



Bringing water to life –

supporting the lives of people and the
places they love for generations to come

Annual Performance Report and Regulatory Reporting 2023
Version 2 - January 2024

Welcome to South West Water

Bringing water to life –

supporting the lives of people
and the places they love for
generations to come.

Innovation, new technologies and the
pioneering of a holistic approach to
water and wastewater management
are delivering service improvements
and long-term value.



Our approach to reporting

This Annual Performance Report and Regulatory Report provides a summary of performance against our regulatory outcomes and performance commitments in the third year of the 2020-2025 Regulatory Reporting period.

These outcomes and commitments were agreed as part of South West Water's and Bristol Water's business plan.

Following the merger of South West Water and Bristol Water licence and statutory transfer in February 2023, this report combines outcomes, activities and reporting across all regions South West, Bournemouth, Bristol and Isles of Scilly.

For Regulatory Reporting purposes, outcomes, financial and operational data have remained separate, in reality we are operating as one Water business, working through the integration. Throughout this document the references depict which company the information covers.

Key

- Major water treatment works
- Major wastewater treatment works
- Bathing waters
- Shellfish waters



South West Water (SWB) – Refers to the combined company across all five regions (South West (Devon & Cornwall), Bristol, Bournemouth & Isles of Scilly)



South West (SWB) – Refers to the four regions Devon, Cornwall, Bournemouth & Isles of Scilly



Bristol (BRL) – Refers to the Bristol region

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Key stories of the year


WaterFit launch

Our plan for healthy rivers and seas launched in April 2022

 **WaterFit** page 20



Green Recovery

Our plan to deliver on improving public health, protecting the environment and addressing climate change

 **Green Recovery appendix**
www.southwestwater.co.uk/report2022

How to use this report

Throughout this report we make reference to different resources both online and within the document. The following key reflects the symbolism of content throughout:

-  **External link**
In the interactive PDF these links are clickable
-  **Page reference**
Pages where you can find more information on a related subject

Find out more about South West Water:
www.southwestwater.co.uk



1. 'Employees': Included SWB retail activity completed in our household 100% subsidiary (South West Water Customer Services Ltd), but excludes customer service activity in Bristol Water completed by Pelican Ltd, a joint venture with Wessex Water.

Operational performance

We have provided summaries of operational performance against our eight outcomes in the sections of the report below. A two-page summary of our performance is on pages 14 and 18.

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Our operations at a glance

A socially responsible business

We know that water companies have a vital role today and every day, providing customers with safe and clean drinking water, and protecting our region's rivers and coastal waters, and recycling wastewater to the highest standard.

We have set stretching performance commitments against our outcomes which are subject to significant Board, customer, regulator and wider stakeholder scrutiny. Progress against these commitments has been summarised in each section of this report.

Driven by our values



Trusted




Responsible



Collaborative



Progressive

 Our values page 47



South West
Water

655

Wastewater treatment works

Across our South West
Water operations



South West
Water

25,502km

Drinking water pipelines

Across our operations



South West
Water

c. 2.3m

Residents

Residents utilising our water
and/or wastewater services



South West
Water

12th

C-MeX

Industry wide measure
of customer satisfaction

South West
Water

23,031km

Wastewater network

Across our South West Water
operations

South West
Water

58

Drinking water treatment works

Across our operations

Bristol
Water

c. 1.2m

Residents

Residents utilising our water
services in the Bristol region

Bristol
Water

6th

C-MeX

Industry wide measure
of customer satisfaction

Our operations



South West Water

We provide water and wastewater services to South West Water customers in the Isles of Scilly, Cornwall, Devon and parts of Dorset and Somerset.



Bournemouth Water

We provide water services to Bournemouth Water customers in parts of Dorset, Hampshire and Wiltshire.



Bristol Water

We provide water services to the city of Bristol and surrounding areas.



111,515ha

Catchment management

Total hectares improved



17,693

Biodiversity index score

The score for the quality of the habitat across our own sites



38

Reservoirs

Reservoirs across our operations



c. 3,000¹

Employees

Working to deliver our services across our region



100%

Bathing water quality

All of our designated bathing waters which were assessed during the year met stringent water quality standards



Introduction

Rebuilding trust - tackling challenges head on

Our performance for 2022/23

2022/23 has been an extraordinary year in which extreme weather patterns tested our operational resilience and inflationary pressures proved our financial resilience. Our dedicated employees also deserve credit for their care and consideration for customers and each other, as well as for their passion for the places they live and work in. It has not always been easy for them with the media headlines shining a spotlight on what we can and need to do better.

We acknowledge that there is indeed much to do, to modernise our Victorian sewage system and to protect the environment. The Board are focused on planning, prioritising and investing in the changes needed. We are listening to our customers, stakeholders and regulators. We all share the same view; this is a multi-generational challenge and one that take time to achieve sustainably. We can and must make progress in the short-term too, and in rebuilding trust and confidence in the sector.

Looking beyond the headlines, there has been progress. We are making progress against our priority areas; of storm overflows and pollutions; climate change; water quality and resilience and customer affordability.

Storm overflows and pollution incidents

For 2022, overflow spills reduced by 30% whilst recognising there is more to do. Whilst undoubtedly the drier weather played a part, around half of the improvements are down to interventions through capital investment to increase network capacity and site resilience and proactive maintenance and operational interventions.

With 100% monitoring of storm overflows now in place, a year ahead of plan, we launched WaterFit Live, giving customers and visitors near time information about their favourite bathing beach, and storm overflows, as well as the detailed investments we are making to reduce overflow spills across the region's coastline by 2025, with 49 beaches prioritised. Through #Your beach, Your Say, Our investment, we will empower our customers and communities to work together to plan our next phase of improvements.

Against our pledge to reduce our impact on rivers by one third by 2025, we are well on our way to mitigate impacts from our own assets and practices. Through sewer separation and four phosphorous schemes completed during the year our impact has reduced from 19% to 12.6%. In addition, our pilots on the rivers Dart and Tavy to explore how we might achieve the region's first bathing quality river, are well underway. Given this is a community-led designation process, we have been bringing together stakeholders and community groups to work collaboratively.

We continue to drive down pollution levels, as we committed to, with a 50% overall reduction since 2020, a 75% reduction in the number of serious incidents and maintaining our record of zero category 1 incidents. Continuing this trajectory to 2024 will see us achieve the lowest number of absolute pollution incident numbers. Our focus continues on the network through rising main replacements, installing 9,000 sewer depth monitors and continuing our investment in technology and innovation. This performance has achieved an EPA rating of 2 star for 2022 and we are focused on achieving 4 star for the 2024 year.

Climate change & Net Zero

This was also a year where in addition to drought, we saw some of the worst storms, with freezing temperatures, rapid thawing and flooding. It's clear that the impact of climate change is here now, and we all need to play our part in protecting precious resources. Delivering on our Net Zero 2030 commitment is important. We are making good progress in all 3 areas of our promise to the planet – sustainable living, championing deliverables and reducing carbon emissions. We have improved 80% of the catchments we work in, through activities such as peatland restoration and tree planting. We have also reduced our carbon emissions by c.40% since 2021.

Water quality and resilience

The supply of clean and safe drinking water remains Customers' top priority. We can never be complacent and it's the reason we take a "quality first" approach working with the Drinking Water Inspectorate (DWI).

We operate across a unique topography where over 90% of water resources are derived from rivers and reservoirs. None of our strategic reservoirs are directly connected to treatment works. This means it's the low river flows that will drive the depletion of a reservoir, which act as a storage facility in drier months. The last six months of 2022 were exceptional. We experienced the hottest, driest, weather on record and a consequence of climate change. A combination of a lack of rain, the fourth driest period in 130 years, extreme heat, with high levels of soil moisture, and increased demand as a result of population growth, uniquely converged to put pressure on one of our five strategic reservoirs. Colliford, serving Cornwall as we sought to continue to protect the river health in the region working closely with the Environment Agency.

We have been able to deploy innovative solutions, using tried and tested models elsewhere in our region. Using our learnings from the Isles of Scilly's successful use of desalination, this is now an important component of our future water resource strategy, and we are well into progressing plans.

Our proactive acquisition of disused mining quarries over the past 15 years, re-purposing them as water resources, meant we could provide additional storage in the second half of the year, and we continue to do so, alongside building new pipelines. We have increased our leakage activities, as well as fixing customer side leaks for free, and have routinely fixed three times the planned levels averaging around 2000 a month.

On the demand side, the success of our unique and innovative Stop the Drop campaign, where the campaign gained traction as the collective might of the people came together to see a sustained reduction in customer demand (c.5%) over the period, has been a useful learning. We continue to engage with our customers to influence behavioural change, through our now ongoing customer campaign Save

Every Drop, and in issuing over 130,000 free water saving devices from water butts to shower heads. At the same time, we are focused on reducing our own usage on our sites.

Against a worse credible planning scenario, we are better positioned because of the actions we have already taken, and those already underway.

Customer affordability

We are all living through the worst cost of living crisis that many will have experienced in their lifetime, and in a region, where 1 in 3 constituencies have above average levels of deprivation. Rising prices have weighed heavily on everyone and it is critical that we are supporting all customers.

We continue to work hard to deliver quality services as efficiently as possible, so that bills remain as low as possible. In all the areas we serve, average bill increases for 2023/24 will be well below the headline rates of inflation (South West Water – 0.8% and Bristol Water – 5.5%) and we are pleased that the vast majority of our customers find their bill affordable – with 97% of South West Water customers and 100% of Bristol Water customers bills assessed as being affordable.

We are committed to eliminating water poverty across the region and have an extensive package of affordability and vulnerability measures across the water businesses, including specific tariffs and income maximisation schemes.

We believe that nobody should worry about their water bill, which is why we have an extensive package of affordability and vulnerability measures, including specific tariffs and income maximisation schemes. We also appreciate the broader cost of living pressures and understand that everyone is different, which is why the support we offer is different. The support we provide includes discounts to bills amongst other initiatives, and we are pleased to have increased the number of customers benefitting from one or more of our social tariffs by 23%.

Financial performance

Return on regulated equity for 2022/23 of 9.3% for South West Water and 5.1% for Bristol Water is driven by our flexible financing strategy and diverse debt portfolio, with a comparatively lower level of index-linked debt to the industry average, allowing us to outperform the cost of debt allowances. Our efficient financing strategy continues to drive significant outperformance with South West Water's effective interest rate at 5.5% (2021/22 3.9%). Given the current macro-environment, this strong financing outperformance has outweighed the net ODI penalty contributions and higher totex. At a combined Group level, excluding one offs and reinvestment RORE is c.10.5%.

Overall, SWB has spent c.110% of our total expenditure allowances (across water and wastewater) for the first three years of this regulatory period, with enhanced expenditure at c.70% of allowances (enhancement spend represents just c.20% of totex). While this may be below the expected level in the Final Determination, investments are being delivered in line with Environment Agency expectations and deadlines – with some delivered ahead of timeframe, and therefore delivering accelerated benefits for customers and for the environment.

“
In an extraordinary year, we have tackled the challenges head on, responding with agility and pace, as we have pivoted to focus on the things that matter most.”



We have delivered efficiencies and savings across the programme in the first two years which is enabling investment in other areas including our WaterFit programme – with £45 million reinvested to reduce spills and deliver improvements for our rivers and beaches and our drought resilience investments of c.£125 million. For wastewater South West Water is committed to delivering our WINEP (Water Industry National Environment Programme) obligations and other commitments whilst remaining dynamic to changes in the environment. Given the increasing profile of enhanced investments we are forecasting to over-spend our allowances by 2025 and have substantially recovered our position in 2022/23 with c.125% of annual allowance spent in the year representing c.63% cumulatively (39% 2021/22). For Water enhancements c.95% of allowances were spent in year, representing c.74% cumulatively, BRL has spent c.125% of allowances over the regulatory period to date.

Bristol integration

In February 2023 we successfully concluded the Licence and statutory transfer of Bristol Water, transferring employees into South West Water. It is now easier to share best practice, for example our approach to Quality First, ensuring clean and safe drinking water at the top of our priorities. Customer service is also an area where strategies and plans can be shared to improve performance for customers across all our regions.

Whilst we have successfully merged our Licence, we are continuing to track separately the outcomes, financial and operational data has been clearly reported.

A socially responsible business

We continue to focus on operating a socially responsible business that can deliver for colleagues, customers, and the environment. This is key to rebuilding trust, and for our customers and communities to feel listened to. For this reason, and given the cost of living crisis has been weighing heavy on many customers, the Group CEO declined to take either her annual bonus or long -term incentive award for this year. Instead, the funds will go where it's needed most, to our customers, as part of our unique WaterShare+ scheme. At the same time, the South West Water dividend was restricted to c.£12m.

The Watershare plus scheme is unique to South West Water and puts customers at the heart of what we do. Customers can either opt to take shares in our parent company Pennon Group, as opposed to money off

their bill, and we were able to include Bristol customers for the first time. With 1 in 14 households in the South West choosing to become shareholders, we are well on our path to ensuring that more and more customers have a stake and a say in their water company.

It also means that we spend more time directly engaging with our customers, at quarterly public meetings and at our customer AGM, so we can hear directly what matters most. And, in this cost-of-living crisis, we believe every customer should benefit from what we do. We have therefore ensured annual bill levels increases have remained well below inflation levels and the 7% annual increases seen across the sector, as we double the number of customers on support tariffs, and in eradicating water poverty.

We also believe in investing for the future for the good of the sector. Our 25-year partnership with the University of Exeter, CREWW – the Centre for Resilience in Environment, Water and Wastewater, is working to resolve some of the most pressing global challenges in the sector, not just in the UK but globally. Bringing together some of the best minds in Geography, Biosciences, Engineering, Economics and Psychology, we are looking to find answers ranging from how we can ensure there is enough water to cope with population growth and climate change, to how we prevent pollution and eliminate micro-plastics in our water supply.

Regulatory investigations

On 28 June 2022, Ofwat announced that South West Water would be included alongside five other companies who received formal notices in March 2022 as part of its ongoing investigation into how water and wastewater companies manage their flow obligations at wastewater treatment works.

On 23 May 2023, Ofwat announced an investigation into South West Water's 2021/22 operational data relating to leakage and per capita consumption. This operational performance data was reported in South West Water's 2021/22 Annual Performance Report. That report was subject to rigorous assurance processes including independent external technical assurance, as was summarised in that report.

Both of these investigation processes are ongoing, and we continue to work openly and constructively with Ofwat to comply with these formal notices issued to South West Water as part of these investigations, trusting in the regulatory process.

Looking ahead

In April, Ofwat also announced their draft Accelerated Programme, which includes an additional £125 million investment to 2030 and just under half will be delivered in the current regulatory period. This builds on our existing investments in the region including Green Recovery, WaterFit and Stop the Drop initiative.

As we look forward to our next price review, which we submit in October 2023, the Board is focused on ensuring we develop sustainable solutions for the issues the sector faces. We are currently undertaking our most comprehensive customer engagement programme ever, as this is the key to unlocking both ambitious and credible plans, supported by our WaterShare Plus panel.

We want to ensure we continue to deliver world class drinking water, boosting water resources and resilience across the Greater South West for the longer term. We also plan to reflect the unique needs of our region, and our 860 miles of coastline, building on our expertise in biodiversity, catchment management and Net Zero capabilities. And, with a focus on ensuring our plans are affordable, we will explore a suite of charging options and tariffs, reflecting our customer demographics, as well as continuing to evolve our affordability toolkit, protecting the most vulnerable and eradicating water poverty.

In summary, whilst there have been some areas where performance has been below expectations, it does still reflect resilient performance, in a challenging year and in which we have pivoted to focus on what matters most today, and in building our capabilities for the future.

The Annual Performance Report

This Annual Performance Report (APR) tracks performance against the 2020-25 Final Determination. It provides an update on the delivery of our performance commitments at the end of year three and includes information about our financial performance, our assurance approach, and the Board's approach to leadership, transparency and governance.

The report is designed to provide detailed information on the strategy, performance and governance from a financial and non-financial position, including extensive disclosure on the performance against our performance commitments.

This report is part of a suite of information and reports, which are shown on page 70. Providing reliable, accurate and transparent information and data is an essential part of building and maintaining trust with customers and other stakeholders who rely on the services we provide.

Our Assurance Plan published for the year, sets out our approach to assurance which is key to ensuring we provide open, transparent and accurate data and reporting.

We have applied our planned assurance approach to the data and information that is within this document and the supporting APR publications.

Business model and strategy


What we do



Water and wastewater

We provide water and wastewater services to our communities in the most efficient and sustainable way possible.

More information

 Our operations at a glance pages 00 and 01

For the benefit of our stakeholders



Customers

Our high-quality services support households and businesses in the regions we serve.



Shareholders and investors

Our strong business model ensures shareholders and investors get a fair return.



Regulators and stakeholders

Our engagement with regulators and key stakeholders ensures transparency in our business approach.



People

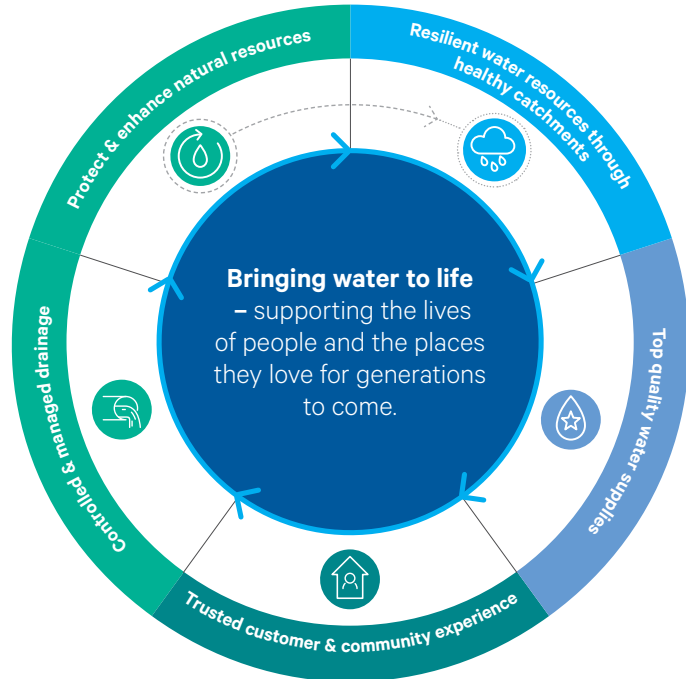
Our employees are highly valued and are integral to our success. Their health and safety is paramount.



Suppliers and contractors

The relationships we have with our suppliers and contractors are fair and deliver many regional economic benefits.

Our resources and relationships



Water resources

Ensuring an available and sufficient supply of raw water is critical to ensuring a continuous supply to customers. Our operations play a vital part in maintaining the level of river flows and their ecological health – from the level of water we release from our reservoirs into rivers, to the level we abstract and take to our treatment plants. Protecting the region's precious natural resources is at the heart of what we do.



Services to homes, and our wider communities

We manage an extensive network to deliver uninterrupted supplies to our customers whilst keeping customers' bills affordable. Our household retail contact centres are focused on providing excellent end-to-end customer experiences. From providing water and sanitation, through to environmental protection, recreational facilities, education, local jobs and investment for future generations. The services we provide are essential for the health and economic wellbeing of our local communities.



Water treatment and distribution

We take water from our reservoirs, river and groundwater sources and transport it to our treatment works, where it is treated to a high standard using a number of processes. Once the water is clean, safe and reliable we transport this to customers' homes and businesses through our c.25,000km of water pipes.



Wastewater collection

We maintain and operate c.23,000km of sewers in the South West region, removing waste from the homes and properties of our customers. Through our programme of proactive interventions, informed by extensive data and AI, we keep our network in the best possible condition, identifying and repairing issues alongside an extensive sewer cleaning programme.



