

# Annual Performance Report 2022/23

## Part 2 – Price control and other segmental reporting





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## 2A – Segmental income statement for the year ended 31 March 2023

		Retail			Wholesale			
		Household	Non-household	Water	Water	Wastewater	Bioresources	Total
		£m	£m	resources	network+	network+	£m	£m
				£m	£m	£m		
Revenue - price control		39.075	7.781	42.160	264.555	411.874	44.470	<b>809.915</b>
Revenue - non price control		-	-	19.186	-	0.101	-	<b>19.287</b>
		<b>39.075</b>	<b>7.781</b>	<b>61.346</b>	<b>264.555</b>	<b>411.975</b>	<b>44.470</b>	<b>829.202</b>
<b>Operating expenditure</b>								
- excluding PU recharge impact		(61.364)	(6.034)	(33.744)	(232.860)	(153.842)	(17.569)	<b>(505.413)</b>
- PU opex recharge		(0.551)	(0.042)	(0.968)	10.743	(7.058)	(2.124)	<b>0.000</b>
Operating expenditure	2B/2C	(61.915)	(6.076)	(34.712)	(222.117)	(160.900)	(19.693)	<b>(505.413)</b>
Depreciation - tangible fixed assets	2D	(0.410)	(0.045)	(15.954)	(102.352)	(176.179)	(20.158)	<b>(315.098)</b>
Amortisation - intangible fixed	2O	(5.767)	(0.422)	(0.854)	(24.436)	(5.610)	(1.426)	<b>(38.515)</b>
PU recharge impact		-	-	-	-	-	-	-
		(6.177)	(0.467)	(16.808)	(126.788)	(181.789)	(21.584)	<b>(353.613)</b>
Other operating income		-	-	-	0.161	0.197	-	<b>0.358</b>
<b>Operating (loss)/profit</b>		<b>(29.017)</b>	<b>1.238</b>	<b>9.826</b>	<b>(84.189)</b>	<b>69.483</b>	<b>3.193</b>	<b>(29.466)</b>
Surface water drainage rebates								<b>0.021</b>

### 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](http://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.



## 2B – Totex analysis for the year ended 31 March 2023 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
<b>Operating expenditure</b>					
Power	10.774	33.142	42.923	0.619	<b>87.458</b>
Income treated as negative expenditure	(6.742)	(3.376)	(0.702)	(7.646)	<b>(18.466)</b>
Service charges/discharge consents	9.662	0.240	5.231	0.032	<b>15.165</b>
Bulk supply/bulk discharge	0.141	1.040	-	-	<b>1.181</b>
Other operating expenditure – renewals expensed in year	0.651	45.626	22.138	-	<b>68.415</b>
Other operating expenditure	14.262	102.492	76.285	26.048	<b>219.087</b>
Local authority and cumulo rates	2.232	13.913	8.291	0.640	<b>25.076</b>
<b>Total base operating expenditure services</b>	<b>30.980</b>	<b>193.077</b>	<b>154.166</b>	<b>19.693</b>	<b>397.916</b>
<b>Other operating expenditure</b>					
Enhancement operating expenditure	0.013	0.155	0.938	-	<b>1.106</b>
Developer services operating expenditure	-	25.757	4.998	-	<b>30.755</b>
Total operating expenditure excluding third party services	30.993	218.989	160.102	19.693	<b>429.777</b>
Third party services	3.719	3.128	0.798	-	<b>7.645</b>
<b>Total operating expenditure</b>	<b>34.712</b>	<b>222.117</b>	<b>160.900</b>	<b>19.693</b>	<b>437.422</b>
Grants and contributions-operating expenditure		16.260	2.876	-	<b>19.136</b>
<b>Capital expenditure</b>					
Base capital expenditure	13.274	91.547	69.653	10.674	<b>185.148</b>
Enhancement capital expenditure	29.792	31.018	62.105	3.498	<b>126.413</b>
Developer services capital expenditure	-	11.419	10.109	-	<b>21.528</b>
<b>Total gross capital expenditure excluding third party services</b>	<b>43.066</b>	<b>133.984</b>	<b>141.867</b>	<b>14.172</b>	<b>333.089</b>
Third party services	3.918	0.056	-	-	<b>3.974</b>
<b>Total gross capital expenditure</b>	<b>46.984</b>	<b>134.040</b>	<b>141.867</b>	<b>14.172</b>	<b>337.063</b>
Grants and contributions - capital expenditure	2.061	5.101	9.929	-	<b>17.091</b>
<b>Net totex</b>	<b>79.635</b>	<b>334.796</b>	<b>289.962</b>	<b>33.865</b>	<b>738.258</b>
Pension deficit recovery payments	-	-	-	-	-
<b>Totex including cash items</b>	<b>79.635</b>	<b>334.796</b>	<b>289.962</b>	<b>33.865</b>	<b>738.258</b>

