



Annual Performance Report 2022/23

Overview

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Annual Performance Report 2022/23

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1. Introduction

This document contains information that allows customers and stakeholders to review our 2022/23 performance. It also provides specific information on the progress we have made on the delivery of customer outcomes and on our financial performance (including detailed revenue and cost information).

We are required to publish an Annual Performance Report in a format prescribed by Ofwat and which contains the following parts:

Part	Content
1 - Regulatory financial reporting	A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.
2 - Price review and other segmental reporting	Further disaggregation of revenue and costs to allow stakeholders to review companies' performance against final determinations.
3 - Performance summary	A high level report of the performance of the appointed business, including outcome delivery and the regulatory financial results of the regulated business. As a minimum it will include reporting on outcomes, delivery service levels, and cost performance.
4 - Additional regulatory information - service level	Additional financial and non-financial information, including (but not limited to), analysis of debt, totex analysis, major project expenditure, and properties, customers and population – non-financial information.
5 - Additional regulatory information - water resources	Additional financial and non-financial information, including (but not limited to), asset and volumes data plus operating cost analysis for water resources.
6 - Additional regulatory information - water network plus	Additional financial and non-financial information, including (but not limited to), raw water transport, raw water storage, water treatment data, treated water distribution mains analysis, communication pipes, metering, and leakage activities.
7 - Additional regulatory information - wastewater network plus	Additional financial and non-financial information, including (but not limited to), load, costs and number of sewage treatment works within size bands, sewer and volume data, and energy consumption data.
8 - Additional regulatory information - bioresources	Additional financial and non-financial information, including (but not limited to), bioresources sludge data, operating expenditure analysis, bioresources energy and liquors analysis and sludge treatment and disposal data.
9 - Additional regulatory information - innovation competition	Additional financial and non-financial information, including (but not limited to), revenue collected for the purposes of the innovation competition.
10 – Additional regulatory information - Green recovery	This section of APR is not applicable to Dŵr Cymru Welsh Water.



Part	Content
11 – Additional regulatory information - Greenhouse gas emissions	Additional non-financial information, including (but not limited to), Scope one, two and three emissions, gross operating emissions location and market based and Greenhouse Gas intensity ratios. We have also reported voluntarily the embedded emissions.
PR19 In-Period ODI Submission	Companies should submit the populated in-period adjustment model and any other supporting data or information (such as proposals for bill smoothing and bill impacts) alongside their APR submissions.

We have also prepared a [Data Assurance Summary](#) which provides an update on the activities we have carried out to evidence that the information we provide is complete and accurate.

Our Risk and Compliance Statement is published within our [Board Statements and Certificates](#).

Finally, to help customers and stakeholders navigate this and other published documents, we append an ‘at a glance’ schedule stating where documents addressing individual statutory, licence, and regulatory requirements can be found.



2. Overview of the year

Our vision is “to earn the trust of our customers every day”.

Our company purpose is to provide high-quality and better value water and environmental services, so as to enhance the wellbeing of our customers and the communities we serve, both now and for generations to come.

We know that customers rely on us to deliver high-quality, safe and reliable services every day, no matter what is thrown at us by the weather or other operational challenges. Customers also need to be able to trust us to be thinking of the future, to ensure those services are sustainable and resilient over many decades to come. To achieve this, we will need ever greater efficiency and innovation, so that our major long-term programme of investment in our assets can be balanced with keeping bills affordable for all.

Safe Clean Water for all

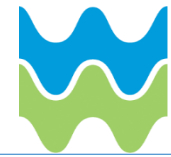
For our customers, being able to rely on the quality of the water we supply to their homes and businesses is their highest priority and expectation of our service.

Safety in Drinking Water - Each year we carry out sampling at water treatment works, service reservoirs, and customer taps to ensure our water meets the European and National Standards. During 2022 we had 6 water quality compliance failures which have generated a provisional Compliance Risk Index (CRI), which is the sum of the individual CRI scores for every compliance failure reported during the year of 5.40 compared to 9.77 in 2021. This will remain provisional until the official score is calculated and published by Drinking Water Inspectorate (DWI) in July.

During 2022 we have calculated a provisional Event Risk Index (ERI) score of 1313.604, compared to 355.169 in 2021. This will remain provisional until the official score is calculated and published by DWI.

Customer Acceptability - The number of contacts we receive from customers about the appearance, taste, or odour of their water was 2.35 contacts per 1,000 customers compared to 2.44 in 2021. While usually harmless, appearance, taste, or odour issues can be off-putting for our customers. Such issues are often caused by changes in the velocity of water flows (for example, due to burst water mains or increased customer demand during hot weather), which can loosen iron sediments from within the pipes resulting in discoloured water. To improve our performance for acceptability of drinking water, we are optimising treatment works to remove more manganese from our soft upland waters; replacing cast iron pipes which can cause discolouration incidents, and cleaning our network through our ‘zonal studies’ programme.

