

Annual Performance Report 2021/22

Part 2 – Price control and other segmental reporting





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2A – Segmental income statement for the year ended 31 March 2022

| | | Retail | | | Wholesale | | Bioresources £m | Total £m |
|--------------------------------------|-------|-----------------|-------------------------|--------------------------|-------------------------|------------------------------|--------------------|------------------|
| | | Household £m | Non- household £m | Water resources £m | Water network+ £m | Wastewater network+ £m | | |
| Revenue - price control | | 47.677 | 7.345 | 39.070 | 259.275 | 386.876 | 35.287 | 775.530 |
| Revenue - non price control | | - | - | 17.568 | - | 0.063 | - | 17.631 |
| | | 47.677 | 7.345 | 56.638 | 259.275 | 386.939 | 35.287 | 793.161 |
| Operating expenditure | | | | | | | | |
| - excluding PU recharge impact | | (46.807) | (4.955) | (24.907) | (177.588) | (129.404) | (11.394) | (395.055) |
| - PU opex recharge | | (0.497) | (0.038) | (0.870) | 9.742 | (6.471) | (1.865) | - |
| Operating expenditure | 2B/2C | (47.304) | (4.993) | (25.778) | (167.846) | (135.875) | (13.259) | (395.055) |
| Depreciation - tangible fixed assets | 2D | (0.268) | (0.019) | (14.458) | (101.122) | (159.798) | (21.926) | (297.591) |
| Amortisation - intangible fixed | 2O | (6.653) | (0.094) | (1.292) | (17.409) | (8.984) | (2.381) | (36.813) |
| PU recharge impact | | - | - | - | - | - | - | - |
| | | (6.921) | (0.113) | (15.750) | (118.531) | (168.782) | (24.307) | (334.404) |
| Other operating income | | - | - | - | 0.192 | 0.234 | - | 0.426 |
| Operating (loss)/profit | | (6.548) | 2.239 | 15.111 | (26.910) | 82.516 | (2.279) | 64.128 |
| Surface water drainage rebates | | | | | | | | 0.030 |

Price control segments

The regulatory accounts have been prepared in accordance with RAG 2.08 - Guideline for classification of costs across the price controls.

The tables presented in parts 2 and 4 to 11 of this Annual Performance Report have been prepared in accordance with our Accounting Methodology Statement which can be found at www.dwrcymru.com. The Accounting Methodology Statement explains the bases for the allocation of operating and capital expenditure, and has been updated to reflect the latest Regulatory Accounting Guidelines. Wherever possible, direct costs and assets have been attributed directly to price controls. Where this has not been possible, appropriate cost allocation drivers have been applied as described in the Accounting Methodology Statement. Any material changes to our approach compared to the previous year are documented in the Accounting Methodology Statement.

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2B – Totex analysis for the year ended 31 March 2022 – wholesale

| | Water resources £m | Water network+ £m | Wastewater network+ £m | Bioresources £m | Total £m |
|--|-----------------------|----------------------|---------------------------|--------------------|-----------------|
| Operating expenditure | | | | | |
| Power | 9.388 | 29.755 | 37.948 | 1.060 | 78.151 |
| Income treated as negative expenditure | (8.170) | (3.658) | (0.609) | (9.675) | (22.112) |
| Service charges/ discharge consents | 9.649 | 0.265 | 5.247 | 0.033 | 15.194 |
| Bulk Supply/Bulk discharge | 0.117 | 0.860 | - | - | 0.977 |
| Renewals expensed in year (Infrastructure) | 1.014 | 37.411 | 20.464 | - | 58.889 |
| Renewals expensed in year (Non-Infrastructure) | - | - | - | - | - |
| Other operating expenditure (including Location specific costs & Local authority and Cumulo rates) | 9.111 | 73.148 | 59.539 | 21.269 | 163.067 |
| | 0.788 | 15.504 | 7.852 | 0.572 | 24.716 |
| Total base operating expenditure services | 21.897 | 153.285 | 130.441 | 13.259 | 318.882 |
| Other operating expenditure | | | | | |
| Enhancement operating expenditure | 0.013 | 0.155 | 1.094 | - | 1.262 |
| Developer services operating expenditure | - | 12.673 | 2.883 | - | 15.556 |
| Total operating expenditure excluding third party services | 21.910 | 166.113 | 134.418 | 13.259 | 335.700 |
| Third party services | 3.868 | 1.733 | 1.457 | - | 7.058 |
| Total operating expenditure | 25.778 | 167.846 | 135.875 | 13.259 | 342.758 |
| Grants and contributions-operating expenditure | - | 7.132 | 4.725 | - | 11.857 |
| Capital expenditure | | | | | |
| Base capital expenditure | 9.481 | 70.969 | 73.032 | 13.135 | 166.617 |
| Enhancement capital expenditure | 26.672 | 27.458 | 46.634 | 0.428 | 101.192 |
| Developer services capital expenditure | 0.025 | 9.190 | 5.329 | - | 14.544 |
| Total gross capital expenditure excluding third party services | 36.178 | 107.617 | 124.995 | 13.563 | 282.353 |
| Third party services | 2.441 | 0.035 | - | - | 2.476 |
| Total gross capital expenditure | 38.619 | 107.652 | 124.995 | 13.563 | 284.829 |
| Grants and contributions - capital expenditure | 6.544 | 6.579 | 4.209 | - | 17.332 |
| Net totex | 57.853 | 261.787 | 251.936 | 26.822 | 598.398 |
| Pension deficit recovery payments | - | - | - | - | - |
| Totex including cash items | 57.853 | 261.787 | 251.936 | 26.822 | 598.398 |

