Forum.
Appendix 5: The three phases of engagement

Phase 1: Shaping the consultation

<table>
<thead>
<tr>
<th>Audience</th>
<th>Approach</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested</td>
<td>'Our business plan for 2015-20: a stakeholder consultation'</td>
<td>63 stakeholders and business customers.</td>
</tr>
</tbody>
</table>

Phase 2: Shaping the plan

<table>
<thead>
<tr>
<th>Audience</th>
<th>Approach</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested</td>
<td>'Making the right choices' – a programme of written consultation and five workshops (climate change, water, waste water, helping customers who struggle, and retail services for business customers).</td>
<td>114 organisations and business customers.</td>
</tr>
<tr>
<td>Interested</td>
<td>Regional flood and coastal committee seminar – a workshop with lead local flood authority members on company proposals to take a risk-based approach to flooding.</td>
<td>38 attendees</td>
</tr>
<tr>
<td>Representative</td>
<td>A review of historic research by Severn Trent Water.</td>
<td>n/a</td>
</tr>
<tr>
<td>Representative</td>
<td>Quarterly customer perception tracker – forward planning related questions were included in the company’s ‘business as usual’ perception survey.</td>
<td>3240</td>
</tr>
<tr>
<td>Representative</td>
<td>Focus groups to explore issues such as customer service and the company’s role in the community.</td>
<td>32</td>
</tr>
<tr>
<td>Representative</td>
<td>Willingness to pay research – a comprehensive programme of research to determine the value customers place on service improvements.</td>
<td>2410</td>
</tr>
<tr>
<td>All</td>
<td>An analysis of insight gained to date, later published as ‘Your views’ on the company’s website.</td>
<td>n/a</td>
</tr>
</tbody>
</table>

During this phase, the company sought to align its engagement with its pre-consultation on its draft Water Resources Management Plan.
## Phase 3: Balancing the plan

<table>
<thead>
<tr>
<th>Audience</th>
<th>Approach</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested</td>
<td>‘Your water. Your choices’ a written consultation and three independently facilitated regional roundtable discussions asking stakeholders to make choices about the balance in the company’s plan and trade-offs with bills.</td>
<td>42</td>
</tr>
<tr>
<td>Interested</td>
<td>Water Resources Management Plan briefing session to explain and answer questions on the draft plan for consultation.</td>
<td>15</td>
</tr>
<tr>
<td>Interested</td>
<td>Written responses to the draft Water Resources Management Plan consultation.</td>
<td>18</td>
</tr>
<tr>
<td>Representative</td>
<td>Research into resilience including customer attitudes to service failures.</td>
<td>1319</td>
</tr>
<tr>
<td>Representative</td>
<td>Research into customers’ preferences for achieving a supply and demand balance, including sliders that allowed participants to see the relationship between solutions, bills and the environmental impact.</td>
<td>596</td>
</tr>
<tr>
<td>Representative</td>
<td>Research into customer views on river water quality and protecting the natural environment.</td>
<td>1861</td>
</tr>
<tr>
<td>Representative</td>
<td>Research into customers’ views on helping customers who struggle to pay and the acceptability of funding options including cross-subsidies.</td>
<td>620</td>
</tr>
<tr>
<td>Representative</td>
<td>Research into customers’ views of the overall acceptability of the company’s proposed business plan (based on the basis for consultation in ‘Your water. Your choices’).</td>
<td>1171 (including a sample of MPs and Council leaders)</td>
</tr>
<tr>
<td>Representative</td>
<td>Supplementary research to explore the views of customers who found the company’s plan to be ‘neither acceptable nor unacceptable’.</td>
<td>500</td>
</tr>
<tr>
<td>Representative</td>
<td>Quarterly customer perception tracker – forward planning related questions were included in the company’s ‘business as usual’ perception survey.</td>
<td>1000</td>
</tr>
<tr>
<td>Open</td>
<td>An in person, PR and digital led customer campaign ‘Let’s talk water’ including seven regional roadshows and online survey to seek customer views on issues included in ‘Your water. Your choices’.</td>
<td>826 completed surveys. The company estimates that over 3,000 customers were spoken to in person.</td>
</tr>
</tbody>
</table>
### Appendix 6: Summary of agreed customer insight

#### Customer views at the end of Phase 2 of the engagement programme

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Customer views from “Your water. Your choices”.</th>
</tr>
</thead>
</table>
| We will provide water that is good to drink | • Customers think maintaining performance against standards is a very high priority, but there was only limited support for further improvement.  
• Customers strongly supported catchment management to address water quality risks (as opposed to increased treatment). |
| We will ensure water is always there when you need it | **Balancing supply and demand**  
• Customers strongly supported demand management, with leakage reduction a priority and wide-ranging support for metering (although not for all customers such as vulnerable customers).  
• Customers might support more frequent hosepipe bans but would need to know the service implications. |
| We will safely take your waste water away | **Reliable supplies**  
• Customers supported a risk-based approach to improving resilience, and thought the company should take action to avoid a repeat of incidents like the flooding of Mythe treatment works.  
• Customers thought the company should reduce internal and external incidents (but not at any cost) by working in partnership and with customers to tackle blockages.  
• They also thought the company should treat transferred assets (ie private drains and sewers) as their own. |
| We will provide you with excellent customer service | **Household and small businesses**  
• Customers wanted the company to provide clear and proactive information; be easy to contact and resolve issues quickly; and show that it cares.  
• Customers thought the company should provide account managers who understand their business; help them to save money; and offer tailored services. |
| We will have the lowest possible charges | • Customers broadly felt that the company offered good value for money, although there was a lack of understanding about what they pay for.  
• The state of the economy meant that increases in water bills could adversely affect customers’ views of value for money.  
• Availability of choice and control over bills were significant factors in determining customers’ perceptions of value for money. |
| We will help you if you struggle | • Customers thought that the company should improve the information it makes available to customers and agencies, and should work in partnership with organisations who are in direct contact with customers who struggle.  
• Many stakeholders favoured helping a few customers a lot rather than many a little.  
• There was some support for providing financial help to struggling customers. |
We will protect our local environment  
- Customers felt that the company should plan to deliver where there is reasonable certainty, do its fair share of making improvements, be innovative and work in partnership.
- Customers wanted the company to tackle pollution quickly, but think about bills.

We will protect the water environment  
- Customers felt the company should play its part, reduce its own energy use (and work with suppliers to reduce theirs) and generate renewable energy.
- It should not do this at significant cost to customers.

We will make a positive difference in the community  
- Customers want the company to invest in the region and in its people.
- It should also do what it can to minimise traffic disruption.

We will finance our business sustainably  
- Customers are concerned about perceived excessive returns for shareholders.

Customer insight at the end of Phase 3 of the engagement programme

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Customer views from 'Your water. Your choices'.</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will provide water that is good to drink</td>
<td>• Customers expect water quality standards to be maintained.</td>
</tr>
<tr>
<td></td>
<td>• There was general satisfaction with water quality but some local areas would like to see improvement.</td>
</tr>
<tr>
<td></td>
<td>• There was strong support for catchment management.</td>
</tr>
<tr>
<td>We will ensure water is always there when you need it</td>
<td><em>Balancing supply and demand</em></td>
</tr>
<tr>
<td></td>
<td>• Customers expect more action on leakage, including quicker responses to visible leaks.</td>
</tr>
<tr>
<td></td>
<td>• Given their limited impact, customers supported maintaining current hosepipe ban frequency.</td>
</tr>
<tr>
<td></td>
<td>• Customers supported reducing abstraction where it was leading to low flow in rivers.</td>
</tr>
<tr>
<td></td>
<td>• Customers supported more promotion of water efficiency.</td>
</tr>
<tr>
<td></td>
<td><em>Reliable supplies</em></td>
</tr>
<tr>
<td></td>
<td>• Customers want the company to ensure that its programme addresses risks of long-term interruptions, as minimising these risks is a high priority for customers. The company should also make sure there is a measure to demonstrate progress in this area.</td>
</tr>
<tr>
<td></td>
<td>• Customers felt the company should review its plans to reduce short-term interruptions as this was a lower priority.</td>
</tr>
<tr>
<td>We will safely take your waste water away</td>
<td>• Customers thought that the scale of improvements was about right.</td>
</tr>
<tr>
<td></td>
<td>• They also felt the company should: be clearer about how it will take severity into account; give a stronger commitment to working in partnership and to Sustainable Urban Drainage Systems; and consider how best to promote behavioural change.</td>
</tr>
<tr>
<td>We will provide you with excellent customer service</td>
<td>• Customers felt that the company should ensure that customers without online access were well served.</td>
</tr>
<tr>
<td></td>
<td>• They also wanted the company to improve the speed of response, resolve problems first time and keep them informed.</td>
</tr>
<tr>
<td>Area</td>
<td>Details</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>We will have the lowest possible charges</td>
<td>• Customers wanted to see evidence that the commitments made by the company had been delivered.</td>
</tr>
<tr>
<td>We will help you if you struggle</td>
<td>• The company’s proposed package of assistance for struggling customers was supported. Customers wanted to be sure, though, that those who were helped were really in need. They therefore supported individual assessments by a third party.</td>
</tr>
<tr>
<td>We will protect our local environment</td>
<td>• Customers wanted the company to include a large programme to improve rivers. They also wanted it to continue to include a programme for pollution reduction.</td>
</tr>
<tr>
<td></td>
<td>• In addition stakeholders felt the company should increase partnership working, do more catchment management, and consider how best to exploit multiple benefits.</td>
</tr>
<tr>
<td>We will protect the wider environment</td>
<td>• Customers felt the company should be clearer on its ambition on gaining both operational and embedded carbon.</td>
</tr>
<tr>
<td>We will make a positive difference in the community</td>
<td>• Customers thought the company should consider how it communicates to customers what their bill pays for and the contribution the company makes to communities.</td>
</tr>
<tr>
<td></td>
<td>• They also felt there was a larger role for customer education.</td>
</tr>
<tr>
<td></td>
<td>• Customers wanted the company to review its approach to nuisance to ensure that there was scope for the most severe problems to be tackled.</td>
</tr>
<tr>
<td>We will finance our business sustainably</td>
<td>• Stakeholders wanted to see the current low costs of finance to be reflected in the company’s business plan.</td>
</tr>
</tbody>
</table>
## Appendix 7: The framework for effective engagement

