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Ms Liv Garfield
Chief Executive
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22 November 2018

Dear Liv

‘Out in the Cold’ review and next steps

In addition to publishing our [‘Out in the Cold’ review](#) of companies’ performance after the ‘Beast from the East’ earlier this year, we wrote to each company, including Severn Trent Water (“**Severn Trent**”), highlighting specific concerns and issues we identified from our analysis.

In this [letter](#), we said that Severn Trent needed to “take significant steps to make sure it is ready to service its customers better the next time there is bad weather”. We asked Severn Trent to publish an externally assured action plan setting out how it is addressing, ahead of the winter, the issues identified in our review, the company specific letter and its own internal reviews.

We would like to thank you for your letter of 28 September 2018 and your published attached [plan](#). We acknowledge the level of effort that Severn Trent has put into its response, and the steps it has already taken, and plans to take, to become more resilient in the face of future challenges.

This letter sets out our expectations and the areas of concern that we have identified when reviewing Severn Trent’s response. We thank the Consumer Council for Water (CCWater) for their involvement throughout this process and have incorporated their comments into this letter.

This letter is without prejudice to and does not pre-judge any analysis or decisions to be made during the price review including, but not limited to, any additional expenditure that may be allowed in the next price review period for initiatives identified in response to the freeze and thaw review. The PR19 team are assessing

the robustness of all companies' business plans and will provide their determinations in 2019, in line with our published methodology.

Your responsibilities

Customers expect water companies to prepare for and manage weather incidents to ensure that they experience minimal interruptions to their service. It is for companies to ensure that they are sufficiently prepared to manage severe weather incidents and to make sure their customers are protected. Companies must assure themselves that they can meet their obligations, including under the Security and Emergency Measures Direction (SEMD) and Section 37 of the Water Industry Act 1991.

We note that the Board and Executive of Severn Trent have approved this plan and that therefore they are, fully accountable for its delivery. The company had external assurance on its action plan and now must ensure it is ready and able to respond to any severe weather experienced this winter and beyond.

Our feedback

We have carried out a review of the information that Severn Trent submitted, and we also had a meeting with the company to provide our feedback on its plan. We are encouraged that it carried out an internal review immediately after the freeze and thaw event. We note that Severn Trent collaborated with other companies through Water UK, as well learned from other sectors both within and outside of the UK as to how it can make its processes more robust.

We note that a significant number of actions are due to be completed in 2019, rather than having already been put in place. Severn Trent needs to ensure that it has taken all reasonable steps to ensure that it is ready for this winter. We strongly encourage the company to ensure that where it has identified actions that practically it will not deliver by this winter, appropriate contingency measures are put in place to cope with events that could potentially disrupt its ability to supply essential services.

Further comments from our analysis are provided in the appendix to this letter.

Next steps

Winter is almost here and we expect Severn Trent to deliver the actions it has committed to, taking on board these comments and recommendations, and ensure that its customers are better protected.

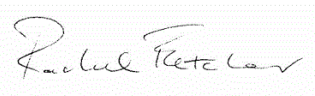
Companies need to continue to learn lessons and review their progress in delivering these action plans. The feedback from this letter should help inform this continued learning and effort to improve, which we have seen from the sector more widely.

We encourage the company to keep seeking out and adopting best practice from inside and outside of the sector to make sure they deliver for their customers and meet their statutory obligations. In doing this, Severn Trent should continue to actively participate in the work that Water UK is coordinating to address sector-wide issues. We will be monitoring the progress of this work through the quarterly and annual updates that Water UK's Operations Strategy Group will be producing.

We have agreed with Defra, which oversees the Security and Emergency Measures Direction (SEMD), that issues identified in the freeze and thaw reviews should be considered as part of the forthcoming SEMD certification process this winter. This annual assessment process considers companies' ability to maintain essential water supply and wastewater services at all times.