A comparison of wholesale totex against Ofwat's Final Determination is reported in table 4C, which is located in part 4.

Significant year-on-year totex movements are as follows:

Water resources: £13m decrease (18%); £11m lower renewals expensed in the year (infrastructure) relates to work on our dam safety programme which was higher in 2020/21. The increase in power income (£4m) is partly offset by the increase in power as a result of increased price and consumption (£2m).

Water network+: £5m increase (2%); £9m increase in power as a result of price increase and consumption due to staycation holidays and increased demand, increased capex mainly developer services (£5m) and diversion schemes (£3m) is offset by lower atypical costs in the year of £13m relating to Covid, reorganisation provisions and adverse weather events in 2020/21.

Waste network+: £3m decrease (1%); £11m lower atypical costs in the year is offset by increased power of £9m.

Bioresources: £16m decrease (38%); £2m reduction in power costs due to increased recharges to sewage treatment and £5m increased gas to grid sales as a result of increased prices. Other savings relate to lower capex spend of £8m as the sludge strategy nears completion.

Further details can be found in the Accounting Methodology statement section 2.4. The documents referred to above are available on our website at www.dwrcymru.com.

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2C – Operating cost analysis for the year ended 31 March 2022 – retail

The differences between the values reported for total operating costs and the allowed retail cost to serve in price limits are as follow:

| | Household £m | Non-household £m | Total £m | | Household £m | Non-household £m | Total £m |
|--|-----------------|---------------------|---------------|-------------------------|-----------------|---------------------|-------------|
| Operating expenditure | | | | | | | |
| Customer services | 12.870 | 1.808 | 14.678 | Final determination | 40.47 | 6.19 | 46.65 |
| Debt management | 5.379 | 0.723 | 6.102 | Actual operating costs | 53.86 | 5.47 | 59.33 |
| Doubtful debts | 18.440 | 0.673 | 19.113 | Difference ¹ | 13.39 | (0.72) | 12.68 |
| Meter reading | 1.844 | 0.472 | 2.316 | | | | |
| Services to developers | | 0.516 | 0.516 | | | | |
| Other operating expenditure | 8.036 | 0.746 | 8.782 | | | | |
| Local authority and cumulo rates | 0.238 | 0.017 | 0.255 | | | | |
| | 46.807 | 4.955 | 51.762 | | | | |
| Depreciation – tangible fixed assets existing at 31 March 2015 | 0.158 | 0.012 | 0.170 | | | | |
| Depreciation – tangible fixed assets acquired after 1 April 2015 | 0.110 | 0.008 | 0.118 | | | | |
| Amortisation – intangible fixed assets existing at 31 March 2015 | 1.648 | 0.121 | 1.769 | | | | |
| Amortisation – intangible fixed assets acquired after 1 April 2015 | 4.640 | 0.337 | 4.977 | | | | |
| Recharges | | | | | | | |
| Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015) | - | - | - | | | | |
| Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015) | - | - | - | | | | |
| Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale | 0.536 | 0.040 | 0.576 | | | | |
| Income from wholesale assets acquired after 1 April 2015 principally used by retail | 0.039 | 0.002 | 0.041 | | | | |
| Net recharge costs | 0.497 | 0.038 | 0.535 | | | | |
| Total retail costs excluding third party and pension deficit | 53.860 | 5.471 | 59.331 | | | | |
| Third party services operating expenditure | - | - | - | | | | |
| Pension deficit repair costs | - | - | - | | | | |
| Total retail costs including third party and pension deficit | 53.860 | 5.471 | 59.331 | | | | |
| Debt written off | 25.888 | 1.112 | 27.000 | | | | |
| Capital expenditure | 3.901 | 0.286 | 4.187 | | | | |

¹including pre AMP5 depreciation and amortisation

PR19 FD allowed an increase in total operating costs of 1%, based on PR19 connected properties forecast. Total operating costs for retail activities closed at £59.3m, 27% above our allowance which is 16% lower than 2020/21, HH costs decreased by 18% and NHH costs by 2%, the movements are described below:

HH decrease of £12m mainly related to the reduction in doubtful debt of £13m is offset by an increase in customer services and debt management of £1m. The reduction in doubtful debt mainly relates to the Covid 19 impact last year of £13m, of which £4m was released during the year relating to a Covid provision which did not materialise. The underlying charge, after adjusting for these, has increased by £2.8m.