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 summarised below. Further details regarding the atypical costs can be found in the methodology statement:**

**Water resources:** £22m increase (38%); £9m higher opex as a result of atypical costs (£4m), increased power costs and increase in cumulo rates as a result of a change in MEAV valuation. Capex has increased by £8m, due to the dam safety programme and lower contribution of £5m in the year.

**Water network+:** £73m increase (28%). Opex increase of £45m relate to atypical costs (£23m), increased chemical costs and power costs following price and consumption increases. Higher infrastructure renewal expenditure is a result of increased expenditure on leakage and network ancillaries and the Developer services increase (£13m) relate to large NRSWA schemes. Capex has increased by £28m which mainly relate to base maintenance (£21m) and reflects increase in activity now that we are in the third year of the AMP.

**Waste network+:** £38m increase (15%). Opex is £27m higher than last year; £9m atypical costs, lower power income (£2m) following breakdowns at some site, chemical increases as a result of price as well as increased usage to ensure compliance. Tankering costs and sewerage contractors costs have also increased. Capex costs have increased by £11m which mainly relate to the P removal schemes – further detail on the schemes can found in table 4M.

**Sludge:** £7m increase (26%). Opex has increased by £6m of which £2m relate to atypical costs, income from power has decreased by £2m following repairs needed on engine breakdown as a result output is down by 8%.

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](http://www.dwrcymru.com).



## 2C – Operating cost analysis for the year ended 31 March 2023 – retail

	Residential £m	Business £m	Total £m
<b>Operating expenditure</b>			
Customer services	14.818	2.141	16.959
Debt management	4.768	0.717	5.485
Doubtful debts	23.305	0.856	24.161
Meter reading	2.027	0.527	2.554
Services to developers	-	0.444	0.444
Other operating expenditure	16.236	1.334	17.570
Local authority and cumulo rates	0.210	0.015	0.225
	<b>61.364</b>	<b>6.034</b>	<b>67.398</b>
Depreciation – tangible fixed assets existing at 31 March 2015	0.158	0.012	0.170
Depreciation – tangible fixed assets acquired after 1 April 2015	0.252	0.033	0.285
Amortisation – intangible fixed assets existing at 31 March 2015	1.600	0.117	1.717
Amortisation – intangible fixed assets acquired after 1 April 2015	4.167	0.305	4.472
<b>Recharges</b>			
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	0.590	0.044	0.634
Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.039	0.002	0.041
<b>Net recharge costs</b>	<b>0.551</b>	<b>0.042</b>	<b>0.593</b>
<b>Total retail costs excluding third party and pension deficit repair</b>	<b>68.092</b>	<b>6.543</b>	<b>74.635</b>
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
<b>Total retail costs including third party and pension deficit repair</b>	<b>68.092</b>	<b>6.543</b>	<b>74.635</b>
Debt written off	19.009	0.991	20.000
Capital expenditure	2.224	0.163	2.387

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

	Residential £m	Business £m	Total £m
Final	40.925	6.227	47.152
Actual operating	68.092	6.543	74.635
Difference <sup>1</sup>	27.167	0.316	27.483

<sup>1</sup> including 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 £74.6m, 58% above our allowance which is 26% higher than 2021/22, HH costs increased by 26% and NHH costs by 20%, the significant movements are described below:

HH increase of £14.2m mainly related to atypical costs of £6.0m, doubtful debt increases of £4.9m, customer services costs of £1.0m, software costs (SaaS) which were previously recognised as CapEx of £1.3m, other operating expenditure of £2.2m offset by a reduction in debt management costs of £0.8m and £0.4m in Depreciation. The atypical costs aforementioned relate to £5.0m of pension recovery costs and £1.0m of payments to employees in response to the cost of living crisis.