Wastewater treatment and recycling

We treat wastewater to a high standard at our 653 wastewater treatment works before returning treated wastewater to the environment, safely. Bioresources created during the treatment process are a valuable source of both nutrients and energy and contribute to a circular economy.

The strengths we rely on

The best people

The talent, commitment and hard work of our people are the foundation of our success. As a responsible employer, we are focused on employee retention, training and development, productivity and, above all, an unwavering commitment to health, safety and wellbeing.

Effective governance

A strong governance framework provides oversight and support to the Company including robust decision-making and performance management processes.

High-quality assets

We invest in the construction of world-class facilities and plants that use state-of-the-art technology. We engage the best people to maintain and operate our assets, to ensure we always maximise returns.

Efficient financing

The strength of our proposition, and investor confidence in our performance and reputation, means that we are well funded with efficient long-term financing.

Environmental stewardship

We invest in the maintenance and improvement of our services, operations and assets and constantly seek more sustainable ways of working to protect, enhance and reduce our impact on the natural environment.

Strong relationships with our suppliers

We work closely with our suppliers and take the steps necessary to ensure their performance meets our expectations. We expect them to uphold our standards, align with our policies, protect human rights and promote good working conditions.

Well-managed risk

Comprehensive and fully embedded risk management processes assist us in identifying and managing risks and opportunities to deliver the Company's strategy and objectives.

Strong reputation and customer service record

High levels of employee engagement and accreditation as best place to work.

A stake and a say

Our unique WaterShare+ framework offers customers a greater stake and a say through Pennon share ownership or bill reductions, alongside a dedicated customer AGM.

Our Board pledges to 2025

As part of our business plan to 2025, South West Water included five Board pledges, whilst Bristol Water established five promises to meet customer priorities. These have been amalgamated and form the basis of our refreshed pledges to 2025.

- 1 We will deliver environmental leadership**
- 2 We will deliver reliable top quality water to our customers**
- 3 We will provide outstanding customer service and water quality**
- 4 We will deliver our promises, supporting the regional economy and our communities**
- 5 We will deliver efficiency, keeping bills as low as possible and addressing water poverty**
- 6 We will empower our customers by giving them a stake and more of a say in our business**

Our outcomes and other performance

Protecting places

Environment



Read more on pages 119 to 131 and 213 to 228

Reliable wastewater services



Read more on pages 119 to 131 and 213 to 228

Supporting people

Clean, safe and reliable supply of drinking water



Read more on pages 119 to 131 and 213 to 228

Available and sufficient resources



Read more on pages 119 to 131 and 213 to 228

Responsive to our customers



Read more on pages 119 to 131 and 213 to 228

Benefitting the community



Read more on pages 119 to 131 and 213 to 228

See also

Our people

Read more on pages 28 to 31

Creating value

Resilience



Read more on pages 119 to 131 and 213 to 228

Fair charging and affordability for all



Read more on pages 119 to 131 and 213 to 228

Financial performance

Read more on pages 32 to 33

Bristol integration

We are making strong progress with our integration blueprint, bringing together the two water businesses to improve customer service, strengthen our teams and share and implement learnings. The licence change and statutory transfer completed on 1 February 2023, bringing Bristol Water under the South West Water licence. Whilst we operate under one company and one regulatory licence, we recognise the importance of maintaining our customer facing approach and therefore we retain our three brands of South West (including Isles of Scilly), Bournemouth and Bristol Water.

Our proven integration blueprint consists of three phases. The first, focused on integrating our back office teams, is largely complete, and we are well underway in developing a combined plan for PR24 to deliver the best outcomes for all stakeholders. Phases two and three will focus on operations and customer services.

On 1 February 2023, Bristol Water colleagues officially transferred under Transfer of Undertakings (protection of employment) (TUPE) into South West Water, bringing together the best-of-the-best to share our expertise and best practices, building on our respective strengths and our strong heritage in delivering our essential water services for those who rely on us every day.

During the year we have included Bristol Water employee members into the relaunched employee engagement panel, RISE. The inclusive and employee-led forum has addressed important topics including cost of living, our future working arrangements: onboarding, induction and colleague communications. Throughout the year, we have increased our RISE members to over 100, giving employees an even stronger voice. We have continued to invest in our senior leaders to provide structured assessment and development opportunities for the integrated leadership team.

We implemented the Take 5 for Safety approach to point of work risk assessment that was active and delivering benefits in Bristol Water. We launched this across the whole business at the inaugural Group Health and Safety Conference in February 2023. This saw over 170 colleagues and members of our supply chain come together for an interactive day focused on the Take 5 concept and the fact that, while no one believes an incident will happen to them, it really can.

For our customers, we completed our second WaterShare+ issuance, where 1 in 14 households in the South West opted to take shares as opposed to money off their bill, and we were able to include Bristol Water customers for the first time.

In addition to becoming part of a Company with a strong resilient balance sheet and lower gearing level, Customers in Bristol have also benefitted through our second issuance of WaterShare+.

In light of this, the WaterShare+ Advisory Panel has been expanded to include the Bristol Water area and the approach means that we spend more time directly engaging with our customers, at quarterly public meetings and at our customer AGM, so we can hear directly what matters most.

In addition, given the cost-of-living crisis customers' bills were kept below headline inflation, and lower than industry average increases, deferring the increase in allowance available from the Competition and Markets Authority determination.



Integration blueprint

Phase 1 2022

- ✓ Corporate and shared services
- ✓ Licence changes
- ✓ WaterShare+ issuance

Phase 2 2023

- Further Phase 1 benefits to come through procurement, process and systems
- Operations

Phase 3 2024

- Customer service

WaterShare+



About the WaterShare+ Advisory Panel

The South West WaterShare+ Advisory Panel is an independent group of customer, business and social representatives.

The Panel works with customers across the region to ensure customers' voices are represented within the business.

The Panel is supported by expert advisors from the CCW, the Environment Agency and Natural England. All provide specialist insight and views to the Company on their areas of expertise. The Panel works with customers across the a the region to ensure customers' voices are represented within the business.

Whilst the combined Panel oversees strategic matters on behalf of customers across our regions, dedicated groups remain in place to continue to oversee and scrutinise our performance and delivery of operational outcomes to 2025 for South West and Bristol commitments.

Following the statutory transfer of Bristol Water on 1 February, a combined WaterShare+ Group Panel has been established which contains representation from across all of our operational areas, and is supported by our special advisors.

The Panel is helping in the development of our business plan 2025-30, challenging our proposals with a particular emphasis on our customer engagement – helping to ensure that our plans represent the views of our customers and communities.

Our subgroups on environmental and technical issues as well as customer views and affordability also focus on ensuring a deeper challenge on key issues. This ensures customers views and priorities are reflected in our plan.

The Group Panel is chaired by Lord Matthew Taylor with Peaches Golding (OBE) as deputy chair and includes representatives from our regulators.

The integrated Panel will also hold quarterly meetings in person that are open to customers and stakeholders, rotating across the regions. This will allow customers to have their say in the operation and direction of the business and allow us to listen to their views and ensure we understand their needs and concerns.

Biographies for members of the Panel can be found on the South West Water website, on the WaterShare+ page; see: www.southwestwater.co.uk/about-us/watershareplus/panel/



What does the Panel do?

The purpose of the Panel is:

- To boost customer engagement and feedback to help inform the Panel's assessment and response on the Company's performance
- To champion the interests and needs of customers by providing an independent view on the delivery of the Company's business plan, including its performance commitments and Board pledges
- To increase awareness of the WaterShare+ customer scheme of share ownership and a greater say in how the business is run.

The Panel works through a regular programme of meetings and engagement with the Company, expert advisors and customers throughout the year.

Current priorities for the Panel

The Panel's priorities for the current year are as follows:

- 1 Wastewater pollution reductions**
- 2 Targeted panel led customer engagement and research**
- 3 Performance commitments**
- 4 PR24 development**
- 5 Monitoring our Board pledges**

Have your say

You can tell the Panel what you think and have your say by asking them a question at:

South West Water WaterShare+ meeting
www.southwestwater.co.uk/about-us/watershareplus/meeting/

Bournemouth Water WaterShare+ meeting
www.bournemouthwater.co.uk/about-us/watershareplus/public-meeting/

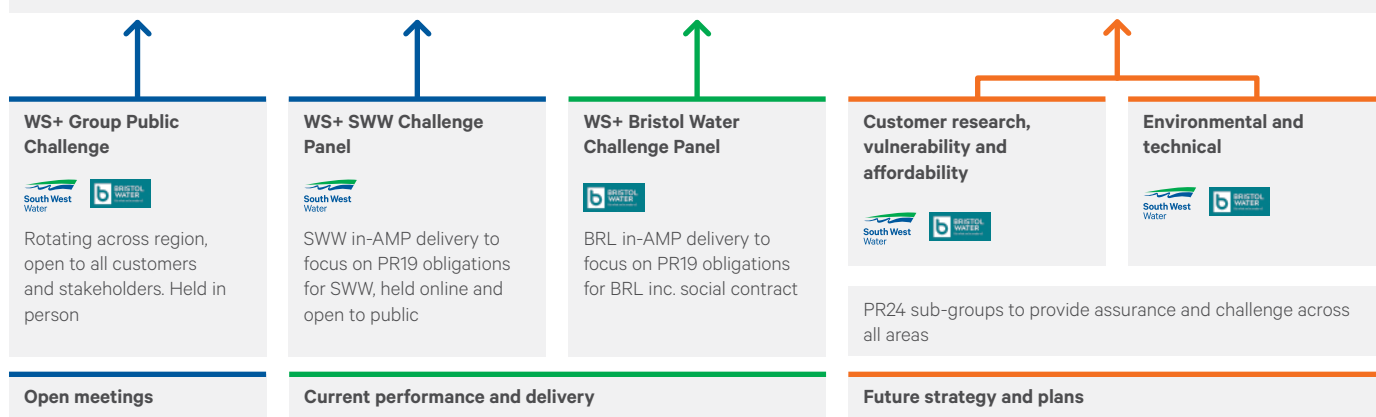
More information on the

Bristol Water Customer Challenge Panel is at:
www.bristolwater.co.uk/about-us/our-customers/

The WaterShare+ Group Panel

Integrated panel for to review the work of the sub-groups and respond to the single PR24 business plan

WaterShare+ Group Challenge Panel



Our stakeholders

Empowered by our purpose

The sector we operate in has a high profile with a wide stakeholder group. The work we do delivers a wide range of benefits to a variety of stakeholders, creating long-term sustainable value.

We are committed to carrying out our business in a responsible way and to continuously improve how we provide all our services for the benefit of all our stakeholders.

We actively engage with all our stakeholders including our customers, our communities, our people, our suppliers and our regulators. We are acutely aware that many of our stakeholders are struggling with the uncertainty posed by the cost-of-living crisis, the political landscape and the wider economic environment.

We are committed to maintaining appropriate and regular dialogue to ensure our strategy and our performance objectives always reflect our stakeholders' expectations and needs. Our continuous engagement allows stakeholders to give feedback on matters they consider of importance to them and raise any issues which they would like to be addressed.

Our approach to stakeholder engagement

- 1 Identify key stakeholders
- 2 Engage to understand priorities and material issues
- 3 Engage to develop strategies and plans to meet priorities
- 4 Engage on delivery and partnership working
- 5 Review and communicate progress and performance

Who they are

Our customers

We supply water and wastewater services to around 3.5 million residents in the South West and water and wastewater services to end users via retailers in the non-household market.

Our communities

We operate in the heart of local communities.

Our people

A total of c.3,000 people work for South West Water, in corporate and operational roles. It's our people that keep things moving 24/7 to deliver wastewater services and to ensure our customers receive clean and safe drinking water.

Our environment

Beaches, bathing waters, rivers, our natural environment sets us apart as a region. We recognise that is what makes us unique. It also creates a similarly unique set of challenges and opportunities. We recognise that to meet these effectively, we need to collaborate and to build strong, value-filled partnerships with the wide range of environmental stakeholders in the region.

Our suppliers & contractors

As a large organisation we work with a large and diverse supply chain. Our supply chain partners play a vital role in supporting sustainable growth and cost base efficiency across the business.

Our regulators

We have an open dialogue and meet regularly with our regulatory bodies: Ofwat, the Department for Environment, Food & Rural Affairs (Defra), the Environment Agency, the Drinking Water Inspectorate and the Health and Safety Executive (HSE).

Our policy makers

Our stakeholder strategy includes building an open and transparent relationship with the widest range of policy makers, from local MPs, who seek to reflect the local priorities of their constituents, to UK Government which ultimately sets water priorities and policy, through bodies such as Defra, Natural England and the Environment Agency.

How we engage

- Regular customer satisfaction surveys
- Customer service centre
- Focus groups
- Co-creation workshops
- Extensive customer research
- Customer AGM
- Quarterly public customer meetings
- WaterShare+ Advisory Panel and Challenge panels
- Engaging our communities in behavioural change campaigns
- South West-wide specific partner engagement
- Community outreach programme working directly with the Affordability and vulnerability partnerships
- Launch of WaterFit Live
- Annual colleague Great Place To Work trust and engagement survey and work with senior leaders to develop local action plans
- RISE employee engagement forums – Represent, Inspire, Share and Energise
- Two-way communication activities including fortnightly Big Chats, monthly senior leadership calls, Executive and Board site visits, as well as ongoing internal communication social channels Yammer and our intranet
- Our senior leadership team meets routinely with leaders of environmental organisations and charities
- Expanded liaison with fishery and other local environmental groups
- Regular meetings with the Environment Agency both at strategic and catchment level
- Regular meetings and liaison with partners such as Surfers Against Sewage, the Wildlife and River Trusts
- Regular meetings and communications
- Supplier reviews and audits
- Code of Conduct for supply chain partners
- Sustainable Procurement Policy
- Formal contracts and framework agreements
- E-procurement and risk management platforms
- Regular meetings (seek to approach areas collaboratively)
- Reports and reviews
- Responding proactively to Consultations
- We are a member of Water UK, which works with Government, regulators and stakeholders to develop policy on water and the sustainable delivery of water services in the UK
- At a local level, we meet on a regular basis with MPs, hosting site visits and constituency-based meetings. We also contribute to round table debates as and when relevant
- We regularly respond to all consultations, and over the past 12 months, appeared before the Environmental Audit Select Committee into river water quality

Our engagement this year

Our engagement with our customers continues throughout the year through surveys or focus groups, where we regularly ask our customers opinions on things that matter most. As we progress through our planning of the next regulatory period, our engagement has gone further, whilst also taking feedback from our unique WaterShare+ panel.

Key



Focus groups



Survey



Customer panel forum



Our action plans



Following the licence merger of South West Water and Bristol Water in February 2023, we have sought to align our strategy, activities and approach to driving and reporting our performance.

This has included how we report our Outcome Delivery Incentives (ODIs), which apply to performance commitments.

Bristol Water had focused on three outcomes:

- Safe and reliable water supply
- Local community and environmental resilience
- Excellent customer experience

We have reviewed these and aligned the Bristol performance commitments with the original eight South West Outcomes, which now form the basis for all regions. However, in line with Regulatory Reporting requirements to 2025, we are clearly reporting ODI performance separately across all performance commitments.



Delivering fundamental services to our c.2 million customers across the South West is at the heart of our 2020-25 Business Plan.

With stretching performance commitments, improved environmental outcomes, and a need to keep customer bills as low as possible, our plans also include record levels of investment to achieve our ambition of being a leading water company, delivering for our customers.

In 2021/22 Ofwat's water company performance report assessed South West Water as delivering in 7 out of 12 of the measures commonly used to compare performance across the industry, with our internal sewer flooding performance placing us 1st overall. However, with five of the measures not on target, we were assessed as lagging for 2021/22.

There are clearly important areas where we need to improve. In March 2023 we published our action plans to ensure we can confidently deliver on our commitments to customers and the environment.

We will regularly update our progress against our actions plan to ensure we are driving for improvements.



What are we doing about it to get back on track:

For each of the 5 areas where

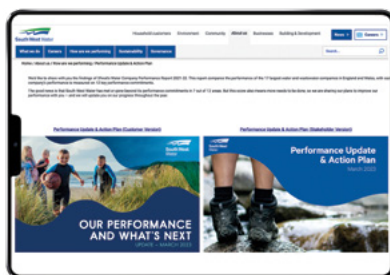
performance was below target for 2021/22, we have set out our key actions to improve performance:

- **Customer satisfaction**
 - our enhanced digital offering focuses on supporting our vulnerable customers as well as targeting to resolve customer issues first time. We aim to improve our customer perception through continual engagement, ensuring we are open and transparent.
- **Supply interruptions**
 - we have plans in place to improve our performance through technology innovation and working with partners to respond to bursts more rapidly.
- **Water quality**
 - our ongoing investment plans to 2025 will mitigate the risk of significant water quality failures, with our action plan delivering improvements through our 'Quality First' transformation programme and lead pipe replacement projects.
- **Pollution incidents**
 - building on our improved performance with further reductions forecast in 2022, our action plan will focus on rising main replacements, installing 9,000 sewer depth monitors, and continuing our investment in technology and innovation.
- **Wastewater treatment works compliance**
 - with provisional performance improving to 99.4% in 2022, our action plan targets performance through our hotspot investment programme, deployment of data and telemetry, and investment in alternative power supplies to increase resilience.



Find out more about our action plan:

www.southwestwater.co.uk/about-us/how-are-we-performing/performance-update-action-plan/



2022/23 Performance

Given the outturn of 2021/22 we had already implemented a number of actions to improve performance this year which formed the basis for our published action plans.

For 2022/23 we have seen improvements in our performance. Treatment works compliance delivered our best ever score at 99.4% (jointly ranked third) and was above the industry threshold of 99%. Our actions to manage the impacts of the drier weather were successful – focusing on mitigations at our highest risk sites, and also the improvements made with our trade effluent customers supported this performance.

In addition, whilst below target wastewater pollution incidents reduced by c.30% and CRI improved by c.38% and is expected to be ranked second for water and sewerage companies. Our pollution incident reduction plan delivered a c.30% reduction in incidents with around 1,400 sewer depth monitors installed (above the 1,000 targeted for the year), 18 of our most at risk rising mains were replaced and we continued the roll-out of our network innovation. Our 'Quality First' transformation programme is delivering results and those sites where significant investment is planned are progressing well. We are also investing in interim mitigations at Knapp Mill – ahead of the new treatment works being completed to avoid water quality issues which arise.

2022/23 Performance



Whilst in 2021/22 Bristol was recognised in the 'leading' category, the impact of the extreme weather

in the year has impacted performance across our water metrics. Where we await the outcome of Ofwat's assessment (released later in the year based on all companies Annual Performance Reports), we recognise the need for improvements and have established action plans to recover performance in these areas. We plan to publish our plans later in the summer.

- **Leakage levels**

Our plans to further tackle leakage include increasing acoustic network loggers, investigating and resolving 19 district monitor areas (DMAs), increasing pressure management and reviewing distribution systems specifically around Purton and Barrow treatment works whilst maintaining our active engagement with Bristol City Council to target more timely repairs.
- **Mains repairs**

Mains repairs in 2022/23 were impacted by the weather and we are expecting this will return to target. Our plans for continuing improvement include c.12km of mains renewals in an area of the Mendip Hills with further investment planned for 2025.
- **Supply interruptions**

Focus on root cause and event management, third-party damage reduction and resourcing continuous water supplies across our regions. We are also focusing on our training – utilising the new Network Training Centre near Exeter.

As outlined in our action plan, we expect a gradual improvement in CMeX over the next two years – with a target to achieve an above average ranking by 2025. As a result our 2022/23 of 12th was expected and we continue to track our performance against our action plans – in particular seeking to improve customer perceptions which is the area of greatest challenge.