Reliability of Supply – Having a constant supply of water is important for our customers. We manage our network every day to try to ensure any operational challenges we encounter do not impact customers’ supply. However, sometimes circumstances outside our control do impact on customer supply, particularly in



difficult weather conditions. This measure reports on the average number of minutes lost per customer for interruptions that lasted 3 hours or more. Our performance was 44 minutes and 31 seconds which was worse than the 16 minutes and 17 seconds, reported for 2021/22.

The cause of this significant underperformance has been due to extreme weather events such as the summer drought and the freeze thaw during the Winter. These prolonged events imposed additional strain upon the distribution system resulting in increased activity and loss of supply across the network. In total, the December 2022 freeze thaw accounted for 25 minutes and 32 seconds of our reported performance and impacted 25,333 properties.

In addition, our performance has been impacted by some significant mains bursts affect large volumes of customers where restoration within 3 hours was unachievable. These include:

- A burst on a trunk main in Cardiff impacted 5,525 properties in the Llanrumney/Cyncoed area in November 2022. Multiple restoration methods were put in place to mitigate impact, including laying overland pipes, rezoning and tankering;
- Another burst on a 15" trunk main in Cardiff impacted 4,299 properties in the Llanrumney area in November 2022. Rezoning and tankering activities took place, however due to burst happening at peak evening demand, the water network drained significantly, and recharge of the water took several hours; and
- A burst on a 18" main in Penarth impacted 2,988 properties in August 2022. Rezoning and tankering activities took place to minimise the impact.

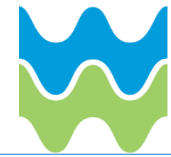
Improving our supply interruption performance is a challenge due to the topography of Wales. Customers are often served by a single trunk main with high operating pressure in our rural networks where there is no alternative supply. This can result in complex engineering repairs that take longer to fix than most of our more urban pipe networks, because there is limited opportunity to use alternative supplies to keep customers connected. To mitigate the impacts of supply interruptions, our 40-strong tanker fleet is one of the sector's largest.

To help improve our response times to interruptions we are making organisational changes to centralise our response to bursts out of hours and to optimise the location of our locally based response teams. This move to a more responsive 24/7 operation aims to reduce the time taken to mobilise our tankers to provide temporary supplies; and for our repair teams to respond; and to allow water to be brought in from other pipelines where possible. Our longer-term plans are to move to more predictive capability based on our SMART Networks programme, to improve our incident response times even further.

Safeguard our Environment for Future Generations

We are working to ensure that the beautiful environment around us is protected for future generations.

Treating wastewater - Our performance for 2022 was 98.50% compared to 98.32% in 2021. This is as a result of nine non-compliant works (six wastewater treatment works and three water treatment works) out of a total of 602 permitted water and wastewater treatment works. Three of the failures during FY 23 were technical



breaches at our peak flow equivalent treatment (PFET) works where there was no actual environmental impact but we failed to meet the requirements of the permit. We continue to focus on improving our processes to achieve full compliance.

The main driver of our performance was that during the summer of 2022, we witnessed one of the most severe droughts on record which required significant intervention and mitigation work at our treatment works to maintain compliance and ensure that our effluent discharges did not impact low river levels.

Please note that our reported performance is provisional until signed off by Natural Resources Wales.

Preventing Pollution – The total number of pollution incidents per 10,000km of sewer length (caused by blockages or collapsed sewers) was 24.55 compared to 22.90 for 2021. This equates to 89 pollution incidents (five of which are categorised as high significant (category 2), compared to 83 incidents in 2021.

The five high-significant pollution incidents were:

- A storm tank overflowing after a period of heavy rain into the River Tawe;
- An emergency overflow spilling in Haverfordwest as a result of pump failure which was exacerbated by third party trade discharge;
- A blockage of rags in a sewer causing a pumping station to spill from a manhole in Narbeth;
- A blockage of rags and fat causing a spill into a surface water sewer which discharged into a river in Coychurch; and
- A new housing estate connected to a previously abandoned sewer causing a spill in Barry.

Leakage – Last year we disclosed that we were reviewing our reported performance data for leakage and per capita consumption. This review was necessary because our independent annual assurance processes identified potential issues with the application of the methodology used for calculating these measures in FY 21 and FY 22. The review concluded that these key measures have been inaccurately reported in those two financial years, with actual leakage being higher than reported during this period, and actual per capita consumption being lower than previously reported. You can find further details of this review within our APR Part 3 Commentary.

In terms of our reporting for 2022-23 we have not met our Leakage PCL of 7.3% reporting a performance level of -11.5%.

Part of the increased leakage has been driven by the extreme weather events we've experienced this year. The hot summer caused soil shrinkage which increased the volume of burst water distribution pipes. Further, the significant freeze/thaw event also caused distribution pipes to burst leading to a significant increase in leakage.



The number of bursts also increased in our cement-lined asbestos cement (AC) pipes across our rural areas of mid and west Wales. These bursts present a particular challenge to repair due to the difficulties in accessing remote areas, and the need for the pipes to be fully cut out without an alternative water supply due to the lack of network interconnectivity.

