

Ofwat's Accelerated infrastructure delivery project: draft decisions

Severn Trent Water response

21 April 2023

WONDERFUL ON TAP



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21 April 2023

Dear Aileen,

Severn Trent's response to Ofwat's accelerated infrastructure delivery project draft decisions

I welcome the opportunity to respond to Ofwat's accelerated infrastructure delivery project draft decisions. We are really excited about being able to get started early on the three projects you approve in your draft decision, which will help improve water resilience and monitor river quality for our customers and the environment.

This response provides detailed comments on the three Severn Trent schemes. The main points are:

For smart metering, we suggest two improvements to the draft decision:

1. We propose that non-household (NHH) smart meters are included in the scheme, subject to them being accepted into our final Water Resources Management Plan (WRMP). This reflects the Government's new target for reducing NHH consumption by 9% by 2038 in its Plan for Water on 4 April. It also reflects strong feedback we had from MOSL (Market Operator Services Limited) on our draft WRMP that we should be including NHH smart meters to promote NHH water efficiency.
2. We propose that the price control deliverable (PCD) is adjusted to remove the distinction between replacing AMR and basic meters to provide us with more flexibility to deliver the smart metering programme as cost efficiently as possible for customers.

For Draycote raise we propose the PCD relates only to the percentage of the detailed design completed and to remove the reference to the overall value of the project. This is because detailed design work is required to establish the full scope and construction risks for the project and so there could be more activity and hence contract value in the later years if the design work identifies complex challenges that need to be overcome. Amending the PCD in this way won't change the final outcome for customers in terms of bills or service, but just gives us scope to deliver the project in the most efficient manner.

For river water monitoring we propose to reduce the number of U_MON4 meters installed by 2024-25 from 80 to 69. This reflects that after we submitted our accelerated delivery proposals we agreed with the Environment Agency, as part of the WINEP programme development, a prioritisation for the U_MON4c programme for flow monitoring with 69 installations identified for early delivery in the agreed WINEP programme.

Please let me know if you have any questions on our response.

Yours sincerely,



Shane Anderson
Director of Strategy and Regulation
Severn Trent Water

Response on each scheme

Scheme 1 – Smart metering

For smart metering we suggest two improvements to the draft decision:

1. We propose that non-household (NHH) smart meters are included in the scheme, subject to them being accepted into our final Water Resources Management Plan (WRMP). This reflects the Government's new target for reducing NHH consumption by 9% by 2038 in its Plan for Water on 4 April. It also reflects strong feedback we had from MOSL (Market Operator Services Limited) on our draft WRMP that we should be including NHH smart meters to promote NHH water efficiency.
2. We propose that the price control deliverable (PCD) is adjusted to remove the distinction between replacing AMR and basic meters to provide us with more flexibility to deliver the smart metering programme as cost efficiently as possible for customers.

Smart Metering of non-household (NHH) customers

We propose to include smart meters for NHH customers as well as household customers in our accelerated delivery scheme for smart metering. This reflects the Government's new target for reducing NHH consumption by 9% by 2038 in its Plan for Water on 4 April. It also reflects strong feedback we had from MOSL (Market Operator Services Limited) on our draft WRMP that we should be including NHH smart meters to promote NHH water efficiency. It takes account of the proposals in the recently issued "Interim National Metering Strategy for the Non-Household Market" by the Strategic Panel and Committees of MOSL.

Reflecting these developments, we have assessed including NHH smart metering in our overall smart metering program for our final Water Resource Management Plan (WRMP). We have found that the inclusion of NHH smart meters is efficient. We will include NHH smart metering in our final WRMP, which is subject to final approval from the Secretary of State for the Environment.

Removing the distinction between replacing AMR and basic meters - rationale for change

We propose that the price control deliverable (PCD) is adjusted to remove the distinction between replacing AMR and basic meters to provide us with more flexibility to deliver the smart metering programme as cost efficiently as possible for customers.

When replacing meters, we will prioritise the replacement of basic meters rather than replacing AMR meters to maximise the benefits to customers and minimise the write-off costs. However, to deliver the programme efficiently will require us to consider meter density and Data Communications Network rollout. This means we will focus on delivery by area as we have for the current Green Recovery programme.