In recent years we have seen supply interruptions impacted by larger events – and 2022/23 has seen also some large events as well as the impact of the freeze/thaw events in December 2022. Despite our continuing investment in our alternative water supplies and these large events resulted in performance below target.

Our action plans also reflected an increase in our enhancement expenditure. In the year we have delivered our environmental outputs in line with our plans with cumulatively 536 of the 538 outputs met. We delivered bathing water schemes, flow to treatment and storm storage as planned and as outlined in our action plan, whilst we have delivered investments in Exmouth for Shellfish water improvements, the scheme is more complex than expected in the business plan and now relies on PR24 investment to more than double the capacity of the works. Whilst we work with the Environment Agency to agree both the 2025 and 2030 investment plans it is expected that this will exceed the enhancement allowances within the final determination.

99.4%



Treatment work compliance
Compliance



2.40



Water quality compliance (CRI)* Number



61.93



Pollution incidents
Incidents per 10,000km



12/17



Customer satisfaction
C-MeX score



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Supply interruptions
Duration



• Water quality compliance (CRI)

Continuing our lead replacement programme and network flushing we are rolling out the successful 'Quality First' programme across Bristol focusing on tank cleaning, enhanced risk assessment and rapid response to issues identified.

• Unplanned outage

The impact of the pump failures and clarifier outages at one of our largest works (Purton) represented the majority of the issues in 2022/23. This issue continues into 2023/24 as the programme to replace these assets to reduce future risks is ongoing for completion over the next two years. Alongside these investments we are critically reviewing all assets at our treatment works through a sustained study to inform future investment planning decisions.

9.3% (36.9)



Leakage levels
Reduction from baseline (MI/d)



170.8



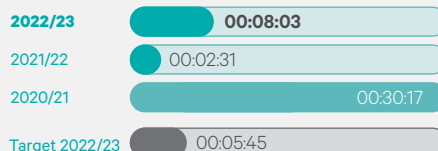
Mains repairs
Number



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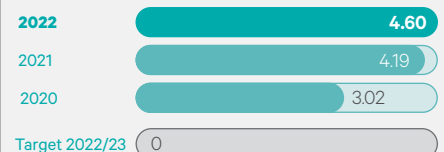
Water supply interruptions
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4.60*



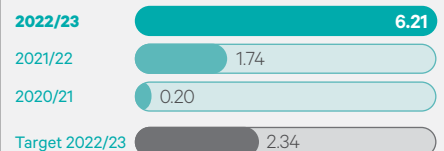
Water quality compliance (CRI)* Number



6.21



Unplanned outage %



Performance summary



Outcome delivery incentives 2022/23 – c. 70% on track or ahead of target

✓ 6

Area of excellence

Where performance has significantly exceeded our commitment

✓ 10

Outperformance

Where performance has demonstrably exceeded our commitment

○ 15

On track

Where our performance has met our commitment or is within tolerance

✗ 10

Marginal underperformance

Where we believe we have plans to quickly return performance to within committed levels

✗ 3

Area of focus

Where significant work is underway to achieve plan commitments, with Executive-led improvement plans overseen by the Board

Water

6 OF 10

Targets met/on track

Clean, safe and reliable drinking water

- ✗ Water supply interruptions
- ✓ Mains repairs
- ✓ Unplanned outage
- Taste, smell and colour contacts*
- Efficient delivery of the new Alderney WTW
- ✗ Water quality compliance (CRI)*
- Efficient delivery of the new Knapp Mill WTW**

Available and sufficient resources

- ✗ Water restrictions placed on customers
- Leakage
- ✗ Per capita consumption

Wastewater

6 OF 9

Targets met/within regulatory deadband

Reliable wastewater services

- ✓ Internal sewer flooding
- ✓ Sewer collapses
- ✗ External sewer flooding incidents
- ✗ Sewer blockages
- ✓ Odour contacts from wastewater treatment works
- Treatment works compliance*
- Total wastewater treatment works (WWTW) compliance*
- Descriptive compliance**/***
- ✗ Compliance with sludge standard*

Customer

6 OF 8

Targets met/on track

Responsive to customers

- ✗ D-MeX
- Operational contacts resolved first time – water
- Operational contacts resolved first time – wastewater
- Customer satisfaction with value for money
- British Standard for Inclusive Service Provision
- ✓ Overall satisfaction of services received on the Priority Services Register
- ✓ Priority services for customers in vulnerable circumstances
- Sub-measures
- ✓ Priority services for customers in vulnerable circumstances – reached
- ✓ Priority services for customers in vulnerable circumstances – actual contacts
- ✓ Priority services for customers in vulnerable circumstances – attempted contacts
- ✗ C-MeX

4 OF 4

Targets met

Fair charging and affordable bills for all

- ✓ Installation of AMR meters
- ✓ Number of customers on one of our support tariffs
- ✓ Voids for residential retail
- ✓ Percentage of customers who find their water bill affordable

Environment

3 OF 6

Targets met/on track

Protecting the environment

- ✓ Biodiversity – enhancement
- Biodiversity – compliance*
- ✓ Biodiversity – prevent deterioration
- ✗ Pollution incidents*
- ✗ Number of pollution incidents category 1-3 (water only)*
- ✗ EPA*

Resilience

4 OF 5

Targets met/on track

Resilience

- Resilient water and wastewater services on the Isles of Scilly
- ✓ Resilience in the round – wastewater
- ✗ Resilience in the round – water
- ✓ Risk of sewer flooding in a storm
- Risk of severe restrictions in a drought

Community

2 OF 2

Targets met/on track

Benefitting the community

- ✓ Bathing water quality
- Abstraction incentive mechanism**

* Calendar year incentive.

** Two performance commitments have no commitment for 2021/22 but are on track for future years' commitments.

*** Descriptive compliance was not achieved this year, but is within the regulatory deadband and is considered 'on track' for future years.

Outcome delivery incentives – 2022/23 – c.65% on track or ahead of target

 **3**

Area of excellence

Where performance has significantly exceeded our commitment

 **11**

Outperformance

Where performance has demonstrably exceeded our commitment

 **7**

On track

Where our performance has met our commitment or is within tolerance

 **4**

Marginal underperformance

Where we believe we have plans to quickly return performance to within committed levels

 **6**

Area of focus

Where significant work is underway to achieve plan commitments, with Executive-led improvement plans overseen by the Board

Water

4 OF 11

Targets met/on track



Clean, safe and reliable drinking water

-  Water quality compliance (CRI)*
-  Water supply interruptions
-  Appearance contacts
-  Taste & smell contacts
-  Mains repairs
-  Unplanned outage
-  Unplanned maintenance events on above ground assets
-  Properties at risk of receiving low pressure
-  Turbidity



Available and sufficient resources

-  Leakage
-  Per capita consumption



Customer

7 OF 8

Targets met/on track



Responsive to customers




-  C-MeX
-  Customer satisfaction with value for money
-  % of satisfied vulnerable customer
-  D-MeX
-  PSR – Reach
-  PSR – Actual contacts
-  PSR – Attempted contacts
-  Total complaints per 10,000

2 OF 3

Targets met/on track



Fair charging

-  Customers in water poverty
-  Meter penetration
-  Voids

Environment

5 OF 5

Targets met/on track



Protecting the environment

-  Biodiversity Index
-  Water Industry National Environment Programme compliance
-  Waste disposal compliance
-  Raw water quality of sources
-  Water Industry National Environment Programme delivery


Resilience

1 OF 2

Targets met/on track



Resilience

-  Customers at risk of severe drought restrictions
-  Glastonbury Street Network resilience



Community

2 OF 2

Targets met/on track



Benefitting the community

-  Local community satisfaction
-  Abstraction incentive mechanism

Operational review

Performance as measured by our Outcome Delivery Incentives (ODIs) was c.70% for South West Water and c.65% for Bristol Water.

2022/23 has been dominated by the weather, with some of the hottest, driest weather on record seen over the summer months, followed by rapid periods of extreme low temperatures over the winter months. The impact of the extreme weather varied across our regions – with a focus on water resources in Cornwall, whilst temperatures were coldest in the east of our region.

Whilst South West Water and Bristol Water now have a combined licence, we are required to continue to report our performance commitments separately.

This operational review therefore discloses the performance separately, but under combined themes where appropriate. Further detailed ODI performance is included on pages 119 to 131 for South West and 213 to 228 for Bristol.

Regulated water

Clean, safe, reliable drinking water

We are committed to ensuring the continuous supply of clean, safe and reliable drinking water, whilst preserving the natural resources within our region. The hot, dry summer has impacted the outcome of some of our water measures, however our dedicated teams and ongoing investments ensure that we are able to respond to challenges now and into the future.

Water quality

CRI

The Compliance Risk Index (CRI) score as reported by the Drinking Water Inspectorate (DWI) measures water quality compliance.

In South West CRI was 2.40, and whilst above the industry target of 2, this is an improvement from 3.86 last year and expected to be better than industry average and Top quartile for WaSCs Our 'Quality First' transformation programme is delivering results and the continued investment in advanced treatment technologies, including ceramic membranes and granular activated carbon, is designed to ensure compliance measures improve in future years.

CRI in Bristol at 4.60 is ahead of last year, impacted by the drier summer where demand increased over the summer increasing the output from our works to near capacity and placing pressure on our network. Further enhanced maintenance and resilience improvements are being delivered across our water treatment works with specific sites targeted for improvement.

Consistent with our action plan published for South West, we are rolling out our Quality First programme in Bristol, targeting key areas for improvement.

Taste, smell and colour contacts

We recognise that consumers expect their drinking water to look and taste great and that this is important in maintaining consumers' trust in the quality of our supplies and we continue to invest in all aspects of our operations from source to tap to maintain that trust.

South West contacts per 1,000 population continue to decrease to 1.51 from 1.55 and achieved the performance commitment target, despite our maintenance flushing programmes being temporarily suspended in the region over the hot, dry summer to reduce demand on our water supplies.

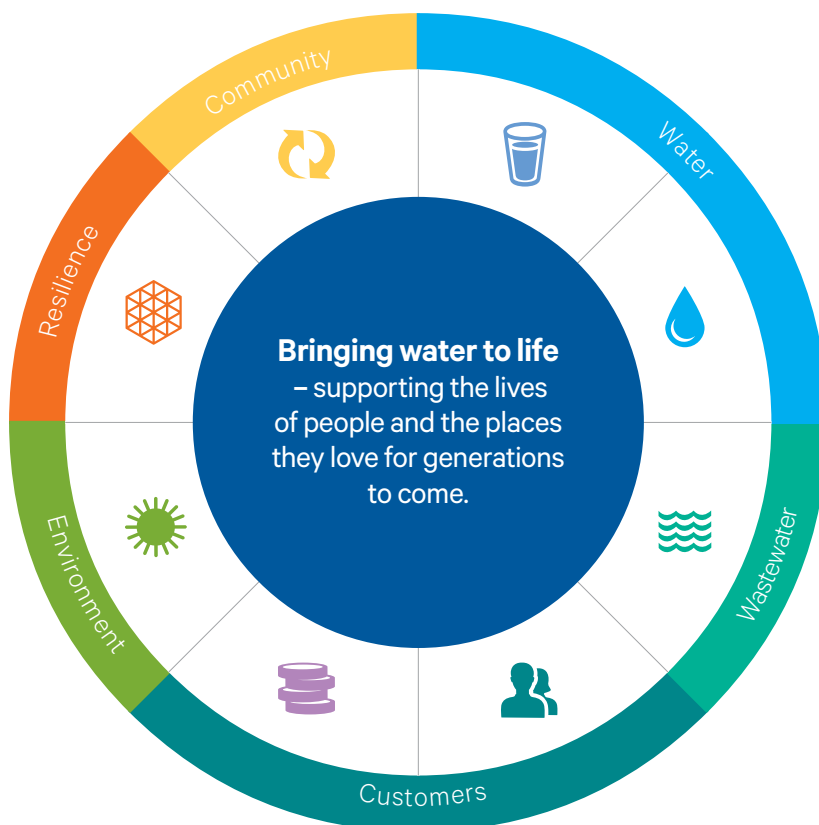
We continue to progress well in delivering enhanced manganese removal schemes at Restormel and St. Cleer in Cornwall. To address taste and smell, we are progressing further significant investments in advanced granular activated carbon treatment at Stithians in Cornwall and Littlehempston in South Devon, and are installing temporary GAC treatment at Horedown in North Devon to provide greater resilience over the coming summer.

Bristol performance at 1.21 shows a continuing improvement but is adverse to their combined target of 0.95, with higher contacts due to discoloured water, which can be caused by disturbances in the mains network.

Bournemouth Water treatment upgrades

As part of our business plan, we committed to building two state of the art water treatment works in the Bournemouth area. Good progress continues on both of these schemes. At Alderney work has continued on site clearance, building foundations, and enabling works as well as advanced procurement. Further design and piloting have been completed at Knapp Mill to reduce power demand and chemical consumption of the proposed scheme, as well as optimising the scope. Working with the local council we expect to secure Planning Permission by the end of June 2023.

Our outcomes are based on our customer and stakeholder priorities



“

We are committed to ensuring a continuous supply of clean, safe and reliable drinking water, whilst preserving the natural resources within our regions.”

Reducing leakage and supply interruptions

Leakage

We recognise that the prevention of water being lost in leakage from our pipes and assets is a key issue for all customers and is something we work continuously to reduce.

In South West, the specific investments made since the start of the regulatory period, teamed with the launch of our targeted action plan, are delivering results. In 2022, we targeted further leakage activities, focused on the Cornwall region to support supplies during the hot, dry summer, which included offering free leak repairs to customers, increasing detection and repair resources in the region as well as using innovative techniques to identify leaks – including satellite scanning. The rapid periods of extreme cold inevitably increased leakage over the winter, however the focus on activity earlier in the year resulted in us achieving our three-year average target. Whilst we know there's still more to do to find, fix and prevent leaks on our network, we're encouraged by the progress we've made to date, and continue to focus on delivering further improvements to achieve a 15% reduction over the K7 period.

In Bristol, we also experienced a significant increase in the number of major bursts in December when a deep freeze and subsequent thaw put a strain on the water network. However, this leak outbreak was more prolonged in its effect with a marked increase in customer supply pipe leakage. As a result, the three-year rolling average target was missed.

Minimising customer supply interruptions

We understand the inconvenience that supply interruptions can cause. The importance of 'always on' supplies, maintaining both public health and customer confidence, is one of our key priorities. Across the Group the hot, dry summer followed by the extreme cold following by rapid thaw has resulted in performance below target of 5 minutes 45 seconds for both South West and Bristol at 8 minutes 42 seconds and 8 minutes 3 seconds respectively.

At South West, the cold weather caused an increase in the number of bursts and interruptions during December, and two large diameter, complex trunk mains failures accounted for c.14% of the total interruptions. This reflects the way in which performance against this target can be impacted by a one-off issue. We have set out an action plan to improve performance with our strategy of dedicated, in-house supply continuity and alternative water supply team making long-term improvements to customers and our innovative network training centre ensuring we are managing our network effectively following repairs.

Bristol was also impacted by the freeze/thaw as well as increased bursts over the summer months as the network was tested by extreme demand and ground movement. Two significant events accounted for c.42% of the total interruptions, and again shows the impact of larger more complex events.

We are developing a detailed action plan building on the target areas in South West.

Investing to secure resilience, now and into the future

Per capita consumption (PCC)

This is an important metric to help the industry be more resilient into the future and help incentivise companies to conserve the natural resources around us. Per capita consumption is measured in percentage terms from a base line.

In the year, South West has targeted demand reductions through our extensive water efficiency programmes – giving away over 130,000 free water saving devices, successfully reducing demand in Cornwall through our 'Stop the Drop' incentive and ongoing 'Save Every Drop' campaign. Overall consumption has reduced, driven by lower numbers of visitors to the region, although still significantly higher than historical levels, but the remaining demand from households has increased due to the hot, dry summer.

For Bristol Water, the impact of COVID-19 as well as increased demand from the hot, dry summer continues to drive high levels of household demand, driving per capita consumption higher than the target.

To help customers reduce their consumption, we provide free water saving devices as well as donations to charities supporting water conservation to help promote and educate customers. This is in addition to our schools outreach programme, which aims to teach children about the importance of looking after our natural resources.

Water availability

In 2022, some of the hottest, driest weather on record, coupled with elevated demand from customers and tourism in the region placed significant pressure on our water resources. As a result of this, for the first time in 25 years, South West Water placed water restrictions, through 'temporary use bans' on customers in our Colliford water resource zone in Cornwall. All other areas, of Devon, Bournemouth, Bristol and Isles of Scilly had no water restrictions.

With the drought continuing in Devon and Cornwall, on 25 April 2023 we implemented a temporary use ban in parts of Devon, and we have already implemented supply-side interventions, including a winter recharge scheme, to recover our resource position at Roadford reservoir.

Despite the challenging conditions, positively, no customers were without water, and we have established robust plans to recover reservoir storage and manage supplies during this year, including a new reservoir on Bodmin Moor, winter recharges for Roadford reservoir and a new treatment works and recommissioning abstractions at Newquay in Cornwall.

Bristol Water's water resources were robust to the hot, dry summer with reservoir storage at c.100% at the end of March 2023.

1. Includes c.£15m tax.

2. Excludes the impact of the third-party Carland Cross event in 2021 which we are seeking to recover from the third party

3. ODIs on track or within regulatory tolerances.

Operational review continued

Smarter, healthier homes

As part of our Green Recovery plan, 'Smarter, healthier homes' focuses on investments that directly benefit our customers and help improve supply resilience, focused on installation of smart meters – enhancing customer engagement to help them manage their water use and bills more easily, carrying out a supply pipe 'adoption' trial, to relieve the worry of sudden unplanned financial demands arising from leaking and/or failed service pipes and embarking on a proactive lead pipe replacement programme.

As part of the acceleration investment ahead of the next regulatory period, we are expanding this programme into the Colliford area with an additional 40,000 smart meters and supply pipe replacements, with plans in the Bristol region to deliver around 2,000 lead and supply pipe replacements.

Maintaining asset health

Mains repairs

The ground movement and pressure on the network during the hot, dry summer, and the colder winter weather, particularly the 'freeze/thaw' experience in December, has impacted the number of mains bursts this year.

In South West the work to optimise the operation and control of our network by pressure management and other 'network calming' activities, particularly in the Colliford area to support drought activities, meant that whilst the number of bursts significantly increased above historical levels in December 2022 and early 2023 our target for mains repairs was met at 141.1 repairs per 1,000km of mains.

The weather impacts in Bristol have been similar, and whilst we have continued to minimise high pressure risks where we can and monitor the network for 'transient' pressure spikes that can lead to mains failures, the impact of the weather resulted in a significant increase in mains bursts, missing the target for the year.

Unplanned outages

Water treatment unplanned outage provides a means of assessing reliability of our water treatment works. It tracks the temporary loss of production capacity across all water treatment works, resulting from unplanned breakdowns and asset failure.

South West's performance in 2022/23 has remained strong, despite the significant challenges of high demand over the hot, dry summer, and compares favourably with the rest of the industry. Our 'summer preparedness' programme alongside our demand and supply management during the challenging summer resulted in unplanned outages reducing again this year with a figure of 0.70% compared to the industry-wide target of 2.34%.

At Bristol, unplanned outage has increased in 2022/23 primarily because of outages at our largest water treatment works, Purton, due to pump failures when the treatment works was operating at near capacity to manage supplies during drought conditions. These asset failures account for 5.69% of the total 6.21% unplanned outage in 2022/23. However, despite the higher level of unplanned outage during an exceptionally dry year, customers were not impacted with any restrictions.



“

Over 110,000 customers have accessed or unlocked financial support from our support tariffs, Company funded debt write off schemes and income maximisation but we know there is more to do.”

