

A close-up photograph of a hand pouring water from the fingers onto a small green seedling with two leaves growing from a mound of dark brown soil. The background is a soft, out-of-focus green field.

PROPOSED CHANGES TO TRADE EFFLUENT CHARGING IN CMOS

8th March 2019 - update

WONDERFUL ON TAP

SEVERN
TRENT

OVERVIEW AND UPDATE

In December we wrote to retailers advising of and seeking feedback on potential changes to the way we charge trade effluent in CMOS for variable strength discharges; potentially moving from the current 6 monthly reconciliation approach to a 6 month forward fix approach.

Thank you all for your feedback and questions. Whilst there was unanimous support for a change to a forward fix approach, it was highlighted that most others have adopted a 12 month forward fix. The benefits to customers and retailers of consistency of approach in the market was also highlighted.

Having considered this feedback and following a review of processes we confirm our intention to move to a 12 month forward fix approach.

We are still working on the detailed methodology and implementation plans, which we will share with you as soon as possible. We will therefore reconcile as usual in April / May, as per the current methodology, to close out the current 6 month period (Oct 18 – Mar 19) and then seek to implement the new methodology as soon as possible thereafter. We will provide further details of the implementation plans and any transition arrangements as soon as possible.

Further details of the proposals are shown below. Please note these are subject to final approval, so may be subject to change.

We would welcome any feedback from Retailers, including views from customers, to [REDACTED] and / or to your Account Manager. If you would like to discuss the proposals, please contact your Account Manager or [REDACTED].

