

Secretary of State for Environment, Food & Rural Affairs
Water Resources Management Plan Consultation
Area 3D Nobel House
17 Smith Square
London
SW1P 3JR

1 August 2013

Dear Secretary of State

Severn Trent Water – Draft Water Resources Management Plan

Severn Trent Water published its draft Water Resources Management Plan (dWRMP) on 28 May 2013 and this letter summarises our views of the draft plan. We have based our views on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are without prejudice to any subsequent decisions that we may make in connection with the business plan that the company is scheduled to provide to us later this year as part of the price control review process.

In summary, Severn Trent Water needs to consider further the following areas in finalising its dWRMP:

- reconciling its chosen position on the levels of service underpinning its plan with customers' views;
- exploring options from third parties and neighbouring water companies further and, if appropriate, taking account of these options in its final plan;
- providing more detail on the methodologies it has used to assess the environmental, social and carbon impacts of feasible options; and
- clarifying how it has determined its preferred plan and how its Strategic Environmental Assessment (SEA) and Habitats Regulation Assessment (HRA) have informed its choice of options.

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1. Incorporation of customers' views

In developing its dWRMP, Severn Trent Water has consulted its customers regarding their preferences towards the levels of service (temporary use ban frequency, etc.) that underpin the plan. While the majority of customers consulted were willing to accept a lower level of service, the company decided against a relaxation of its planned level of service. This was because evidence from past consultations contradicted this view and the company was concerned about the validity of the latest consultation results.

We note and support Severn Trent Water carrying out further customer research to establish the position on levels of service in time to inform its final plan.

2. Baseline supply-demand balance

We have not identified any particular concerns in relation to this section of the draft plan.

3. Options appraisal

The dWRMP does not appear to include a description of the methods used for the calculation of monetised social and environmental costs. Severn Trent Water should address this in its final plan and should clarify that these impacts are not already included in the SEA assessment.

Severn Trent Water has not included third party options and transfers from neighbouring water companies in its feasible options list for least-cost modelling. The company states that this is because there is insufficient information on the costs and benefits of these options to allow it to consider them in the options appraisal process. The company states that it will explore these options further, and we expect it to fulfil this commitment and explain how it has taken account of these options in its final plan.

The company should provide more information on the carbon costs for each feasible option in its final plan and justify its conclusion that the approach used does not double count the impact of carbon.

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It is not clear how Severn Trent Water has used the concept of 'utilisation' in the appraisal of options. Utilisation is an important concept in determining a best value solution for customers and the environment. The company should clarify how it has taken account of utilisation in its final plan.

Severn Trent Water does not appear to have considered the potential operating cost savings of new sources of water when compared to existing sources. The company should also clarify the discount rate it has used to appraise options.

Severn Trent Water does not appear to have integrated the SEA and HRA well into its dWRMP. We can find no discussion of how the company has used the assessments to influence the development of its plan, only statements that it has assessed all feasible options. The company should demonstrate how it has used the SEA and HRA in the assessment of feasible options, and the development of its preferred solution, in its final plan.

4. Final planning solution and scenario testing

The approach Severn Trent Water has taken for the selection of its preferred solution is not clear. The company should set out the approach it has taken to develop its preferred solution from the least-cost solution in its final plan, and provide details of alternative programmes that it has considered for comparison.

Yours sincerely

Andrew Walker
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