Regulated wastewater

Protecting the environment – robust wastewater delivery

We continue to target and drive improvements in wastewater services through innovation by constantly seeking out new ideas, pioneering and piloting new technologies with a focus on nature-based solutions where possible and by enhancing governance and working in partnership with others.

Reducing flooding incidents

During 2022/23, the number of internal sewer flooding cases decreased again from last year with 0.63 incidents per 10,000 sewer connections (50 individual incidents). This is a significant outperformance against target and places us as one of the best performers in the industry on this measure. External sewer flooding events were impacted by the dry summer which led to debris within the network which increased the number of flooding incidents during the periods of significant rainfall from November onwards. The largest increase was on transferred sewers where smaller supply pipes were more impacted by these blockages.

Improving asset health

Sewer collapses and blockages

The dry summer weather has also increased the number of sewer collapses and blockages which are a key cause of flooding, pollution, and service impacts to our customers as well as a lead indicator of asset health. We have seen collapses increase to 8.31 (from 6.72) collapses per 1,000km of sewers and blockages increase to 7,149 (from 6,545), but collapses remain within the regulatory target for the year. We will continue with the proactive management of our network, including a relentless drive to investigate, clean and repair sewers. This is supported by an enhanced programme of educational visits to commercial premises over sewer misuse (fats, oils and grease) and we are developing our approach to target those properties that habitually block our sewers with debris, with a third party supporting our target campaign.

Pioneering catchment management for over 15 years

We maintain that our pioneering catchment management approach for over 15 years is fundamental to help unlock the environmental challenge we all face. Approximately 110,000 hectares have been improved to date with catchment management being undertaken across 80% of our region, working with over 1,700 farmers. Our continued commitment to tree planting is ahead of plan with over 220,000 trees planted towards our 250,000 target by 2025.

The additional catchment management targeted in our Green Recovery initiative is also progressing well with 350 hectares of peatland restored on Dartmoor and delivered with farmers.

In Bristol we continue to improve our biodiversity with our score increasing again this year.

Targeting improvements in EPA

A combination of a basket of measures, the EPA is the Environment Agency's assessment of environmental performance. We have seen improvements across all these measures this year, and with a planned strategy of achieving 4 star by 2024, there is much to focus on. The EPA does not include Bristol.

Pollution incident reduction plan delivering results

Our Wastewater Pollution Incident Reduction Plan continues to deliver results after being launched in September 2020 with a 50% reduction in incidents over the last two years. In 2022/23 there were 108 Category 1-3 incidents – our lowest ever level. In addition, our more serious Category 2 incidents reduced by 75% and positively we again had none of the most serious (Category 1) events.

Whilst we have seen improvements our focus remains to continue this step change in performance.

The Pollution Incident Reduction Plan (PIRP) has continued to deliver with key activities including additional telemetry on our infrastructure with, 1440 sewer depth monitors installed in the year, continued investment at around 50 pollution hotspots to prevent repeat events, MOT investment at pumping stations and treatment works and using predictive analytics to support operations in managing issues before they arise. Our targeted rising mains replacement programme has delivered at 18 higher risk locations with a further 18 planned for 2023.

During 2023 we have also reinvigorated our PIRP – increasing our level of sewer cleansing, accelerating the rollout of monitors and continuing our hotspot programme.

Numeric compliance

Numeric permits place measurable conditions on the final effluent discharged to the environment and measure compliance with these conditions. This year our MOT programme, investment plans and targeting third-party compliance, as well as utilising temporary assets over the summer to mitigate process risks, have delivered our best ever score at 99.4%, which is expected to be in the top quartile for the industry.

We will continue to deliver the actions set out in our action plan to maintain this improved performance.

Rivers and coastal water quality

Our WaterFit programme launched in April 2022 is focused on nurturing healthy rivers and seas through reducing the number of storm overflow spills, reducing our impact on rivers by one-third by 2025, maintaining our excellent bathing water quality standards all year round and developing plans to target zero harm on river quality by 2030, with six pledges underpinned by specific targets.

One year into our plan and we have been making great strides towards our 2025 targets.

Reducing spills from storm overflows

With 100% monitoring of storm overflows now in place, a year ahead of plan, we have launched WaterFit Live, giving customers and visitors live information about the storm overflows which impact the region's 90 bathing beaches, as well as the detailed investments we are making to reduce overflow spills across the region's coastline by 2025. Through our latest campaign #YourBeach, Your Say, Our Investment, we are empowering customers and communities to work together to plan our next phase of improvements. In 2023, we are expanding WaterFit Live to all storm overflows across our assets.

For 2022, overflow spills have reduced by 30% on average (from 38.9 to 28.5), and we remain on target to deliver an average of no more than 20 spills across storm overflows by 2025. Whilst undoubtedly the dry weather will have played a part, over half of the improvements seen in the year are due to interventions we have made – whether capital investment to increase network capacity through proactive maintenance or improvements to monitoring.

Operational review continued

Record quality levels recorded at our bathing waters

We have over 860 miles of coastline to protect, representing over one-third of the UK's bathing waters. This is something we, and our customers, have always valued and prioritised. In 2022 we achieved 100% bathing water quality – for the second year running, with 99% meeting the more stringent good or excellent levels. We have continued to deliver our planned bathing water investment schemes with 10 schemes at two sites in Bude, Cornwall, and Galmpton, Devon this year.

Driving river water quality improvements

As part of our Green Recovery investments, we have started our three-year Rivers Dart and Tavy Inland Bathing Waters Pilot. The pilot aims to increase our understanding of the water quality of these two iconic rivers and build stronger relationships and collaborations with river users, local communities and stakeholders – with over 50 stakeholders joining our Steering Group for the project.

We have developed an innovative approach to engaging with river users through the 'Hello Lamp Post' platform – using QR codes located at potential inland bathing sites and in other riverside locations to raise awareness of river water quality issues and capture people's perceptions of the river throughout the year. In addition, monitoring of the first bathing season has been completed through the use of real-time river monitors and 'spot samples' and in summer 2023, we will also be using a state-of-the-art genetic monitoring technique to determine which types of animals are contributing bacteria to the river water.

Delivering more for our customers'

Over the last year we have asked our customers and communities to change how they use water, to consider how scarce it is as we work through the drought in Devon and Cornwall. Building trust with our customers and communities is key, we have taken steps forward with WaterFit Live, increasing our WaterShare+ meetings in public, and ensuring we can provide a tailored service to meet the individual needs of our customers.

Driving customer service (CMEx)

In South West we set out our action plan for improving customer service, which was published in March 2023. We set out our glide path to achieving an improved industry ranking by 2025, recognising the challenge of changing customer perception takes time, and is intrinsically linked to our performance in other areas. For 2022/23 our CMEx score was ranked 12th, consistent with prior years, whilst in Bristol we achieved 6th place compared with industry peers. We see an opportunity for gaining best practice insight from Bristol, improving service for all our customers.

Delivering more for our customers

Keeping bills as low as possible

We have seen the cost of living crisis put many of our customers in extremely challenging financial circumstances, some for the first time, placing even greater responsibility on us to develop new, inclusive and creative solutions to support our customers.

We continue to keep bills as low as possible with bills in South West Water being £10 lower in 2022/23 and remaining lower than 10 years ago. The merger of Bristol has enabled us to deliver lower bills, further aided by a smoothing of bill increases across future periods to mitigate pressure on customers. In addition the annual increase for 2023/24 has been kept below inflation and industry average increases.

Sharing progress and innovation

We have also reduced bills through our innovative scheme to give customers a voice in our business – WaterShare+ This scheme has been expanded to Bristol and has given customers a chance of a share in the Pennon Group, or money off their bill. Our Stop the Drop targeted water efficiency campaign. Incentive in Cornwall, has given nearly £50m back to customers through reduced bills during these difficult times, whilst also giving customers a greater say in our business and incentivising lower water use to protect our environment.

Eradicating water poverty

We continue to target support to those who need it the most, as measured through our ambition to eradicate water poverty by 2025, which we are on track to achieve across the region, and that have achieved in the Bristol region for 22/23. This is at the heart of our approach and we have already made great strides with nearly 65,000 customers being helped through one of our schemes from April 2020 to March 2023, with over £30m of support provided over the same period.

The innovative use of data is at the forefront of eradicating poverty, allowing us to identify and reach out to the 'struggling silent'. During 2022-23 we have developed a data suite and approach which has given us the ability to proactively identify customers at risk of being in water poverty. This coupled with information provided through our data sharing agreements with government bodies and local councils has for the first time allowed us to auto-enrol customers onto support tariffs, removing the need for customers to apply.

This has reduced the barriers for customers in getting the right support, and ensures we are helping more customers than ever before. The success of this approach can be seen through the in year growth of number of customers on support tariffs by 12,452k (23%) with this set to further increase by 17,000 (26%) in 2023-24.

Our affordability toolkit goes beyond support tariffs and provides a range of measures for all customers designed to lower customers' bills and provide support to those who need it the most. Metering and giving customers the tools, advice and opportunity to save water and save money has not only bill but also environmental benefits with over 139,000 South West Water saving devices issued in 2022-23 alone. Working with partners in the debt sector continues to be important, to help ensure customers seek advice on all of the finances. In the Bristol area we have used our Hard to Reach fund to generate awareness of our help further into the community.

Going further

To date over 110,000 customers have accessed or unlocked financial support from our support tariffs, Company funded debt write off schemes and income maximisation but we know there is more to do as all customers are impacted by cost-of-living pressures. However, it remains vital that the most financially vulnerable in our society receive the support they need and to do this we expect the number of customers benefitting from support to grow by more than 50% to over 150k to 2025.



Water resilience and drought



2022 saw some of the hottest, driest weather on record as a consequence of climate change. A combination of a lack of rain – the 4th driest summer in 130 years – the hottest summer, low levels of soil moisture and increased demand exacerbated by the impact of the pandemic and heatwaves, uniquely converged to put pressure at just one of our five strategic reservoirs, at Colliford. Importantly, no-one served by Colliford, or across our region, or visiting our region, suffered a loss of supply or dips in water quality.

At the same time, we maintained the environmental compensation releases from our reservoirs throughout 2022, essential to river health, and have continued to do so in dry periods of 2023. We are investing £125m to increase our access to water suppliers when we need them most. In 2022/23 we have invested to secure the equivalent of 25% demand in Cornwall and 12% in Devon.

We can show that, whilst the circumstances in this one area were challenging, culminating in a worse than 1 in 200-year event, our actions were appropriately timed, and we are now more resilient across the region as a consequence.

Despite a lack of new reservoir capacity across the sector in the last 30 years, over the last 15 years we have been focused on building additional capacity. As early as 2007, we invested in disused quarries in Cornwall to repurpose as water resources.

Building on this, our proactive acquisition of Hawks Tor in March 2022 was an important mitigation, providing additional storage, and coming online in October 2022. Together with drought permits and focusing on demand side actions, such as the 'Save Every Drop' and fixing customer-side leaks for free, this has meant that from the lowest point of water resources levels at the end of October 2022, we are now sitting at 76% and 99% respectively for South West and Bristol. Bournemouth and the Isles of Scilly are also in a better position heading into summer 2023.

Our campaigns 'Stop the Drop' and 'Save Every Drop' have focused on working with the communities to reduce water usage, including business, consumers and the tourism sector.

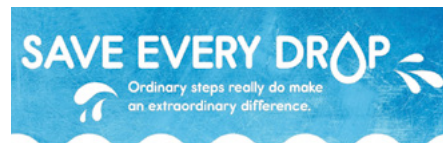
We are not being complacent as we look forward for the rest of the year to 2024 and beyond. Our acquisition of Bristol Water, driven by synergies and strategic water resources benefits, and our active progression of the need for the new Cheddar 2 reservoir, brings benefits to all of the wider South West region, including the Wessex region.

In the meantime, we are focused on building further resilience into our Colliford and Roadford Water Resource Zone, and by 2025 we will secure resources to access when we need them most that are equivalent to 45% of Cornwall's demand and 30% of Devon's demand. This is proactively being managed as part of a Drought and Resilience Programme, led by our new Group Drought and Resilience Director. Our objectives are to ensure that by 31 March 2024 Colliford and Roadford strategic storages both reach 90% storage to ensure that we do not have the risk of dropping into Drought Level 3 during 2024 and therefore that we can break the 'drought cycle'.



£125m

to increase our access to water suppliers when we need them most



WaterFit



Delivering for the environment

WaterFit is our strategic and long-term programme to protect rivers and seas. One year on and we have delivered spill reductions through c.50 initiatives across our region. Many of our WINEP schemes have only recently been installed, and we have not seen the full benefits of them yet but they will provide much needed benefits in the future.

Over this coming year we will continue to deliver WaterFit, focused on:

- Tackling high spilling overflows through further operational optimisation, configuration and improving EDM operability
- Continuing our programme of storm overflow improvements identified through WaterFit through capital investment at combined storm overflows, sewage pumping stations and sewage treatment works, to ensure our assets are resilient for the future and to meet the new standards within the Storm Overflow Discharge Reduction Plan
- Delivering customer engagement and interactions and improving transparency through our WaterFit Live development and customer engagement initiatives such as Love your Loo and #Your Beach, Your Say, Our Investment
- Supporting new development and growth in the region and delivering improved river water quality by delivering Nutrient Neutrality schemes and WINEP phosphate schemes across the region.

Alongside the delivery of WaterFit, we continue to develop our future plans. As we look to build our plans for 2025 onwards, we know that we have the opportunity to deliver long-term environmental outcomes and provide for a resilient future, addressing the challenges of climate change, population growth and urban creep in line with customer and community views.

Our longer-term plans will continue to deliver investment to enhance river water quality and support bathing water quality all year round. We will target zero harm, as we look to address the RNAGs associated with our operations and bring spills down in line with targets and what our customers and communities want.

We will continue to increase network capacity, reducing storm overflows into waterways. We will upgrade works to enhance rivers and boost economic growth. We will boost the use of nature-based solutions and the working relations with partners that we have across the South West, and ultimately develop adaptive approaches which deliver for the long term.

We are working with our customers and stakeholders to build our future plans, which will pick up where WaterFit ends, as we look to develop best value investment plans and use the best approaches to deliver environmental outcomes in the future.

Compliance*



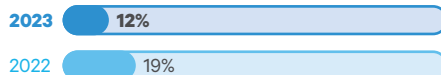
Pollutions*



Bathing quality



RNAGs**



Storm overflows



EDM monitoring



Plus WaterFit Live launched

Catchment mgt



* EA EPA Measures.

** Reasons for not achieving good ecological status due to water operations.



Our strategic plans

Nurturing healthy rivers and seas



Putting nature on everyone's doorstep



Creating and restoring habitats



Inspiring our local champions



Creating a sustainable future



Putting people in control



Our 2025 commitments

We will:

- Reduce our impact on rivers by one third
- Reduce spills from storm overflows to an average of 20 per year
- Maintain our excellent bathing water quality standards, all year round
- Deliver zero serious pollutions year-on-year reductions.

We will:

- Make bathing water accessible, less than an hour's drive, for our residents and visitors
- Provide access to our 40 inland lakes and reservoirs
- Achieve the region's first bathing quality river, using lessons from our current pilots on the rivers Dart and Tavy.

We will:

- Stop pollutants from 120,000 hectares of regional farmland getting into rivers and seas
- Restore an additional 1,000 hectares of peatlands
- Plant a quarter of a million trees.

We will:

- Donate 25% of our Community Fund to local groups that share our passion for river and sea health
- Launch our WaterFit Warriors programme
- Share progress with our customers through our unique WaterShare+ scheme at quarterly public meetings and our annual customer AGM.

We will:

- Work collaboratively on the building of new developments in our region to help us manage our network
- Back the ban on non-flushable or plastic-containing wet wipes to help prevent blockages
- Work with our 10 million visitors and 2.3 million customer.

We will:

- Work with partners to provide water quality information for residents and visitors
- Help people understand river health, by sharing real-time river water quality information, just as we do for our bathing waters, by 2023
- Provide 100% monitor coverage at our treatment works and on our storm overflows, by 2023.

Our progress – one year on

- Improved compliance of our wastewater treatment works, to our best ever performance, and investments to reduce nutrients from our rivers continues, with two schemes delivered in the last year
- Storm overflow spills for 2022 reduced from 39 to 28 – ahead of our trajectory of 20 on average to 2025 – delivered upgrades to five treatment works and investment in additional storage at 18 sites.

- 100% of beaches met environmental standards, making bathing water accessible to all – with less than an hour's drive for 100% of our residents and visitors
- We provide access to all 40 inland lakes whenever the weather permits safe and secure access – customers and visitors alike can enjoy for recreation and health.

- Delivery of our Upstream programme is ahead of target with 111,000 hectares delivered
- Peatland restoration on track as part of our Green Recovery investment on Dartmoor, with one third delivered in the first year.

- Donations to 22 local communities that share our passion for rivers and seas – over one third of all donations
- WaterFit Warriors launched through our school education programme.

- Building partnerships to better manage our network
- Supporting the call for a ban on non flushables – and responding positively to the ongoing consultation by Defra on plastic-based wipes.

- WaterFit Live launched in March 2023 giving 'real-time' updates on the water quality at bathing beaches – with further updates later this year as we cover rivers
- Launched our new stakeholder forum – to foster working relationships with partners across the region .

- 100% bathing water quality standards for the second year running. Reduction in number of storm overflow spills at beaches by 50% with 75% reduction in duration
- Overall pollutions reduced by one third giving a 50% reduction over two years as we target year-on-year reductions, with a 75% reduction in serious incidents.

- Dart & Tavy steering group and investments on track.

- 220,000 trees planted, ahead of our commitment to plant at least 250,000 by 2025.

- We have provided regular updates on our environmental performance to our WaterShare+ Advisory Panel - and will share our annual WaterFit update at the customer AGM in July.

- Engaging customers and visitors alike on priorities and sustainable behaviour – through our business as usual and future planning engagement processes.

- 100% of EDMs installed ahead of our December 2023 commitment, and over, 1440 sewer depth monitors installed to ensure we put our people in control.

Storm overflows



Our wastewater systems stem from the innovative thinking of the Victorians. But much has changed since the Victorian sewage system was designed and built.

The Victorian system successfully removed sewage, but it relied on storm overflows and sea outfalls to prevent homes and businesses being flooded with sewage when the system became overwhelmed by rain.

Combined storm overflows are designed to release excess storm water into rivers and seas when prolonged rainfall occurs. This helps prevent the risk of sewage backing up, preventing homes and public spaces being flooded by allowing a controlled release.

Over recent years our customers, politicians, regulators, policy makers, the media and our stakeholders have all rightly made their frustrations clear that the current system with its reliance on storm overflows is no longer acceptable.

We have been installing technology and monitoring devices which have helped us to understand far more about the performance of our network and its limitations than ever before.

New environmental laws and the way that we are regulated have also changed, helping us to plan action and investment at the scale required to tackle the challenge, in the wider context of climate, ecological and cost-of-living crises.

How many storm overflows are there?

Across the region there are 1,342 storm overflows, and 100% are now monitored.

How are the challenges changing?

We are already experiencing the impacts of climate change and expect future rising sea levels and more intense storms.

Our drainage and wastewater system now copes on average with 25% more wastewater and rainwater than it did 15 years ago and we know we need to invest even more to manage the impacts of climate change.

How did we perform in the year?

Firstly, we focused on completing the deployment of the remaining Event Duration Monitoring (EDM) on our storm overflows ahead of the regulatory deadline. For the annual report in respect of 'storm overflows – event duration monitoring' for the 2022 calendar year, this was almost complete, and the final monitors have now been rolled out.

The report for the 2022 calendar year confirmed a reduction in the average number of spills per storm overflow from 38.9 in 2021 to 28.5 in 2022 – a reduction of approximately one third. This was due to a combination of dry weather and our interventions and investments.

As well as a decrease in the average number of spills, the average duration of spills reduced from 8.3 hours to 7.7 hours.