NHH retail costs increased by £1.1m of which £0.5m related to the atypical costs in 2022/23, £0.2m increase in customer services, £0.2m increases in doubtful debt and £0.2m other operating expenditure.

Other material drivers of costs variances compared to last year relate to customer services costs which have increased by £1.2m and relate to inflationary pressure on postage costs, increased headcount and returns to pre covid level of network customer enquiries generating additional operational work.

In 2022/23 the cost of operating the retail price control was £27.5m greater than the total retail FD allowance.



## 2C – Operating cost analysis for the year ended 31 March 2023 – retail (continued)

	<b>Residential</b>
	<b>£m</b>
Demand-side water efficiency - gross expenditure	0.217
Demand-side water efficiency - expenditure funded by wholesale	0.114
Demand-side water efficiency - net retail expenditure	<u>0.103</u>
Customer-side leak repairs - gross expenditure	5.923
Customer-side leak repairs - expenditure funded by wholesale	5.923
Customer-side leak repairs - net retail expenditure	<u>-</u>
	<b>£m</b>
Cumulative actual retail expenditure to reporting year end	187.422
Cumulative allowed expenditure to reporting year end	<u>121.392</u>
Total allowed expenditure 2020-25	<u>204.574</u>

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;
- Increase in the number of customers on our priority services by 28,000 to a record 144,000. We are supporting a further 128,000 customers with help in paying their bill, via our social tariffs, HelpU and WaterSure Wales. Recognising the impact of the cost of living crisis on working households, we also introduced a new grant that will provide some short-term financial relief to working households who find themselves in a negative budget.
- Underlying doubtful debt charges have increased by £1.7m following an increase in revenue from a 4% rise in the tariff basket. We have also seen a change in the timings of collections which has resulted in a £1.1m increase in charge. The balance of movement reflects the release of a Covid related provision in the previous year which reduced the charge in the accounts. A £2m cost of living provision has also been retained 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.



## 2D – Historic cost analysis of tangible fixed assets at 31 March 2023

	Wholesale			Bioresources £m	Retail		Total £m
	Water resources £m	Water network+ £m	Wastewater network+ £m		Household £m	Non- household £m	
<b>Cost or valuation</b>							
At 1 April 2022	318.467	3,275.656	3,904.005	458.953	57.152	8.518	<b>8,022.751</b>
Disposals	(0.100)	(1.577)	(1.185)	(0.384)	-	-	<b>(3.246)</b>
Additions	43.456	109.811	122.251	11.600	-	-	<b>287.118</b>
Adjustments - revaluation <sup>1</sup>	-	-	-	-	-	-	-
Assets adopted at nil cost	-	-	108.129	-	-	-	<b>108.129</b>
<b>At 31 March 2023</b>	<b>361.823</b>	<b>3,383.890</b>	<b>4,133.200</b>	<b>470.169</b>	<b>57.152</b>	<b>8.518</b>	<b>8,414.752</b>
<b>Depreciation</b>							
At 1 April 2022	(71.676)	(1,489.815)	(28.398)	(249.670)	(13.593)	(2.080)	<b>(1,855.232)</b>
Disposals	0.095	1.456	1.138	0.351	-	-	<b>3.040</b>
Adjustments - revaluation <sup>1</sup>	20.723	212.270	333.473	26.885	-	-	<b>593.351</b>
Charge for year	(15.954)	(102.352)	(176.179)	(20.158)	(0.410)	(0.045)	<b>(315.098)</b>
<b>At 31 March 2023</b>	<b>(66.812)</b>	<b>(1,378.441)</b>	<b>130.034</b>	<b>(242.592)</b>	<b>(14.003)</b>	<b>(2.125)</b>	<b>(1,573.939)</b>
<b>Net book values<sup>2</sup></b>							
<b>At 31 March 2023</b>	<b>295.011</b>	<b>2,005.449</b>	<b>4,263.234</b>	<b>227.577</b>	<b>43.149</b>	<b>6.393</b>	<b>6,840.813</b>
At 1 April 2022	246.791	1,785.841	3,875.607	209.283	43.559	6.438	<b>6,167.519</b>
<b>Depreciation charge for</b>							
Principal services	(15.828)	(102.287)	(176.179)	(20.158)	(0.410)	-	<b>(314.907)</b>
Third party services	(0.126)	(0.065)	-	-	-	-	<b>(0.191)</b>
<b>Total</b>	<b>(15.954)</b>	<b>(102.352)</b>	<b>(176.179)</b>	<b>(20.158)</b>	<b>(0.410)</b>	<b>(0.045)</b>	<b>(315.098)</b>

