

Severn Trent PR19 Business Plan

3 October 2018

WONDERFUL ON TAP





We have a bold ambition on costs to deliver Upper Quartile performance

Second largest totex reduction

Company	AMP7 vs AMP6
United Utilities	-8%
Severn Trent	-6%
South West	-5%
Bristol	-4%

We have challenged our entire business – from the investment programmes right through to our head office, to deliver savings for our customers

We are UQ under the (draft) PR19 cost models

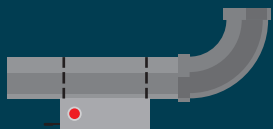
UQ rank	Water (UQ=4)	Waste (UQ=2)	Retail (UQ=4)
1st	Northumbrian	Severn Trent	Yorkshire
2nd	Welsh	United Utilities	South West
3rd	South West		Southern
4th	Severn Trent		Severn Trent

We have worked hard to retain our frontier position on waste and deliver UQ performance on water and retail

We have started today - forgoing additional returns from totex outperformance to invest in the future

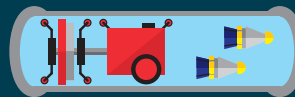
Some of the activities we are undertaking include:

Using technology to improve network efficiency

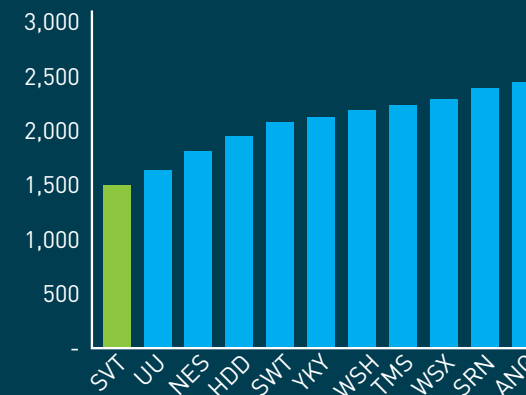


Investing in the expertise of our people

Automation to reduce costs



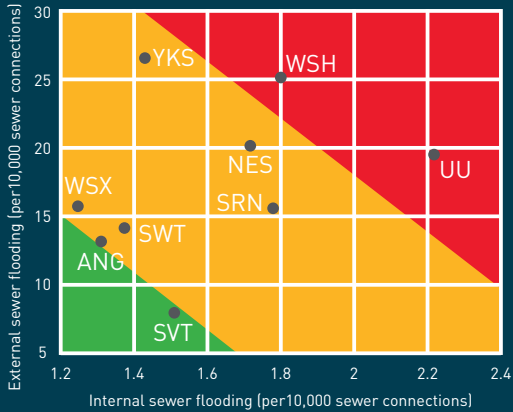
Lowest proposed totex per customer



Our plan represents the most value for customers – with the lowest totex per customer of all the WaSCs

Delivering stretching outcomes that protect customers

Driving the frontier on waste



AMP7 – reducing all forms of flooding by 8%

Engagement & challenge

- Hierarchy of needs
- New insight - non responders
- Richer understanding of our customers



Stretching ourselves on water



Low pressure - 95% resolution of complaints and 15% fewer days of persistent low pressure.

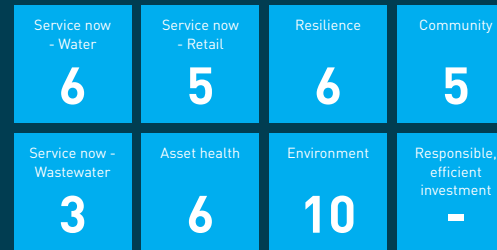
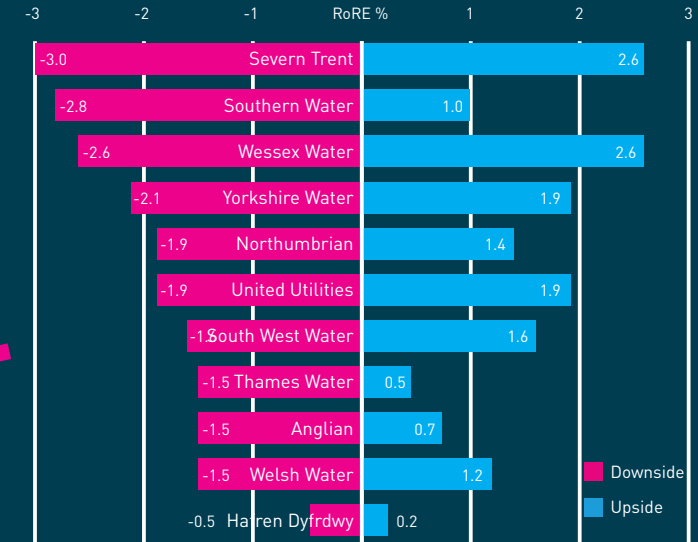