<table>
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</thead>
<tbody>
<tr>
<td><strong>Stakeholders who STW has an impact on, or impact STW, have the opportunity to participate in a way suitable for them.</strong></td>
<td>1. Identifies and invites participation from those representing different interests</td>
<td></td>
<td>Research and engagement has included an extensive range of participants.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Proportionately involves all segments of the customer base affected by the decisions being made</td>
<td></td>
<td>All research has been conducted using representative samples of the customer base. Where necessary additional sampling of specific customer groups has taken place to gain additional insight.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Uses a variety of methods to reach different groups, tailored to needs and preferences (ie it is not ‘one size fits all’)</td>
<td></td>
<td>Research has included face to face, online, telephone, hall testing and road show based approaches. Stakeholder engagement has used written and in person consultation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Makes it as easy as possible to take part – short, jargon free</td>
<td></td>
<td>All research, especially into complex or unfamiliar concepts, has been assessed by key stakeholders or piloted prior to full research to ensure comprehension.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Provides objective and impartial (and not leading) information to allow participants to make informed views</td>
<td></td>
<td>Research has been scrutinised by stakeholders and in addition is conducted according to the MRS code of conduct by professional market researchers. A number of stakeholder engagement materials have been reviewed by the CEWG.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Opportunities for engagement are visible to those who may have a stake in the issue being discussed</td>
<td></td>
<td>All opportunities for stakeholder engagement have been placed on website or direct e-mailed. PR and media has been used to promote broader customer consultation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Involves those to be invited to participate in the design of engagement</td>
<td></td>
<td>Stakeholders had the opportunity to input and oversee research and engagement activities via CEWG and also the Water Forum. Stakeholders were consulted about how they would like to be involved.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle: Materiality</th>
<th>Criteria:</th>
<th>Feb 2013</th>
<th>Nov 2013</th>
<th>Company evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement includes issues that are material to stakeholders and STW, and where there is genuine scope to influence outcomes.</strong></td>
<td>8. Provides sufficient time for engagement to affect the plan</td>
<td></td>
<td>Research and stakeholder engagement was planned to enable the business plan and engagement plan to change and respond to new findings.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9. Includes stakeholders throughout the decision making process</td>
<td></td>
<td>Stakeholders and customers have been involved in both designing the approach to engagement and how the plan has actually developed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10. Takes into consideration the wider context which may impact the outcome or relevance of engagement eg changes in economic circumstances</td>
<td></td>
<td>Research has taken into account forecast changes in, for example, inflation. Analysis of the outcome of engagement has taken into account the context in which it was carried out.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11. Ensures clarity about objectives for engagement and desired outcomes (for example, awareness raising, consultation etc)</td>
<td></td>
<td>Objectives for engagement were agreed with the Forum at the beginning of each new phase of engagement.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12. Identifies issues where stakeholders can have an influence, and ensures participants are clear about the scope of their influence</td>
<td></td>
<td>Consultation documents and research have clearly identified where there is scope for choice, and the consequences of making those choices, for example on bills, service and risk.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13. Offers choices on both outcomes and how they might be achieved</td>
<td></td>
<td>Research and stakeholder engagement explored not only outcomes, but also the way in which customers see those outcomes being delivered.</td>
<td></td>
</tr>
<tr>
<td>Principle:</td>
<td>Criteria:</td>
<td>Feb 2013</td>
<td>Nov 2013</td>
<td>Company evidence:</td>
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<tr>
<td>14. Explores alternative ways for ensuring outcomes are efficiently delivered (for example, opex and capex solutions) right across the value chain, and the implications for prices so that trade-offs can be made</td>
<td></td>
<td></td>
<td></td>
<td>Where innovative or operating cost-based approaches are being used, such as catchment management, this has been discussed with the Forum. The Forum has considered costs on a capex, opex and totex basis.</td>
</tr>
<tr>
<td>15. Provides evidence of the overall acceptability of the business plan and the impact on bills</td>
<td></td>
<td></td>
<td></td>
<td>Plan acceptability has been conducted using a 2 phase approach of extensive qualitative and quantitative research. Results of the acceptability research have further refined and shaped the plan to be more aligned to customer needs and the current economic climate. Where enhancements have been proposed, there has been an audit trail of customer support.</td>
</tr>
<tr>
<td>16. Level of engagement is proportionate to the extent of change proposed in the business plan</td>
<td></td>
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<tr>
<td>Responsiveness</td>
<td></td>
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</tr>
<tr>
<td>STW responds both to challenges as engagement is carried out, and to the outcome of that engagement.</td>
<td>17. Approach to engagement adapts as it is being carried out based on experience of what works and what does not</td>
<td></td>
<td></td>
<td>Where necessary research has been changed or revisited in a different form based on either the preliminary findings or the challenge of the CEWG/Water Forum.</td>
</tr>
<tr>
<td></td>
<td>18. STW responds to challenge by the Water Forum and the customer engagement working group as it develops and implements engagement</td>
<td></td>
<td></td>
<td>This has been documented in the main report and appendices.</td>
</tr>
<tr>
<td></td>
<td>19. Information and view points gathered through engagement are collated and assessed in an objective and effective way</td>
<td></td>
<td></td>
<td>The Forum has reviewed the company’s analysis of engagement and confirmed it is fair and balanced.</td>
</tr>
<tr>
<td></td>
<td>20. Different emphasis may be placed on different sources to take into account factors such as, was a representative sample taken? Were there external factors (eg a drought) that may have influenced views given at that time? etc</td>
<td></td>
<td></td>
<td>Primary weighting of source evidence is towards primary market research, which attempts to design out bias. Stakeholder insight has been taken in the context of which it was captured eg did one group dominate discussions, were there external issues that might influence views given in that day?</td>
</tr>
<tr>
<td></td>
<td>21. Interpretation of engagement outcomes is transparent and is open to scrutiny by Customer Engagement Working Group and Water Forum</td>
<td></td>
<td></td>
<td>The CEWG and Water Forum have reviewed the interpretation of engagement before it has been used to shape the plan.</td>
</tr>
<tr>
<td></td>
<td>22. Views and information given by participants is made public where appropriate (taking into account Data Protection and commercial sensitivities)</td>
<td></td>
<td></td>
<td>To date, summaries of customer views and workshop reports have been made available on <a href="http://www.severntrent.com">www.severntrent.com</a> and <a href="http://www.stwater.co.uk">www.stwater.co.uk</a>.</td>
</tr>
<tr>
<td>Accountability</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>STW undertakes to involve stakeholders in shaping the development of its plan and explain the decisions it takes.</td>
<td>23. STW shows participants that their contribution is valued and demonstrates how views have helped to shape its plan</td>
<td>N/A</td>
<td></td>
<td>Stakeholders who were directly involved received feedback at the end of each phase via e-newsletters.</td>
</tr>
<tr>
<td></td>
<td>24. STW demonstrates more widely how engagement has helped to shape its plan</td>
<td></td>
<td></td>
<td>How engagement has shaped the plan is evidenced in publicly available documents.</td>
</tr>
<tr>
<td></td>
<td>25. STW demonstrates how it has responded to the challenge of the Water Forum and explains if, where, and why it has not</td>
<td></td>
<td></td>
<td>A clear audit trail of how each iteration of the plan has developed in response to engagement has been shared with the Forum.</td>
</tr>
</tbody>
</table>
Appendix 8: Decision letters of support and Statement from the DWI

DRINKING WATER INSPECTORATE
Area 7, 8 Millbank
c/o Nobel House
17 Smith Square
London SW1P 3JR

Direct Line: 030 0088 8413
Enquiries: 030 0088 6400

E-mail: mtc.purcell@defra.gsi.gov.uk
DWI Website: http://www.dwi.gov.uk

22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DWI Scheme reference: SVT 009 – Lead

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to provide phosphate dosing to secure or facilitate compliance with the lead standard for drinking water quality reasons in the Forest South Water Quality Zone (WQZ).

The detailed assessment also took in to consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the Forest South WQZ and its connected supply system.

A summary of the outcome of our assessment of this scheme is attached. Based on the information submitted by the Company, the Inspectorate supports the need for a scheme to reduce lead concentrations in treated water for water quality reasons, and the supported scheme shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of lead that has been identified as a potential danger to human health from the water supplied to the Forest South WQZ.