<sup>1</sup> Adjustments: the Company has revalued its asset base as at 31 March 2023; for further details see 'Property, plant and equipment' in the accounting policies section of parts 4 to 11 (Notes to the regulatory accounts).

The revaluation in the year amounts to £593.4m and is included in table 2D as follows:

	£m
<b>Cost or valuation</b>	
Adjustments - revaluation	-
<b>Depreciation</b>	
Adjustments - revaluation	593.4
	<u>593.4</u>

<sup>2</sup>The net book value at 31 March 2023 includes £343.3m in respect of assets in the course of construction, £553.2m adopted assets and £2,262.9m revaluation.



## 2E – Analysis of ‘grants and contributions’ for the year ended 31 March 2023 – 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
<b>Grants and contributions – water resources</b>				
Diversions - s185	-	-	-	-
Other contributions (price control) <sup>1</sup>	-	-	2.061	2.061
<b>Price control grants and contributions</b>	-	-	2.061	<b>2.061</b>
Diversions - NRSWA	-	-	-	-
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	-	-
<b>Total</b>	-	-	<b>2.061</b>	<b>2.061</b>
Value of adopted assets	-	-	-	-
<b>Grants and contributions – water network+</b>				
Connection charges	4.741	-	(0.055)	4.686
Infrastructure charge receipts	-	-	3.696	3.696
Requisitioned mains	-	-	0.765	0.765
Diversions - s185	3.545	-	0.039	3.584
Other contributions (price control)	2.523	-	0.507	3.030
<b>Price control grants and contributions before deduction of income offset</b>	<b>10.809</b>	-	<b>4.952</b>	15.761
<b>Income offset<sup>2</sup></b>	-	-	-	-
<b>Price control grants and contributions after deduction of income offset</b>	<b>10.809</b>	-	<b>4.952</b>	15.761
Diversions - NRSWA	5.450	-	-	5.450
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	0.150	0.150
<b>Total</b>	<b>16.259</b>	-	<b>5.102</b>	<b>21.361</b>
Value of adopted assets	-	-	-	-

<sup>1</sup>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.

<sup>2</sup> 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 2023 – 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
<b>Grants and contributions – wastewater network+</b>				
Receipts for on-site work	-	-	6.120	6.120
Infrastructure charge receipts	-	-	3.799	3.799
Diversions - s185	0.360	-	-	0.360
Other contributions (price control)	0.956	-	0.215	1.171
<b>Price control grants and contributions before deduction of income offset</b>	<b>1.316</b>	-	<b>10.134</b>	11.450
Income offset <sup>1</sup>	-	-	-	-
<b>Price control grants and contributions after deduction of income offset</b>	<b>1.316</b>	-	<b>10.134</b>	11.450
Diversions - NRSWA	1.560	-	-	<b>1.560</b>
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	(0.204)	(0.204)
<b>Total</b>	<b>2.876</b>	-	<b>9.930</b>	<b>12.806</b>
Value of adopted assets	-	108.129	-	108.129

<sup>1</sup> 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.