We have increased the level of leakage-reduction resources in our plans to target reduced leakage from both trunk mains and smaller leaks over the coming 2 years. For minor leaks, we will increase our detection and repair teams, who will focus on repairing the damage caused to our network by the winter freeze/thaw event.

We are also increasing the level of investment in our 'upstream losses' project that targets large trunk mains, and will do this in 3 stages:

- i. targeting leaks through data and metering,
- ii. detecting leaks on site with a variety of techniques, and
- iii. repairing leaks using the latest technology.

Create a Better Future for all Communities

Climate change remains one of the biggest challenges facing society – and as a country with a large coastline and higher levels of deprivation than the average for the UK, our communities are more vulnerable than most to its effects. As a result, we are determined to help in the global effort to not only reduce the negative impacts on our planet's climate by reducing our own carbon emissions, but also to protect our customers and network from the effects of extreme weather events. Our Journey to Zero plan includes six strategic principles which underpin our work to achieve our goal of net zero carbon emissions by 2040:

- Continuing to reduce energy consumption, increase selfgeneration, and source remaining electricity from Welsh-based renewable generators;
- Prioritising the use of sewage-derived biogas to decarbonise heat and transport (five times larger decarbonisation impact by 2030 than relying on renewable electricity);
- Gradually replacing our existing fleet with vehicles that utilise low carbon fuels (e.g. hydrogen, biomethane) and/or electricity;
- Actively controlling and reducing the fugitive emissions from wastewater treatment processes by fully automating the control of all aeration plants;
- Monitoring and reducing the carbon emissions associated with construction and refurbishment of assets by actively applying the carbon mitigation hierarchy and other tools, to select the right long-term solution, and
- Maximising the carbon sequestration and biodiversity potential of our land holdings to offset carbon emissions that are difficult and/or cost prohibitive to abate.

Responding to Climate Change – We are committed to doubling the amount of rainwater we divert from our sewer network by 2025. This year one surface water removal scheme has been delivered in the year, removing a total volume of 10,752 cubic meters. During the first three years of the AMP we have been assessing



opportunities to remove surface water from our network through the Storm Overflow Assessment (SOAF) programme. We expect to deliver significant increases in the amount of rainwater diverted from the network in future periods

Energy self-sufficiency – We are one of the largest energy users in Wales. We currently generate 22% of our own energy needs through wind, hydro, solar and advance anaerobic digestion which falls short of our 33% Final Determination target. This is largely attributable to comparatively low rainfall which reduced hydro-electric generation by around 8 GWh and reactive issues with combined heat and power (CHP) engines, particularly at Cardiff Wastewater Treatment Works, and solar sites which also impeded generation. There remain two Solar PV projects delayed by Covid-19 which are still outstanding. We plan to be 35% self-sufficient by 2025.

Community education – We pride ourselves on delivery of a sustainable programme of education, which has supported around 600,000 pupils through direct delivery over the past 25 years. We are now past the impact that the pandemic had on our recent performance. This year, we have seen significant improvement and have met our ambitious target to reach around 80,000 children and young people through our education programme in FY 23. This is both through our outreach programme and at our education centre in Cilfynydd.

Further insight into our delivery over the past year can be found at our bespoke education Twitter profile @DiscoverDwr.

Personal Service that's right for you

Our Customer-led Success approach places the needs of our customers at the heart of everything we do. We take a lot of pride in shaping our services around the needs of our customers and delivering the best service possible is our top priority.

Customer Satisfaction - Our primary indicator of customer satisfaction is a customer experience measure for household customers, known as C-MeX. The C-MeX score is calculated as the average of customer satisfaction scores from customer service and customer experience surveys. For 2022/23 we were rated 4th against other water only and water and sewerage companies (2021/22 rated 5th).

In addition, there is an Ofwat customer experience measure for Developers, known as D-MeX which is calculated as the average of a customer satisfaction survey and a quantitative element based on performance against a selection of Water UK performance metrics. We achieved a score of 84.68 (2021/22, 83.94), which placed us in 13th place against other water companies.

Business Customer Satisfaction - Welsh Water provides services to more than 100,000 business customers in Wales and adjoining parts of England. Our performance for the year was 4.4 (equivalent to 88% customer satisfaction) which is below our Ofwat Final Determination target of 4.5. We will continue to improve the delivery of account management services and extend the range of value-adding services that we offer to our business customers, where appropriate, in 2023/24.



Put things right if they go wrong

At-Risk Customer Service - All customers deserve a good level of service, and we are working towards this goal over the long term. At present, the disproportionate cost of solutions to address problems for very small numbers of customers is an obstacle to progress, especially in the face of wider challenges. On the wastewater service side, climate change is tending to increase repeat flooding events, and working against our target. We continue to engage with customers and stakeholders on striking an appropriate balance between competing priorities. Our 'WaterFair' scheme provides discounts on bills for customers who remain on our worst served registers.

