



27 November 2017

Severn Trent Water Limited

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Dear Andy,

### **Licence variation: Severn Trent Water**

I am writing to you in response to your letter of 21 November 2017. We set out our responses to your questions below.

#### **Customer services**

Across the DVW and STW regions there are small differences in the level of customer service offered. Since the acquisition we are already delivering benefits to our customers, through efficiencies and better service performance. Our proposal will deliver even greater benefits to customers in England and specifically those in the Chester region:

- all customers will receive the higher GSS payments currently offered by Dee Valley;
- customers in Chester will have access to greater communication channels and customer service out of hours, consistent with other Severn Trent customers; and
- customers in Chester will have access to the Severn Trent charitable trust.

We understand your desire that these changes are introduced as soon as possible. We are committed to implementing these changes by 1 April 2018. This allows us sufficient time to engage with our stakeholders, including CCWater and for them to take effect from the date of the licence variation.

#### **Performance commitments**

We will uphold our PR14 performance commitments, which we have allocated across the proposed English and Welsh licence area. We will continue working to deliver the excellent service that is underpinned by these commitments.

#### **Licence conditions**

We have committed to adopting the most recent ring-fencing conditions and for the new Condition P to be included within the licence. Alongside this condition we are drafting an Operational Services Agreement that documents at a high level the services which STW will be providing in Powys and DVW will be providing in Chester, and the cost allocation methodology for doing so. The legal agreement also includes clauses for procedures for

special administration or disposal. We have provided our draft with your team and will provide the final agreement following the NAV consultation.

### **Tariffs**

The average bill for water services in Chester by 2020 is expected to be £146 compared to £158 in Severn Trent and £165 across the industry\*. We will continue to operate separate tariff structures for these customers until at least 2020.

At the next price review we expect bills will fall due to a lower cost of capital and the impact of efficiency savings that we will deliver. We intend to use these savings to reduce tariffs, particularly for those customers with the highest bills. The extent of this change will depend on the Final Determination and the impact of inflation. We will work with CCWater when implementing changes to our tariffs.

### **Communications**

We recognise that these changes will impact customers in different ways. We are working with CCWater as we develop our communications plan for customers, developers and landlords.

We have discussed this with CCWater on 23 November 2017 and have another meeting scheduled for early December. We will continue to work with CCWater as our plan develops.

I trust this covers the issues covered in your letter.

Regards



**Liv Garfield**  
**CEO, Severn Trent Water Limited**

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\* In 2012-13 prices

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 **Customer Support**

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Dear Andy,

**Licence variation: Dee Valley Water**

I am writing to you in response to your letter of 21 November 2017. We set out our responses to your questions below.

**Customer services**

Across the DVW and STW regions there are small differences in the level of customer service offered. Since the acquisition we are already delivering benefits to our customers, through efficiencies and better service performance. Our proposal will deliver even greater benefits to customers in Wales, for example through:

- higher GSS payments to all of our customers in Wales and not just Wrexham;
- extended communication channels and servicing hours;
- developing future plans that are specific to the needs of our Welsh customers and Welsh regulations; and
- working with our customers and stakeholders in Wales to better understand the affordability challenges and developing as part of our PR19 plans, more effective measures to help vulnerable customers and those struggling to pay;

We understand your desire that these changes are introduced as soon as possible. We are committed to implementing changes to our codes of practice by 1 April 2018, which would allow us sufficient time to engage with our stakeholders, including CCWater and for them to take effect from the date of the licence variation. We will continue working with our customers and our DVW-Customer Challenge Group to develop our future Welsh plans.

**Performance commitments**

We will uphold our PR14 performance commitments, which we have allocated across the proposed English and Welsh licence area. We will continue working to deliver the excellent service that is underpinned by these commitments.

## **Licence conditions**

We have committed to adopting the most recent ring-fencing conditions and for the new Condition P to be included within the licence. Alongside this condition we are drafting an Operational Services Agreement that documents at a high level the services which STW will be providing in Powys and DVW will be providing in Chester, and the cost allocation methodology for doing so. The legal agreement also includes clauses for procedures for special administration or disposal. We have provided our draft with your team and will provide the final agreement following the NAV consultation.

## **Tariffs**

On average, customers in Powys pay around £20 less for water services than customers in Wrexham. We will continue to operate separate tariff structures for these customers until at least 2020.

At the next price review we expect bills will fall due to a lower cost of capital and the impact of efficiency savings. We intend to use the savings to reduce tariffs for those customers with the highest bills while avoiding any increase for other customers. The extent of this change will depend on the Final Determination and the impact of inflation. We will work with CCWater when implementing changes to our tariffs.

For our Powys wastewater customers, due to the rural nature of the region and low bills (at the end of AMP6 Powys waste bills will be approximately £94 compared to £138 in STW and £227 in Wales<sup>†</sup>) the income from Powys wastewater customers will not cover operating and financing costs. We do not intend to increase wastewater bills to make the wastewater control financeable in AMP7. We will work with CCWater to consider the appropriate trajectory in future AMPs.

## **Communications**

We recognise that these changes will impact customers in different ways. We are working with CCWater as we develop our communications plan for customers, developers and landlords.

We have discussed this with CCWater on 23 November 2017 and have another meeting scheduled for early December. We will continue to work with CCWater as our plan develops.

I trust this covers the issues covered in your letter.

Regards



**Liv Garfield**  
**CEO, Dee Valley Water Plc**

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<sup>†</sup> In 2012-13 prices