NHH retail costs remained in line with last year, with an underlying cost increase of £0.4m excluding the impact of the one off atypical costs in 2020/21; £0.2m increase in customer services and £0.1m in depreciation.

Other material drivers of costs variances compared to last year relate to Customer Services costs which have increased by £1.1m and relate to higher postage costs, increased headcount and returns to pre covid level of network customer enquiries generating additional operational work. Debt management costs have risen by 5% reflecting lower litigation activity last year. Other operational expenditure, excluding the Covid atypical costs in 2020/21 have remained stable and the additional IT costs of £0.8m following a change using a more appropriate cost drivers has been offset by a £0.7m ongoing operational efficiency saving.

In 2021/22 the cost of operating the retail price control was £12.7m greater than the total retail FD allowance; £16.5m higher excluding the £3.8m one-off adjustments detailed in the narrative above. The remaining differences are due to:

- Continued system advances to our front-line agents and automation of back office processes to offer industry-leading customer service required investment over and above the costs allowed in the FD;
- In 2021/22 we have continued to increase the number of customers on our priority services by a further 37,000 to a record 116,000. We are supporting a further 127,000 customers with help in paying their bill, via our social tariffs, HelpU and WaterSure Wales. We are supporting a further 16,663 customers with help in paying their bill, via our social tariffs although this has been offset by natural attrition such as customer moving to ineligible status, and deceased customers. The costs associated with identifying and engaging with these customers (£0.9m) continue to be funded from company reserves as directed by the Board. These costs were not included in our allowed revenues at PR19;
- Underlying debt performance has declined very slightly in 2021/22, resulting in an underlying doubtful debt increase of £2.8m (from a charge of £20.9m in 2020/21 to £23.7m in 2021/22). The main contributor is an increase in revenue following a 2% rise in the tariff basket. We have also allocated a £2m cost of living provision to reflect a risk in our collection rates next year. Our customer base is over-represented in low income groups with high levels of personal debt, which is amplified in the current economic climate, as a result This requires significant effort in terms of recovery activity, above that allowed in the FD; and
- Finally, our retail costs include depreciation totalling £1.9m on assets acquired before 1 April 2015. These costs are excluded from the retail PR19 cost allowance.



2C – Operating cost analysis for the year ended 31 March 2022 – retail (continued)

Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale

| | Household £m |
|--|-----------------|
| Demand-side water efficiency - gross expenditure | 0.284 |
| Demand-side water efficiency - expenditure funded by wholesale | 0.197 |
| Demand-side water efficiency - net retail expenditure | <u>0.087</u> |
| Customer-side leak repairs - gross expenditure | 4.127 |
| Customer-side leak repairs - expenditure funded by wholesale | 4.127 |
| Customer-side leak repairs - net retail expenditure | <u>-</u> |

Comparison of actual and allowed expenditure

| | £m |
|--|---------|
| Cumulative actual retail expenditure to reporting year end | 119.330 |
| Cumulative allowed expenditure to reporting year end | 80.560 |
| Total allowed expenditure 2020-25 | 204.661 |



2D – Historic cost analysis of tangible fixed assets at 31 March 2022

| | Wholesale | | | | Retail | | Total £m |
|--|--------------------------|-------------------------|------------------------------|--------------------|-----------------|-------------------------|--------------------|
| | Water resources £m | Water network+ £m | Wastewater network+ £m | Bioresources £m | Household £m | Non- household £m | |
| Cost or valuation | | | | | | | |
| At 1 April 2021 | 288.012 | 3,195.460 | 3,734.703 | 446.944 | 57.159 | 8.519 | 7,730.797 |
| Disposals | (0.037) | (0.597) | (0.456) | (0.108) | (0.031) | (0.003) | (1.232) |
| Additions | 30.492 | 80.793 | 113.109 | 12.117 | 0.024 | 0.002 | 236.537 |
| Adjustments - revaluation ¹ | - | - | - | - | - | - | - |
| Assets adopted at nil cost | - | - | 56.649 | - | - | - | 56.649 |
| At 31 March 2022 | 318.467 | 3,275.656 | 3,904.005 | 458.953 | 57.152 | 8.518 | 8,022.751 |
| Depreciation | | | | | | | |
| At 1 April 2021 | (70.483) | (1,573.892) | (100.254) | (246.996) | (13.355) | (2.064) | (2,007.044) |
| Disposals | 0.036 | 0.583 | 0.469 | 0.082 | 0.030 | 0.003 | 1.203 |
| Adjustments - revaluation ¹ | 13.229 | 184.616 | 231.185 | 19.170 | - | - | 448.200 |
| Charge for year | (14.458) | (101.122) | (159.798) | (21.926) | (0.268) | (0.019) | (297.591) |
| At 31 March 2022 | (71.676) | (1,489.815) | (28.398) | (249.670) | (13.593) | (2.080) | (1,855.232) |
| Net book values² | | | | | | | |
| At 31 March 2022 | 246.791 | 1,785.841 | 3,875.607 | 209.283 | 43.559 | 6.438 | 6,167.519 |
| At 1 April 2021 | 217.529 | 1,621.568 | 3,634.449 | 199.948 | 43.804 | 6.455 | 5,723.753 |
| Depreciation charge for | | | | | | | |
| Principal services | (14.333) | (101.058) | (159.798) | (21.926) | (0.268) | (0.019) | (297.402) |
| Third party services | (0.125) | (0.064) | - | - | - | - | (0.189) |
| Total | (14.458) | (101.122) | (159.798) | (21.926) | (0.268) | (0.019) | (297.591) |