For the number of customers "at risk" of suffering from repeat problems such as interruptions to water supply or low pressure our performance was 5,029, a deterioration compared to 2021/22. On the wastewater "at risk" measure where customers have experienced repeat sewer flooding or are recorded as being actively at risk of flooding our performance was 508 slightly better compared to last year of 557.

Flooding - Sewage flooding into customers' properties is the worst service failure that can happen, and we are committed to doing everything we can to prevent it happening. We were pleased to see a reduction in the number of incidents in 2022-23 at 1.14 incidents per 10,000km of sewer connections compared to 1.36 last year. This equates to 169 internal sewer flooding incidents this year compared to 201 incidents last year.

Fair Bills for everyone

We have a responsibility to balance investment to improve our services with keeping bills at an affordable level to ensure that they are fair for customers. We also focus on supporting those in genuine financial need while pursuing those who can pay their water bill, but choose not to do so.

From 1 April 2023 our prices increased by between 8% and 10% for most household customers, given the significant increase in inflation over the past 12 months. We have not taken this decision lightly and kept increases as low as possible and fair for all customer groups. We have absorbed as much as possible of our inflated costs, but we cannot absorb them all.

Help for customers in vulnerable circumstances – For our regulatory measure we report on the number of residential customers that are on a social tariff including the HelpU social tariff scheme and the WaterSure Wales Scheme. Our 2022/23 performance is 128,531 customers compared to 127,247 last year and against an Ofwat Final Determination target of 133,000 customers on the HelpU and WaterSure Wales scheme.

Resilience

With 27,832km of water mains, and 36,959km of sewers, and hundreds of water and wastewater treatment works, our network is extensive and includes challenging mountainous terrain, sparsely populated rural communities and urban centres. It is therefore essential that we build a resilient and sustainable water



service for the long term. As part of our preparation for the forthcoming price review we have built a new asset planning capability that has a much stronger understanding of our current asset resilience, is able to assess the impact on it of different scenarios, and can evaluate the resulting risk applying a multi-capitals, rather than purely financial, approach.

Asset Resilience - The long-term resilience of our assets is measured against a set of criteria which shows how they are performing and providing service to our customers. As a Company, we invest significantly in both our Water Services assets to ensure long-term resilience and service performance particularly in our water treatment works and our wastewater service assets such as the 36,959km of sewers and 828 sewage treatment works. This is a particularly important part of our Welsh Water 2050 long-term vision which aims to strengthen the resilience of our assets to improve services to customers in the future. We monitor and report our performance on five individual resilience measures including asset resilience reservoirs, asset resilience water networks above and below ground, and wastewater networks above and below ground.

Colleague Promises

We are committed to retaining and developing the best talent for the future in a culture that keeps our people safe, healthy and happy.

Colleagues from across the business are regularly invited to attend informal meetings with the Chair and Non-Executive Directors to talk about issues affecting the business, the workforce, customers and other stakeholders.

Health and Safety - Our people are our greatest assets and our greatest ambassadors. So we prize the health and safety of our colleagues above all else and make sure that, whatever they do, they go home safely at the end of the day. As a result, we have focused on building a culture where health and safety is paramount for every job we do. Our operational teams regularly hold “safety days” throughout the year to review best practice and to improve the procedures in each team.

We have seen a decrease this year in RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences) to five compared to nine in 2021/22.

We remain focused on positive intervention and preventing injuries over the coming year.

Employee training and expertise - We are also committed to helping all of our people grow and thrive in their careers at Welsh Water. We carry out regular reviews across the business to see whether the teams have the right skills to meet the challenges they will face. Following a review of our methodology, we have restated our previous submission for this measure. Our performance for this year 78.7%.



An Efficient Business

We are not-for-shareholder, which means that, unlike other water and wastewater companies across England and Wales, all surpluses are applied for the benefit of our customers. We are committed to running our business as efficiently as possible, working to be as innovative as possible, and to reduce waste across everything we do. This also means we work for the long-term, planning investments over decades, not just for short-term targets and we continue to invest to maintain and improve the essential services we provide for the future.

Financial resilience – Since 2001 when Glas Cymru acquired Welsh Water, we have reduced our gearing from 93% to 58%, consistent with the Board's policy of maintaining gearing at or below 60% to maintain our access to low-cost borrowing and our financial resilience. During the year our senior bonds were rated A3/A-/A by Moody's S&P and Fitch. These continue to be among the best in the UK utility sector.

Ongoing Engagement with Customers

We are committed to an ongoing programme of customer involvement on a wide range of issues, such as how we can best support customers in vulnerable circumstances.

Engagement with our customers plays a vital role throughout our business and we do this in a variety of ways such as;

- directly through telephone, web and social media;
- seeking feedback and views from our customers across all areas we serve;
- focus groups and customer interviews to gain insight into what customers want and test new services; and
- annual Trust surveys to check we continue to meet customer expectations.