There has been a c.30% reduction in average spills.

Further reducing the use of storm overflows

Further reducing pollution from storm overflows is a priority for our customers and stakeholders.

To reduce spills we can increase treatment capacity at wastewater treatment plants, replace screens, enhance pump stations, create additional storm storage and separate more surface water in a range of ways, including nature-based solutions.

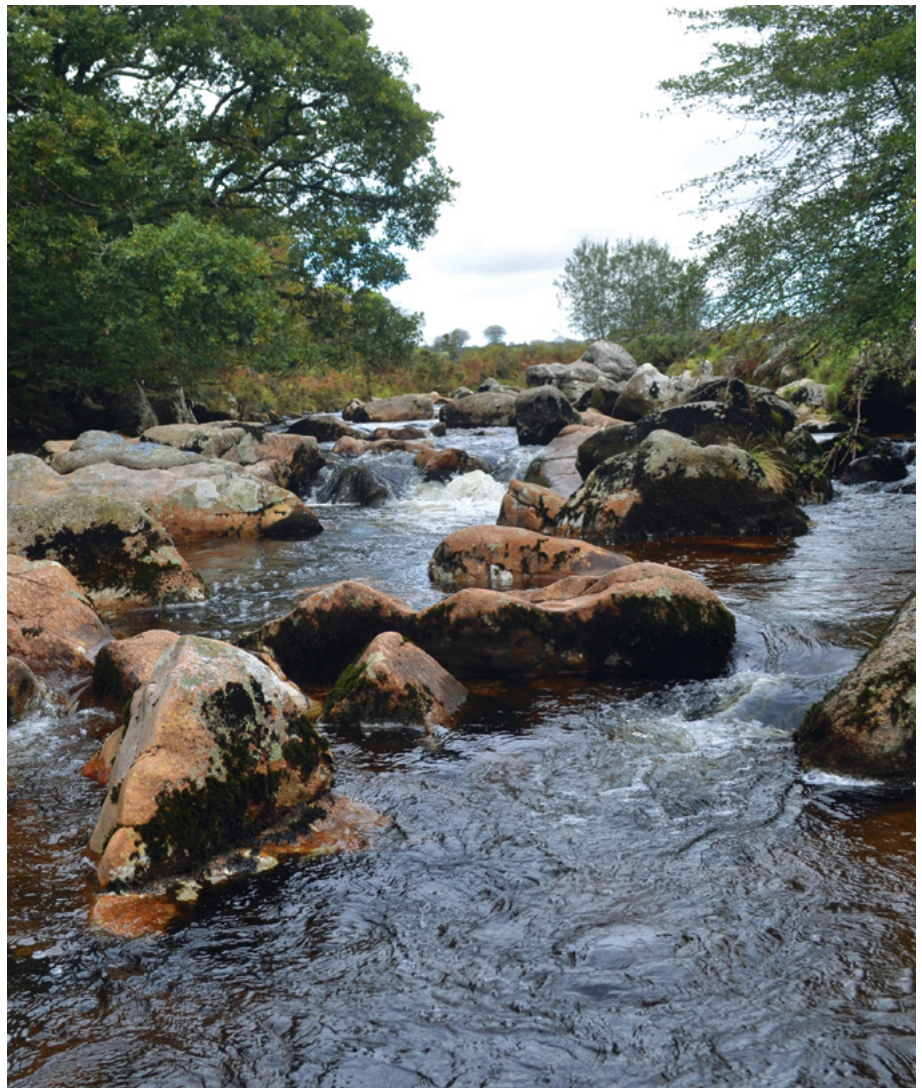
We are committed to achieving an average of 20 spills per storm overflow by 2025 and further to an average of less than 10 by 2030.

We're taking action at 56 of our storm overflows as a priority, by 2025, in line with our WaterFit programme (see page 20).

During the year we have also submitted our ambitious Drainage and Wastewater Management Plan to our regulators. Subject to agreement, this plan will prioritise a further 786 storm overflows for action to achieve our commitments beyond 2025.

The 500 remaining storm overflows, not covered by the above plans either do not spill or their average spill rate already is less than ten times per year and will continue to be addressed over time through our ongoing maintenance.

Storm overflow	2021	2022	Difference
Number of overflows monitored	1,093	1,323	+230
Number of spills	42,484	37,649	-4,835
Average number of spills	38.9	28.5	-10.4
Duration of spills (hours)	351,784	290,271	-61,513
Average duration of spills (hours)	8.3	7.7	-0.6



WaterFit Live

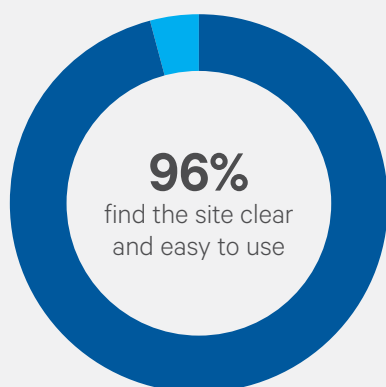


In March 2023, we launched WaterFit Live, an interactive digital map which shares with customers the status of their local bathing waters and whether there is any impact from a storm overflow. WaterFit Live is another milestone in our progress to protect the environment by reducing storm overflows, enhancing monitoring, and providing clear and transparent reporting for our customers.

Find out more about WaterFit live:
www.southwestwater.co.uk/environment/waterfit/waterfitlive/

WaterFit Live – putting people in control

Positive feedback – greater transparency welcomed by stakeholders



WaterFit Live delivers:

- ✔ Context and information related to our network
- ✔ Historical and current wastewater performance
- ✔ What we're doing to make a difference – including investments we have committed to improve water quality
- ✔ Ways in which customers and community groups can get involved

Next phase

Recently launched – providing increased transparency, adding near real-time storm overflow data

WaterFit Live's progress



Net Zero

Our promise to the planet



In 2021, South West and Bristol published our ambitious plans to reduce our operational carbon emissions to Net Zero by 2030. At the same time, Penmon joined the UN backed Race to Zero commitment which aims to tackle GHG emissions across our entire value chain by 2045.

As a Group, we have also committed to setting both near and long-term SBT in accordance with the Science Based Targets initiative (SBTi) criteria and Corporate Net Zero Standard. Following the merger of South West and Bristol the plans we reviewed the plans and both were aligned with Penmon's three pillar strategy and our targets are now set across all regions. However whilst the merged together, for regulatory purposes until 2025, the reporting of the GHG emissions data remains separate.

Further details of how we are integrating climate into our business and readying for a low carbon future can be found in our TCFD report in the South West Water annual report on pages 71 to 103



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

GHG emissions performance

In line with good practice and to reflect the outcome of our 2021/22 materiality assessment, we set new interim Net Zero targets in 2022. Our 2022/23 performance is presented below.



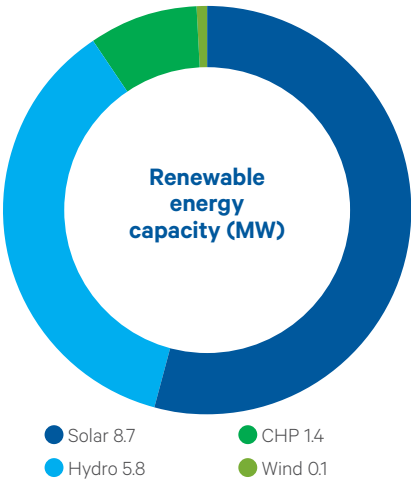
Pillar	Our three-pillar strategy remains unchanged	Progress against our three-pillar strategy
1. Sustainable living	<ul style="list-style-type: none"> Reducing emissions through changes to operational practices, increasing energy efficiency, and switching to lower carbon fuel sources Meeting our commitments to reduce leaks and help customers to use less water – protecting the environment and saving carbon. 	<ul style="list-style-type: none"> Our fleet transition plans have begun with the first 53 EV vans delivered. We have partnered with Drax to deliver the charging infrastructure required with 15 new 22KW charge points installed across our sites Our energy efficiency programme has audited 19 of our treatment sites which has identified significant savings of nearly 1,175 tCO₂e Across our offices and depots, we've implemented a number of energy efficiency projects including LED lighting at our Exewater site with an aim to expand our office energy efficiency projects over the coming year as part of our Net Zero plan.
2. Championing renewables	<ul style="list-style-type: none"> Maximising self-generation from renewables at our sites across the South West – working with partnerships and utilising our expertise Where we cannot generate enough electricity to meet all our needs ourselves, 100% of what we purchase will be from renewable sources. 	<ul style="list-style-type: none"> From April 2022, South West (excluding the acquired Bristol Water business) switched to 100% renewable sourced electricity as part of its new energy supply contract At a group level we are targeting to produce 50% of our own energy by 2030 from a mix of embedded onsite Solar PV, floating Solar PV, grid connected Solar PV, along with other renewables such as hydroelectricity and making more use of our bioresources for generating energy Our on-site renewable assets have been significantly enhanced, with 2MW of new solar capacity installed We've expanded our renewable energy team to support project delivery whilst maximising performance of our existing renewable assets.
3. Reversing carbon emissions	<ul style="list-style-type: none"> Reversing carbon emissions from our core activities Working in partnership to ensure our core activities reverse carbon emissions through solutions such as peatland restoration Supporting the development of innovative solutions to develop low carbon footprint processes through research and development. 	<ul style="list-style-type: none"> Our catchment management programmes include peatland restoration, improving soil management, tree planting, creating wetlands and buffer strips and other nature-based solutions. These all lead to more carbon being stored in the landscape and less loss to the atmosphere. It's also good for water storage in the catchments and long-term resilience We have planted 72,398 trees against an annual target of 50,000 trees and restored 303 hectares of peatland. Our current peatland programme aims to restore 2,800 hectares of peat bog across the South West by 2025. Our peatland restoration in AMP7 is expected to save around 650,000 tCO₂e over the next 50 years. Meanwhile the 250,000 trees we aim to plant by 2025 will save a further 100,000 tCO₂e Looking forward, South West is developing an ambitious programme of nature-based solutions for the PR24 Business Plan submission (2025-2030) to include investigating how WaterFit can support the improvement and opportunity for carbon sequestration in estuarine and marine environments.



- We've made strong progress against our interim target of 13% in 2025 and achieved 6.8% across the group in 2022/23. In particular we have increased our installed Solar PV capacity to 5.5MW and solar and wind generation overall has increased 5.2% from 2021/22. Overall our renewables capacity now totals 17.5MW
- In spite of this progress, increased overall energy demand, largely driven additional pumping required as part of our drought response, combined with the impact of the drought conditions on our hydropower generation (down 8% from 2021/22) meant we fell marginally short of the 2022/23 target.

GHG Emissions

- Scope 2 market-based GHG emissions have reduced from 89,434 tCO₂e to 31,372 tCO₂e this year from our 2020/21 baseline equating to a 65% reduction.
- Overall GHG emissions against our Net Zero 2030 scope¹ have decreased by 40%.
- Full details of our 2022/23 GHG emissions are provided in our SECR report from pages 189-191 and 250-253



1. Net Zero Plan scope includes Scope 1 & 2 (market based) and the following Scope 3 activities: outsourced activities, power transmission & distribution, business travel, grey fleet (private vehicles used on company business).

Renewable energy

A key pillar of our Net Zero strategy, we are targeting 50% of our net energy use from renewable sources by 2030.

Net Zero target	2022/23 Performance	2022/23 Target	2025 Target	2030 Target
% Energy usage from renewable generation	6.8%		7%	13%
Reducing GHG emissions (%)	65%		65%	70%
				100%

Process emissions

Process and fugitive emissions, mainly in the form of methane (CH₄) and nitrous oxide (N₂O), arise from our wastewater treatment processes. Worldwide there is difficulty in measuring process emissions and as a sector we are working together to update the calculated carbon aspects of our processes. As part of the sustainable operations pillar, we are doing two things:

- Investing in measurement - we can only manage what we can measure. This includes collaboration with industry partners and undertaking monitoring trials the University of Exeter through our CREWW partnership



- Investing in innovation to reduce emissions from treatment improvements to cover and capture. Funding for process emission reductions will feature as part of the PR24 business plan proposals.

Transition Plan

Through our established strategies, plans and policies, we are preparing for a changing climate and lower carbon economy. Our annual TCFD response in the South West Water annual report on page 97 sets out further details of this in accordance with the TCFD recommendations. This identifies one of our key transition risks as rising energy costs. Through our planned investment in renewable energy alongside our dynamic hedging strategy we are managing this risk. We are aware of the work of the newly established Transition Plan Taskforce (TPT) to develop a 'gold standard' framework for transition plans. We are considering the TPT's guidance and will look to publish our Group Transition Plan in due course.



Innovation

With the expectations of our customers and stakeholders increasing, the impact of climate change, uncertainty in world economic markets and the importance of the environmental agenda, the need for us to innovate is critical.

Fast, flexible innovation, coupled with long-term research is essential if we are to respond to this changing landscape and meet the needs of our customers, stakeholders and environment now and for the future.

Fostering an innovative mindset is at the heart of our business. Using innovation to drive efficiency, we can make significant improvements to performance. We have a dedicated innovation team that works to support our business and external partners who deliver and realise the benefits from our latest innovations.

Day-to-day innovation

Wilmington P-removal scheme – ARMPHos reactive media bed

Building on our preference to explore more nature-based solutions that are kinder to the environment, use fewer chemicals and reduce our carbon footprint, trials using ARMPHos to remove phosphorus have been underway at our Wilmington Sewerage Treatment Works in Devon. ARMPHos works by absorption and then crystallisation of phosphorous within a naturally occurring mineral called Apatite. Creating specially designed wetlands, the apatite mineral is laid down within the structure. Effluent flows through the wetland that is planted with aquatic friendly plants, to increase biodiversity and reduce algal growth. The whole system operates simply and passively, with very low energy and carbon inputs. Early results over nine months of trials show an excellent rate of phosphorous removal. We continue to work with the supply chain to further understand and refine the process.

Lamerton P-removal innovation – Kolina Electrocoagulation system

This innovation also improves on SWW's desire to wean itself off using chemical dosing to remove phosphorus. This option at our Lamerton WWTW site in Devon is investigating a method using electrochemical reactions to generate coagulate ferric ions that bind and remove phosphorous within the treatment process. The efficiency removal rate is close to 100% compared with traditional chemical dosing of around 34% at best. Since the electrodes can use a range of common metals such as mild steel or aluminium, and the technology can be retrofitted or installed standalone, this innovation offers SWW a greater range of deployment options across our region.

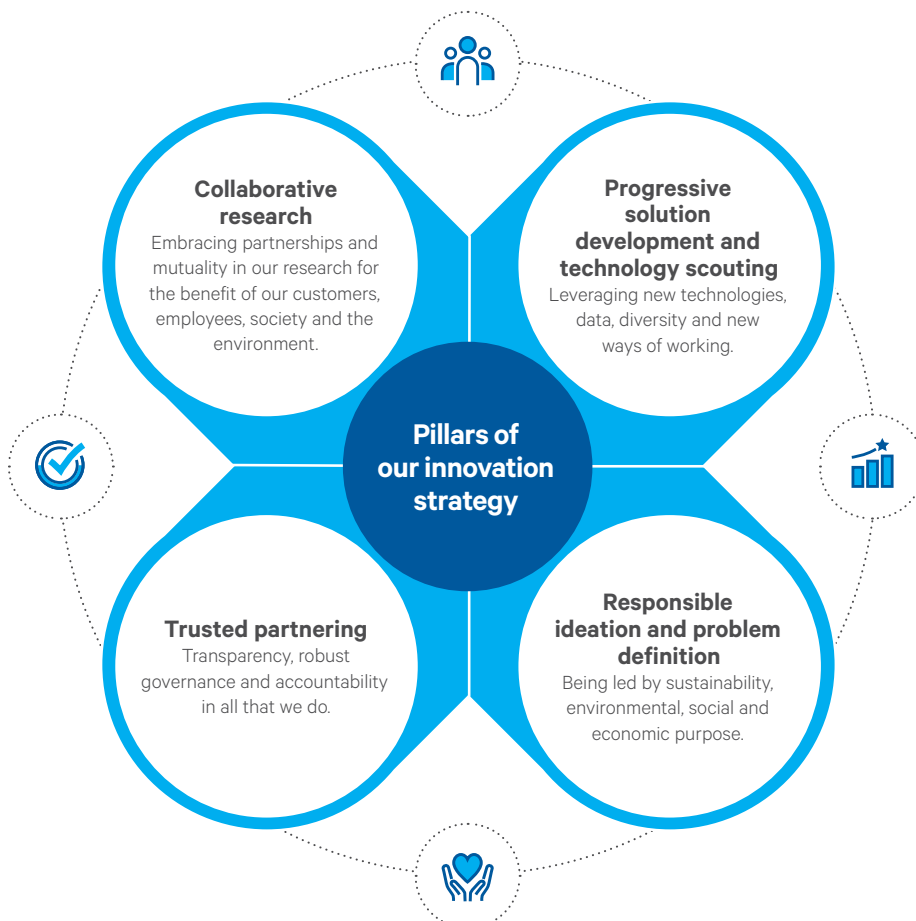
Resource West pilot – Customer utilities savings

Resource West has been a pilot with National Grid, Wales & West Utilities and the University of the West of England, supporting customers to save money, energy and water by combining water efficiency and energy efficiency messaging and support. The Resource West project's aim is to encourage the public to save money and help protect the environment by reducing the consumption of energy and water while still maintaining warm homes. It achieves this by bringing local utility companies together to provide single consistent messages about how to make savings and get help in doing so.

A pilot project achieved 4% gas usage reduction, 15% electricity reduction and 8% water use reduction. The average annual saving per customer participating was £88 during the pilot project.

Our innovation strategy

We need to be resilient to the changes happening around us and meet the demands asked of us by our customers and Government. To do this, we need to not only continuously improve our processes and the quality of our services, but actively seek new solutions with long-reaching and cross-cutting benefits, for example, innovations that deliver a step-change in reducing carbon emissions, make environmental improvements, secure a resilient service and, where possible, lower our costs.



Strategic research projects

The Centre for Resilience in Environment, Water and Waste – CREWW

Work to construct the new CREWW research building entered its final phases during the first half of 2023 and it planned to open for occupation in the Autumn of 2023 when it becomes fully operational. The dedicated research and innovation hub will include laboratory space, housing new, world-leading analytical, field-monitoring and computing facilities, plus training and collaboration space. It has been designed to promote interaction between South West Water, our supply chain and researchers from a range of academic disciplines at the University of Exeter. A dedicated microplastics research lab will be housed in the building.

We are also building a pipeline of research projects that will form the overall research programme. This activity will continue over the 25-year partnership between the University and South West Water, supported by £20m funding from South West Water. Employing innovation methods such as design sprints and other collaborative initiatives, researchers and colleagues have been busy pinpointing areas of interest for further investigation. Our key themes:

- Resilient water resources through healthy catchments
- High quality water supplies
- Trusted customer and community experience
- Controlled and managed drainage
- Maximising value through wastewater recycling.

Catchment Systems Thinking Cooperative (CaSTCo)

The CaSTCo project upscales the sector-leading work we have been pioneering in the Upstream Thinking programme and furthers our assessment and evaluation of the optimal use of nature-based solutions to support drinking and wastewater assets in our operational catchment area. This aims to address areas of strategic importance through building a decision support tool that will advise where the maximum benefit and impact can be secured in employing nature-based solutions in asset management in the water sector. South West Water is working with Devon Wildlife Trust and Westcountry Rivers, supporting their Citizen Science Initiative in the Tamar catchment, where citizen-led monitoring activities will enhance our data and insight into river health.

Recent project updates consist of the completion of the first data transfer, with the University of Exeter receiving GIS layers of our network and workshops with key partners and stakeholders to discuss scoping out CaSTCo deliverables.