¹ Adjustments: the Company has revalued its asset base as at 31 March 2022; for further details see 'Property, plant and equipment' in the accounting policies section of parts 4 to 9 (Notes to the regulatory accounts).

The revaluation in the year amounts to £448.2m and is included in table 2D as follows:

| | £m |
|---------------------------|--------------|
| Cost or valuation | |
| Adjustments - revaluation | - |
| Depreciation | |
| Adjustments - revaluation | 448.2 |
| | <u>448.2</u> |

² The net book value at 31 March 2022 includes £297.3m in respect of assets in the course of construction, £457.5m adopted assets and £1,784.1m revaluation.



2E – Analysis of ‘grants and contributions’ for the year ended 31 March 2022 – water resources, water network+ and wastewater network+

| | Fully recognised in income statement £m | Capitalised and amortised (in income statement) £m | Fully netted off capex £m | Total £m |
|---|--|---|------------------------------|---------------|
| Grants and contributions – water resources | | | | |
| Diversions - s185 | - | - | - | - |
| Other contributions (price control) ¹ | - | - | 6.544 | 6.544 |
| Price control grants and contributions | - | - | 6.544 | 6.544 |
| Diversions - NRSWA | - | - | - | - |
| Diversions - other non-price control | - | - | - | - |
| Other contributions (non-price control) | - | - | - | - |
| Total | - | - | 6.544 | 6.544 |
| Value of adopted assets | - | - | - | - |
| Grants and contributions – water network+ | | | | |
| Connection charges | 5.219 | - | 0.935 | 6.154 |
| Infrastructure charge receipts | - | - | 3.670 | 3.670 |
| Requisitioned mains | - | - | 1.597 | 1.597 |
| Diversions - s185 | 1.071 | - | - | 1.071 |
| Other contributions (price control) | - | - | 0.208 | 0.208 |
| Price control grants and contributions before deduction of income offset | 6.290 | - | 6.410 | 12.700 |
| Income offset ² | - | - | - | - |
| Price control grants and contributions after deduction of income offset | 6.290 | - | 6.410 | 12.700 |
| Diversions - NRSWA | 0.842 | - | - | 0.842 |
| Diversions - other non-price control | - | - | - | - |
| Other contributions (non-price control) | - | - | 0.169 | 0.169 |
| Total | 7.132 | - | 6.579 | 13.711 |
| Value of adopted assets | - | - | - | - |

¹ This relates to contributions received for work on our reservoirs. These contributions were included in water network+ in PR19, however for this Annual Performance report the income is reported in the same price control as the related costs.

² Income offset: Ofwat have confirmed that this value represents the amount of distinct discount when invoicing developers specifically according to the amount shown in the published charges as the ‘income offset’. This arises from the new connection charges rules for English Companies and therefore is not applicable in Wales



2E – Analysis of ‘grants and contributions’ for the year ended 31 March 2022 – water resources, water network+ and wastewater network+ (continued)

| | Fully recognised in income statement £m | Capitalised and amortised (in income statement) £m | Fully netted off capex £m | Total £m |
|---|--|--|---------------------------------|--------------|
| Grants and contributions – wastewater network+ | | | | |
| Receipts for on-site work | - | - | 0.506 | 0.506 |
| Infrastructure charge receipts | - | - | 3.211 | 3.211 |
| Diversions - s185 | 0.428 | - | - | 0.428 |
| Other contributions (price control) | 2.633 | - | 0.417 | 3.050 |
| Price control grants and contributions before deduction of income offset | 3.061 | - | 4.134 | 7.195 |
| Income offset ¹ | - | - | - | - |
| Price control grants and contributions after deduction of income offset | 3.061 | - | 4.134 | 7.195 |
| Diversions - NRSWA | 1.664 | - | - | 1.664 |
| Diversions - other non-price control | - | - | - | - |
| Other contributions (non-price control) | - | - | 0.075 | 0.075 |
| Total | 4.725 | - | 4.209 | 8.934 |
| Value of adopted assets | - | 56.649 | - | 56.649 |
| | | | | |
| | Water resources | Water | Wastewater | Total |
| | £m | £m | £m | £m |
| Movements in capitalised grants and contributions² | | | | |
| Brought forward | - | - | (0.017) | (0.017) |
| Capitalised in the year | - | - | - | - |
| Amortisation (in income statement) | - | - | - | - |
| Carried forward | - | - | (0.017) | (0.017) |

