

April 2019

Trust in water

**PR19 draft determinations:  
Severn Trent Water – Targeted  
controls, markets and innovation  
actions and interventions**

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## PR19 draft determinations: Severn Trent Water - Targeted controls, markets and innovation actions and interventions

Following our initial assessment of plans, we categorised two types of actions for fast-track companies:

- agreed actions that fast-track companies committed to implement to ensure that their plans meet the threshold for fast-track status; and
- required actions for companies which in general were required for draft determinations (or final determinations for some aspects of past delivery).

Table 1 below sets out the agreed and required actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Each action has a unique reference. The prefix 'SVE' denotes the company Severn Trent Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote agreed or required actions.

Table 2 below sets out any further interventions that are not resulting from an action, which we are making as part of the draft determination.

Each further intervention that is not resulting from an action has a unique reference. The prefix 'SVE' denotes the company Severn Trent Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key of these acronyms. Intervention numbers are preceded with a 'C'.

For all other documents related to the Severn Trent Water draft determination, please see the [draft determinations webpage](#).

**Table 1: Severn Trent Water's response to required actions and interventions for draft determinations**

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Targeted controls, markets and innovation	SVE.CMI.A1	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	10am 11 February 2019 for the commitment	Severn Trent has provided a commitment in its 11 Feb submission.	No intervention required.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SVE.CMI.A2	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced. We are intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis across companies based on information set out in the business plan tables. Our view will be set out in the draft determination	24 May 2019	N/A	Intervention required.  We are intervening because our initial assessment of the companies' business plans revealed an inconsistent approach between companies in their calculation of the bioresources revenue requirements to recover fixed and variable costs. This resulted in a wide range of suggested splits between the fixed and variable revenue component. A consistent approach to the fixed/variable split is essential to ensure that the company is correctly remunerated by our modified average revenue control for outturn sludge volumes that differ from its original forecasts.	We are intervening to determine the methodology and the level of the split between fixed and variable costs. Our detailed approach is set out in 'Our methodology for the classification of bioresources costs'.

**Table 2: Further interventions for draft determinations**

Intervention reference	Our assessment and rationale	Interventions
No further intervention required for Severn Trent Water.		

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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