Infiltration Risk Map for Sewer Network

This project is the first project generated by the CREWW Launch Design Sprint which took place between SWW and the University of Exeter in June 2022. It will generate a risk map of a pilot catchment (Sidmouth, Devon) and will rate areas most prone to ground water infiltration and therefore enable us to proactively target site investigations. By cross referencing this new map with areas of high CSO spills and pollution events it is envisaged that works targeted around infiltration will contribute to a reduction in these events.

Microplastics Laboratory

The Microplastics Laboratory will be a dedicated space within the CREWW building. Once set up in Autumn/Winter 2023 it will deliver four projects:

- Mapping of microplastics in WWTW inputs and outputs and life cycle analysis
- Characterisation of microplastics in sludge – treatment options, methodologies and best practice
- Exploring thresholds of microplastics for application of sludge to soil ecosystems
- Interventions/impacts – to reduce source contamination, economic, physical and behavioural.

Ofwat Innovation Fund projects

The Ofwat Innovation Fund is now in its third year with several bidding rounds completed and projects awarded funding, across the water sector. We have enjoyed success in securing 18 projects – partnering on 16 of these projects and leading a consortium across water companies and stakeholders on two of them. In the latest round of the competition, we were successful in winning Water Net Gain, a project that seeks to create the incentivisation mechanism and frameworks to encourage farmers to develop new ponds on their land in our strategy to ensure more resilient water supplies, when needed. This, and other projects are described in more detail below.

Safe Smart Systems

Business area – Drinking Water Services

The Safe Smart Systems project is the largest venture funded under the Innovation Fund to date at a value of £8.7m, and focuses on embedding long-term operational resilience in next generation water systems and taking the first steps to achieve autonomous control.

This project has moved out of the initial research phase into the concept and feasibility phase where development of a prototype AI decision engine will begin. The first iterations of the industry playbook have been produced which describe the pathway for other water companies to follow in order to apply and scale up a Safe Smart System into their organisations.

The playbook details the tools, methods, frameworks and know-how, including lessons learned. Four artefacts have been described thus far including: Business Capabilities, Information Management Maturity Matrix and Use Cases for the SSS Project and their Prioritisation. A Water Information Management Landscape has also been developed that describes the elements needed to manage the quality of information that is essential for a Safe Smart System to operate. South West Water has been active in several collaborative workshops to develop and shape these early phases of the project. In the coming months we will be looking to develop some of the data specific use cases to inform the main project outcomes.

The project was presented at the IWA in Copenhagen in September 2022 to an international audience by South West Water on behalf of the Partnership.

Artificial intelligence of things

Business area – Wastewater Services

This three-year £2.8m research project will design an artificial intelligence 'brain' to automatically compute the best sequence of controlling pumping and control gates to manage capacity in the wastewater network. Using near live data fed to it from smart sensors deployed on the network, the AI brain will predict flood events and take actions to control flows, reduce pollution events, reduce overall energy consumption and help plan improvements.

Over the past year an immense amount of work has been employed to scope and design the trials that will begin in 2024 to test assumptions and prove concepts. The main trial area is being carried out at Alfreton, north of Derby. We will be conducting a smaller scale trial at Ilshem valley in Torbay, Devon to test the control and prediction of flows into a series of tanks by artificial intelligence. We have also joined our data scientists for a masterclass with Microsoft (one of the main delivery partners) to learn the latest AI methods. From this we plan to seed a version of an AI decision engine that is suitable for South West Water. Being closely partnered on this project gives us this early benefit of learning the know-how to create an autonomous system and quickly apply the innovation to our systems. The next moves will be to upgrade the telemetry assets at our trial site in readiness for the trial next year.

Flexible local supply systems

Business area – Regulation

This project is testing the potential for smaller water supply resources to be used, bringing competition and water efficiency potential to the business retail market. It was the Water Act in 2003 that set out the potential for the treatment and introduction of new water sources, through distribution networks, to supply business customers. Based on a potential pilot project at Didcot, we are working with Binnies, RWE, Castle Water and the University of the West of England to test how this theoretical water market can become a reality.

Our people



As one of the largest employers in the region, with over 3,000 colleagues, we have a responsibility and duty to make a positive societal contribution. Our goal is to be the Employer of Choice across our region through promoting social mobility, prioritising Diversity and Inclusion by addressing racial and gender inequality, and in providing safe, secure and meaningful employment where all employees are paid fairly for the work they do and where trust is high.

Our approach to human capital seeks to go further; supporting community investment and social mobility across the Greater South West by creating education and employment opportunities across our region; ensuring we pay our employees a fair wage for doing a fair day's work and therefore be well placed to be able to make a wider societal contribution; and delivering our Diversity and Inclusion strategy by prioritising diversity of thought, gender and ethnicity to promote social mobility and opportunity for all.

This is all part of a wider strategy to be the Employer of Choice in the region, and in creating a Great Place to Work.

We have developed a coherent approach to leadership, culture, talent and skills development which will help us unlock the full potential in our business, ensuring we are match fit today, but also in anticipation of future challenges.

Over the past two years, we have been focused on making a step change in our approach to leadership, culture, talent and skills. This ensures we are well placed to meet the challenges of today and also in anticipation of future challenges.

Ensuring our people are at the heart of all these key areas of focus will mean we continue to successfully deliver for all our customers and stakeholders that rely on us. Our people are our greatest asset. We are proud of the values we live by in all that we do and we have been delighted in how our employees have risen to the challenges we have faced throughout the last year and in going above and beyond to deliver for our business and our customers.

On 1 February 2023, Bristol Water colleagues were successfully transferred our Bristol Water colleagues into South West Water. We have brought together the best-of-the-best to share our expertise and best practices, building on our respective strengths and our strong heritage in delivering our essential water services for those who rely on us every day.

We continue to work to develop strong relationships with our employees and trade union partners, ensuring we are engaging with these important stakeholders in our business in all aspects of our people strategy.

Our 2022/23 Great Place To Work (GPTW) Colleague Survey took place for all regions. Through Pennon we have successfully achieved GPTW accreditation for the second time in a row. This is a strong result, given that typically, whilst the journey to becoming a GPTW is generally associated with big picture actions, maintenance is harder, with more targeted interventions.



We are determined to keep improving and we are focusing on colleagues 'doing the right thing' across all areas of the business through:

- our Speak Up process where employees can highlight a potential problem or issue
- our improved disciplinary and grievance processes
- our Quality First Drinking Water Services programme, which prioritises always doing the right thing and never compromising on quality
- our HomeSafe programme that is focused on the non-negotiables around safety
- our new STREAM performance review process, which encourages quarterly review meetings, helping ensure we deal with problems quickly and effectively
- the launch of three internal training programmes designed to help in this area, covering People Management, Inclusive Leadership and Bullying and Harassment.

“
Our people strategy is all about, ‘talented people doing great things for customers and each other.’”





RISE - Our employee engagement panel

During the year we have embedded our relaunched employee engagement panel, RISE. The new RISE forum is inclusive and employee-led, with each area of the business establishing its own panel that feeds into a larger, Pennon Group-wide panel chaired by the Group Chief Executive Officer. During the year we have integrated Bristol Water employee members into the forum and addressed important topics including cost-of-living, our future working arrangements, onboarding, induction and colleague communications. Throughout the year, we have increased our RISE members to over 100, giving employees an even stronger voice.

Speak Up

Our Speak Up whistleblowing policy continued to operate throughout the year, providing another engagement channel. Speak Up helps to create an open, transparent and safe working environment, where employees feel able to speak up and are supported if they do so.

Additionally, all employees are invited to pose questions or comments to our senior leaders through our new Open Door communication channel. This new approach brings together several employee communication channels and encourages employees and senior leaders to keep connecting more.

Enhancing our employee communications

During the year, we have enhanced and grown many of our employee communications and engagement channels.

Our regular Big Chat video calls with our CEO and the Executive team continue to be very well supported by employees with strong engagement. Items discussed largely focus on the topical business issues of the time plus key employee highlights. We have also broadened the group of speakers, involving colleagues from all areas and levels across the Company.

Our Time to Talk sessions focus on a broad range of topics and are supported by many external specialist speakers and facilitators. Topics discussed include mental health, the cost-of-living crisis, financial wellbeing, apprenticeships and business specific initiatives including nature and catchment management.

Our internal communications tool and discussion platform, Yammer, is growing in popularity and is now used regularly by over 2,000 employees.

For our remote teams working tirelessly around the clock, we host regular breakfast meetings supported by our senior leaders. These have proved to be helpful in promoting more effective two-way communication with front-line operational teams.

WaterWorks is a new monthly performance measures dashboard which helps employees keep updated on how we are delivering for our customers, communities and the environment.

We continue to recognise our HomeSafe Heroes and celebrate the work of our colleagues across the business who make sure that everyone goes home safe every day.

We have a strong commitment to investing in the development of our employees and in building and recognising talent across the Group. Training and development are available for employees at all levels within the Group and they are actively encouraged to participate. Our aim is to increase productivity, job satisfaction and safety, and to equip the next generation of leaders and employees with appropriate knowledge, skills and the competencies they need to thrive.

Our people continued



Our graduate programme

In 2022 we launched our new Graduate Management Programme and set a long-term commitment to recruit 100 graduates by 2025. The programme has proved such success in attracting both female and ethnically diverse talented graduates, we have doubled our commitment to recruiting 200 graduates by 2030.

Since the launch two years ago, the graduate programme has recruited 55 talented graduates, with over half being female and almost 60% being ethnically diverse or international graduates.

Apprenticeships

In addition to our graduate programme, we have a long-standing commitment to apprenticeships. This year we have doubled our commitment and target for apprenticeships/graduate opportunities and now pledge to support 1,000 roles by 2030. Attracting and developing the next generation of talented employees is vital in building resilience in our workforce and ensuring we can deliver the essential services our customers and communities deserve.

Leadership development

We have continued to invest in our senior leaders to provide structured assessment and development opportunities. This programme supports leaders across the whole Group and was one of the first activities offered to Bristol Water employees as part of the integration.

Diversity, equality and inclusion

As one of the largest employers in the Great South West, we have a responsibility to promote social mobility, address inequality and drive inclusivity across our region.

We continue to champion diversity and promote an inclusive workplace.

Further information on our initiatives can be found in our [Pennon Annual Report on pages 31 to 39](#).

Prioritising health and wellbeing

Our wellbeing strategy is a core area in our people strategy to ensure our people know that we care about them. It is estimated that in any given week, one in six people of working age experiences a common mental health problem like stress, depression or anxiety. Most of us will understand, from personal experiences or friends and family, the huge personal cost that this can bring.

Our wellbeing strategy focuses on the following four main areas:

Mental

Taking care of our minds, coping effectively with life and creating satisfying relationships

Physical

Taking care of our bodies, acknowledging the importance of activity, nutrition and sleep

Financial

Taking care of our financial wellbeing, being in control of our financial future

Community

Encompassing the major external and internal factors such as social health

Our approach to wellbeing incorporates a number of initiatives including:

- **Mental Health First Aiders:** We have trained over 100 Mental Health First Aiders across the Group – one for every 30 employees, ahead of our target of one for every 50 employees.
- **Wellbeing champions:** We have established a network of wellbeing champions across the business to help us engage colleagues.
- **Time to Talk:** Regular sessions where colleagues are invited to join online webinars focusing on a range of health and wellbeing issues, primarily focused on mental health.

- **This is Me:** A podcast with colleagues talking about their own health and wellbeing experiences and how they have dealt with them.
- **Champion Health:** Our Champion Health portal gives colleagues a broad range of resources, advice and guidance across all areas of wellbeing from healthy recipes to fitness regimes, mental health support and health assessments. It is free to both employees and their families.
- **FinWell partnership:** We have launched a new partnership with FinWell, a financial wellness organisation, to provide employees with help, support and advice about their personal finances.
- **Inside Out partnership:** Our close partnership with the Inside Out Leaderboard provides a tangible way of demonstrating leadership, commitment and action to the mental health agenda.
- **EAP Helpline:** Our Employee Assistance Programme (EAP) had a 6% uptake compared to the industry average of 1.39%. The service is also available for employees' families.

HomeSafe – our flagship health and safety programme

Our flagship health and safety programme, HomeSafe, continues to provide the framework for driving significant improvements in all health and safety activities, delivering a 14% reduction in our Lost Time Injury Frequency Rate (LTIFR) in the year.

We continue to drive a culture where every person takes ownership to ensure they and their colleagues go home safe every day. After delivering our best performance in 2021/22, recording the lowest number of lost time incidents ever, we set the ambitious target to have our best year ever once again, while continuing to drive change and improvement against each of the six HomeSafe strategic pillars, improving risk management and reducing harm.

We set out to achieve this through:

- continued senior manager face-to-face engagement
- implementing a robust and consistent approach to incident investigations leading to improved identification of the root cause of incidents, tackling these quickly
- integrating best practice knowledge with Bristol Water and implementing these quickly across the Group.

We have taken the best-of-the-best approach in many areas including improved minimum PPE standards and HomeSafe concepts. Two areas in particular we have quickly standardised are the approach to point of work risk assessment and investigations accountability.

We implemented the Take 5 for Safety approach to point of work risk assessment that was active and delivering benefits in Bristol Water.

The second area is bringing in the simple 2:2:2 approach to investigations ensuring a timely response to incidents, investigations, learning and improvement, with a two-hour notification, two-day initial investigation and two-week finalised report and action plan developed. We have developed and refined our HomeSafe bitesize programme across the year and now have active modules for employees to use to increase knowledge, awareness and accountability to ensure everyone goes home safe every day. These modules are manager-led within teams, focused on the core principles, while supporting managers to focus these on specific activities their teams carry out. The bitesize programmes work for all employees, regardless of role or location.

We have increased our assurance through the year with our health and safety experts completing over 500 individual unannounced site and activity audits across Bristol, Bournemouth, Devon, Cornwall and the Isles of Scilly. These audits focused on adherence with our Life Saving Rules in HomeSafe as part of our Managing Risk Strategic Pillar. Minor improvements were identified and resolved with the local teams immediately, with no major non-conformances found.

Lost Time Injury Frequency Rate (LTIFR) continues to be the primary measure of health & safety performance. We delivered a 12.5% reduction in actual LTI numbers, with 28 LTIs in the year, compared to 32 last year and an LTIFR of 0.59.

In addition to our supply chain partners' involvement and support at the health and safety conference, we have held two dedicated Tier 1 and Tier 2 supplier health and safety days in the year, improving collaboration and showcasing innovations to reduce risk and increase productivity. One of our strategic partners, Kier, hosted a 'Kier Live' event at Exeter Racecourse in August to showcase innovations in health and safety aligned to improved productivity, with particular focus on excavation safety and working in the highway.

Our flagship health and safety programme



Our HomeSafe roadmap to 2025

We're implementing effective assurance programmes and getting up to speed with the ISO 45001 managing standards.

Improving health and safety at Pennon depends upon all of us building our skills and understanding to better protect ourselves and each other.

Collaborating effectively means we'll bring everyone with us on our safety journey, including our contractors. Our HomeSafe Network will keep everyone engaged with this vital work.

We're introducing a range of measures to support everyone. This will reduce absences from work and enable everyone to perform at their best.

Leaders have a central role to play in keeping everyone safe and well, so we're providing extra focus to boost their skills.

To keep everyone safe, we need robust business continuity plans. And everyone needs to take a lead in ensuring the security of our sites.

Financial review



During 2022/23, volatility in the global economy, reflecting the geopolitical situation and economic difficulties arising from the global pandemic, has continued.

We started to experience the impact of this in the second half of the financial year ended 31 March 2022 and, as expected, the impact of elevated inflation on power and interest costs has reduced our near-term earnings. The second half of this financial year has also been impacted by the drought in the South West, which has resulted in increased levels of operating costs and capital expenditure. Where appropriate, specifically identifiable operating costs have been treated as non-underlying given the unprecedented summer weather conditions, with 2022 being one of the hottest, driest years on record.

We recognise the pressure the cost-of-living crisis poses to our customers and we are focused on providing a broad range of affordability measures to support those in financial need. Across the businesses, the potential impact of significant increases in the cost of living on affordability has been considered in assessing our expected credit loss charges.

Statutory financial performance

Since 1 February 2023, the trade and the significant majority of assets and liabilities of Bristol Water plc have been transferred to South West Water Limited under a statutory transfer mechanism set out in the Water Industry Act. The Bristol Water brand will continue as a trading name of South West Water. The statutory accounts figures included in the regulatory financial reporting tables and as described below, are taken from the management accounts that underpinned the audited financial statements, in order to provide separate annualised analysis for SWB and BRL.

South West

SWB reported a statutory loss before tax of £10.9m (2021/22 profit £135.5m) after net non-underlying costs of £31.6m (2021/22 £2.0m). Underlying profit before tax decreased to £20.7m from £137.5m in 2021/22. This outturn reflects the significant near-term pressures on earnings from elevated power pricing, financing costs and revenue reductions through lower customer demand as a result of continued water efficiency promotion and mechanistic regulatory adjustments.

SWB's statutory revenue for 2022/23 of £544.2m includes a non-underlying reduction of £21.2m in respect of the second WaterShare+ issuance and our "Stop The Drop" demand reduction incentive. Underlying revenue of £565.4m for 2022/23 has decreased by 3% (£19.2m) compared with the prior year (2021/22 £584.6m). The inflationary impact on tariffs being more than offset by the reduction in demand and regulatory adjustments to revenue, including in-year ODI penalties from 2020/21.

Underlying operating costs, excluding depreciation, of £319.3m increased by £66.0m (2021/22 £253.3m) reflecting the following significant factors:

- Inflationary and other macro-economic impacts on wholesale energy market prices and transmission costs (£42.5m)
- Responding to operational drivers including continued elevated demand prolonging high production volumes, supporting improvements to leakage and pollutions performance, and underlying cost increases to address the extreme operating conditions including the freeze/thaw event to ensure resilience of water supply (£4.2m)
- Increased costs relating to the price review for the next regulatory period
- Pay increases of between 3-5%, with the majority at 5%.

Underlying EBITDA and underlying operating profit reduced by 25.9% and 41.6% respectively. Despite the level of inflation in tariffs lagging behind actual cost inflation in the year, overall increases in operating costs excluding power were carefully managed to remain broadly in line with the inflation embedded in tariffs.

The net interest charge of £103.8m is £27.0m higher than prior year (2021/22 £76.8m) primarily reflecting the impact of higher RPI and CPI rates on index-linked debt. SWB's efficient funding mix, which includes a relatively low proportion of index-linked debt, and hedging strategy minimises these market effects resulting in an effective interest rate of 4.3% (2021/22 3.4%).

Capital expenditure on property, plant and equipment was £306.3m, an increase of £103.8m (51.3%) on the prior year (2021/22 £202.5m), primarily due to water resources investments to boost supplies and enhance water quality, including GAC schemes to provide further resilience, and development work at the new Alderney water treatment works in the Bournemouth region. Wastewater investments included the roll out of our WaterFit programme, targeted investments in wastewater pollutions hotspots and the installation of event duration monitors on our storm overflows to achieve 100% coverage in 2022.

Bristol

BRL reported a statutory loss before tax of £24.8m (2021/22 profit £13.7m) after net non-underlying costs of £14.3m (2021/22 £0.1m). Underlying loss before tax was £3.9m a decrease from a profit of £13.7m in 2021/22. Similar to SWB, this outturn reflects the significant near-term pressures on earnings from elevated power pricing and financing costs.

BRL's statutory revenue for 2022/23 of £131.2m includes a non-underlying reduction of £6.6m in respect of the WaterShare+ issuance. Underlying revenue of £137.8m for 2022/23 has increased by 6% (£7.0m) compared with the prior year (2021/22 £125.5m). The inflationary impact on tariffs and increased consumption due to recovery of non-household market and hot summer weather, were only partially mitigated by the decrease in household consumption related fewer people working full time from home.