¹ Income offset: Ofwat have confirmed that this value represents the amount of distinct discount when invoicing developers specifically according to the amount shown in the published charges as the ‘income offset’. This arises from the new connection charges rules for English Companies and therefore is not applicable in Wales

² Movements in capitalised grants and contributions do not include assets adopted at nil cost.



2F – Residential retail for the year ended 31 March 2022

| | Revenue £m |
|---|---|
| Residential revenue | |
| Wholesale charges | 569.776 |
| Retail revenue | 47.677 |
| Total residential revenue | 617.453 |
| Retail revenue | |
| Revenue Recovered ("RR") | 47.677 |
| Revenue sacrifice | 11.697 |
| Actual revenue (net) | 59.374 |
| Customer information | Number of customers (000s) |
| Actual customers ("AC") | 1,438.041 |
| Reforecast customers | 1,435.437 |
| | Revenue £m |
| Adjustment | |
| Allowed revenue ("R") | 46.888 |
| Net adjustment ¹ | (12.486) |
| Other residential information | Average residential revenues £ |
| Average residential retail revenue per customer | 41.288 |

¹ The net adjustment reflects the lower than forecast take-up of the HelpU tariff. The revenue sacrifice is in line with the FD allowance.



2G – Non-household water revenues by tariff type for the year ended 31 March 2022

| | Wholesale charges revenue | Retail revenue | Total revenue | Number of connections |
|---|---------------------------------|-------------------|------------------|--------------------------|
| | £m | £m | £m | (000s) |
| Default tariffs - customer group 1 | | | | |
| Tariff type 1 | 56.027 | 3.606 | 59.633 | 99.007 |
| Tariff type 2 | - | - | - | - |
| Total default tariffs customer group 1 | 56.027 | 3.606 | 59.633 | 99.007 |
| Default tariffs - customer group 2 | | | | |
| Tariff type 1 | - | - | - | - |
| Total default tariffs | 56.027 | 3.606 | 59.633 | 99.007 |
| Non-Default tariffs | | | | |
| Total non-default tariffs | 21.566 | 0.223 | 21.789 | 0.113 |
| Total | 77.593 | 3.829 | 81.422 | 99.120 |



2G – Non-household water revenues by tariff type for the year ended 31 March 2022 (continued)

| | Average non-household retail revenue per connection | Allowed average non-household retail cost | Outcome delivery incentive (ODI) payment | Allowed average non-household retail cost after ODI payment | Allowed margin | Allowed average non-household retail revenue per connection |
|---|---|---|--|---|----------------|---|
| | £ | £ | £ | £ | % | £ |
| Default tariffs - customer group 1 | | | | | | |
| Tariff type 1 | 36.422 | 31.060 | - | 31.060 | 1% | 36.719 |
| Tariff type 2 | - | - | - | - | | |
| Total default tariffs customer group 1 | 36.422 | 31.060 | - | 31.060 | 1% | 36.719 |
| Default tariffs - customer group 2 | | | | | | |
| Tariff type 1 | - | - | - | - | - | - |
| Total default tariffs | 36.422 | 31.060 | - | 31.060 | 1% | 36.719 |
| Non-Default tariffs | | | | | | |
| Total non-default tariffs | 1,973.451 | | | | | |
| Total | 38.630 | | | | | |
| | | | Number of customers | Average non-household retail revenue per customer | | |
| | | | (000s) | £ | | |
| Revenue per customer ¹ | | | 99.112 | 38.633 | | |

¹ The difference of eight between the total number of connections and the number of customers relates to customers billed by other retailers.



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2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2022

| | Wholesale charges revenue | Retail revenue | Total revenue | Number of connections |
|---|---------------------------|----------------|---------------|-----------------------|
| | £m | £m | £m | (000s) |
| Default tariffs - customer group 1 | | | | |
| Tariff type 1 | 72.200 | 3.468 | 75.668 | 71.136 |
| Tariff type 2 | - | - | - | - |
| Total default tariffs customer group 1 | 72.200 | 3.468 | 75.668 | 71.136 |
| Default tariffs - customer group 2 | | | | |
| Tariff type 1 | - | - | - | - |
| Total default tariffs | 72.200 | 3.468 | 75.668 | 71.136 |
| Non-Default tariffs | | | | |
| Total non-default tariffs | - | - | - | - |
| Total | 72.200 | 3.468 | 75.668 | 71.136 |