In any given area the ratio of basic to AMR meters varies due to the timing of elective meter installations and the development of metering technology. The current design of the PCD constrains us to a 60:40 ratio for basic to AMI replacements. Given the unit costs of replacement of a basic and

AMR meter are broadly the same, we think it will lead to more efficient delivery to remove the 60:40 ratio from the PCD. We have suggested some amendments to the PCD below.

Proposed amendments to Severn Trent's smart metering scheme

We propose the deletion marked up in yellow in the table below from page 18 of Appendix 2 on draft PCDs.

Output measurement and reporting	<p>Company must deliver the number and type of meters in line with the profile specified in the table below.</p> <p>Company should report spend and number of meters installed under this scheme annually in parallel with the APR.</p> <p>This information should be split by:</p> <ul style="list-style-type: none"> • New AMI meter installations where no meter was previously installed • AMI for AMR meter replacements • AMI for basic meter replacements
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We propose deleting the bottom two rows marked up in yellow from the table below from page 19 of Appendix 2 on draft PCDs and replacing them with the third row from the bottom in the table below marked up in yellow. We are summing the numbers in the two rows on AMR and basic replacements in Ofwat's draft decision into one row to provide more flexibility to deliver the smart metering programme efficiently for our customers.

Deliverable	Unit	Starting position	Forecast deliverables				
		2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Acceleration new AMI meters installed	number	-	-	-	-	42,000	83,000
Acceleration AMI replacement meters installed	number		!	!	!	42,000	83,000
Acceleration AMI for AMR replacements	number		!	!	!	16,800	33,200
Acceleration AMI for basic replacements	number		!	!	!	25,200	25,200

Scheme 2 – Draycote raise

For Draycote raise we propose the PCD relates only to the percentage of the detailed design completed and to remove the reference to the overall value of the project. This is because detailed design work is required to establish the full scope and construction risks for the project and so there could be more activity and hence contract value in the later years if the design work identifies complex challenges that need to be overcome. Amending the PCD in this way won't change the final outcome for customers in terms of bills or service, but just gives us scope to deliver the project in the most efficient manner.

Our experience with similar schemes is that the feasibility and detailed design of a project accounts for 10% to 15% of the overall scheme costs rather than 50% in the PCD in the draft decision.

We propose the following amendment marked up in yellow to the first table on page 21 of Appendix 2 on draft PCDs.

Output measurement and reporting	<p>By the end of 2024-25 the company will have completed 90% of the feasibility and detailed design work. This is to be equivalent to 50% of total scheme costs.</p> <p>Construction will be completed in 2025-26 and 9 MI/d deployable output will be available to the Strategic Grid water resource zone under a DYAA 1 in 500 year drought scenario contributing 9 MI/d to the zonal WAFU from 2026-27.</p> <p>Delivery of the outputs will be reported and monitored through the existing APR process.</p>
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We also propose the following amendment marked up in yellow to the second table on page 21 of Appendix 2 on draft PCDs.

Deliverable	Unit	Forecast deliverables	
		2023-24	2024-25
Detailed design of a reservoir enlargement option	% complete	40	90
Overall project earned value	%	10	50

Scheme 3 – River water monitoring

For river water monitoring we propose to reduce the number of U_MON4 meters installed by 2024-25 from 80 to 69. This reflects that after we submitted our accelerated delivery proposals we agreed with the Environment Agency, as part of the WINEP programme development, a prioritisation for the U_MON4c programme for flow monitoring with 69 installations identified for early delivery in the agreed WINEP programme.

We propose the following amendments marked up in yellow to the first table on page 22 of Appendix 2 on draft PCDs.

Conditions on scheme	<p>All meter installations to be included in WINEP for AMP7 through the alterations, or similar, process.</p> <p>Maximum number of installations to completed by 31 March 2025 is set at the number over that approved at PR19 to give full coverage of sites with a permit requirement for flow to full treatment.</p> <p>The company is expected to deliver a minimum of 80 69 installations. The flow monitors will be installed and certified by 31 March 2025, but the start of reporting will be in line with the regulatory obligation date in the WINEP.</p> <p>The PCD unit cost is to be determined as a part of the PR24 process.</p>
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We propose the following amendment marked up in yellow to the second table on page 22 of Appendix 2 on draft PCDs.

Deliverable	Unit	Forecast deliverables				
		2020-21	2021-22	2022-23	2023-24	2024-25
U_MON4 meter installation	Number	-	-	-	-	80 69