It is expected that the Company will continue to monitor lead concentrations, and that it will take all reasonable steps to prevent contraventions of the lead standard.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs, at CCWater; Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
## PERIODIC REVIEW 2014

### SUMMARY OF DWI ASSESSMENT - DECISION TO SUPPORT

<table>
<thead>
<tr>
<th>Comment</th>
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<tbody>
<tr>
<td><strong>Water company:</strong></td>
<td>Severn Trent Water Ltd</td>
</tr>
<tr>
<td><strong>DWI scheme reference(s):</strong></td>
<td>SVT 009</td>
</tr>
<tr>
<td><strong>Scheme name:</strong></td>
<td>Forest South WQZ – lead</td>
</tr>
<tr>
<td><strong>Proposal:</strong></td>
<td>Provision of first time phosphate dosing at Nailbridge Steam Mills Pumping Station to secure or facilitate compliance with the lead standard in the Forest South WQZ for drinking water quality reasons.</td>
</tr>
<tr>
<td><strong>Supporting evidence:</strong></td>
<td>Risk assessment report for Mitcheldean SVT1973 dated 14th November 2012, submitted on 16th November 2012. Scheme proposal received 21 June 2013</td>
</tr>
<tr>
<td><strong>Conclusion:</strong></td>
<td>Subject to the caveats listed below, the inspectorate supports the need for the following scheme: First time phosphate dosing located at Nailbridge Steam Mills Pumping Station together with a pumped dosing system and carrier water main to dose phosphate into the Central Forest Distribution Main</td>
</tr>
<tr>
<td><strong>Timescale:</strong></td>
<td>Completion date: 1 - 2 years from commencement</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong></td>
<td>Estimated capital costs: £465k Sept 2012 pbd Estimated net additional operating costs: £14,653 per year</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong></td>
<td>Notice under Regulation 28 (4)</td>
</tr>
</tbody>
</table>
| **Caveats:** | 1. Subject to agreement to, and completion of, more intensive investigation to provide further information to confirm steps to be taken and project completion dates.  
2. Subject to the company reviewing a 95% compliance rate as acceptable performance for zonal lead compliance.  
3. Subject to this scheme being part of an integrated, flexible, risk based strategy to ensure lead compliance in all zones.  
4. Subject to a more robust and comprehensive strategy for measuring and demonstrating outcomes and benefit to consumers. |
| **Comment:** | DWI has no role in determining proportional allocation. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality item. Schemes that require a legal instrument are considered necessary to meet statutory requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI |
22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DWT Scheme reference: SVT 010 – Lead

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to provide phosphate dosing to secure or facilitate compliance with the lead standard for drinking water quality reasons in the Leicester City Water Quality Zone (WQZ).

The detailed assessment also took in to consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the Leicester City WQZ and its connected supply system.

A summary of the outcome of our assessment of this scheme is attached. Based on the information submitted by the Company, the Inspectorate supports the need for a scheme to reduce lead concentrations in treated water for water quality reasons, and the supported scheme shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of lead that has been identified as a potential danger to human health from the water supplied to the Leicester City WQZ.

It is expected that the Company will continue to monitor lead concentrations, and that it will take all reasonable steps to prevent contraventions of the lead standard.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs, at CCWater, Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
### PERIODIC REVIEW 2014

**SUMMARY OF DWI ASSESSMENT - DECISION TO SUPPORT**

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<td>Severn Trent Water Ltd</td>
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<tr>
<td><strong>DWI scheme reference(s):</strong></td>
<td>SVT 010</td>
</tr>
<tr>
<td><strong>Scheme name:</strong></td>
<td>Leicester City WQZ – lead</td>
</tr>
<tr>
<td><strong>Proposal:</strong></td>
<td>Provision of lead pipe replacements and customer protection measures to secure or facilitate compliance with the lead standard in the Leicester City WQZ for drinking water quality reasons.</td>
</tr>
<tr>
<td><strong>Conclusion:</strong></td>
<td>Subject to the caveats listed below, the inspectorate supports the need for the following scheme:</td>
</tr>
<tr>
<td></td>
<td>Provision of lead pipe replacements (estimated 2848) and customer protection measures in 12 DMAs which have been identified within the Leicester City WQZ as high risk with 2 or more &gt;10μg/l failures since 2004.</td>
</tr>
<tr>
<td><strong>Timescale:</strong></td>
<td>Completion date: five years from commencement</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong></td>
<td>Estimated capital costs: £2,243k Sept 2012 pbd Estimated net additional operating costs: Part of companywide customer protection measures</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong></td>
<td>Notice under Regulation 28(4)</td>
</tr>
<tr>
<td><strong>Caveats:</strong></td>
<td>1. Subject to agreement to, and completion of, more intensive investigation to provide further information to confirm steps to be taken and project completion dates. To include the outcome of the trial being carried out in AMP5 in Wolverhampton/Willenhall.</td>
</tr>
<tr>
<td></td>
<td>2. Subject to the company reviewing a 95% compliance rate as acceptable performance for zonal lead compliance.</td>
</tr>
<tr>
<td></td>
<td>3. Subject to this scheme being part of an integrated, flexible, risk based strategy to ensure lead compliance in all zones.</td>
</tr>
<tr>
<td></td>
<td>4. Subject to a more robust and comprehensive strategy for measuring and demonstrating outcomes and benefit to consumers.</td>
</tr>
<tr>
<td><strong>Comment:</strong></td>
<td>DWI has no role in determining proportional allocation. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality item. Schemes that require a legal instrument are considered necessary to meet statutory requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI.</td>
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DRINKING WATER INSPECTORATE
Area 7a, Millbank
c/o Nobel House
17 Smith Square
London SW1P 3JR

Direct Line: 030 0008 5413
Enquiries: 030 0008 5400

E-mail: mi@dw.org.uk
DWI Website: http://www.dw.org.uk

22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

DWI ref: SVT 011

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DWI Scheme reference: SVT 011 – Lead

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to provide phosphate dosing to secure or facilitate compliance with the lead standard for drinking water quality reasons in the Much Wenlock Water Quality Zone (WQZ).

The detailed assessment also took in to consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the Much Wenlock WQZ and its connected supply system.

A summary of the outcome of our assessment of this scheme is attached. Based on the information submitted by the Company, the Inspectorate supports the need for a scheme to reduce lead concentrations in treated water for water quality reasons, and the supported scheme shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of lead that has been identified as a potential danger to human health from the water supplied to the Much Wenlock WQZ.

It is expected that the Company will continue to monitor lead concentrations, and that it will take all reasonable steps to prevent contraventions of the lead standard.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs, at CCWater, Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely,

Milo Purcell
Deputy Chief Inspectorate (Regulations)
PERIODIC REVIEW 2014

SUMMARY OF DWI ASSESSMENT - DECISION TO SUPPORT

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<tr>
<td><strong>Scheme name:</strong></td>
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<td><strong>Proposal:</strong></td>
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<td><strong>Conclusion:</strong></td>
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<td><strong>Timescale:</strong></td>
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<td><strong>Caveats:</strong></td>
</tr>
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22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
 PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DWI Scheme reference: SVT 012 – pH

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to provide pH correction using caustic soda to secure or facilitate compliance with the pH standard for drinking water quality reasons in zones supplied by Highgate and Pool End BPSs.

The detailed assessment also took into consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the Highgate and Poolend BPSs and their connected supply systems.

A summary of the outcome of our assessment of this scheme is attached. Based on the information submitted by the Company, the Inspectorate supports the need for a scheme to correct pH in treated water for water quality reasons, and the supported scheme shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of pH that has been identified as a potential danger to human health from the water supplied by Highgate and Pool End BPSs.

It is expected that the Company will continue to monitor pH, and that it will take all reasonable steps to prevent contraventions of the pH standard.

I am copying this letter to Claire Daniel, Steven Hobbs, at CCWater, Dame Yve Buckland Chair of the Severn Trent Water Forum.

Milo Purcell
Deputy Chief Inspectorate (Regulations)
PERIODIC REVIEW 2014

SUMMARY OF DWI ASSESSMENT - DECISION TO SUPPORT

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<td><strong>Water company:</strong> Severn Trent Water Ltd</td>
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<tr>
<td><strong>DWI scheme reference(s):</strong> SVT 012</td>
</tr>
<tr>
<td><strong>Scheme name:</strong> Highgate and Pool End BPSs – pH</td>
</tr>
<tr>
<td><strong>Proposal:</strong> Provide pH correction for Pool End and Highgate borehole sources using caustic soda – located at pool end due to space limitations, for drinking water quality reasons.</td>
</tr>
<tr>
<td><strong>Conclusion:</strong> Subject to the caveats listed below, the inspectorate supports the need for the following scheme: Provision of pH correction for Pool End and Highgate borehole sources using caustic soda. Involving the following:</td>
</tr>
<tr>
<td>- Use of the existing delivery main to supply water from Highgate to Pool End</td>
</tr>
<tr>
<td>- Providing a caustic soda dosing plant located at Pool End to treat the combined Highgate and Pool End flow</td>
</tr>
<tr>
<td>- Providing a new main from Pool End back to Highgate to supply Highgate booster which supplies Heaton DSR</td>
</tr>
<tr>
<td>- Providing a softer waste main to the local sewers</td>
</tr>
<tr>
<td><strong>Timescale:</strong> Completion date: three years from commencement</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong> Estimated capital costs: £1,568k Sep 2012 pbd Estimated net additional operating costs: £66,738 per year</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong> Notice under Regulation 28(4)</td>
</tr>
<tr>
<td><strong>Caveats:</strong> 1. Subject to agreement to, and completion of, more intensive investigation to provide further information to confirm steps to be taken and project completion dates. 2. Subject to a more robust and comprehensive strategy for measuring and demonstrating benefit to consumers.</td>
</tr>
<tr>
<td><strong>Comment:</strong> DWI has no role in determining proportional allocation. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality Item. Schemes that require a legal instrument are considered necessary to meet statutory requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI.</td>
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DRINKING WATER INSPECTORATE

Area 7e, 8 Millbank
c/o Nobel House
17 Smith Square
London SW1P 3JR

Direct Line: 030 0009 8413
Enquiries: 030 0009 5400

E-mail: dwi.enquiries@dfta.gsi.gov.uk
DwI Website: http://www.dwi.gov.uk

22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

DwI ref: SVT 013

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DwI Scheme reference: SVT 013 – Solvents and pH

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to provide pH correction and solvent treatment using an aeration tower to secure or facilitate compliance with the pH, Tri- & Tetrachloroethylene standards for drinking water quality reasons in zones supplied by Wallgrange BPSs.