2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2022 (continued)

| | Average non-household retail revenue per connection | Allowed average non-household retail cost | Outcome delivery incentive (ODI) payment | Allowed average non-household retail cost after ODI payment | Allowed margin | Allowed average non-household retail revenue per connection |
|---|---|---|--|---|----------------|---|
| | £ | £ | £ | £ | % | £ |
| Default tariffs - customer group 1 | | | | | | |
| Tariff type 1 | 48.752 | 40.810 | - | 40.810 | 1.0 | 50.960 |
| Tariff type 2 | - | - | - | - | - | - |
| Total default tariffs customer group 1 | 48.752 | 40.810 | - | 40.810 | 1.0 | 50.960 |
| Non-Default tariffs | | | | | | |
| Total non-default tariffs | - | | | | | |
| Total | 48.752 | | | | | |
| | | | Number of customers | Average non-household retail revenue per customer | | |
| | | | (000s) | £ | | |
| Revenue per customer | | | 71.136 | 48.752 | | |



2I – Revenue analysis for the year ended 31 March 2022

| | Household | Non-household | Total | Water resources | Water network+ | Total |
|--|------------------|----------------|----------------|-----------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Wholesale charge – water | | | | | | |
| Unmeasured | 142.053 | 1.868 | 143.921 | 20.385 | 123.536 | 143.921 |
| Measured | 78.382 | 70.269 | 148.651 | 16.577 | 132.074 | 148.651 |
| Third party revenue | - | 5.773 | 5.773 | 2.108 | 3.665 | 5.773 |
| Total wholesale water revenue | 2A 220.435 | 77.910 | 298.345 | 39.070 | 259.275 | 298.345 |
| Wholesale charge – wastewater | | | | | | |
| Unmeasured - foul charges | 200.249 | 2.074 | 202.323 | 182.249 | 20.074 | 202.323 |
| Unmeasured - surface water charges | 10.477 | 0.346 | 10.823 | 10.823 | - | 10.823 |
| Unmeasured - highway drainage charges | 6.179 | 0.173 | 6.352 | 6.352 | - | 6.352 |
| Measured - foul charges | 117.973 | 62.692 | 180.665 | 165.452 | 15.213 | 180.665 |
| Measured - surface water charges | 8.614 | 4.967 | 13.581 | 13.581 | - | 13.581 |
| Measured - highway drainage charges | 5.849 | 1.948 | 7.797 | 7.797 | - | 7.797 |
| Third party revenue | - | 0.622 | 0.622 | 0.622 | - | 0.622 |
| Total wholesale wastewater revenue | 2A 349.341 | 72.822 | 422.163 | 386.876 | 35.287 | 422.163 |
| Wholesale total¹ | 569.776 | 150.732 | 720.508 | | | |
| Retail revenue | | | | | | |
| Unmeasured | 14.750 | 0.615 | 15.365 | | | |
| Measured | 32.927 | 6.682 | 39.609 | | | |
| Other third party revenue | - | 0.048 | 0.048 | | | |
| Retail total^{1,2} | 2A 47.677 | 7.345 | 55.022 | | | |
| Third party revenue – non-price control | | | | | | |
| Bulk supplies – water | | | 7.905 | | | |
| Bulk supplies - wastewater | | | 0.063 | | | |
| Other third party revenue | | | 8.468 | | | |
| Principal services – non price control | | | | | | |
| Other appointed revenue | | | 1.195 | | | |
| Total appointed revenue | 1A | | 793.161 | | | |

¹ Revenue reconciliation

| | Ref | Wholesale £m | Retail £m |
|--------------------------|-----|-----------------|---------------|
| Household | 2F | 569.776 | 47.677 |
| Non-household water | 2G | 77.593 | 3.829 |
| Non-household waste | 2H | 72.200 | 3.468 |
| | | 719.569 | 54.974 |
| Third party | | 0.939 | |
| New connections (retail) | | - | 0.048 |
| | | 720.508 | 55.022 |

² Non-household retail reconciliation

| | Ref | Non-household £m |
|---------------------|-----|---------------------|
| Non-household water | 2G | 3.829 |
| Non-household waste | 2H | 3.468 |
| Developer services | | 0.048 |
| | | 7.345 |



2J – Infrastructure network reinforcement costs for the year ended 31 March 2022

| | Network reinforcement capex £m | On site/ site-specific capex (memo only) £m |
|--|---|---|
| Wholesale water network+ (treated water distribution) | | |
| Distribution and trunk mains | 0.181 | - |
| Pumping and storage facilities | 0.056 | 0.004 |
| Other | 0.058 | - |
| Total | 0.295 | 0.004 |
| Wholesale wastewater network+ (sewage collection) | | |
| Foul and combined systems | 1.197 | 0.068 |
| Surface water only systems | - | - |
| Pumping and storage facilities | 1.224 | 0.195 |
| Other | 0.056 | - |
| Total | 2.477 | 0.263 |

This table includes costs associated with the network reinforcement of new developments and costs for the onsite/site specific capex.