Underlying operating costs, excluding depreciation and amortisation, of £75.1m increased by £12.5m (2021/22 £62.6m) reflecting the factors as noted for SWB.

Financial highlights

£358m

Delivering on our largest ever environmental investment programme

5.5%

Effective interest rate

60.8%

Sustainable gearing

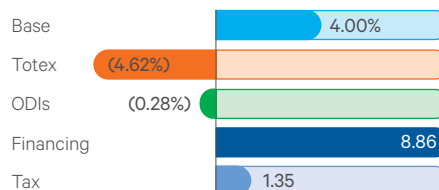
10.5%¹

Group RoRE

Ofwat RoRE

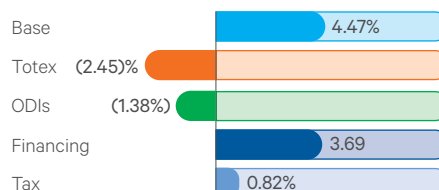
9.31%²

SWB – Total



5.14%²

BRL – Total



1. Combined SWB and BRL excluding non underlying and reinvestment of efficiencies.

2. Based on Ofwat's K7 approach to RORE, including total tax impacts and using actual average inflation for totex and financing.

Underlying EBITDA and underlying operating profit reduced by 2.1% and 3.7% respectively. The underlying net interest charge of £376m is £18.5m higher than prior year (2021/22 £191m) primarily reflecting the impact of higher RPI and CPI rates on index-linked debt.

Capital expenditure on property, plant and equipment was £496m, an increase of £14.4m (4.0.9%) on the prior year (2021/22 £35.2m), due to a number of factors including inflation and investments in distribution mains and resilience, including the impacts of the freeze-thaw event.

South West Water (SWB & BRL)

Responsible approach to Tax

We are pleased to confirm that the Company has once again maintained the Fair Tax Mark accreditation for the year. This is the fifth year in succession that the Company has been awarded the accreditation and we are proud of our responsible approach to tax.

Sustainable net debt position

The combined cash flow from operating activities of SWB and BRL for 2022/23 was £333.7m (2021/22 £365.9m). Cash collections have remained robust and we continue to monitor cash collections closely and are focused on providing a broad range of affordability measures to support those in need of support.

Net interest payments were £159.2m (2021/22 £72.4m). A significant element of the increased finance charges arises from our index-linked debt, and is non-cash, as the indexation element accretes to the debt principal, repayable on maturity.

Our accelerated environmental investment programme has resulted in an increase in capital investment cash outflows of £93.9m to £331.6m (2021/22 £237.7m).

The Company's net debt at 31 March 2023 was £3,091.3m (31 March 2022 £2,305.2m). This includes Bristol Water net debt that transferred on 1 February 2023.

Agile and efficient financing

The Company has made several changes to its financing since the end of the last financial year to ensure we can efficiently support the needs of our business strategy and are agile to address the changes in the macro-economic environment.

Since 31 March 2022, the Company has secured and completed c.£750m of new and renewed facilities, including:

- Our first syndicated £300m private placement with an average maturity of 12 years
- £205m of new term loans and leasing with an average maturity of 9 years
- £25m 20-year private placement
- £220m of new and renewed revolving credit facilities.

During 2022/23 all new and renewed facilities were raised under our Sustainable Financing Framework.

When considering the South West Water sub-group, including the wholly owned subsidiaries of South West Water Finance plc and Bristol Water plc, the net borrowings are £2,865m, providing effective South West Water Group net debt to RCV ratio of 60.8%. This is broadly in line with Ofwat's notional structure of 60%.



South West Water's cost of finance, with an effective interest rate in 2022/23 of 5.5%, remains among the lowest in the industry, continuing to benefit from the diverse portfolio of debt.

Financing Portfolio - strategic positioning

The Company has a strong liquidity and funding position with £196m of cash and committed facilities as at 31 March 2023. This consists of cash and cash equivalents of £46m (including £22m of restricted funds representing deposits with lessors against lease obligations) and £150m of undrawn facilities.

Following the successful transfer of Bristol Water to South West Water, this has meant changes to the regulatory licence and we are targeting to obtain a strong investment-grade rating for South West Water for the start of the next regulatory period.

South West Water net debt at 31 March 2023 is a mix of fixed/swapped (£1,944m, 62%), floating (£791m, 25%) and index-linked borrowings (£402m, 13%), which reflects our diverse debt portfolio and compares to an industry average of fixed/swapped 42%, floating 4% and index linked 54%. New debt raised during this regulatory period has been fixed to align to iBoxx indices in line with Ofwat's approach to allowed cost of debt. Where appropriate, derivatives are used to fix the rate on floating rate debt.

Pensions

At 31 March 2023, the surplus on retirement obligations of £17.5m comprised a surplus on the principal pension scheme, Pennon Group Pension Scheme (PGPS). The triennial valuation of PGPS as at 31 March 2022 has been agreed and no deficit recovery payments are required. The valuation for the total scheme, recorded an actuarial technical provisions surplus of c.£8m, representing c.101% funding.

Dividends and retained earnings

Dividend payments are designed to ensure that key financial ratios are not prejudiced, whilst also taking into account balance sheet considerations. With this in mind, the dividend policy also states that the total dividend payment will not exceed the retained underlying profit in any year, except as a result of a special dividend and balance sheet restructuring, or where there is a significant non-underlying non-cash impact (such as deferred tax).

Payments are designed to ensure that the ability of the Appointee to finance its appointed business is not impaired. Dividends paid by SWB of £12.3m were paid to the parent undertaking (2020/21: £45.0m), representing the base dividend of £12.0m and £0.3m due to the WaterShare+ scheme. Whilst the overall dividend, based on the base dividend and regulatory outperformance would be significantly higher, the dividend has been appropriately reduced, in line with our published policy, to be less than our reported profit after tax, before non-underlying items. BRL paid dividends of £64.3m (2021/22: £8.9m) to its former immediate holding company Bristol Water Core Holdings limited, no dividends have been paid to SWW since the transfer of ownership of 1 February 2023. Of the paid dividend, £nil was returned to the Company in respect of interest owing on intragroup debt facilities (2021/22: £2.9m) and £61.1m was ultimately used to repay the outstanding loan due to the Company from Bristol Water Holdings UK limited.

Key metrics

Tax strategy on page 94

Dividend policy on page 90

Financial position (table 1A) on page 97 and 195

Financial metrics (table 4H) on page 140 and 229

1. Shadow RCV.

2. UK water position as at 31 March 2022 as per published annual performance reports – weighted average.

Chair's letter on governance



I am very pleased to introduce, on behalf of the Board, our governance reporting for 2022/23. We provide detail around our governance practices and processes, and how we apply Ofwat's principles on Board leadership, transparency and governance as well as general principles of best practice in corporate governance. It also covers our key focus areas and achievements during 2022/23 and explains how the Board continues to support our strategy.

The Board reaffirms its commitment to maintaining the effective corporate governance and integrity that enable us to deliver our sustainable strategy for the long-term benefit of our customers and wider stakeholders.

Review of the year

Our well-established governance arrangements and processes have enabled the Board and its Committees to operate effectively and efficiently throughout the year. As well as physical Board meetings we also held several ad-hoc virtual meetings, enabling us to communicate more frequently and to give management our advice and support more often.

Strong governance remains central to the successful management of South West Water and provides the framework we collectively need to deliver our strategy, effectively fulfil our purpose, create value for all our stakeholders and continuously develop our sustainable business. We continue to operate to the highest standards of corporate governance. Our Board composition is sustainably ahead of the diversity targets suggested by the Parker Review and the FTSE Women Leaders Review.

Our ESG targets, which include our commitment to Net Zero by 2030, remain well ahead of many comparably sized companies.

Throughout 2022/23 we focused on achieving our strategic priorities while ensuring a robust response to the drought conditions that affected the environment as well as many of our customers and communities. Management kept us well-informed on progress against the strategy and about the measures taken to mitigate the impact of the year's historically low levels of rainfall.

The table on pages 48 and 49 will help you to navigate our reporting and evaluate our performance against the Ofwat board leadership, transparency and governance principles.

As we explain below, there are also processes and procedures in place to safeguard the independence of decision-making by the South West Water Board, and prior to its integration with South West Water, Bristol Water, in respect of the parent company, Pennon Group plc.

Promoting diversity

Diversity and inclusion continue to be a top priority for the Board and South West Water. It is encouraging to see our CEO recognised for her work in this. Our gender and ethnic diversity representation on the Board exceeds the Hampton-Alexander and Parker targets. Our commitment to diversity is also echoed right across the business; our widespread commitment and focused drive to recruit talent from all backgrounds has the heartfelt support of our strong and diverse leadership team.

Engaging with our stakeholders

Engaging with all our stakeholders has never been more essential, particularly in view of the national and global issues we are facing. All companies in the water sector face much scrutiny around our environmental impacts, so it is vital that we listen to and respond to our stakeholders' views. We make sure to carefully consider all decisions and their likely impacts on our stakeholders. We ensure through our stakeholder engagement programme that everyone has the opportunity to provide feedback to the Board.

We continue to foster an open and transparent feedback culture within the business. All colleagues have the opportunity to share feedback with the Executive team and Board in several ways, including the Big Chat initiative, the Great Place to Work survey and our new employee forum RISE.

You can read more on how we are engaging with our stakeholders on pages 8 to 9.

Culture

As a Board we pay particular attention to our culture, ensuring it is fully aligned with our shared purpose, values and strategy. We continue to monitor these essential properties and receive regular reports from management on the work being done to ensure continuous improvement.

Role of the Board and its effectiveness

It is my view that the Board continues to be highly effective with a deep understanding of the opportunities as well as the threats facing the business. The results of this year's Board and Committee performance evaluations support this view (see page 45 for further detail). We keep all identified threats to the future success of the business under constant review. Please see pages 67-68 for a summary of the risks we identify and review and links to our statutory annual report, where these are reviewed in more detail.

Board independence – Pennon, South West Water and Bristol Water

In accordance with Ofwat's principles on board leadership, transparency and governance, separate Boards are maintained for Pennon and South West Water including Bristol Water following licence consolidation.

Our system of governance remains appropriate and effective, while continuing to support the delivery of our strategy.

Our Board and Committee framework also allows us to remain efficient in our decision-making processes. The South West Water Board convenes on the same day as each Pennon Board meeting and considers all key relevant issues. This arrangement allows full operational oversight and governance by the Board of South West Water over the interests of its water business, while the Pennon Board continues to focus on strategic forward-looking matters for the Group as a whole.

Changes to the Board

We are delighted to welcome two new Non-Executive Directors to the Board, Loraine Woodhouse and Dorothy Burwell. Both Dorothy and Loraine bring a wealth of experience to Board and I look forward to working with them. You can find more details on our new appointees on page 38.

In December 2022, we also welcomed Andrew Garard as Group General Counsel and Company Secretary to continue supporting the Board, succeeding Simon Pugsley. I'd like to thank Simon for his continued support of the Board and his valued contribution during his 24 years with the business.

In September 2022, Louise Rowe took up a new role reporting as Compliance and ESG Director, reporting to the Chief Executive Officer. As a result, on 1 September 2023 she resigned from the Board in her role as Finance Director, and Paul Boote was appointed to the Board as Group Chief Financial Officer.

A review of the composition of each Board Committee was conducted in December 2022, with changes becoming effective on 31 January 2023.

Neil Cooper will be standing down from the Board in September 2023 and we set out details on the process to recruit his successor in the Nomination Committee report in the South West Water Annual Report and Financial Statements (www.southwestwater.co.uk/report2023). I'd like to thank Neil for his contribution to the Board over the last 8 years and wish him well for the future.

Looking ahead

As part of our focus for 2023/24, we will continue to embed Bristol Water as part of South West Water. We will focus on delivering against our environmental commitments, and ensuring we are well placed to meet the vital ambitions of the PR24 framework. As we look to our governance arrangements, we will continue with our ongoing and orderly succession planning strategy. There is much to do, and we have the talent and governance in place to achieve our ambitions.

I will be standing down as Chair and from the Board in 2024 and the search for my successor will begin later in the year. As for all new Board appointments, this will be managed under a formal, rigorous and independently conducted process, in line with both Ofwat's board leadership, transparency and governance principles and the UK Corporate Governance Code.

I would like to take this opportunity to thank my colleagues on the Board, the management team and our wider workforce for their outstanding work over the year just gone. We will continue to focus on delivering against our strategic priorities in the year ahead, ensuring the wellbeing of our workforce as we build on the work of the last year in creating a successful and sustainable business.

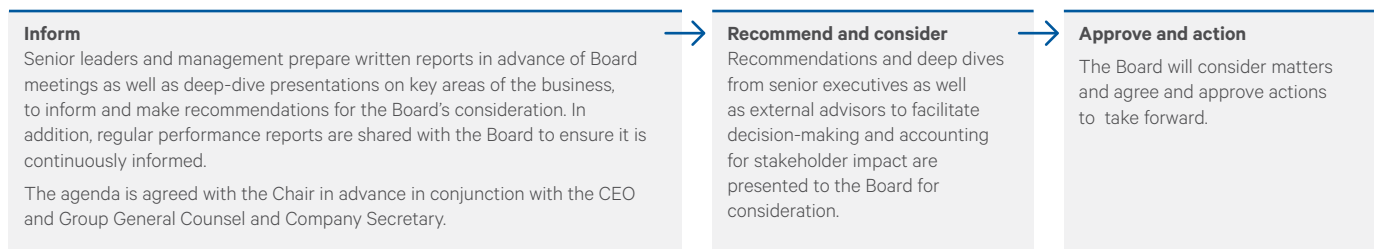
Gill Rider
Chair

Stakeholder key



Key activities of the Board in 2022/23

The key activities that were carried out by the Board during the year, together with an indication of the stakeholders affected and whose interests the Board considered in its discussions and decision-making, are set out below. In 2022/23, the Board has considered a wide range of matters to meet its obligations.



Supported by: Operational site visits/Governance, legal and regulatory updates

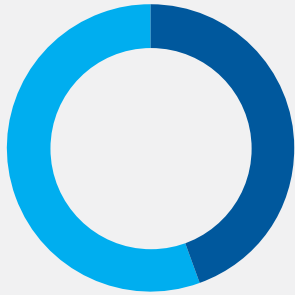
ACTIVITY	STAKEHOLDER LINK	ACTIVITY	STAKEHOLDER LINK
Strategic Strategic direction through to 2050 Reviewing and approving the strategic direction through to 2050. Agreeing eight priorities and the enablers for change required to achieve these priorities.		Environmental Drought management Reviewing the response to the drought given the dry and hot weather. Accelerating all engineering options, increased customer and water-saving communication and enhanced stakeholder engagement. Submission of Drought Order for Cornwall and instigation of a customer bill support initiative.	
Bristol Water integration Reviewing the progress of the integration into South West Water and the need for a merged licence. Authorising the final steps to be taken to effect the integration.		Net Zero strategy, Pollution Incident Reduction Plan Green, Recovery investment programme and Environmental Plan Implementation and monitoring of each of the plans and adapting each where needed. Alignment of plans with our strategic priorities. Committing to key pledges. Delivery to achieve ever more stringent targets as well as greater public/regulatory scrutiny. Reinvestment of funds previously identified as wastewater efficiencies.	
Delivery of capital projects Reviewing and agreeing a new framework model for capital delivery. Implementing a new tender process to attract new partners into the delivery model.		Social Purpose and culture Reviewing the results of the Great Place to Work survey. Agreeing the next steps to improving purpose and culture and considering why scores around integrity and values were lower than the previous year. Identifying the types of training and competencies needed to support the business in its future development.	
Financial Energy costs Reviewing the impact of higher power costs on operating costs. Identifying options to bring power and energy efficiencies across all assets.		Supporting customers on low income Monitoring of customer service levels and plans to deliver improved diversity mix and adapting where needed. Continued alignment of plans to achieve ever more stringent targets as well as greater public/regulatory scrutiny.	
Approval of c.£20m to fund both the payment of the dividend to fund the share purchase, and the application of bill reductions, for both South West Water and Bristol Water customers.		Governance, Compliance, Legal and Regulatory Regular updates on corporate governance and key legal developments during the year. Continued alignment of plans to ensure appropriate compliance/best practice governance.	
Operational ODI improvements Meeting regulatory requirements, ongoing regulatory/innovation initiatives, monitoring via H&S reports and adapting plans where needed. Successful regulatory outcomes, safe customer and employee experience, enhancing day-to-day operations.		Risk Mitigation of key risks Ongoing focus on key risks, with deep dives at Audit Committee meetings. Continued alignment of plans to ensure appropriate risk mitigation.	
Water Resource Management Reviewing the Water Resource Management Plan which sets out how the Company will ensure it meets demand for water over the next 25 years in line with Department for Environment, Food and Rural Affairs (Defra) and Environmental Agency (EA) requirements. Noting options for getting our specific strategic resource and demand plans onto the political agenda and for reducing per capita consumption to 110 l/day.			

Board of Directors

Trusted leaders

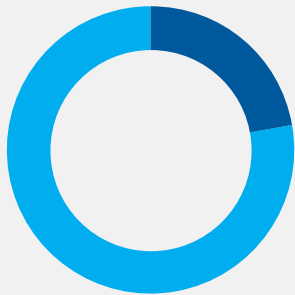
Our Board

Board composition



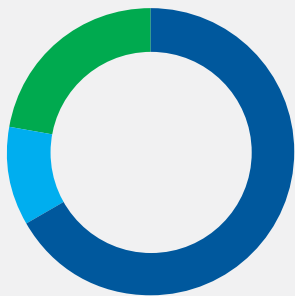
● Male: 4
● Female: 5

Ethnicity




● Of ethnic minority: 2
● White: 7

Tenure



● 0-2 years: 6
● 3-5 years: 1
● 6+ years: 2

 **The Board and its governance**
see page 39 for details of the Board's areas of experience



Gill Rider

E H N A R

Chair

Appointed

Gill was appointed to the Board on 1 April 2016 and became Chair on 31 July 2020. Gill has been a member of the Pennon Group Board since 1 September 2012.

Skills and experience

Gill has a wealth of experience in leadership and governance across a broad range of sectors including professional services, education, not for profit and government.

Formerly, Gill was Head of the Civil Service Capability Group in the Cabinet Office, reporting to the Cabinet Secretary. Prior to that, she held a number of senior positions with Accenture LLP culminating in the post of Chief Leadership Officer for the global firm. She was previously president of the Chartered Institute of Personnel and Development (CIPD) and Chair of the Council of the University of Southampton.

Current external appointments

Non-executive director and Chair of the Remuneration Committee of Intertek Group plc, President of the Marine Biological Association.



Susan Davy

E H

Group Chief Executive Officer

Appointed

Susan was appointed Chief Executive Officer for South West Water and Pennon Group on 31 July 2020.

Having previously served on the South West Water Board as Finance and Regulatory Director from 31 August 2007 until 31 January 2015, Susan has been a member of the Pennon Group Board since appointment, initially as Chief Financial Officer on 1 February 2015.

Skills and experience

Susan's knowledge of the industry, coupled with her financial and regulatory expertise, has underpinned the development of Pennon's strategy which has included the value creating acquisition of Bournemouth Water in 2015 and the successful Viridor disposal process, both of which she has led. In her 25 years' experience in the utility sector, Susan has also held a number of other senior roles in the water sector, including at Yorkshire Water.

Under her guidance South West Water is the only water company to have achieved fast-track status for two consecutive business plans – the first in 2014, the second in 2019.

Susan is highly respected in the City and has been instrumental in building Pennon's reputation.

Current external appointments

Non-Executive Director, Audit Chair and member of the Nomination and Remuneration Committees of Restore Plc. Board member of Water UK and member of the Energy & Utilities Skills Partnership Council.