External stakeholder engagement

The Independent Challenge Group (formerly known as the Customer Customer Group) is an independent panel of people from across the area that we serve who bring with them knowledge and experience from a variety of backgrounds. As well as providing independent challenge to us, they also provide assurance to one of our regulators, Ofwat. Members include organisations representing vulnerable and older people, the Welsh Local Government Association and other business and regulatory bodies. The CCG provides independent challenge, scrutiny and advice to ensure that current and future customers are at the heart of the way we operate.



Welsh Water People

We can only hope to earn the trust of our customers through the extraordinary efforts and commitment of all our colleagues in Welsh Water and our wider network of contractors and partners. Key priorities include developing our people and creating an inclusive and welcoming environment with a diverse workforce that reflects the communities we serve.

The dedication of our people has contributed directly to the high level of trust our customers show in us as their water and sewerage company – thank you.

A handwritten signature in black ink, appearing to read 'Peter Perry'.

Peter Perry
Chief Executive Officer

3. Performance Summary

Table 1 - Performance Commitment – Common Measures		*	2022/23 Outturn	2021/22 Outturn	2022/23 FD Target (Final Determination)	2022/23 Vs FD Target	Penalty or Reward 2022/23 (£m)	Total ODI Incentive (2020/21 to 2024/25) (£m)
*C – Calendar year								
Wt1	Water Quality Compliance (CRI) (%)	c	5.40	9.77	0	X	-1.659	-8.818
Wt2	Water supply interruptions (mm:secs)		44:31	16:17	05:45	X	-10.370	-23.302
Wt4	Mains repairs		156.2	136.6	135.1	X	-2.152	-2.285
Wt5	Unplanned outage %		1.07	0.55	2.34	✓	0.000	0.000
En1	Treatment works compliance %	c	98.50	98.32	100.00	X	-0.350	-0.826
En3	Pollution incidents (per 10,000km of Sewer)	c	24.55	22.90	23.00	X	-0.333	-0.066
En4	Leakage (% reduction) – 3 year average		-11.5	-7.3	7.3	X	-4.486	-21.302
En5	Per capita consumption (% reduction) – 3 year average		-6.2	-5.6	3.0	X	0.000	-6.777
Ft1	Risk of severe restrictions in a drought %		4.4	4.5	4.5	✓		Reputational
Ft2	Risk of sewer flooding in a storm %		24.28	25.05	30.07	✓		Reputational
Rt1	Internal sewer flooding (per 10,000km sewer connections)		1.14	1.36	1.58	✓	1.880	1.624
Rt3	Sewer collapses (per 1,000km sewer)		6.68	6.71	7.20	✓	0.000	-0.069
Sv1	C-MeX – Company Measure		82.92	82.93			2.191	
Sv2	D-MeX		84.68	83.94			-1.156	
Sv5	Priority services for customers in vulnerable circumstances							
•	• Reach %		10.4	8.1	5.6	✓		Reputational
•	• Actual contact %		43.4	40.9	35.0	✓		Reputational
•	• Attempted contact %		96.2	93.2	90.0	✓		Reputational

Outcomes

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Table 2 - Performance Commitment – Bespoke Measures			2022/23 Outturn	2021/22 Outturn	2022/23 FD Target (Final Determination)	2022/23 Vs FD Target	Penalty or Reward 2022/23 (£m)	Total ODI Incentive (2020/21 to 2024/25) (£m)
*FD – Final Determination								
*C – Calendar year								
Wt3	Acceptability of drinking water (contacts per 1,000 population)	c	2.35	2.44	1.91	X	-1.059	-4.116
Wt6	Tap water quality event risk index (ERI)	c	1,313.064	355.169	10,000	X		Reputational
Wt7	Water catchments improved		23	23	23	✓		Reputational
Wt8	Lead pipes replaced		1,731	1,410	4,200	X	0.000	0.000
En2	Wastewater treatment works 'look-up table' compliance %	c	99.82	99.82	100.00	X		Reputational
En6	Km of river improved		122	94	25	✓	0.000	6.627
En7	Bioresources product quality %		98.3	99.2	97.3	✓	0.413	1.322
En8	Bioresources disposal compliance %	c	99.87	100.00	100.00	X	-0.013	-0.013
En9	Combined sewer overflow storage systems		0	0	0	✓	0.000	0.000
Ft3	Energy self-sufficiency %		22	24	33	X		Reputational
Ft4	Surface water removed from sewers (m3)		10,752	0	141,900	X	-0.050	-0.455
Ft5	Asset resilience (reservoirs) %		95.3	92.7	93.3	✓		Reputational
Ft6	Asset resilience (water network+ above ground) %		87.2	86.7	84.8	✓		Reputational
Ft7	Asset resilience (water network+ below ground) %		68.9	68.0	70.0	X		Reputational
Ft8	Asset resilience (wastewater network+ above ground) %		79.0	79.4	78.5	✓		Reputational
Ft9	Asset resilience (wastewater network+ below ground) %		36.9	30.9	33.9	✓		Reputational
Ft10	Community education		80,194	45,655	73,000	✓	0.014	-0.203
Ft11	Visitors to recreational facilities		739,294	842,701	720,000	✓	0.019	-0.343
Rt2	External sewer flooding on customer property (per 10,000km sewer connections)		24.42	26.27	23.89	X	-0.476	-3.493
Rt4	Total complaints (per 10,000 connections)		49.9	28.2	UQ	X	-0.030	-0.084
Rt5	Worst served customers for water service		5,029	3,230	1,901	X		Reputational
Rt6	Worst served customers for wastewater service		508	557	371	X		Reputational