2K – Infrastructure charges reconciliation for the year ended 31 March 2022

| | Water £m | Waste water £m | Total £m |
|--|--------------|----------------------|----------------|
| Impact of infrastructure charge discounts | | | |
| Infrastructure charges | 3.670 | 3.211 | 6.881 |
| Discounts applied to infrastructure charges | - | - | - |
| Gross infrastructure charges | 3.670 | 3.211 | 6.881 |
| Comparison of revenue and costs | | | |
| Variance brought forward ¹ | - | - | - |
| Revenue | 3.670 | 3.211 | 6.881 |
| Costs | (0.295) | (2.477) | (2.772) |
| Variance carried forward | | | |

The purpose of this table is to provide evidence for compliance with charging rules for new connections for English Companies. The rules require revenue from infrastructure charges to be aligned to costs over a period of time i.e. the variance reported is expected to be small over the long term. The rules do not apply in Wales where the infrastructure charge is set in accordance with the terms of our licence and is not directly aligned to costs. The variance shown between revenue and costs in the table reflects this.

¹There is no variance being reported as Welsh companies' infrastructure has not been redefined. As such, there is no relationship between income and costs and therefore there is no variance to carry over.



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2L - Analysis of land sales for the year to 31 March 2022

| Land sales | Water resources £m | Water network+ £m | Wastewater network+ £m | Total £m |
|---|-----------------------|----------------------|---------------------------|-------------|
| Proceeds from disposals of protected land | - | - | - | - |



2M – Revenue reconciliation for the year ended 31 March 2022 – wholesale

| | Water resources £m | Water network+ £m | Wastewater network+ £m | Bioresources | Total £m |
|--|-----------------------|----------------------|---------------------------|---------------|----------------|
| Revenue recognised | | | | | |
| Wholesale revenue governed by price control | 39.070 | 259.275 | 386.876 | 35.287 | 720.508 |
| Grants and contributions (price control) ¹ | 6.544 | 12.700 | 7.195 | - | 26.439 |
| Total revenue governed by wholesale price control | 45.614 | 271.975 | 394.071 | 35.287 | 746.947 |
| Calculation of the revenue cap | | | | | |
| Allowed wholesale revenue before adjustments (or modified by CMA) | 39.098 | 258.222 | 390.980 | 37.192 | 725.492 |
| Allowed grants and contributions before adjustments (or modified by CMA) | - | 14.530 | 7.807 | - | 22.337 |
| Revenue adjustment | - | - | - | - | - |
| Other adjustments | - | 0.621 | (0.180) | - | 0.441 |
| Revenue cap | - 39.098 | 273.373 | 398.607 | 37.192 | 748.270 |
| Calculation of the revenue imbalance | | | | | |
| Revenue cap | 39.098 | 273.373 | 398.607 | 37.192 | 748.270 |
| Revenue recovered | 45.614 | 271.975 | 394.071 | 35.287 | 746.947 |
| Revenue imbalance | (6.516) | 1.398 | 4.536 | 1.905 | 1.323 |

Variance analysis

The difference between the total revenue governed by the revenue control and the total assumed revenue is £1.3m or 0.2%, which is below the +/-2% Revenue Forecasting Incentive threshold.

The under-recovery of £1.3m will be recovered in future years. The table below shows the wholesale income reconciliation against the forecast budgets.

£1.9m of the under-recovery is due to indexation differences in the calculation of the Bioresources price control between the PR19 Final Determination and reconciliation calculations. Household revenue is greater than forecast principally due to lower than expected numbers of customers joining our social tariffs. Non-household revenue was lower than expected due to the impact of Covid-19 restrictions.

Meter optants and new connections saw an increase in both compared to APR21 but are lower than assumed in the PR19 plan.

¹ Grants and contributions are revenues from new connections, requisitions and infrastructure charges for properties which have connected in the year.

² This is the difference between total revenue governed by revenue control and the total assumed revenue



2M – Revenue reconciliation for the year ended 31 March 2022 (continued) – wholesale

| | Water resources £m | Water network+ £m | Wastewater network+ £m | Bioresources £m | Total £m |
|--|--------------------------|-------------------------|------------------------------|--------------------|----------------|
| Additional revenue adjustments | | | | | |
| Rebalancing Grants and contribution to water resources | 6.492 | (6.492) | - | - | - |
| Revenue abated | - | - | - | - | - |
| Other adjustments | 6.492 | (6.492) | - | - | - |
| Revised Revenue Cap for RFI comparison | | | | | |
| Revenue Cap | 39.098 | 273.373 | 398.607 | 37.192 | 748.270 |
| Other adjustments | 6.492 | (6.492) | - | - | - |
| Adjusted revenue | (0.415) | (3.671) | - | - | (4.086) |
| Revised Revenue cap | 45.175 | 263.210 | 398.607 | 37.192 | 744.184 |
| Revenue recovered | 45.614 | 271.975 | 394.071 | 35.287 | 746.947 |
| Revenue imbalance for RFI comparison | 0.439 | 8.765 | (4.536) | (1.905) | 2.763 |
| Over/(under) recovery | | | | | |
| Deadpan (@-2%) | (0.9) | (5.3) | (8.0) | (0.7) | (14.9) |
| Exceedence | | | 3.4 | (1.2) | 17.6 |