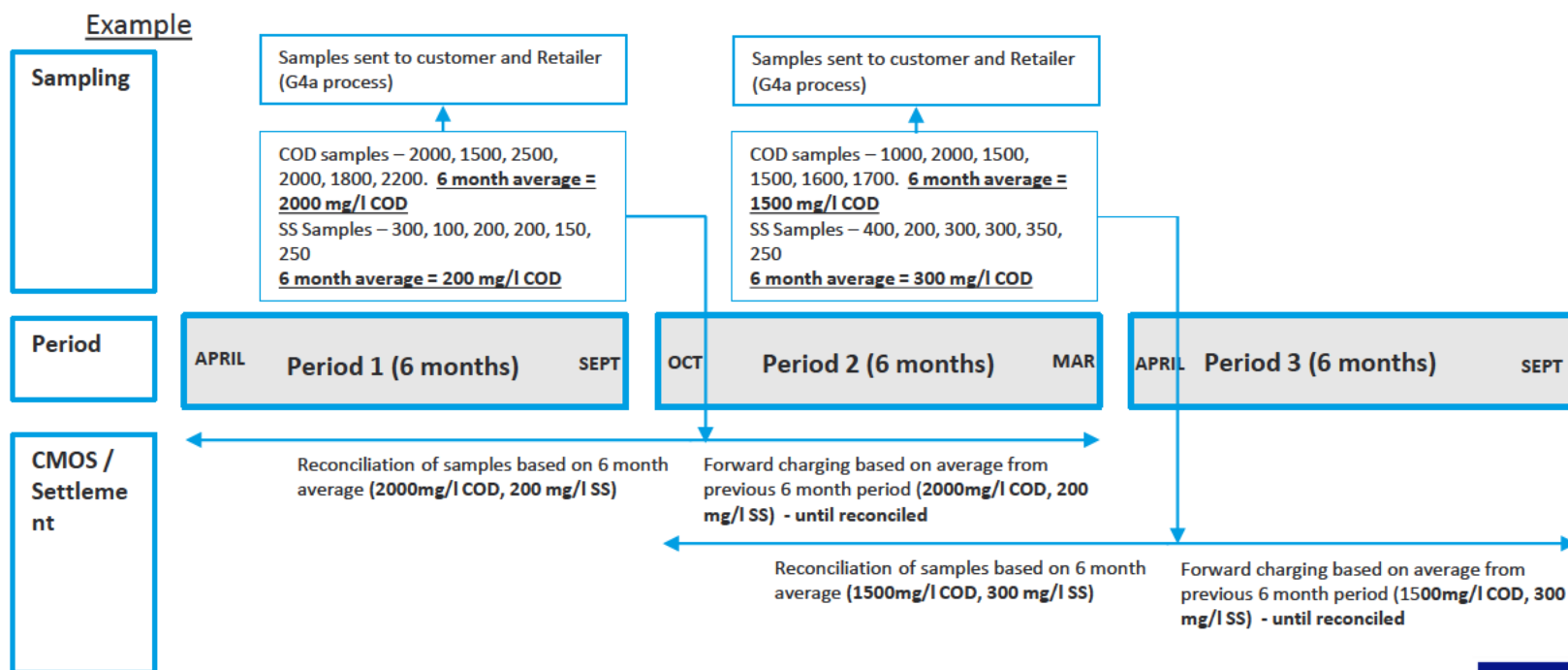
WONDERFUL ON TAP

SEVERN

TRENT

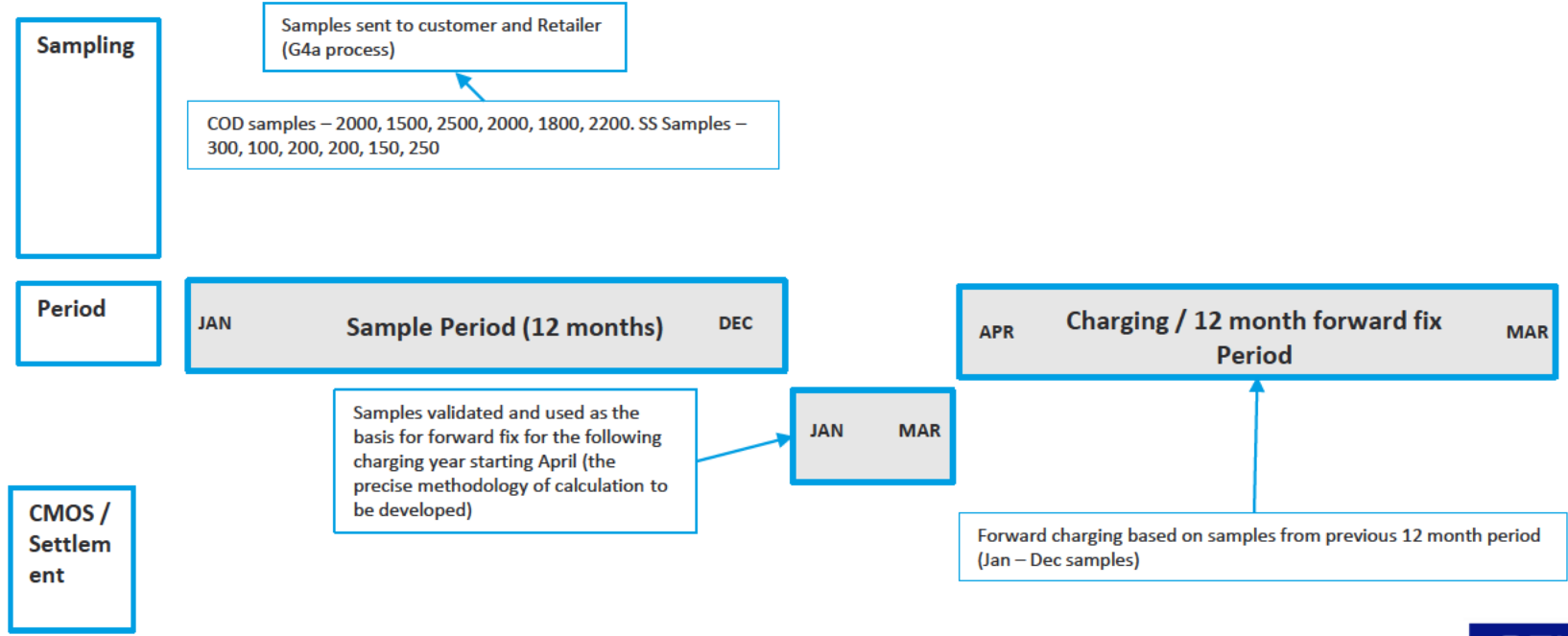
CURRENT APPROACH (6 MONTH REC.)

- Chargeable samples (for COD and SS) are collected over a 6 month period. These are sent to the customer and Retailer (G4a process).
- At the end of each 6 month period, we take the average of the chargeable sample strengths (COD and SS) and amend / reconcile in CMOS for the previous 6 month period. Until the reconciliation takes place, the samples strengths in CMOS, and therefore monthly settlement charges, are based on the average strengths from the previous 6 month period. (see illustration / example below)



PROPOSED APPROACH (12 MONTH FORWARD FIX)

- Chargeable samples (for COD and SS) are collected and sent to the customer and Retailer (G4a process). (same as current)
- We will use the samples from the 12 month sample period January to December as the basis for calculating the COD and SS to be used to forward fix strengths in CMOS for the next tariff year, starting April. The precise methodology for this calculation is being developed.
- These will then be set in CMOS to start in April each year. Subject to genuine, sustained exceptions (to be defined), these would not change until the following year.



WONDERFUL ON TAP