Leakage - one of seven companies to follow letter and spirit of Ofwat 15% challenge



Supply interruptions - original AMP7 target of 8:41 mins (18% better than current best ever performance and 76% better than 2017/18). **Now going even further and setting AMP7 target at 3:00 mins**

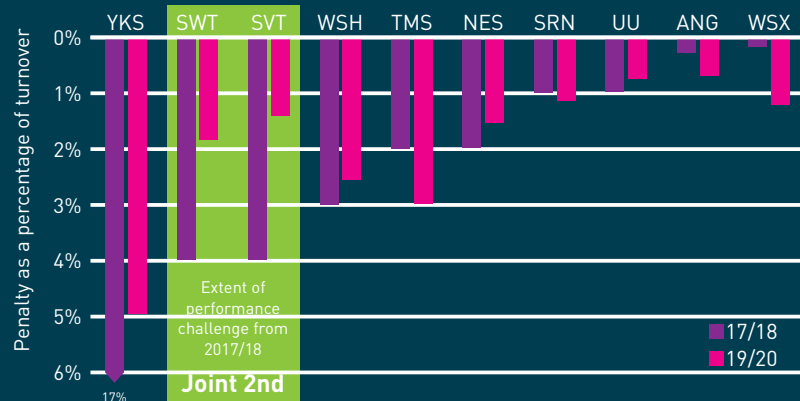
Embraced incentives for performance delivery



Adhered to the methodology

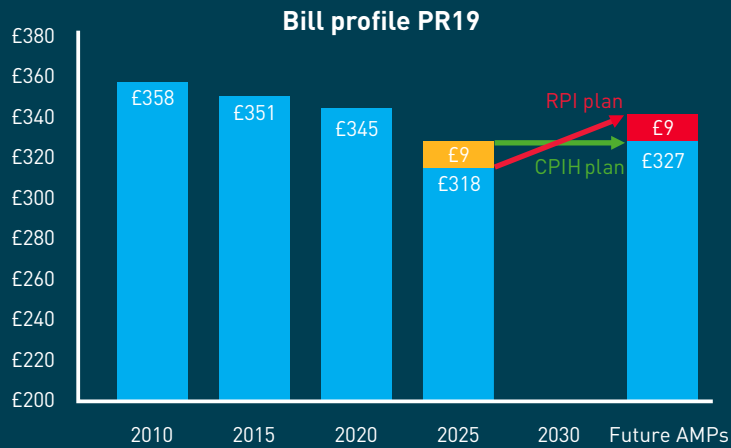
	Penalty		Reward		Total
	Collars	Deadband	Deadband	Caps	
United Utilities	2	1	0	0	3
Severn Trent	3	1	0	0	4
South West	2	4	0	0	6
Thames	3	3	0	3	9
Northumbrian	7	2	0	6	15
Yorkshire	5	3	4	5	17
Wessex	10	4	2	4	20
Southern	23	4	1	19	47
Anglian	18	18	13	13	62
Welsh	26	24	20	20	90