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

Movements in capitalised grants and contributions <sup>2</sup>	Water resources £m	Water £m	Wastewater £m	Total £m
Brought forward	-	-	(0.017)	(0.017)
Capitalised in the year	-	-	-	-
Amortisation (in income statement)	-	-	-	-
Carried forward	-	-	(0.017)	(0.017)



## 2F – Residential retail for the year ended 31 March 2023

	<b>Revenue</b>
	<b>£m</b>
<b>Residential revenue</b>	
Wholesale charges	593.130
Retail revenue	39.075
Total residential revenue	<b>632.205</b>
<b>Retail revenue</b>	
Revenue Recovered ("RR")	39.075
Revenue sacrifice	12.879
Actual revenue (net)	<b>51.954</b>
<b>Adjustment</b>	
Allowed revenue ("R")	49.563
Net adjustment <sup>1</sup>	<b>(2.391)</b>
<b>Customer information</b>	<b>Number of</b>
	<b>customers</b>
	<b>(000s)</b>
Actual customers ("AC")	1,444.374
Reforecast customers	1,470.022
<b>Other residential information</b>	<b>Average</b>
	<b>residential</b>
	<b>revenues</b>
	<b>£</b>
Average residential retail revenue per customer	<b>35.970</b>

<sup>1</sup>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 2023

	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections
	£m	£m	£m	(000s)
<b>Default tariffs - customer group 1</b>				
Tariff type 1	63.885	3.710	67.595	98.752
Tariff type 2	-	-	-	-
<b>Total default tariffs customer group 1</b>	<b>63.885</b>	<b>3.710</b>	<b>67.595</b>	<b>98.752</b>
<b>Default tariffs - customer group 2</b>				
Tariff type 1	23.525	0.244	23.769	0.112
<b>Total default tariffs</b>	<b>87.410</b>	<b>3.954</b>	<b>91.364</b>	<b>98.864</b>
<b>Non-Default tariffs</b>				
Total non-default tariffs	-	-	-	-
<b>Total</b>	<b>87.410</b>	<b>3.954</b>	<b>91.364</b>	<b>98.864</b>



## 2G – Non-household water revenues by tariff type for the year ended 31 March 2023 (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
	£	£	£	£	%	£
<b>Default tariffs - customer group 1</b>						
Tariff type 1	37.569	29.980	-	29.980	1.000%	36.449
Tariff type 2	-	-	-	-		
<b>Total default tariffs customer group 1</b>	<b>37.569</b>	<b>29.980</b>	<b>-</b>	<b>29.980</b>	<b>1.000%</b>	<b>36.449</b>
<b>Default tariffs - customer group 2</b>						
Tariff type 1	-	-	-	-	3.300%	-
<b>Total default tariffs</b>	<b>37.569</b>	<b>29.980</b>	<b>-</b>	<b>29.980</b>	<b>4.300%</b>	<b>36.449</b>
<b>Non-Default tariffs</b>						
Total non-default tariffs	2,178.571					
<b>Total</b>	<b>39.994</b>					
			<b>Number of customers</b>	<b>Average non-household retail revenue per customer</b>		
			<b>(000s)</b>	<b>£</b>		
<b>Revenue per customer<sup>1</sup></b>			98.856	39.998		

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

<sup>2</sup> We have amended the formulas for Average non-household retail revenue per connection to correct for formula error in the Total default tariffs and Total non-default tariffs calculations.



## 2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2023

	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections
	£m	£m	£m	(000s)
<b>Default tariffs - customer group 1</b>				
Tariff type 1	81.612	3.734	85.346	71.603
Tariff type 2	-	-	-	-
<b>Total default tariffs customer group 1</b>	<b>81.612</b>	<b>3.734</b>	<b>85.346</b>	<b>71.603</b>
<b>Default tariffs - customer group 2</b>				
Tariff type 1	-	-	-	-
<b>Total default tariffs</b>	<b>81.612</b>	<b>3.734</b>	<b>85.346</b>	<b>71.603</b>
<b>Non-Default tariffs</b>				
Total non-default tariffs	-	-	-	-
<b>Total</b>	<b>81.612</b>	<b>3.734</b>	<b>85.346</b>	<b>71.603</b>



## 2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2023 (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
	£	£	£	£	%	£
<b>Default tariffs - customer group 1</b>						
Tariff type 1	52.149	39.510	-	39.510	1.000%	50.908
Tariff type 2	-	-	-	-	-	-
<b>Total default tariffs customer group 1</b>	<b>52.149</b>	<b>39.510</b>	<b>-</b>	<b>39.510</b>	<b>1.000%</b>	<b>50.908</b>
<b>Non-Default tariffs</b>						
Total non-default tariffs	-					
<b>Total</b>	<b>52.149</b>					
			<b>Number of customers</b>	<b>Average non-household retail revenue per customer</b>		
			<b>(000s)</b>	<b>£</b>		
Revenue per customer			71.603	52.149		