The detailed assessment also took into consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 26(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for Wallgrange BPS and its connected supply system.

A summary of the outcome of our assessment of this scheme is attached. Based on the information submitted by the Company, the Inspectorate supports the need for a scheme to correct pH and reduce solvent concentrations in treated water for water quality reasons, and the supported scheme shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of pH and solvents that has been identified as a potential danger to human health from the water supplied by Wallgrange BPS.

It is expected that the Company will continue to monitor pH and solvents, and that it will take all reasonable steps to prevent contraventions of the pH, Tri- & Tetrachloroethylene standards.

I am copying this letter to Claire Daniel at Ofwat; Anne Dacey at the Environment Agency; Steven Hobbs, at CCWater; Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
## PERIODIC REVIEW 2014

### SUMMARY OF DWI ASSESSMENT - DECISION TO SUPPORT

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Water company:</strong></td>
<td>Severn Trent Water Ltd</td>
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<tr>
<td><strong>DWI scheme reference(s):</strong></td>
<td>SVT 013</td>
</tr>
<tr>
<td><strong>Scheme name:</strong></td>
<td>Wallgrange BPS – pH and solvents</td>
</tr>
<tr>
<td><strong>Proposal:</strong></td>
<td>The provision of solvent and pH treatment by an aeration tower, for drinking water quality reasons.</td>
</tr>
<tr>
<td><strong>Conclusion:</strong></td>
<td>Subject to the caveats listed below, the Inspectorate supports the need for the following scheme: A solvent and pH treatment aeration tower to be located at Ladderedge DSR.</td>
</tr>
<tr>
<td><strong>Timescale:</strong></td>
<td>Completion date: three years from commencement</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong></td>
<td>Estimated capital costs: £2,344k Sep 2012 pbld Estimated net additional operating costs: £48,500 per year</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong></td>
<td>Notice under Regulation 28(4)</td>
</tr>
<tr>
<td><strong>Caveats:</strong></td>
<td>1. Subject to agreement to, and completion of, more intensive investigation to provide further information to confirm steps to be taken and project completion dates. 2. Subject to a more robust and comprehensive strategy for measuring and demonstrating benefit to consumers.</td>
</tr>
<tr>
<td><strong>Comment:</strong></td>
<td>DWI has no role in determining proportional allocation. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality item. Schemes that require a legal instrument are considered necessary to meet statutory requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI.</td>
</tr>
</tbody>
</table>
22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5369
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DwI Scheme reference: SVT 071 – Disinfection By-Products

FINAL DECISION LETTER – COMMEND FOR SUPPORT

The Inspectorate has assessed the scheme proposed by Severn Trent Water to take measures to minimise the formation of disinfection by products at Barnford, Draycote, Melbourne, Mythe and Whitchurch water treatment works.

Based on the information submitted by the Company, the Inspectorate commends for support the proposals to deliver improvements to minimise the formation of disinfection by products and mitigate residual risks to the wholesomeness of water supplied to consumers, and we agree that the proposals should be included by the Company in its Final Business Plan, particularly those elements which appear to naturally fall under catchment management and capital maintenance. We consider that formal enforcement action and putting in place a legal instrument is inappropriate at this stage. We confirm that the proposed scheme is consistent with the requirements of “Water for Life” the Government’s white paper setting out its vision for water management in England, defined further in Defra’s Statement of Obligations published in October 2012.

We also confirm that the proposed scheme is consistent with the Inspectorate’s guidance on principles for the assessment of drinking water quality provisions within the PR14 process, as set out in DWI Information Letter 01/2013, published on 1st February 2013. In particular, we are satisfied that the proposed scheme adopts a sound risk based approach to management of water supplies from source to tap using a water safety plan approach.

The Inspectorate is prepared to review this decision should circumstances change significantly, or if new information becomes available. This decision does not preclude regulatory enforcement action being taken at a future date, if considered necessary to protect public health.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs at CCWater and Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
22nd October 2013

David Essex
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water
DWI Scheme reference: SVT072 – Catchment Management 12 Water Treatment Works – Pesticides, including Metaldehyde

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the scheme proposed by Severn Trent Water to undertake catchment management activities to facilitate compliance with the pesticide parameter Metaldehyde at the following water treatment works: Shelton, Trimpley, Strensham, Mythe, Campion Hills, Draycote, Cropston, Melbourne, Church Wilne, Little Eaton, Mitcheldean, Whitacre.

The detailed assessment also took in to consideration the outcome of the risk assessment reports submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the connected supply systems.

A summary of the outcome of our assessment of this proposal is attached. Based on the information submitted by the Company, the Inspectorate supports the need for this programme of catchment management activities to reduce the risk of contraventions of the metaldehyde parameter in water supplied from the above-named water treatment works, for water quality purposes. The supported proposal shall be included by the Company in its Final Business Plan submission, subject to the caveats listed in the attachment.

In this instance the Inspectorate requires the Company to submit an Undertaking under Section 19(1)(b) of the Water Industry Act 1991 for the purposes of securing or facilitating compliance with Regulation 4 of the Water Supply (Water Quality) Regulations 2000, as amended, for the water treatment works named above.

It is expected that the Company will continue to monitor concentrations of metaldehyde and other pesticides likely to be present in the raw and treated waters,
and that it will take all reasonable steps to prevent contraventions of the pesticide standards.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs at CCWater; Anne Dacey at the Environment Agency and Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
PERIODIC REVIEW 2014

SUMMARY OF DWI ASSESSMENT – LETTER OF SUPPORT

<table>
<thead>
<tr>
<th>Comment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water company:</strong></td>
<td>Severn Trent Water</td>
</tr>
<tr>
<td><strong>DWI scheme reference(s):</strong></td>
<td>SVT072</td>
</tr>
<tr>
<td><strong>Scheme name:</strong></td>
<td>Catchment Management - 12 treatment works – pesticides, including Metaldehyde. Covers the following WTWs: Shelton, Trimpley, Strensham, Mythe, Campion Hills, Draycote, Cropston, Melbourne, Church Wilne, Little Eaton, Mitcheldean, Whitacre.</td>
</tr>
<tr>
<td><strong>Proposal:</strong></td>
<td>Comprehensive programmes of catchment management activities to address metaldehyde.</td>
</tr>
<tr>
<td><strong>Supporting evidence:</strong></td>
<td>Risk assessment reports submitted for the supply systems on 06/11/2012. PR14 business plan proposal for Catchment Management submitted on 31/07/13. DWI Minded to Enforce letter for Mitcheldean WTW dated 16/07/2013</td>
</tr>
<tr>
<td><strong>Conclusion:</strong></td>
<td>Subject to the caveats listed below, the Inspectorate supports the need for the following scheme: Comprehensive programmes of catchment management activities to address metaldehyde and other parameters in the catchments and sub-catchments supplying the above named WTWs</td>
</tr>
<tr>
<td><strong>Timescale:</strong></td>
<td>Completion date: Ongoing programme of work to 31/03/2020</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong></td>
<td>Estimated costs: totals £2.5m Opex p.a. over AMP6.</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong></td>
<td>Undertaking under S19.</td>
</tr>
<tr>
<td><strong>Caveats:</strong></td>
<td>Subject to the following caveats:</td>
</tr>
<tr>
<td><strong>Comment:</strong></td>
<td>DWI has no role in determining proportional allocation of expenditure. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality item. It is noted that there are 5 catchment measures schemes in the NEP Phase III that include...</td>
</tr>
</tbody>
</table>
metaldehyde: Ref Nos 6STD04054; 6STD04056; 6STD04058; 6STD04060; 6STD04062. There are also 3 investigational schemes for metaldehyde, Ref Nos 6STD05069, 6STD05070, 6STD05071.

6STD05070 listed above is for Ogston catchment, which is not included in this proposal.

