



Severn Trent Water

Cathryn Ross
CEO
Ofwat
21 Bloomsbury Street
London
WC1B 3HF

Severn Trent Centre
2 St John's Street
Coventry
CV1 2LZ

Tel 02477 715000
Fax 02477 715871

20 November 2017

Dear Cathryn

Re: Draft Determination on Severn Trent's in-period ODI application

We welcome the publication of Ofwat's Draft Determination for our application to include outperformance payments and underperformance penalties for 2016/17 in customers' bills.

Ofwat's determination aligned very closely with our application and are very pleased that Ofwat has supported our proposal to defer £27m of our wastewater outperformance payment in an effort to help customers manage their bills.

We are supportive of the application of the cost of capital to payments which we propose to include in bills for 2018/19 following restatement of our 2015/16 performance for internal and external sewer flooding and wastewater carbon emissions.

In line with Ofwat's formal process for updating the Final Determination for PR14 to take account of changes to performance commitments, we confirm that our shadow commitments for mains bursts (WB6) and wastewater carbon emissions (SD1) should be formalised in an update to our Final Determination. We believe that we have provided sufficient information and assurance within our Annual Performance Reports for Ofwat to enact these changes.

We agree that there is merit in Ofwat's proposal to review the calculation of leakage with the industry. We see this as a critical step to ensure lessons learned through AMP6 are shared and approaches standardised for AMP7. We will, of course, be keen to feed in to this review at the appropriate time.

We have no further comments on the Draft Determination and make no specific comment on the determinations for South West Water or Anglian Water.

With best wishes

A handwritten signature in black ink, appearing to read 'A J Ballance'.

Dr. Tony Ballance
Director, Strategy and Regulation