## 2I – Revenue analysis for the year ended 31 March 2023

		Household £m	Non- household £m	Total £m	Water resources £m	Water network+ £m	Total £m
<b>Wholesale charge – water</b>							
Unmeasured		142.157	1.915	<b>144.072</b>	22.438	121.634	<b>144.072</b>
Measured		76.804	79.889	<b>156.693</b>	17.648	139.045	<b>156.693</b>
Third party revenue		-	5.950	<b>5.950</b>	2.074	3.876	<b>5.950</b>
Total wholesale water revenue	2A	218.961	87.754	<b>306.715</b>	42.160	264.555	<b>306.715</b>
		Household £m	Non- household £m	Total £m	Waste water network+ £m	Bio- resources £m	Total £m
<b>Wholesale charge – wastewater</b>							
Unmeasured - foul charges		212.985	2.063	<b>215.048</b>	190.889	24.159	<b>215.048</b>
Unmeasured - surface water		10.338	0.471	<b>10.809</b>	10.809	-	<b>10.809</b>
Unmeasured - highway drainage		6.150	0.185	<b>6.335</b>	6.335	-	<b>6.335</b>
Measured - foul charges		127.609	72.044	<b>199.653</b>	179.342	20.311	<b>199.653</b>
Measured - surface water		10.105	4.857	<b>14.962</b>	14.962	-	<b>14.962</b>
Measured - highway drainage		6.982	1.991	<b>8.973</b>	8.973	-	<b>8.973</b>
Third party revenue		-	0.564	<b>0.564</b>	0.564	-	<b>0.564</b>
Total wholesale wastewater	2A	374.169	82.175	<b>456.344</b>	411.874	44.470	<b>456.344</b>
<b>Wholesale total<sup>1</sup></b>		<b>593.130</b>	<b>169.929</b>	<b>763.059</b>			
<b>Retail revenue</b>							
Unmeasured		9.865	0.609	<b>10.474</b>			
Measured		29.210	7.079	<b>36.289</b>			
Other third party revenue		-	0.093	<b>0.093</b>			
<b>Retail total<sup>1,2</sup></b>	2A	<b>39.075</b>	<b>7.781</b>	<b>46.856</b>			
<b>Third party revenue – non-price</b>							
Bulk supplies - water				8.361			
Bulk supplies - wastewater				0.101			
Other third party revenue				9.141			
<b>Principal services – non price</b>							
Other appointed revenue				1.684			
<b>Total appointed revenue</b>	1A			<b>829.202</b>			

### <sup>1</sup> Revenue reconciliation

	Ref	Wholesale £m	Retail £m
Household	2F	593.130	39.075
Non-household water	2G	87.410	3.954
Non-household waste	2H	81.612	3.734
		<b>762.152</b>	<b>46.763</b>
Third party		0.907	
New connections (retail)		-	0.093
		<b>763.059</b>	<b>46.856</b>

### <sup>2</sup> Non-household retail reconciliation

	Ref	Non- household £m
Non-household water	2G	3.954
Non-household waste	2H	3.734
Developer services		0.093
		<b>7.781</b>



## 2J – Infrastructure network reinforcement costs for the year ended 31 March 2023

	Network reinforcement capex £m	On site/ site-specific capex (memo only) £m
<b>Wholesale water network+ (treated water distribution)</b>		
Distribution and trunk mains	0.485	-
Pumping and storage facilities	0.047	0.150
Other	0.232	0.003
<b>Total</b>	<b>0.764</b>	<b>0.153</b>
<b>Wholesale wastewater network+ (sewage collection)</b>		
Foul and combined systems	0.928	-
Surface water only systems	0.049	-
Pumping and storage facilities	0.250	-
Other	0.240	-
<b>Total</b>	<b>1.467</b>	<b>-</b>

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 2023

	Water £m	Waste water £m	Total £m
<b>Impact of infrastructure charge discounts</b>			
Infrastructure charges	3.696	3.799	<b>7.495</b>
Discounts applied to infrastructure charges	-	-	-
<b>Gross infrastructure charges</b>	<b>3.696</b>	<b>3.799</b>	<b>7.495</b>
<b>Comparison of revenue and costs</b>			
Variance brought forward <sup>1</sup>	-	-	-
Revenue	3.696	3.799	<b>7.495</b>
Costs	(0.764)	(1.467)	<b>(2.231)</b>
<b>Variance carried forward</b>			

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.