We have intervened to hold companies to account and to make clear what we expect of them in response to severe weather. It is now for Severn Trent to make sure that it is ready for the coming winter and beyond. We will be closely watching the company's performance to ensure that its customers are protected. If there is evidence of the company failing its obligations to customers, we will take further action to address this.

Yours sincerely



Rachel Fletcher
Chief Executive

Appendix – comments from our analysis

Planning and preparation

We note the work Severn Trent states it is doing to improve the reliability and increase the capacity of its system, improving visibility across its network, and reducing leakage. We also note the company's efforts to increase its staffing so that it is able to cope better during incidents, which are positive steps in the right direction.

We also note that Severn Trent is 'developing plans to implement an innovative situational awareness model'. We would encourage the company to ensure that it tests and challenges the new procedures it is putting in place, as this is a crucial management tool that provides opportunities for key learning points to be identified – particularly to ensure that its programmes reflect the needs and expectations of the business and stakeholders.

Incident response

Severn Trent states it has updated its response to rural communities, which was tested during the 2018 summer heatwave. We note its plans to engage more with business customers such as schools and farmers, which is positive.

The company carried out an internal review and root cause analysis following the freeze and thaw incident, which usefully identified ten critical sections of pipework that would cause a significant impact to customers' supply in the event of a burst. We note Severn Trent plans to fully address these risks in AMP7, but we would encourage it to identify and action any short term interventions that could help minimise these risks in the interim period.

We note that Frankley water treatment works appears to have a 15Ml/d restriction on the works output through to December 2019, which will have reduced the filling capacity of Northfield service reservoir in the distribution system. We are encouraged that the company has revised its operational practice to optimise storage further ahead of high periods of demand, and expect this revised practice to be monitored and actioned effectively to minimise risks to customer supplies.

Customer communication

Severn Trent's plan shows that it has engaged with affected customers and stakeholders and is continuing to improve its communication methods. The company has also said that it is working with retailers and businesses to establish greater clarity around roles. We are encouraged by its trial of a 'hyperlocal' approach to its

customer communications, and we expect that this will put the company in a stronger position ahead of this winter.

Stakeholder communication

The company has reached out proactively to a wide range of customers and stakeholders. To be able to respond effectively, the company will need to continue to communicate effectively with these partners and other relevant stakeholders before, during and after future incidents. It is essential that in reaching out to this wide range of stakeholders that the company acts on the feedback that it has received. In future incidents we expect to see all companies being more proactive and working collaboratively with stakeholders to ensure that their responses are co-ordinated and efficient.

Customers in vulnerable circumstances

We note Severn Trent is setting up additional dedicated channels by which customers in vulnerable circumstances can contact the company about, or register for, priority services. It is also undertaking actions to improve its ability to identify transient vulnerability, such as its new categories for its priority services register – temporary-post hospital recovery and temporary-life change – and undertaking wider work to share data with the energy sector, with trials already underway. The company should continue to explore more opportunities for collaborative working to provide beneficial outcomes for customers.

However, we note that some of the actions being taken are not expected to be delivered until after this winter. We expect the company to ensure that, where it has identified actions it will not deliver by this winter, it puts in place contingency measures to ensure customers are protected.

Having accurate information and making best use of data will be key, as we set out in our 'Out in the Cold' report. Therefore, we encourage the company to consider and engage more with the Water UK coordinated sector-wide work on this, the recent [UKRN cross-sector data sharing report](#) and CCWater's [Vulnerability in the Water Sector](#) report.

Compensation

We note Severn Trent is committing to a higher compensation level as standard for future incidents, and is being proactive in ensuring all customers are made aware of the compensation they are due. We encourage the company to continue to review the compensation levels it provides customers to ensure that it reflects the ways individual incidents disrupt and impact customers.

We have published recommendations to the UK and Welsh Governments about changes to the minimum statutory compensation scheme – the Guaranteed Standards Scheme. While any changes to the current arrangements are being considered, we expect all companies to reflect on our recommendations in compensating their customers.