Schemes that require a legal instrument are considered necessary to meet statutory drinking water quality requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI.
22nd October 2013

David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd

DWI Scheme reference: SVT 073-075 Micro – faecal
SVT 076-077 Micro – faecal and Cryptosporidium
SVT 078-087 Micro – faecal
SVT 088 Micro – faecal and Cryptosporidium
SVT 091-092 Micro – faecal and Cryptosporidium
SVT 093 Cryptosporidium
SVT 095 Cryptosporidium

The Inspectorate has assessed the schemes proposed by Severn Trent Water to provide more robust treatment solutions for reducing microbiological contamination in water supplied from the following treatment works operated by Severn Trent Water Ltd, to secure or facilitate compliance with the standards for microbiological parameters in drinking water:

- Bellington BPS SVT 073
- Blacklake BPS SVT 074
- Chequer House BPS SVT 075
- Cosford BPS SVT 076
- Dimmingsdale BPS SVT 077
- Fulford BPS SVT 078
- Greatgate BPS SVT 079
- Green Street BPS SVT 080
- Hatton BPS SVT 081
- Middershall BPS SVT 082
- Mossgate BPS SVT 083
- Neachley BPS SVT084
- Overton Scar BPS SVT 085
- Shiffords Bridge BPS SVT 086
- Webheath BPS SVT 087
- Blackstone BPS SVT 088
- Welling BPS SVT 091
- Buckshaw BPS SVT 092
- Cheadle BPS SVT 093
- Teanford BPS SVT 095

Based on the information submitted by the Company, the Inspectorate commends for support the proposals to deliver improvements to disinfection, to mitigate residual risks to the wholesomeness of water supplied to consumers, and we agree that the proposals should be included by the Company in its Final Business Plan, particularly...
those elements described as being included under Capital Maintenance. We consider that formal enforcement action and putting in place a legal instrument is inappropriate at this stage. The Inspectorate is prepared to review this decision should circumstances change significantly, or if new information becomes available. This decision does not preclude regulatory enforcement action being taken subsequently, if considered necessary to protect public health.

In all cases the treatment solution proposed will have a positive impact on mitigating risks associated with microbiological hazards and Cryptosporidium. However, further investigation to better inform the risk characterisation in each case would contribute to confirming the need for additional mitigation measures.

We confirm that the proposed schemes are consistent with the requirements of “Water for Life” the Government’s white paper setting out its vision for water management in England, defined further in Defra’s Statement of Obligations published in October 2012.

We also confirm that the proposed schemes are consistent with the Inspectorate’s guidance on principles for the assessment of drinking water quality provisions within the PR14 process, as set out in DWI Information Letter 01/2013, published on 1st February 2013. In particular, we are satisfied that the proposed scheme adopts a sound risk based approach to management of water supplies from source to tap using a water safety plan approach.

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs at CCWater; Anne Dacey at the Environment Agency and Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
David Essex,
General Manager Water Strategy & Innovation
Severn Trent Water Ltd
Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Dear David,

PERIODIC REVIEW 2014: Severn Trent Water Ltd
DWI Scheme reference: SVT 089 – 090 Micro – faecal and Cryptosporidium
SVT 094 Micro – Cryptosporidium

FINAL DECISION LETTER OF SUPPORT

The Inspectorate has completed its detailed assessment of the schemes proposed by Severn Trent Water to provide Ultra Violet disinfection to secure or facilitate compliance with regulation 4(2) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for drinking water quality reasons at Boughton, Bromsberrow and Diddlebury Water Treatment Works.

The detailed assessment also took in to consideration the outcome of the risk assessment report submitted to the Inspectorate as required by regulation 28(1) of the Water Supply (Water Quality) Regulations 2000 (Amendment) Regulations 2007 for the Chesterfield, Nottingham North West, Mansfield, Nottingham City North, Nottingham Central, Worcester, Mitcheldean, and Trimpley supply systems.

A summary of the outcome of our assessment of this proposal is attached. Based on the information submitted by the Company, the Inspectorate supports the need for schemes to reduce bacteriological concentrations in treated water at Boughton, Bromsberrow and Diddlebury Water Treatment Works, for drinking water quality reasons, and the supported schemes shall be included by the Company in its Final Business Plan, subject to the caveats listed in the attachment.

In this instance the Inspectorate intends to issue a Notice under Regulation 28(4) of the Water Supply (Water Quality) Regulations 2000, as amended, that requires the Company to mitigate the risk of bacteriological contamination that has been identified as a potential danger to human health from the water supplied from Boughton, Bromsberrow and Diddlebury WTWs.

22nd October 2013
It is expected that the Company will continue to monitor treated water bacteriological parameters and Cryptosporidium concentrations, and that it will take all reasonable steps to prevent contraventions of the bacteriological standards and regulation 4(2).

I am copying this letter to Claire Daniel at Ofwat; Steven Hobbs at CCWater; Anne Dacey at the Environment Agency and Dame Yve Buckland Chair of the Severn Trent Water Forum.

Yours sincerely

Milo Purcell
Deputy Chief Inspectorate (Regulations)
PERIODIC REVIEW 2014

SUMMARY OF DWI ASSESSMENT – LETTER OF SUPPORT

<table>
<thead>
<tr>
<th>Comment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water company:</strong></td>
<td>Severn Trent Water Ltd</td>
</tr>
<tr>
<td><strong>DWI scheme reference(s):</strong></td>
<td>SVT 089 090 094</td>
</tr>
<tr>
<td><strong>Scheme name:</strong></td>
<td>Boughton, Bromsberrow and Diddlebury – Bacti and Cryptosporidium</td>
</tr>
<tr>
<td><strong>Proposal:</strong></td>
<td>Provision of Ultra Violet disinfection at Boughton, Bromsberrow and Diddlebury to secure or facilitate compliance with bacteriological standards for drinking water quality reasons.</td>
</tr>
<tr>
<td><strong>Conclusion:</strong></td>
<td>Subject to the caveats listed below, the Inspectorate supports the need for the following scheme: Ultra Violet disinfection</td>
</tr>
<tr>
<td><strong>Timescale:</strong></td>
<td>Completion date: All sites – end 2016</td>
</tr>
<tr>
<td><strong>Estimated cost:</strong></td>
<td>Boughton WTW Estimated capital costs: £712,000 Estimated net additional operating costs: £38,312pa Bromsberrow WTW Estimated capital costs: £712,000 Estimated net additional operating costs: £38,312pa Diddlebury WTW Estimated capital costs: £517,000 Estimated net additional operating costs: £11,414pa</td>
</tr>
<tr>
<td><strong>Legal Instrument Required:</strong></td>
<td>Notice under Regulation 28 (4)</td>
</tr>
<tr>
<td><strong>Caveats:</strong></td>
<td>1. Subject to agreement to, and completion of, more intensive investigation to provide further information to confirm steps to be taken and project completion dates 2. Subject to a proposal for the robust validation and demonstration of benefit of the solution. 3. Subject to the Company working with the Environment Agency to identify potential causes of</td>
</tr>
</tbody>
</table>
| **Comment:** | The DWI has no role in determining proportional allocation. Where DWI technical support is given, this should not be taken by the company to imply that the scheme will be partially or wholly funded as a Quality Item.

It is noted that there are no catchment management schemes in the NEP Phase III to investigate or address microbiological contamination of these sources.

Schemes that require a legal instrument are considered necessary to meet statutory requirements. These schemes will be transposed to formal programmes of work by DWI as soon as possible and their implementation and completion will be monitored, audited and closure confirmed by DWI. |
Drinking Water Inspectorate Statement for Severn Trent Water’s Water Forum
report to Ofwat

1. Introduction

1.1 The Drinking Water Inspectorate (DWI) is the independent regulator of drinking water quality in England and Wales. We protect public health and maintain confidence in public water supplies by ensuring water companies supply safe clean drinking water that is wholesome, and that they meet all related statutory requirements. Where standards or other requirements are not met, we have statutory powers to require water supply arrangements to be improved.

1.2 We publish information about drinking water quality and provide technical advice to the Secretary of State for the Environment, Food & Rural Affairs, and to Welsh Ministers.

1.3 For PR14, water companies are expected to ensure that their business plans make provision to meet all their statutory obligations, including the need for public water supplies to be safe, clean and wholesome, and that provision is made for a sustainable level of asset maintenance to maintain public confidence in drinking water quality. Ministers summarised these requirements in Defra’s Statement of Obligations¹, and in their further guidance on PR14 matters to Ofwat. In addition, the Inspectorate set out in DWI Information Letter 01/2013 – The 2014 Periodic review of Prices – Guidance for water companies, published on 1st February 2013 supplementary guidance to companies on the regulatory framework for drinking water quality, statutory requirements, the Inspectorate’s role in the Price Review process and our requirements for companies seeking technical support. The Inspectorate also published separate PR14 guidance on a range of specific issues. All of the Inspectorate’s published PR14 guidance is available on the DWI website.

1.4 It is worth noting the particular emphasis that Ministers placed in their Guidance on the resilience of supply systems, and that the Inspectorate placed on existing duties to manage the introduction of new sources and to plan supply arrangements to protect consumers and ensure no deterioration in the quality of their supplies.

1.5 The Inspectorate has a position on all of the water companies’ customer challenge groups in England and Wales. The Inspectorate’s representative on Severn Trent Water’s Water Forum has supported the process by acting as an independent member with the overall remit of ensuring that the Company business plan proposals reflect the views of consumers and place drinking water quality at the forefront of such plans.

2. Formal Drinking Water Proposals Requiring DWI Technical Support

2.1 As with previous periodic reviews, water companies seeking technical support from the Inspectorate must demonstrate the need for each proposal. The case for justification must be accompanied by evidence of the company’s options appraisal process to identify the most robust, sustainable and cost-effective solution, with evidence that the preferred solution will adequately address the risk and deliver the required outcome within an appropriate timescale.