<sup>1</sup>There 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 2023

Land sales	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
Proceeds from disposals of protected land	-	-	0.019	0.019

There were two land sales during the year, both were below the threshold for reporting to Ofwat



## 2M – Revenue reconciliation for the year ended 31 March 2023 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources	Total £m
<b>Revenue recognised</b>					
Wholesale revenue governed by price control	42.160	264.555	411.874	44.470	<b>763.059</b>
Grants and contributions (price control) <sup>1</sup>	2.061	15.761	11.450	-	<b>29.272</b>
<b>Total revenue governed by wholesale price control</b>	<b>44.221</b>	<b>280.316</b>	<b>423.324</b>	<b>44.470</b>	<b>792.331</b>
<b>Calculation of the revenue cap</b>					
Allowed wholesale revenue before adjustments (or modified by CMA)	42.156	266.480	403.589	38.962	751.187
Allowed grants and contributions before adjustments (or modified by CMA)	-	15.363	8.250	-	23.613
Revenue adjustment	(1.491)	9.454	26.347	1.336	35.646
Other adjustments	-	(14.332)	(0.194)	-	(14.526)
<b>Revenue cap</b>	<b>- 40.665</b>	<b>276.965</b>	<b>437.992</b>	<b>40.298</b>	<b>795.920</b>
<b>Calculation of the revenue imbalance</b>					
Revenue cap	40.665	276.965	437.992	40.298	795.920
Revenue recovered	44.221	280.316	423.324	44.470	792.331
Revenue imbalance	(3.556)	(3.351)	14.668	(4.172)	3.589

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

<sup>2</sup> This is the difference between total revenue governed by revenue control and the total assumed revenue

### Variance analysis

For the Wholesale Water price control (comprising Water Resources and Water Network+) revenue recovered exceeded the allowance by £6.9m (2.08%). This is due to customer consumption being higher than assumed when charges were set for 22/23, and Grants and Contributions income being higher than forecast.

Reported water network+ revenue includes a £15m provision in respect of compensation payments to be made to customers in relation to leakage performance. This has been input as a deduction to the "Other adjustments" figure in line 2M.7 in order that this is not included within the calculation of revenue under/over recovery. Meter optants increased significantly from the previous year and were greater than assumed when charges were set for 22/23. New connections reduced slightly from the previous year and were below the level expected when charges were set for 22/23.

Wastewater Network+ revenue was £14.7m lower than allowed (3.35%). This is due to our decision to defer collection of a proportion of the under-recovery of revenue in 20/21, to mitigate the impact on customer bills.

Bioresources revenue was £4.2m greater than allowed, due to volumes billed being greater than forecast.



## 2M – Revenue reconciliation for the year ended 31 March 2023 (continued) – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
<b>Additional revenue adjustments</b>					
Rebalancing Grants and contribution to water resources	2.802	(2.802)	-	-	-
<b>Other adjustments</b>	<b>2.802</b>	<b>(2.802)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revised Revenue Cap for RFI comparison</b>					
Revenue Cap	40.665	276.965	437.992	40.298	<b>795.920</b>
Other adjustments	2.802	(2.802)	-	-	-
Revised Revenue cap	43.467	274.163	437.992	40.298	<b>795.920</b>
Revenue recovered	44.221	280.316	423.324	44.470	<b>792.331</b>
<b>Revenue imbalance for RFI comparison</b>	<b>0.754</b>	<b>(6.153)</b>	<b>(14.668)</b>	<b>4.172</b>	<b>(3.589)</b>
<b>Over/(under) recovery</b>					
Deadpan (@-2%)	(0.9)	(5.5)	(8.8)	(0.8)	<b>(15.9)</b>
Exceedence	1.6	<b>11.6</b>	(5.9)	<b>5.0</b>	<b>12.3</b>