Performance Commitment – Bespoke Measures Cont'd		2022/23 Outturn	2021/22 Outturn	2022/23 FD Target (Final Determination)	2022/23 Vs FD Target	Penalty or Reward 2022/23 (£m)	Total ODI Incentive (2020/21 to 2024/25) (£m)
*FD – Final Determination *C – Calendar year							
Sv3	Customer trust	7.75	8.30	8.15	X	Reputational	
Sv4	Business customer satisfaction	4.4	4.4	4.5	X	-0.125	-0.625
Sv6	Customers on welsh language register	6,649	6,568	19,000	X	Reputational	
Bl1	Change in average household bill %	-2.4	-1.5	<CPIH	✓	Reputational	
Bl2	Vulnerable customers on social tariffs	128,531	127,247	133,000	X	Reputational	
Bl3	Company level of bad debt %	2.9	2.4	2.1	X	Reputational	
Bl4	Unbilled properties (Voids) %	3.93	3.78	3.70	X	-0.601	-0.888
Bl5	Financial resilience	High	High	High	✓	Reputational	
Bl6	Delivery of our reservoirs enhancement programme	14	8	13	✓	0.000	0.000
Bl8	Delivery of our water network improvement programme	2	2	0	✓	0.000	0.000
Bl10	Delivery of our South Wales Grid water supply resilience scheme	2	0	10	X	0.000	0.000
Co1	Reportable injuries	5	9	7	✓	Reputational	
Co2	Employee training and expertise %	78.7	79.6	95.0	X	Reputational	
Co3	Employee engagement %	75	69	80	X	Reputational	
DPC01	Direct procurement for customers: Cwm Taf Water supply strategy scheme (Underperformance)	0	0	OBC delivered	✓	0.000	0.000
DPC02	Direct procurement for customers: Cwm Taf Water supply strategy scheme (Outperformance)	TBA	TBA	TBA	✓	0.000	0.000
VIS01	Delivery of a new visitor centre	N/A	N/A	N/A	✓	0.000	0.000
DWMPs	Drainage and wastewater management plans	0	0	100	X	Reputational	
NEP01	Delivery of Environment programme requirements	Met	Met	Met	✓	Reputational	
Total						-18.343	-64.092

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Resilience

Safe Clean Water for all

Create a Better Future for all Communities

Safeguard our Environment for Future Generations

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4. Income Statement

	Adjustments				Total appointed
	Statutory	RAG differences	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
Revenue	841.317	(5.441)	6.674	(12.115)	829.202
Operating costs	(848.006)	(18.935)	(7.915)	(11.020)	(859.026)
Other operating income	0.358	-	-	-	0.358
Operating profit	(6.331)	(24.376)	(1.241)	(23.135)	(29.466)
Other income	-	31.552	-	31.552	31.552
Interest income	14.733	-	0.900	(0.900)	13.833
Interest expense	(506.139)	(26.088)	-	(26.088)	(532.227)
Other interest expense	-	(2.212)	-	(2.212)	(2.212)
Loss before tax and fair value movements	(497.737)	(21.124)	(0.341)	(20.783)	(518.520)
Fair value gains on financial	115.364	-	-	-	115.364
Loss before tax	(382.373)	(21.125)	(0.341)	(20.783)	(403.156)
UK corporation tax	0.054	-	-	-	0.054
Deferred tax	83.009	5.281	0.086	5.195	88.204
Loss for the year	(299.310)	(15.843)	(0.255)	(15.588)	(314.898)
Dividends	-	-	-	-	-

5. Data Assurance Processes

The Board is committed to providing information to customers and stakeholders that is customer-led, accessible, clear, accurate, transparent and timely and we were pleased to be recognised as a “self-assurance” Company by Ofwat in their last Company Monitoring Framework (CMF) assessment in 2019. Our ongoing objective, therefore, is to make available information that meets stakeholders’ needs, is easy to understand and navigate and which enables them to understand how we are performing. We also recognise that providing information to a consistently high standard helps build trust and confidence in everything we do. Ofwat has concluded in their last CMF assessment report that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence.

Our customers drive our thinking and our plans and we welcome the important contribution made by our Independent Challenge Group (ICG) in challenging our customer engagement and research programme to ensure that we plan to deliver the best possible outcomes for customers. We have shared with the Chair of the ICG the content of the Annual Performance Report Part 3.