2N – Residential retail – social tariffs for the year ended 31 March 2022

| | Revenue £m | Number of customers (000s) | Average amount per customer £ |
|--|---------------|-------------------------------------|--|
| Number of residential customers on social tariffs | | | |
| Residential water only social tariffs | | 1.257 | |
| Residential wastewater only social tariffs | | 5.862 | |
| Residential dual service social tariffs | | 121.013 | |
| Number of residential customers not on social tariffs | | | |
| Residential water only no social tariffs | | 82.902 | |
| Residential wastewater only no social tariffs | | 124.938 | |
| Residential dual service no social tariffs | | 1,102.070 | |
| Social tariff discount | | | |
| Average discount per water only social tariffs customer | | | 158.313 |
| Average discount per wastewater only social tariffs customer | | | 58.342 |
| Average discount per dual service social tariffs customer | | | 234.529 |
| Social tariff cross-subsidy - residential customers | | | |
| Total customer funded cross-subsidies for water only social tariffs customers | 0.121 | | |
| Total customer funded cross-subsidies for wastewater only social tariffs customers | 0.208 | | |
| Total customer funded cross-subsidies for dual service social tariffs customers | 16.897 | | |
| Average customer funded cross-subsidy per water only social tariffs customer | | | 1.438 |
| Average customer funded cross-subsidy per wastewater only social tariffs customer | | | 1.590 |
| Average customer funded cross-subsidy per dual service social tariffs customer | | | 13.815 |



2N – Residential retail – social tariffs for the year ended 31 March 2022 (continued)

| | Revenue £m | Number of customers (000s) | Average amount per customer £ |
|---|---------------|-------------------------------------|---|
| Social tariff cross-subsidy - company | | | |
| Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers | 0.078 | | |
| Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers | 0.134 | | |
| Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers | 11.484 | | |
| Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer | | | 62.053 |
| Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer | | | 22.859 |
| Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer | | | 94.899 |
| Social tariff support - willingness to pay | | | |
| Level of support for social tariff customers reflected in business plan | | | 18.190 |
| Maximum contribution to social tariffs supported by customer engagement | | | 22.450 |



20 – Historic cost analysis of intangible fixed assets at 31 March 2022

| | Wholesale | | | | Retail | | Total £m |
|--|--------------------------|-------------------------|------------------------------|-----------------|-----------------|-------------------------|------------------|
| | Water resources £m | Water network+ £m | Wastewater network+ £m | Sludge £m | Household £m | Non- household £m | |
| Cost or valuation | | | | | | | |
| At 1 April 2021 | 12.602 | 251.914 | 126.650 | 30.085 | 27.240 | 1.943 | 450.434 |
| Disposals | - | - | - | - | - | - | - |
| Additions | 0.849 | 23.257 | 5.439 | 1.447 | 3.877 | 0.284 | 35.153 |
| Adjustments - revaluation | - | - | - | - | - | - | - |
| Assets adopted at nil cost | - | - | - | - | - | - | - |
| At 31 March 2022 | 13.451 | 275.171 | 132.089 | 31.532 | 31.117 | 2.227 | 485.587 |
| Depreciation | | | | | | | |
| At 1 April 2021 | (9.304) | (114.239) | (88.448) | (20.553) | (21.457) | (2.133) | (256.134) |
| Disposals | - | - | - | - | - | - | - |
| Adjustments - revaluation ¹ | - | - | - | - | - | - | - |
| Charge for year | (1.292) | (17.409) | (8.984) | (2.381) | (6.653) | (0.094) | (36.813) |
| At 31 March 2022 | (10.596) | (131.648) | (97.432) | (22.934) | (28.110) | (2.227) | (292.947) |
| Net book values | | | | | | | |
| At 31 March 2022 | 2.855 | 143.523 | 34.657 | 8.598 | 3.007 | - | 192.640 |
| At 1 April 2021 | 3.298 | 137.675 | 38.202 | 9.532 | 5.783 | (0.190) | 194.300 |
| Depreciation charge for year | | | | | | | |
| Principal services | (1.292) | (17.409) | (8.984) | (2.381) | (6.653) | (0.094) | (36.813) |
| Third party services | - | - | - | - | - | - | - |
| Total | (1.292) | (17.409) | (8.984) | (2.381) | (6.653) | (0.094) | (36.813) |