2.2 Severn Trent Water submitted 30 formal proposals for drinking water quality to the Inspectorate, listed in the table below:

<table>
<thead>
<tr>
<th>PR Number</th>
<th>Scheme Name</th>
<th>Quality Parameter(s)</th>
<th>Scheme Type</th>
<th>Preferred Option</th>
<th>DWI Final Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVT009</td>
<td>Forest South Zone</td>
<td>Lead</td>
<td>Treatment</td>
<td>Phosphate dosing</td>
<td>Regulation 28 Notice</td>
</tr>
<tr>
<td>SVT010</td>
<td>Leicester City Zone</td>
<td>Lead</td>
<td>Distribution</td>
<td>Communication pipe replacement</td>
<td>Regulation 28 Notice</td>
</tr>
<tr>
<td>SVT011</td>
<td>Much Wenlock Zone</td>
<td>Lead</td>
<td>Treatment</td>
<td>Phosphate dosing</td>
<td>Regulation 28 Notice</td>
</tr>
<tr>
<td>SVT012</td>
<td>Pool End and Highgate WTWs</td>
<td>Lead</td>
<td>Treatment</td>
<td>pH correction</td>
<td>Regulation 28 Notice</td>
</tr>
<tr>
<td>SVT013</td>
<td>Wallgrange WTW</td>
<td>Solvents and pH</td>
<td>Treatment</td>
<td>Aeration and pH correction</td>
<td>Regulation 28 Notice</td>
</tr>
<tr>
<td>SVT071</td>
<td>Disinfection by products at 5 sites</td>
<td>Lead</td>
<td>Treatment and distribution</td>
<td>Automation of coagulant dosing and improved control of chlorine levels in distribution</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT072</td>
<td>Metaldehyde at 12 sites</td>
<td>Metaldehyde</td>
<td>Catchment</td>
<td>Various catchment activities</td>
<td>Undertaking</td>
</tr>
<tr>
<td>SVT073</td>
<td>Bellington BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT074</td>
<td>Blacklake BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT075</td>
<td>Chequer House BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT076</td>
<td>Cosford BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT077</td>
<td>Dimmingsdale BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
<tr>
<td>SVT078</td>
<td>Fulford BPS</td>
<td>Microbiological parameters (bacteriological)</td>
<td>Treatment</td>
<td>Ultraviolet treatment</td>
<td>Commend for support</td>
</tr>
</tbody>
</table>
2.3 The Company submitted its proposals to the Inspectorate by the published deadline of 31st July 2013. Some further follow-up information was requested from the Company and responses received as required. The Inspectorate met with the Company before the proposals were submitted and the Company also presented its proposals for drinking water quality to the Water Forum therefore.
we were broadly aware of the Company’s plans for drinking water quality and we are generally supportive of the Company’s approach.

2.4 The Inspectorate has formally supported 9 of the Company’s proposals and we will put legal instruments in place to make the proposals legally binding programmes of work. All remaining proposals have been commended for support by OFWAT. Our final decision letters were sent to the Company on 22 October 2013.

2.5 Four of the Company’s proposals relate to facilitating compliance with the lead standard. The Inspectorate expects that the Company will have a strategy in place for managing lead in drinking water that should form part of a risk-based programme of work that includes a range of measures to address lead in identified high risk areas, and target high risk properties and vulnerable consumers.

2.6 The Company’s proposal for its Wallgrange works involves treatment using aeration and pH correction to address the risk from historic solvent contamination at the site.

2.7 For twelve of its surface water treatment works, the Company has proposed a number of catchment activities to address the risk of contravention of the pesticide standard, in this case metaldehyde, in water supplied from the works. The proposal for disinfection by products aims to investigate and then carry out improvements/modifications to the current treatment processes and their operation at five surface water treatment works, plus also catchment management activities in order to minimise the risk of disinfection by product formation and to facilitate compliance with Regulation 26(1A).

2.8 The remaining proposals involve the provision of ultraviolet treatment as a risk mitigation measure for microbiological parameters including Cryptosporidium. The Inspectorate has fully supported those schemes where the Company has provided definitive evidence of raw water deterioration. For those schemes supported by the Inspectorate the Company is required to work with the Environment Agency to identify possible causes of the raw water deterioration and any catchment actions required to mitigate the risks.

2.9 It should be noted that these improvement schemes will make only a small contribution to enabling the Company to meet its legal obligations in respect of drinking water quality. These obligations are met overwhelmingly by the Company making sufficient provision for operational and maintenance requirements in its business plan, and by its use of those resources. These are matters for the Company to determine and deliver. For its part, the Inspectorate will continue to keep under review, and report on, the performance of the Company in meeting its legal obligations. Statutory powers are available to secure or facilitate compliance, if necessary.
2.10 The summary of improvement schemes above reflects the position at the time of writing this note. Further discussions are needed with the Company to finalise details. We will advise the forum of any material changes.

2.11 This note will be copied to David Essex of Severn Trent Water, any queries arising should be directed to Elinor Cordiner, Principal Inspector, Drinking Water Inspectorate via dwipricereview@defra.gsi.gov.uk.

Milo Purcell
Deputy Chief Inspector (Regulations)

Drinking Water Inspectorate
Area 7e, 8 Millbank
c/o Nobel House
17 Smith Square
London SW1P 3JR

17 November 2013
Appendix 9: Natural England’s assurance summary for Severn Trent Water’s PR14 submission

1) Introduction to Natural England role as an environmental representative of customer forum engagement

Natural England is the government adviser on the natural environment. Our remit is to provide practical advice about management of nationally and internationally designated sites for habitats and wildlife and working with others to safeguard a healthy and sustainable natural environment for the benefit of everyone.

In this role as an adviser of government, Natural England is a member of Severn Trent’s Customer Challenge Forum in the price review to assure how the business plan considers obligations and duties for the natural environment, further to the Forum’s primary function to assess customer representation and engagement. Natural England have also been representatives on several sub groups; Assurance Working Group, Customer Engagement Working Group and incentive and outcome measure meetings. We have also had separate meetings to agree on biodiversity targets, and parallel discussions on waste water treatment proposals for two SAC rivers as part of nutrient management plans.

This paper aims to assure Ofwat of the business plan component’s contribution to the natural environment. Short assessment to assure Ofwat of how the Water company business plan will protect and enhance the natural environment based on government priorities.

To enable us to make this assurance, our approach is to consider the business plan’s regulatory and discretionary components and their contribution to the natural environment outcomes and priorities, in the context of government obligations and objectives of PR14 (details below).

This short assurance assessment refers to the SoO and Natural England’s PR14 outcomes and priorities for the natural environment.

2) Background about the environmental objectives and outcomes from Natural England, an environmental forum member

The priorities and outcomes of PR14 for the natural environment are set out in the objectives listed below from Natural England. When opportunities have been made available these have been discussed with the forum and closely with the company.

1. Water quality will be improved and water resources more sustainably managed
2. …statutory obligations to conserve and enhance the most important water-dependent habitats, species and landscapes are met
3. The PR14 process will help water companies contribute to the delivery of Biodiversity 2020 objectives
4. Novel solutions and whole catchment approaches that are resilient to climate change will become increasingly commonplace

These are also embedded in the Statement of Obligations (SoO) (SoO 2012) and government expectations, through substantial references to CROW Act 2000, NERC Act 2006, ‘the Habitat Regulations 2010’ (as amended) and Biodiversity 2020 (Biodiversity Strategy for England). The latter encompasses four outcomes for biodiversity (aquatic and terrestrial) delivery (terrestrial and aquatic) that all stakeholders, including water companies, can help the UK achieve its important vision to halt biodiversity loss (60% of species have declined in recent decades (State of Nature 2013)) by 2020 and in the longer term move to a net gain in the value of nature.
3) Regulatory compliance

The national environment programme (NEP) delivery mechanism, coordinated by Environment Agency, contains schemes identified to secure compliance standards and meet obligations for drinking water and WFD failures including water quality, water resources and fish passage.

Natural England welcomes the business plan improvements in the NEP that the water resources and wastewater schemes will achieve to address their priority environment objective, they are also likely to contribute to wider range of benefits and other government objectives (SoO 2012). An investment scheme of particular interest to Natural England relates to wastewater discharge affecting the condition and integrity of two European protected site (River Clun SAC and River Mease SAC).

Investment schemes of further interest to Natural England relates to sustainability reduction schemes to address effects of abstraction to protect the River Wye SAC. The inclusion of these schemes in the NEP is welcomed by Natural England, supported by its top two priorities for PR14, to enable the water company to meet commitments and outcomes in relation to designated sites under ‘the Habitat Regulations’.

The company owns and manages a large area of SSSI, this can be split broadly into two types, freshwater sites and terrestrial sites. Through its biodiversity outcome the company has committed to ensure that all SSSI land that is not freshwater will met either favourable or unfavourable improving by 2020. Furthermore the company will deliver remedies required to remove the impact they have on freshwater sites (namely two SAC rivers) and are working on flow control issues on three other SSSI reservoirs.

The schemes will protect and enable these internationally important rivers and nationally important biodiversity assets to move towards their favourable conservation status requirements and safeguard their habitat integrity. The schemes are an important contribution towards Biodiversity 2020 outcome 1A in addition to the company’s Habitats Directive and CRoW responsibilities.