We produce extensive Company information obtained from measuring and recording what we do. Much of this is provided to our regulatory stakeholders and other stakeholder groups or published in our Annual Performance Report and on our website.

The Board has put in place an audit and assurance framework designed to allow the systematic monitoring and evaluation of the various aspects of our performance to ensure that standards of quality are being met. This involves having appropriate governance arrangements, close involvement by our Board in the assurance process, and the right level of independence in the process to provide third party review and challenge. This provides assurance to our Board, stakeholders and customers and gives legitimacy and certainty on the level of performance and service that we are delivering. This means that our statutory and regulatory reporting requirements are met in full with a high level of assurance.

We have prepared a stand-alone Data Assurance Summary which details the assurance activities relevant to this Annual Performance Report and other publications. This can be found at [Data Assurance Summary](#).

Appendix 1 – ‘At a Glance’ – Schedule documenting where individual elements of this report can be found.

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
Annual Performance Report – Parts 1, 2, 3 and 4 to 11. A report which provides specific information on progress on delivery of customer outcomes, service levels, transparent cost information and financial performance.	APR Webpage
A Risk and Compliance Statement. – Which confirms that the Board has: <ul style="list-style-type: none"> • a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations; • satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and • appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks. 	Board Statements and Certificates Pages 28 - 45
A Data Assurance Summary. A standalone report that highlights the results of the data assurance that we have carried out to evidence that the information provided is accurate.	Assurance Summary
Board statement on accuracy and completeness of data One of the obligations, outlined in Regulatory Accounting Guideline 3.14 is for the Board to prepare a Statement on the accuracy and completeness of data and information. (RAG 3.14 section 4.41 to 4.44)	Board Statements and Certificates Pages 21 - 27
Company Direction and Performance Statement A short annual statement explaining how we have set our aspirations and are delivering for everybody who depends on our services and how we have set our aspirations.	Board Statements and Certificates Pages 13 - 20
Ring-fencing certificate The Ring-Fencing Certificate (“RFC”) is a certificate stating that in the opinion of the Board the Company has sufficient resources to enable it to carry out its Regulated Activities, for at least the twelve-month period following the date on which the Certificate is submitted to Ofwat. (RAG 3.14 section 3.26 to 3.29)	Board Statements and Certificates Pages 3 - 12
Accounting Statements	
Pro forma tables prepared in accordance with the formats, accounting policies and principles which apply to the statutory annual accounts of appointee. (RAG 3.14-section 2.2 to 2.3)	APR Tables
Publication of accounting statements – companies should submit the following documents: <ul style="list-style-type: none"> - ultimate UK holding company accounts - annual performance report including regulatory accounting statements; and - statutory accounts 	APR Part 1 APR Part 2

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
<i>(RAG 3.14 section 2.4)</i>	APR Parts 4-11 Annual Report and Accounts
Website publications – companies should publish the annual performance report on their website and accounting methodology statement. Also provide historic APRs on their website. <i>RAG 3.14 section 2.8 to 2.11)</i>	APR Webpage Accounting Methodology Statement
Audit – Auditors’ report and further information required from auditors. <i>RAG 3.14 section 2.12 to 2.14)</i>	APR Part 1 Annual Report and Accounts Page 199
Accounting Disclosures	
a statement which describes the link between directors’ pay and standards of performance (as required by section 35A of the Water Industry Act 1991 <i>(inserted into that Act by section 50 of the Water Act 2003)</i> <i>(RAG 3.14 section 3.2 to 3.8)</i>	APR Part 1 APR Parts 4-11 Annual Report and Accounts Page 173 Board Statements and Certificates Risk & Compliance statement on Pages 28 - 45
a statement as to disclosure of information to auditors <i>(RAG 3.14 section 3.9 to 3.10)</i>	APR Part 1 Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45 Annual Report and Accounts Page 196
a statement on dividend policy for the appointed business <i>(RAG 3.14 section 3.11 to 3.18)</i>	APR Part 1