## 2N – Residential retail – social tariffs for the year ended 31 March 2023

	Revenue £m	Number of customers (000s)	Average amount per customer £
<b>Number of residential customers on social tariffs</b>			
Residential water only social tariffs		1.266	
Residential wastewater only social tariffs		3.931	
Residential dual service social tariffs		119.099	
<b>Number of residential customers not on social tariffs</b>			
Residential water only no social tariffs		84.055	
Residential wastewater only no social tariffs		126.679	
Residential dual service no social tariffs		1,109.345	
<b>Social tariff discount</b>			
Average discount per water only social tariffs customer			140.600
Average discount per wastewater only social tariffs customer			34.342
Average discount per dual service social tariffs customer			240.825
<b>Social tariff cross-subsidy - residential customers</b>			
Total customer funded cross-subsidies for water only social tariffs customers	0.104		
Total customer funded cross-subsidies for wastewater only social tariffs customers	0.079		
Total customer funded cross-subsidies for dual service social tariffs customers	16.483		
Average customer funded cross-subsidy per water only social tariffs customer			1.219
Average customer funded cross-subsidy per wastewater only social tariffs customer			0.605
Average customer funded cross-subsidy per dual service social tariffs customer			13.418



## 2N – Residential retail – social tariffs for the year ended 31 March 2023 (continued)

	Revenue £m	Number of customers (000s)	Average amount per customer £
<b>Social tariff cross-subsidy - company</b>			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.074		
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.056		
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	12.199		
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			58.452
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			14.246
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			102.427
<b>Social tariff support - willingness to pay</b>			
Level of support for social tariff customers reflected in business plan			18.190
Maximum contribution to social tariffs supported by customer engagement			22.920



## 20 – Historic cost analysis of intangible fixed assets at 31 March 2023

	Wholesale				Retail		Total £m
	Water resources £m	Water network+ £m	Wastewater network+ £m	Bio- resources £m	Household £m	Non- household £m	
<b>Cost or valuation</b>							
At 1 April 2022	13.451	275.171	132.089	31.532	31.117	2.227	<b>485.587</b>
Disposals	-	-	-	-	-	-	-
Additions	1.534	19.155	9.794	2.603	2.194	0.193	<b>35.473</b>
Adjustments - revaluation	-	-	-	-	-	-	-
Assets adopted at nil cost	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>14.985</b>	<b>294.326</b>	<b>141.883</b>	<b>34.135</b>	<b>33.311</b>	<b>2.420</b>	<b>521.060</b>
<b>Depreciation</b>							
At 1 April 2022	(10.596)	(131.648)	(97.432)	(22.934)	(28.110)	(2.227)	<b>(292.947)</b>
Disposals	-	-	-	-	-	-	-
Adjustments - revaluation <sup>1</sup>	-	-	-	-	-	-	-
Charge for year	(0.854)	(24.436)	(5.610)	(1.426)	(5.767)	(0.422)	<b>(38.515)</b>
<b>At 31 March 2023</b>	<b>(11.450)</b>	<b>(156.084)</b>	<b>(103.042)</b>	<b>(24.360)</b>	<b>(33.877)</b>	<b>(2.649)</b>	<b>(331.462)</b>
<b>Net book values</b>							
<b>At 31 March 2023</b>	<b>3.535</b>	<b>138.242</b>	<b>38.841</b>	<b>9.775</b>	<b>(0.566)</b>	<b>(0.229)</b>	<b>189.598</b>
At 1 April 2022	2.855	143.523	34.657	8.598	3.007	-	192.640
<b>Depreciation charge for year</b>							
Principal services	(0.854)	(24.436)	(5.610)	(1.426)	(5.767)	(0.422)	<b>(38.515)</b>
Third party services	-	-	-	-	-	-	-
<b>Total</b>	<b>(0.854)</b>	<b>(24.436)</b>	<b>(5.610)</b>	<b>(1.426)</b>	<b>(5.767)</b>	<b>(0.422)</b>	<b>(38.515)</b>