4) Contribution of regulatory schemes to the wider natural environment

Forum discussions have considered NEP components of the business plan that deal mainly with regulatory obligations of compliance.

Schemes included in the NEP deliver priority objectives for a particular statutory obligation, strategy or water company duty. Further to the primary statutory objective of the schemes, Natural England considers a number of them can deliver wider secondary multiple benefits for the natural environment and people. Examples of schemes in the business plan where these benefits could be possible are catchment management to effectively and sustainably reduce nutrients and pesticides through practical management and advice to rural and agricultural businesses.

The company has been encouraged to consider additional secondary benefits for the natural environment and people whilst developing its business plan enabling it to contribute to wider environment and government objectives. Business plan details have not allowed Natural England to comment in detail as to how far proposals may incorporate additional secondary environmental benefits towards Biodiversity outcomes and the SoO (beyond WFD, Eel and Habitat regulation requirements) but current working practice suggests these will be realised. During AMP6 planning and implementation we encourage the company to seek and incorporate additional benefits, especially where there is no or minimal costs to do so.
The company have further illustrated their commitment to biodiversity by continuing the catchment management work in the Charnwood reservoir area which include three freshwater SSSIs.

The company adopting a lead role in the WFD delivery in the Tame, Anker and Mease Catchment is a further example of the company’s forward looking approach and its interest in developing partnership work with others.

5) Company engagement during the process and innovation
Throughout the PR14 process the company has responded well to challenge about its environmental duties and recognised its customers’ appetite for the company to do more on environmental issues. Access has been given to staff at all appropriate levels and the company has identified the assets with the most significant impact on biodiversity. The engagement has been constructive and supportive.

The company has fully engaged with other fora on specific sites such as the Mease and Clun SAC and sought to develop solutions to these impacts. Through its proposed work at Packington it is demonstrating a willingness to test innovative methods while ensuring that the gains brought about during testing benefit one of their areas most sensitive sites.

6) Summary of the business plan benefits to the natural environment
Natural England welcomes the environmental benefits the NEP schemes will deliver both for regulatory compliance and the potential range of wider multiple objectives intrinsic to the natural and urban environment.

Natural England feels the company has demonstrated that it is fulfilling its biodiversity duties through:
- Parts of the NEP programme which will remove the company’s impact on the SAC rivers
- Delivery of favourable or unfavourable recovering condition for SSSI land they manage
- Development of operating rules for SSSI reservoirs to ensure favourable water levels for the interest features of the sites
- Continued work on catchment schemes looking for opportunities to develop biodiversity gains into these schemes.

We are further assured of the company’s commitment to biodiversity by it adopting a biodiversity outcome as one of the measures by which the company will assess its performance.

Ian Butterfield
Senior Freshwater Advisor – Land Use Operations
Natural England

27 November 2013
Appendix 10: Letter and supporting annex from the Environment Agency

Tony Wray
Severn Trent Water
2297 Coventry Road
Birmingham
B26 3PU

Our ref: GM/131031/PR14/SvT
Your ref: 
Date: 31st October 2013

Dear Tony

Severn Trent Water - Business Plan evaluation response

I would like to thank Severn Trent Water for providing the Environment Agency with material from your draft business plan.

In the attached report, we have used this information to assess the extent to which your business plan will meet your statutory requirements, and the environmental obligations set out in Defra’s Statement of Obligations.

When making our assessment, we have reviewed how quickly you are planning to deliver your obligations, together with your overall level of performance. For your river basin management plan obligations in particular, Ministers are looking for assurance of early delivery wherever possible.

My team would be happy to discuss the report with you. We would be pleased to include any clarifications before we contribute to the finalised Water Forum report and prior to our submission to Defra in mid November.

We look forward to continuing to work with Severn Trent Water to help ensure that your investment protects and improves the water environment, for the benefit of your customers and the economy.

Yours sincerely

Sarah Fowler
Director Midlands Region

Cc: Dr Paul Leinster CBE, Chief Executive, Environment Agency
Ian Barker Head of Land and Water, Environment Agency
Dame Yve Buckland Chair of Severn Trent Water Forum
Milo Purcell, Drinking Water Inspectorate.
Emyr Roberts, Natural Resources Wales.

Sapphire East, 550 Streetsbrook Road, Solihull, West Midlands, B91 1QT Tel: 0121 711 5965
www.environment-agency.gov.uk
Response to Severn Trent Water

Introduction

The final price review methodology confirms that Ofwat expect the Environment Agency to highlight in the Customer Challenge Group report whether your business plan will meet your statutory obligations (section 4.2.1 Setting Price Controls for 2015-2020, Ofwat, July 2013). As part of our engagement with your Customer Challenge Group, we have been working with you to be assured that your business plan is in accordance with these requirements.

The following report summarises our views of the evidence provided. These views are based on a high-level review of the processes as described in the letter explaining our expectations sent to you in August 2013.

Overview

We are pleased with the way Severn Trent Water have embraced the Ofwat changes to the price review process and worked with my colleagues in Midlands in an open, transparent and collaborative manner at all stages. There has been a robust undertaking of customer and stakeholder engagement supplemented by secondary research in key areas which has resulted in a high standard of engagement information. This in turn has informed Severn Trent Water in the design of their plan and component parts have been constructed using latest information and expert judgement (supported at times by the Environment Agency). Severn Trent Water’s approach has been collaborative and we have been able to help shape the plan.

As such there is a very good confidence that the plan reflects preferences and a line of sight can be drawn between willingness to pay, acceptability research and draft plan consultation. Crucially there is clear evidence that challenges through subsequent consultation have been responded to by the company.

The methodology and thinking behind outcomes, measures of success and incentives can be clearly linked to our own high level PR14 outcomes and show some real signs of progressive company ambition and direction (for example incentive mechanisms around Water Framework Directive (WFD) improvements), partnership measures of success and crucially a commitment to address all company reasons for failure by 2027.

We welcome that all National Environment Programme (NEP) requirements are included in the business plan and that in addition the company has made some provision for managing uncertainty and WFD. However, although future need is uncertain, there is an element of predictability and managing uncertainty provision could have been greater in order to better protect customers, the company and the environment from risks associated with future need. We urge Severn Trent Water to look at every opportunity to increase delivery in this area.

Nevertheless, we are pleased that the environmental investment elements of the business plan have been fully tested for cost benefit by the company and that their inclusion offers assurance that they will be delivered in AMP6.
In terms of flood risk provision, the inclusions within your plan are seen as some of the best practice in the water industry which we expect to see translated into practical partnerships.

In summary, the Environment Agency Midlands Region supports the plan that Severn Trent Water have built for PR14 and indeed welcomes the progressive commitments towards environmental improvements as a true reflection of customer preference.

**We support:**

- Delivery of statutory and environmental requirements as defined in Defra’s Statement of Obligations as a minimum requirement.
- Plans that include all measures identified within the NEP and their delivery options.
- The use of the transition investment programme. There are a number of aspects of the NEP that we would expect a forward thinking water company to plan an early start for using transitional investment. These include:
  - Nationally co-ordinated phosphorus trials.
  - Chemicals Investigations Programme (CIP).

In addition, we are pleased to note:

- The approach you have adopted in addressing chemicals. We believe that partnership working is the right way forward. As Severn Trent Water has significant experience in tackling chemicals we would be pleased to work with you to help maximise outputs of CIP and national phosphorus trials.
- Your proposals to develop new sustainable drainage systems (SuDs) solutions as part of a holistic flood risk response coupled with the trialling of active flow control devices in Birmingham to reduce peak flows in major storm events. Your continued investment in Sewerage Management Plans will help predict where flooding problems are likely to occur in the future to aid prevention.
- The new phosphorus removal technologies which it is anticipated will provide new scope in AMP6. This is backed up by the modelling tools used to identify catchment issues and therefore seek improvements to a waterbody or catchment rather than to every individual point source. We welcome discussions as to how we might be more innovative in our environmental permitting.
- Your commitment to continue with your Water Forum structure in the future and that you see the Environment Agency as having a key role in setting targets and performance assessment.

**We do not support:**

- The use of incentives to encourage companies to comply with their permits or to prevent pollution incidents, as these are legal obligations. But where a company and its customers are willing to go further or faster, then it should be rewarded. Equally, we would expect to see a penalty applied where a company fails to deliver the statutory minimum.
Proposals that would lead to a significant back-loading of river basin management plan obligations. Defra is looking for assurance of early delivery wherever possible.

**We need to see:**

- The company addressing the need to propose a change mechanism for any in-period changes to cover spend on environmental commitments as certainty increases during AMP6.
- The company reviewing reasonable assumptions about future statutory requirements which are currently uncertain. These include the measures likely to be included in second cycle river basin management plans within phase five of the NEP.
- Companies demonstrating how they can reduce serious (category 1 and 2) pollution incidents year on year to achieve a trend towards zero by 2020. There should be at least a 50 per cent reduction compared to numbers of serious incidents recorded in 2012. Companies managing their activities so that there is a trend to minimise all pollution incidents (category one to three) by 2020. There should be at least a third reduction compared to numbers of incidents recorded in 2012.

**We have made more specific comment on the following areas:**

These are our observations on the replies you have made to the questions posed in response to the expectations letter.