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
	Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45 Annual Report and Accounts Page 195
an accounting policy note for price control segments (RAG 3.14 section 3.19)	APR Part 2 Annual Report and Accounts Page 224
a note on revenue recognition (RAG 3.14 section 3.20)	APR Parts 4-11 Annual Report and Accounts Page 215
a note on capitalisation policy (RAG 3.14 section 3.21)	APR Parts 4-11
a note on bad debt policy (RAG 3.14 section 3.22 to 3.25)	APR Parts 4-11
a statement on sufficiency of non-financial resources (RAG 3.14 section 3.28 to 3.29)	APR Part 1 Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45
the tax strategy for the appointed business (RAG 3.14 section 3.30 – 3.31)	APR Parts 4-11 Annual Report and Accounts Page 215
a statement on differences between statutory and RAG definitions (RAG 3.14 section 3.32 to 3.33)	APR Parts 4-11
a long term viability statement (RAG 3.14 section 3.34 to 3.37)	APR Parts 4-11 Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
	Annual Report and Accounts Page 100
a statement explaining out/under performance of the return on regulatory equity (RORE) (RAG 3.14 section 3.38).	APR Parts 4-11
Infrastructure charges – A statement which explains the variance between revenue costs arising from providing infrastructure network reinforcement for developers, which is proportionate to its value. (RAG 3.14 section 3.39).	APR Parts 4-11
Innovation competition – A breakdown of innovation competition spend. (Rag 3.14 section 3.40 to 3.42)	APR Part 1 APR Parts 4-11
Narrative disclosures	
<u>Outcomes</u> - narrative disclosures on performance (RAG 3.14 section 4.1 to 4.2)	APR Part 3 Annual Report and Accounts Page 48-66
<u>Totex</u> - narrative disclosures on any difference between the actual and allowed totex values (RAG 3.14 section 4.3 to 4.7)	APR Part 2
<u>Retail</u> – Commentary on material differences between total operating costs reported in pro forma 2C and the retail revenues allowed in price limits. (RAG 3.14 section 4.8 to 4.9)	APR Part 2
<u>Wholesale revenue control reconciliation</u> – Commentary on differences reported in table 2M line 3 and 2M line 8. RAG 3.14 section 4.10 to 4.13)	APR Part 2
<u>Current tax analysis</u> – an analysis of the appointed current tax charge or credit reported in line 1A.12 comparing this to that charge or credit resulting from applying the standard corporation tax rate to the profit or loss on ordinary activities for the appointed business (RAG 3.14 section 4.14 to 4.15)	APR Parts 4-11
<u>Current tax reconciliation</u> - a reconciliation of the appointed current tax charge (RAG 3.14 section 4.16 to 4.18)	APR Parts 4-11
<u>Interest</u> - Analysis of the appointed interest expense reported in 1A.7 and the appointed other interest reported in 1A.8 (RAG 3.14 section 4.19 to 4.20)	APR Part 1
<u>Financial flows</u> – Information on the financial flows and supporting commentary (RAG 3.14 section 4.21 to 4.22)	APR Part 1
<u>Narrative on costs</u> – Companies to provide various commentaries (RAG 3.14 section 4.23 to 4.33)	APR Parts 4-11

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
<u>Supply-demand balance and metering</u> – Companies to provide details of their expenditure in the areas of long term improvements to supply-demand balance and strategic regional water resource solutions (RAG 3.14 section 4.34 to 4.37)	APR Parts 4-11
<u>Analysis of debt</u> – companies to provide reconciliation explaining any reason for differences between table 1E and 4B (RAG 3.14 section 4.38 to 4.39)	APR Part 1
Common Performance Measures – reason for any non-compliance for the reporting year (RAG 3.14 section 4.4)	APR Part 3
Return on regulatory equity – Narrative to explain any exceptional items companies have included in its calculation of RORE in line 4H.5. (RAG 3.14 section 4.45)	APR Parts 4-11
Financial derivatives - (RAG 3.13 section 4.46)	APR Parts 4-11
Social tariffs – Companies should provide a note which highlights the use of social tariffs or other forms of assistance they provide to improve affordability and accessibility for vulnerable customers. (RAG 3.14 section 4.47)	APR Part 3 Annual Report and Accounts Pages 15 and 124
Transactions with associates and the non-appointed business (RAG 3.14 section 5.4 to 5.11)	APR Parts 4-11 Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45
an Accounting Methodology Statement (RAG 3.14 appendix 2).	Accounting Methodology Statement
Publication of our bioresources market information and Bioresource market monitoring information on our website.	Assurance Summary Bioresources market information
Reporting for in-period outcome delivery incentives (IN 23/03)	Submitted to Ofwat alongside APR
Ring fencing certificates and long-term viability statements (IN 20/01)	APR Parts 4-11 Board Statements and Certificates Risk & Compliance statement on Pages 28 – 45

Individual elements of this report. Please click on relevant Hyperlinks to open document.	Where to find
Accounting for sludge liquor costs (IN 21/01)	APR Parts 4-11 Accounting Methodology Statement
Greenhouse gas emissions (IN 23/03)	APR Parts 4-11 Annual Report and Accounts Page 120
Requirements and expectations for ring-fencing certificate (IN 20/01)	Board Statements and Certificates Pages 3 - 12 Annual Report and Accounts Page 161
Wt7 - Water Catchment Improved Annual Report	WC Improved Annual Report
Open Data (IN 23/03) Rationale setting out which open data characteristics were adopted, how these were chosen, reasoning for the decision and what considerations influenced our approach.	Open Data Rationale Consolidated Performance Commitment Data
<u>Board leadership, transparency and governance</u> A demonstration through our annual reporting on how we are meeting our Board leadership and governance principles.	Annual Report and Accounts Page 144-197 Board Statements and Certificates Statement on company direction and performance Pages 13 - 20

Please also see 'Our Assurance Framework' webpage where you can access all of our Annual Performance Reports for the last five years along with details on our assurance activities. [Link to Our Assurance Framework](#).