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Severn Trent Water Limited

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Dear Hannah,

I am writing to respond to the Joint Regulators Group consultation on coordinating infrastructure work across sectors and apologise for the slight delay in our response.

I have a limited number of points to make in response to your letter relating to:

- the need for any initiative in relation to greater cross-sectoral coordination avoiding undermining the benefits of independent regulation;
- where different regulatory regimes have facilitated sensible investment; and
- where different regulatory treatments have hindered investment.

Coordinating infrastructure investment

The National Infrastructure Plan is concerned with promoting and coordinating infrastructure investment across sectors. We think there are opportunities for greater collaboration, but we would not wish to see prescriptive guidance that cuts across the independent regulators for each sector. Independent regulation has helped facilitate significant investment in UK infrastructure.

Where regulatory frameworks have facilitated cross-sectoral coordination

The main area for Severn Trent Water where there will be continuing interaction between the regulatory frameworks of Ofgem and Ofwat is in renewable energy generation. Most of our energy is generated from sludge gas, which is a by-product of our waste water treatment process and as such Ofwat treats the assets involved as part of our regulated business.

We are now starting to construct assets, such as wind turbines, which are not directly related to our regulated business and as such are (quite rightly) treated differently.

The presence of a regulatory regime in the energy sector that provides the appropriate returns for such investment is therefore important (e.g. through the Renewables Obligation).

Where regulatory treatment has hindered coordination

As an example of where the regulatory frameworks have played a role in hindering cross-sectoral coordination is the sharing of infrastructure for broadband (in Severn Trent Water's case, through sewers). Ofwat considered that granting cable companies a right of access to sewers would constitute a disposal of protected land, and stated that 50% of the proceeds would need to be returned to customers. As a result of this stance, an opportunity to share infrastructure was possibly missed as water companies may have not believed the returns to be made would justify the risk involved.

Should you require any further information, please do not hesitate to contact me at tony.ballance@severntrent.co.uk.

I am copying this letter to Keith Mason of Ofwat.

Yours sincerely,



Dr Tony Ballance
Director, Strategy & Regulation