1) **Delivery of statutory and environmental requirements.**

    We welcome the commitment you have made to meet your environmental obligations. We believe that you have presented sufficient information in your response to demonstrate how your business plan will allow Severn Trent Water to meet the statutory environmental requirements set out in Defra’s Statement of Obligations, along with the subsequent directions on increased ambition for chemicals, and monitoring of storm discharges. However, we do require you to provide a commitment to deliver 100% compliance on permit conditions and trending towards zero for category one and two pollution incidents by 2020 within your business plan.

2) **Measures identified within the National Environment Programme (NEP).**

    We are encouraged by your agreement to include all of the measures set out in the NEP within your final business plan. We believe that the programme will allow you to deliver what is best for both the environment and your customers.

3) **Transition investment programme.**

    For the Chemicals Investigation Programme and the national phosphorus trials we have set delivery deadlines early within the AMP6 period. These timescales enable statutory obligations to be met, as well as planning for PR19 and river basin management plan outcomes to occur. We notice that you have identified a need for transitional spend on these aspects of your business plan and are pleased that your company recognises the importance of early planning to meet these important deadlines. We support the need for transitional spend on these aspects of your business plan.
Business Plans should be based on delivering the full set of chemical environmental monitoring as indicated previously by Defra, noting that where existing sites do not exist then monitoring should still be planned for. We will work with you to fully understand the need in this area. Practical, location-specific issues regarding sampling will be addressed via the UKWIR Project Steering Group as detailed monitoring programmes are developed over the coming months. Again we will work with you closely to understand and agree the best way forward.

4) Provision for the outcome of second cycle river basin management plans and their ambition for WFD obligations.

We are pleased that your water company has made provision within its business plans for achieving outcomes from the second cycle river basin management plan. The level of ambition is appropriate, although you will be aware from your Water Forum, that a consistent challenge from the Environment Agency has been to increase AMP6 WFD delivery in order to minimise risk and bill impacts during delivery in AMP7. However, your proposals do give good consideration of how your company will meet WFD obligations to 2027.

5) Evidence of options and proposals for reducing the impact of a company’s abstractions from the most seriously affected sites.

We are pleased to see that your company is putting forward options and proposals within your business plan to reduce the impact of its abstraction from the most seriously affected sites. We note that you have:
- included the confirmed and likely sustainability changes set out in NEP phase three in the water resources supply-demand component of your business plan.
- made an allowance for currently unknown sustainability changes in your business plan.
- assessed whether planned increases in abstraction may cause deterioration in WFD water body status.
- considered which abstractions would fall within Ofwat’s Abstraction Incentive Mechanism.


Defra expects that the Water Resources Management Plan (WRMP) will form the water resources supply-demand component of the business plan. We welcome your assurance that the main water resources supply-demand components of your business plan will be consistent with your WRMP statement of response.

7) How the company is fulfilling its risk management authority duties?

Water and sewerage companies have statutory duties on flood risk management. You have provided good evidence that you understand all these duties. We feel there is a real opportunity to build on your positive initiatives in this area and work with us on flood risk management plans and lead local flood authorities’ strategies to deliver cost effective solutions for customers and the environment through effective partnership working. We encourage you to maintain and increase your commitments to cooperate with other risk management authorities in the next AMP period.
Reservoir safety

We note your intentions to maintain reservoir safety. This is an important duty given the potential high impact your reservoirs pose to public safety. Your continued maintenance and capital investment is essential for public safety and you have referenced the recent changes in reservoir legislation incorporating inspections that have already taken place in light of the changes.

Defra set out their expectation in the Statement of Obligations that companies will prepare reservoir plans. We would expect you to continue to develop and maintain on-site plans. Working with partners on off-site plans to to reduce impacts to downstream communities, should an incident occur is also considered best practice.

Under the Flood Risk Regulations, the Environment Agency is required to develop Flood Risk Management Plans for England that include objectives and measures to manage flooding from reservoirs. We look forward to working with you as reservoir undertakers to set out the measures and timescales for delivery.

8) What mitigation measures have been adopted to manage future risks?

We are satisfied with your response on climate risks and resilience. You have said you have followed relevant guidance from Ofwat and others, and provided evidence that you have done so. It is important to keep raising awareness of these issues so that the impacts are fully understood.

9) Environmental outcomes

We are generally satisfied with the outcomes included in your business plan as they accurately reflect the important role that your company plays in protecting the environment. However, there is still some further work needed to ensure that performance measures and targets are appropriate and we look forward to working with you to help set them accordingly.

Delivery and incentives

We are encouraged by your approach to setting delivery levels and designing incentives around your environmental outcomes and obligations, to ensure these are achieved. Overall your level of ambition is appropriate, but we believe that there is room to go further and in the absence of uplifting the plan value in certain areas we see the use of incentive mechanisms as an important tool in increasing environment outcomes.

Demonstrating the tightest links between quantitative evidence of customer preferences and your ambition and incentives is essential. We consider that a first-rate company would explore using financial and reputational incentives in tandem, to go further and faster than statutory environmental obligations wherever justified by consumer research.

Pollution incidents and compliance

The information provided on operational performance demonstrates progress, but we believe you should be more ambitious in terms of performance targets and the actions taken to meet them, beyond business as usual.
Water companies should be planning to achieve 100 per cent compliance for all licences and permits, as they are legal obligations. We expect to see this included as a target within your business plan. In addition, we expect your company to plan for a trend towards zero serious (category one and two) pollution incidents by 2020 rather than 2030 as you propose.

10) Change mechanism.

At previous price reviews, Ofwat have used the “change protocol” mechanism for managing in-period changes to the risks and costs. This time you are being asked to put forward proposals for dealing with such changes. It is imperative that new statutory commitments can be delivered whilst maintaining levels of ambition around customer priorities, so we want to see a clear process for dealing with predictable but, nonetheless, uncertain new commitments you could face during AMP6. This was missing from your submission.

Interim determinations of K provide a route to deal with genuinely unforeseeable events that meet Ofwat’s materiality criteria, and of course you have more discretion over expenditure than in previous price reviews. However, to be assured that important “discretionary” outcomes are not prejudiced by additional legislative requirements, we believe you do require an explicit change mechanism for dealing with such changes and we would welcome your assurance that you are developing one.

11) Eel regulations

We are committed to working with you to ensure that the requirements of the Eel regulations are fully met and welcome the positive strides you have taken to include Eel screening measures in your plans.

We acknowledge that you have sought clarification regarding the costs and benefits associated with the implementation of eel regulation measures at some sites. Any scheme can be put through an economic appraisal to validate the approach being proposed at any given site. This will always require a very site-specific discussion with you for each scheme. We would always expect that compliance will be achieved as soon as possible.

12) Sewer flooding, planning and flood partnership work

It is good to see that you are making positive steps to deal with sewer flooding, as we believe, this is one of the worst service failures your customers can suffer.

Partnership working on flood risk

We welcome your commitment to deliver partnership schemes. We look forward to working with you on achieving the mutual benefit of flood risk reduction, efficiencies, greater understanding of risk and incident responses.

Drainage Strategy Framework

The evidence provided indicates that you plan to follow the Drainage Strategy Framework principles within the AMP6 period and beyond. We note you have already been applying some of the principles in developing your plans for the delivery of drainage strategies and engagement with partners and stakeholders in AMP6.
We expect you to embed these principles in all your sewerage planning and produce drainage strategies in your priority catchments by 2020.

Concluding remarks and recommendations

In conclusion, we would like to thank you and your company for the way you have engaged in open and transparent discussions during the PR14 process. This has helped build a solid foundation for environmental improvements in Midlands over the AMP6 period.

At a specific level, we request that we are involved in the refinement of measures of success, targets and incentives to ensure risk and reward are balanced effectively.

We also ask that we receive written board assurances regarding the delivery of the National Environment Programme (NEP) at the earliest opportunity. This is the final piece of information required which will enable us to fully confirm our position (in our regulatory role) when communicating with Defra.

We look forward to working closely with you over the next few weeks to finalise your business plan so we can ensure delivery against statutory obligations and facilitate the continuing achievement of better environmental performance.

Greg Marshall
PR14 Co-ordinator Midlands
30 October 2013
## Appendix 11: Index of information against Ofwat’s risk-based review tests

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<td>The Forum’s assessment of the company’s understanding of customer priorities and expectations, and the outcomes it developed in response, is covered in Chapter 3.</td>
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<td>The principal areas of challenge to the development of Severn Trent Water’s proposals for each outcome are summarised in Chapter 5.</td>
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<td>Costs</td>
<td>The costs for each of the company’s ten outcomes are discussed in Chapter 5.</td>
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<td>The Forum’s overall assessment of the appropriate balance of priorities (and therefore costs) within the plan is provided in Chapter 7.</td>
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<td>Risk and reward</td>
<td>The overall issue of risk and reward, and how this should be treated by the company in its plan, is examined in Chapter 4.</td>
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<td>Affordability and financeability</td>
<td>The issues of affordability and financeability are considered in Chapter 5 (including efficiency and helping customers who struggle in pay).</td>
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<td>Chapter 7 sets out the Forum’s assessment of the overall balance of the plan, and the bill impact.</td>
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<td>Board assurance</td>
<td>Chapter 1 summarises the company’s assurance framework and the steps the Forum has taken to put in place its own assurance. Chapter 2 explains how the company’s Board, and particularly its non-executive directors, have engaged with the Forum.</td>
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