ODI package that protects customers and promotes sector credibility

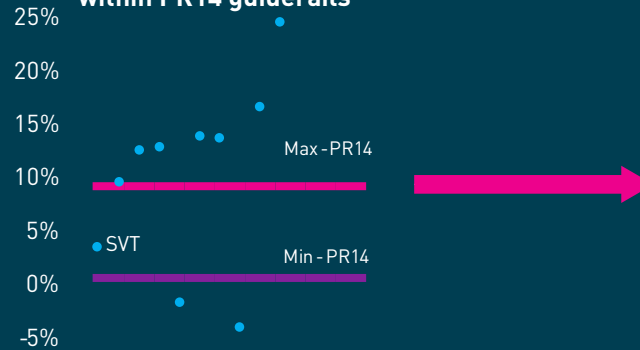


Delivering a balanced and sustainable plan

Our bill reduction does not come at the expense of future generations



Only WaSC with RCV growth within PR14 guiderails



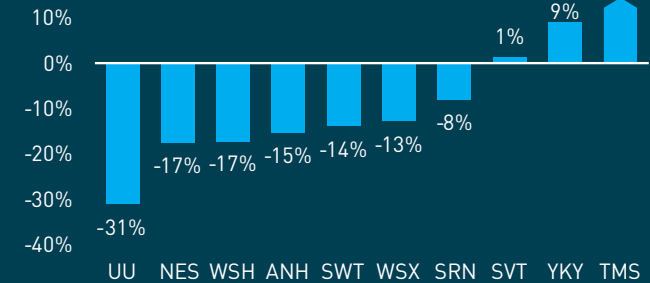
But it's driven by cost savings

Impact of cost and finance savings on bills	
Severn Trent	-8.4%
United Utilities	-7.2%
Northumbrian	-6.8%
South West	-6.8%
Dwr Cymru	-1.2%
Southern	4.0%
Thames	4.9%
Wessex	5.6%
Anglian	6.0%
Yorkshire	9.7%

We have created the headroom to apply CPIH indexation from 2020 – this means bills stay low in the short term and are lower for future generations through modest RCV growth > this is supported by 88% of our customers

Supporting ever improving services today

Maintenance expenditure – AMP7 vs AMP6



Without compromising the future

- Targeted investment to enhance network resilience
- Collaboration with the EA to agree a focused WINEP programme
- Preventing traditional and new types of risks
- Investing in supply and demand-side solutions
- Managing uncertainty so that customers do not bear the costs unless there is compelling evidence
- Step change in meter penetration

Environment Agency – Four star status

Company	2012	2013	2014	2015	2016	2017	Av
Wessex	4	3	3	4	4	4	3.67
Severn Trent	3	4	3	4	3	4	3.50
United Utilities	3	3	3	4	4	4	3.50
Anglian	3	3	3	3	3	3	3.00
Yorkshire	2	3	4	3	3	3	3.00
Northumbrian	3	3	3	3	2	2	2.67
Thames	3	2	3	3	2	3	2.67
Southern	2	1	2	3	3	3	2.33
South West	2	1	2	1	2	2	1.67

Becoming the socially purposeful company in the utility sector

What our customers said they wanted from us

We've been selected as a pathfinder social purpose company. We believe that if we're united by a clear social purpose we'll deliver better outcomes for all our stakeholders – our customers, our people, our investors, the society we live in and the environment that we depend on.

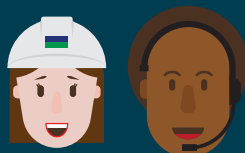
4. Be a company customers can trust



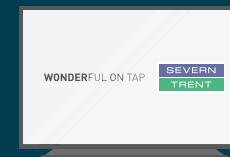
We'll use **1%** of profits for a new community fund



40% employee volunteering



£3.5m Trust Fund donations annually. 2.62 social return on investment.



First TV adverts in over a decade - Wonderful on Tap - to promote the wonder of water

3. Do more for communities and play a bigger part in society

Environment



We'll improve c. **2100km** of river ecology



Biodiversity improvements on the equivalent of 1,500 football pitches

Community



1,000

jobs on offer in social mobility hotspots

4m visits to our reservoirs each year



Education & training

Inspiring a generation of school children to change water usage behaviours



£10m investment in new technical academy for the Midlands

Vulnerable customers

We'll help **47%** more struggling customers to pay their bills



We'll increase the number of customers on our Priority Services Register to up to **400k**, and we're the only company to commit to help 100% of vulnerable customers

2. Treat customers as individuals. Listen, understand and respond - especially if we get something wrong

1. Prevent the problems - from the little irritations to the bigger inconveniences that disrupt customers' days



Covered in the core section of *Serving our Customers and Communities*, the Severn Trent Business Plan 2020-2025

Applying Maslow's hierarchy

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