Paul Boote

E H

Group Chief Financial Officer

Appointed

Paul was appointed to the South West Water Board as Group Finance Director on 1 September 2022, having joined Pennon on 1 January 2010. Paul became Group Chief Financial Officer in September 2022.

Skills and experience

Paul is a chartered accountant with over 20 years' experience. He has held several senior roles at Pennon, including Pennon's Director of Treasury, Tax and Group Finance. During this time, he was responsible for the development of Pennon's sector-leading sustainable debt portfolio, ensuring the Group maintains a responsible approach to tax, as well as leading on financial reporting matters.

Paul has also held senior finance roles at companies operating in the sport, construction and environmental infrastructure sectors.

Current external appointments

None

COMMITTEE MEMBERSHIP KEY

A	Audit Committee	R	Remuneration Committee
E	ESG Committee	■	Chair of Committee
H	Health and Safety Committee	●	Attended
N	Nomination Committee		

**Neil Cooper****A E H N R**

Senior Independent Director (Non-Executive)

Appointed

Neil was appointed to the Board on 1 April 2016.

Neil has been a member of the Pennon Group Board since appointment on 1 September 2014 and became Senior Independent Director on 31 July 2020.

Skills and experience

Neil brings to the Board extensive experience in a wide variety of corporate and financial matters. Previously, he was group finance director of Barratt Developments plc and, before that, group finance director of William Hill plc and Bovis Homes plc. Neil also held senior finance positions at Whitbread plc, worked for PricewaterhouseCoopers as a management consultant and held several roles with Reckitt & Colman plc. As chair of the Audit Committee, Neil has been influential in directing the Company's approach on a number of significant matters including internal control, governance and financial reporting.

Current external appointments

Neil is currently the chief financial officer of Currencies Direct, a foreign exchange broker and international payment provider.

**Iain Evans****A E H N R**

Independent Non-Executive Director

Appointed

Iain was appointed to the Board on 31 July 2020.

Iain has been a member of the Pennon Group Board since appointment on 1 September 2018.

Skills and experience

Iain has 40 years of extensive global experience in advising companies and governments on issues of complex corporate strategy.

In 1983, he co-founded L.E.K. Consulting in London and built it into one of the world's largest and most respected corporate strategy consulting firms with a global footprint active in a wide range of industries.

Iain was appointed as a non-executive director of Welsh Water plc in 1989 and served on the board for nearly ten years, including five years as chair.

As chair of the ESG Committee, Iain is leading the development of a sustainability programme that underpins the delivery of our strategy.

Current external appointments

Iain is a non-executive director of Bologna Topco Limited and HSM Advisory Limited and continues to act as an independent corporate strategy consultant.

**Claire Ighodaro****A E H N R**

Independent Non-Executive Director

Appointed

Claire was appointed to the Board on 31 July 2020.

Claire has been a member of the Pennon Group Board since appointment on 1 September 2019.

Skills and experience

Claire has held a number of senior roles and directorships with UK and international organisations and has extensive board experience, serving on their audit, remuneration and governance committees.

She is a past president of CIMA (Chartered Institute of Management Accountants) and was the first woman to lead this organisation. Claire spent most of her executive career with BT plc. She has also held non-executive directorships across a diverse portfolio including Governance Committee Chair of Bank of America's Merrill Lynch International, Audit Committee chair of Lloyd's of London, Flood Re, The Open University and various UK public bodies including UK Trade & Investment and the British Council.

Claire was also Non-executive Chair of the Board and Governance Committee at Axa XL - UK Entities until December 2022.

As chair of the Remuneration Committee Claire continues to steer the Company's approach on executive remuneration, ensuring that it is aligned with and supports the strategy.

Current external appointments

Chair of the Audit Board of KPMG LLP.

**Jon Butterworth****A E H N R**

Independent Non-Executive Director

Appointed

Jon was appointed to the Board on 28 September 2017.

Jon was also appointed to the Pennon Group Board on 8 July 2020.

Skills and experience

Jon has a distinguished track record and an immense depth of experience and knowledge within the utility sector, having begun his career over 40 years ago as an apprentice at British Gas. Jon was previously Managing Director of National Grid Ventures, driving growth across a range of commercial ventures outside the regulated energy sector in the UK and the US. He has also been the Managing Director of Northwest Gas, Global Environment and Sustainability Manager of Transco, National Operations Director of National Grid, Group safety, Resilience and Environmental Director of National Grid plc and formerly CEO of National Grid Ventures, building (£3bn) of growth in renewables across the USA and Europe.

Jon's utility background makes him keenly aware of the importance of maintaining a balance between performance and safety. As Chair of Pennon's Health & Safety Committee, he constructively challenges the Board and management team, to continue to raise the bar in this area. He is an Ex-Chair of the CORGI Board, an Ex-Ambassador of the HM Young Offenders Programme and a trustee of the National Gas Museum Trust.

Current external appointments

Chief Executive Officer at National Gas. Jon is also President of the Pipeline Industries Guild and a director of E.Tapp & Co Limited, Shopfittings Manchester Limited and TMA Property Limited.

Board of Directors continued



Dorothy Burwell

A E N R

Independent Non-Executive Director

Appointed

Dorothy was appointed to the Board as Independent Non-Executive Director on 1 December 2022.

Skills and experience

Dorothy has over 20 years' experience in banking and communications, specialising in natural resources and advising clients around issues on sustainability, strategy and corporate communications. She is well known for driving substantive diversity and inclusion agendas.

Between 2002 and 2006, Dorothy held analyst and senior roles at Goldman Sachs in the Investment Banking Division in both London and New York as well as in the firmwide Strategy group, where she focused on proprietary mergers and acquisitions and new business development.

Dorothy graduated from the Florida Agricultural and Mechanical University, USA with a Bachelor and Master of Business Administration, Finance and Management.

Current external appointments

Partner and Global Partnership Board Member of FGS Global, Non-Executive Director at Post Holdings, Inc, Trustee of the Consumers' Association charity, Which?



Loraine Woodhouse

A E H N R

Independent Non-Executive Director

Appointed

Loraine was appointed to the Board as Independent Non-Executive Director on 1 December 2022.

Skills and experience

Loraine is an experienced finance executive, with her experience focused in the retail and consumer sector, and more recently in real estate and infrastructure through her roles with Intu Properties plc and British Land Company plc.

Loraine was the Chief Financial Officer of Halfords Group plc for just under four years until June 2022, before which, she spent five years in executive and senior finance roles within the John Lewis Partnership, including Waitrose.

Prior to that, Loraine was Chief Financial Officer of Hobbs, Finance Director of Capital Shopping Centres Limited (subsequently Intu Properties plc) and Finance Director of Costa Coffee Limited.

Current external appointments

Non-Executive Director of The Restaurant Group plc and a member of their Audit, Remuneration and Nomination Committees, Non-Executive Director and Chair of the Audit Committee at British Land plc.



Andrew Garard

Group General Counsel and Company Secretary

Appointed

Andrew was appointed to the Board as Group General Counsel and Company Secretary on 1 December 2022.

Skills and experience

Andrew is a very experienced General Counsel having joined from Meggitt PLC where he was Group General Counsel and Director, Corporate Affairs, and a member of the Group Executive responsible for legal, commercial, trade compliance, government relations, ethics and contract management.

Previously, he was Group General Counsel and Company Secretary at ITV plc where he was a member of the Executive Board and led a global team responsible for legal and business affairs, secretariat, compliance, insurance, health & safety, rights management and corporate responsibility. Prior to this, he was Group General Counsel at Cable & Wireless plc and Head of Legal at Reuters Group plc.

Andrew founded the Legal Social Mobility Partnership in 2014 before creating the Social Mobility Business Partnership in 2017.

Current external appointments

Non-Executive Director at Zinc Media Group plc where he is Chair of the Remuneration Committee.



John Halsall

Group Chief Operating Officer

Appointment

John joined South West Water in February 2023 and subject to Ofwat approval, was appointed to the South West Water Board with effect from 10 July 2023

Skills and experience

Before joining the Group, John was Regional Managing Director (Southern) for Network Rail for 14 years. Prior to that, he spent 17 years at Thames Water in various senior operational roles including Director of Water Services and Director of Operations.

Highlights

Changes to the Board

Welcoming two Independent Non-Executive Directors – Dorothy Burwell and Loraine Woodhouse

In December 2022, Dorothy Burwell and Loraine Woodhouse were appointed to the Board as Independent Non-Executive Directors. They both bring a wealth of experience from their roles in other organisations.

[Read more on their biographies on page 38](#)

Welcoming our new Group General Counsel and Company Secretary – Andrew Garard

On 31 November 2022, Simon Pugsley stepped down as Group General Counsel and Company Secretary. On 1 December 2022, Andrew Garard joined the Group as Group General Counsel and Company Secretary.

[Read more on Andrew's experience in his biography on page 38](#)

Key focus areas for the Board in 2022/23

- Supporting customers on low income
- Drought management and resilience programme including WaterFit
- Strategic Direction 2050
- Integration of Bristol Water into the Group
- Culture
- Environmental performance
- Operational performance
- Storm overflows
- Energy costs
- WaterShare+

[See more on significant decisions/key activities taken by the Board and strategic factors taken into consideration on page 35](#)

Board meetings and attendance

There were seven scheduled Board meetings during the year.

May Board and Committee meetings	July Board and Committee meetings	July Standalone APR approval Board meeting	September Board strategy day
November Board and Committee meetings	January Board meeting	March Board and Committee meetings	

Meeting attendance during the year

Position	Member	Attendance
Chair	Gill Rider	7/7
Non-Executive Directors	Neil Cooper	7/7
	Iain Evans	7/7
	Claire Ighodaro	7/7
	Jon Butterworth	7/7
	Dorothy Burwell ¹	3/3
	Loraine Woodhouse ¹	3/3
Executive Directors	Susan Davy	7/7
	Paul Boote ²	4/4
	Louise Rowe ³	3/3

1. Appointed on 1 December 2022

2. Appointed on 1 September 2022

3. Resigned on 1 September 2022

BOARD SKILLS MATRIX

Board member	Independence	Water sector	Regulation	Finance/Accounting	Strategy	Transformation	Health, safety & wellbeing	ESG including climate change	Data, technology & digital	People	Governance	Remuneration
Gill Rider	✓	✓	✓		✓	✓	✓			✓	✓	✓
Susan Davy		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Paul Boote		✓	✓	✓	✓	✓		✓		✓	✓	
Neil Cooper	✓	✓	✓	✓	✓	✓					✓	
Iain Evans	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Claire Ighodaro	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
Jon Butterworth	✓	✓	✓		✓	✓	✓	✓	✓		✓	
Dorothy Burwell	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
Loraine Woodhouse	✓	✓	✓	✓	✓	✓				✓	✓	✓

The SWW Executive Team



Susan Davy
Chief Executive
Officer

See biography on page 36



Paul Boote
Chief Financial
Officer

See biography on page 36



Andrew Garard
Group General
Counsel and
Company Secretary

See biography on page 38



John Halsall
Group Chief
Operating Officer

See biography on page 38



Adele Barker
Group Chief People
Officer

Appointment
July 2020

Skills and experience
Adele joined the Group in 2017 and was appointed Group Chief People Officer on 31 July 2020. Adele supports the Remuneration, Nomination, and Health & Safety Committees. Her areas of accountability include the Group wide Human Resources function, Health and Safety and Corporate Communications. Her background includes senior roles in FTSE organisations including British Gas, Barclays and Marks and Spencer.



Laura Flowerdew
Chief Customer
and Digital Officer

Appointment
September 2022

Skills and experience
Laura was Chief Financial Officer of Bristol Water plc from 2018, before taking on her new role within the Group after the Bristol Water acquisition. Laura continues to be a director of Pelican Business Services (billing and customer services across both Bristol Water and Wessex Water), a role she has held since 2019.



Lisa Gahan
Group Director of
Regulation and
Strategy

Appointment
Joined South West Water in 2021 and became Group Director of Regulatory and Strategy in September 2022

Skills and experience
Prior to joining the Group, Lisa was a founding partner of ICS Consulting, where she spent over 20 years helping utilities organisations with economic regulation, customer engagement, and investment and strategy planning.



Richard Price
Chief Engineering
Officer

Appointment
September 2022

Skills and experience
Richard has previously held the roles Operations Director and COO in Bristol Water before becoming Chief Engineering Director for Pennon in September 2022. Before joining Bristol Water, Richard held extensive roles at Southern Water and so has in depth knowledge about the water industry. Richard's role within Pennon is to lead safe, efficient and innovative engineering and construction across the greater South West region.



David Harris
Group Drought
and Resilience
Director

Appointment
November 2022

Skills and experience
He leads the organisation's drought planning activities as well the ongoing development of our longer term resilience. With over 25 years of executive experience, David has successfully led performance and growth of large infrastructure businesses, both in the regulated water market and the competitive energy market in Australia. David brings experience from his time leading one of Australia's largest water companies through the worst droughts in the country's history, ensuring the constant supply of drinking water and the building of additional water resources.



Louise Rowe
Compliance and
ESG Director

Appointment
February 2015

Skills and experience
Louise is a chartered accountant and has been with South West Water for almost 15 years holding a range of managerial roles within Finance prior to her appointment as Finance Director. On 1 September 2022 Louise took on the role of Compliance and ESG Director. She is a member of several Executive subsidiary Committees including the ESG Executive Committee. Prior to joining South West Water, Louise qualified with KPMG following completion of her physics degree.

Board leadership and Company purpose

Governance structure and framework

South West Water Board

An independent, separate Board from the Pennon Group plc Board, responsible for decisions relating to the business and strategy of South West Water Limited.

The business of the Board with associated Audit, Remuneration, Nomination and Environment, Social and Governance (ESG) Committees covers a full range of corporate issues including strategy, performance, delivery, compliance and governance.

The Board has a 'matters reserved' schedule setting out its responsibilities and each Committee has detailed terms of reference setting out its responsibilities and accountabilities.

Pennon Group plc Board

The Board is responsible for providing leadership and oversight of the Group's business, strategy and associated activities including promoting its long-term success. The Board's responsibilities include setting the Group's values, policies and standards, approving Pennon's strategy and objectives, and overseeing the Group's operations and performance. The Board makes decisions in relation to the Group's business in accordance with its schedule of matters reserved.

The Board Committees

The terms of reference for each Committee are agreed by the Board and can be found at www.southwestwater.co.uk/about-us/governance/board-governance/. The terms of reference, as well as the Board's schedule of matters reserved, were reviewed and updated during the year to ensure that they remain appropriate and relevant.

Audit Committee

Ensures the quality and integrity of the Company's reporting, assessing the application of accounting policies and judgements, and evaluating whether the presentation of the Company's activities is fair, balanced and understandable.

Reviews and challenges the effectiveness of the internal control environment and risk management processes.

ESG Committee

Ensures robust scrutiny of key aspects of environmental, social and governance (ESG) performance and oversees performance against our ESG strategy and strategic sustainability objectives.

Nomination Committee

Regular review of the structure, size and composition (including the skills, knowledge, independence, diversity and experience) required of the Board, compared to its current position and the skills and expertise needed in the future.

Health & Safety Committee

Provides a 'review and challenge' function to support the Board and the Executive on all matters connected to health and safety including the deployment of the health and safety strategy, resilience and process safety.

PR24 Committee

Plans, prepares for, oversees and drives the PR24 Business Plan, sets and approves strategy for PR24, and appoints and oversees relevant executive committees and activities to ensure the delivery of the plan in line with the overall strategy.

Remuneration Committee

Ensures remuneration is aligned with the strategy and reflects the values of South West Water.

Advises the Board on the framework of executive remuneration and remuneration for the wider workforce.

Pennon Executive

Responsible for defining and driving the priorities that will achieve delivery of the Group's strategy and ensuring, to the extent of the authority delegated by the Board, the proper and prudent management of Group resources to create and maximise shareholder value while protecting the interests of the wider stakeholder group. Chaired by the Chief Executive Officer, the Executive meets regularly to receive reports from the management committees, operational executive and business review meetings, to review and refine recommendations to be presented to the Board.

Operational Executive|Business Review Group

Responsible for the day to day management of South West Water's operations and activities is undertaken as described in more detail, on page 42 by South West Water's Executive Management.

From April 2023, this is chaired by the Chief Operating Officer.

Board leadership and Company purpose continued

Sub-committees and steering groups

There are a number of sub-committees and steering groups which support delivery of our strategic priorities and key delivery programmes as set out in the table below.

No	Title	Purpose
1	Health and Safety Committee	Established to oversee South West Water's approach to health and safety (including broader staff welfare)
2	Drinking Water Quality Committee	Established to ensure the high quality of our drinking water is maintained and prompt improvements are taken when necessary
3	Pollutions Committee	Established to ensure pollutions incidents are minimised and to oversee the pollution incident
4	Investment Planning Committee	Effective owner of procedures controlling and approving capital investment. Ensures principles of proper financial control
5	Compliance Committee	Established to oversee South West Water's compliance with our obligations
6	Procurement Strategy Group	Oversees strategies and policies to promote effective working practices for strategic contracting relationships
7	Risk and Energy Committee	Reviews the principal and business risk assessments as well as the controls and mitigations in place and assurance activities, including in the area of energy
8	PR24 Steering Group	Established to develop the Company's preparation and plans for PR24
9	Isles of Scilly Steering Group	Established to ensure we meet our obligations since being appointed the licensee on April 2020
10	Net Zero Steering Group	Oversees our ongoing programme in line with our commitment to achieve Net Zero status by 2030
11	Green Recovery Steering Group	Reviews and challenges the progress of our five Green Recovery initiatives and develops the annual reporting in this area
12	Outcome Delivery Incentive (ODI) Committee	Oversees the Company's plans to deliver the performance commitments it has made to customers and stakeholders

Managing the water business

Business Review Group

The Chief Operating Officer has from April 2023 established the Business Review Group to manage the operations of the business, delivering our 2020-25 business plan and focusing on our key priorities. Prior to this the Operational Executive performed this function and this group comprised the SWW Executive Team and other senior leaders of the water business.

Led by the Chief Operating Officer, the Business Review Group meets formally on a monthly basis (with a weekly operational 'check-in') to manage performance of the water business (across our five regions) and review, refine and recommend actions to the Executive. Operational performance is considered in each area to facilitate a shared understanding of performance and other emerging priorities across the business with a focus on continuous improvement across our operations.

It brings together the senior leadership of the water business focusing on delivery with our operational areas as well as ensuring regulatory and compliance considerations are taken into account through attendance of the Compliance and ESG Director. The key areas of reporting include:

- Water resources
- Water treatment and network operations – including a focus on leakage
- Wastewater operations – including specific areas of pollutions and storm overflows
- Customer service and experience
- Asset management and capital delivery
- Central support functions for finance, people, procurement, communications and digital.

It also considers the delivery of our strategic programmes including:

- HomeSafe – our Health and Safety programme delivered across the Penon Group
- Quality First – South West's transformation programme focused on improving water quality, which is now being rolled-out into Bristol to drive improvements in our water quality outcomes.
- WaterFit – our strategic programme for healthy rivers and seas focusing on delivery of our commitments and particularly investment into storm overflows and delivery of our Pollution Incident Reduction Plan.

Furthermore, deep-dives into key areas are also completed including; health and safety, risk and compliance, people and customer experience.

All of the Non-Executive Directors are considered by the Board to be independent. None of the relationships or circumstances set out in the UK Corporate Governance Code (the UK Code) applied to the Non-Executive Directors listed on pages 36 to 38.

Notwithstanding their directorships of Pennon Group plc, the Non-Executive Directors are considered to be independent in character and judgement given that they were appointed to the South West Water Board in order to facilitate the Group's revised governance framework, rather than to represent the interests of the shareholder.

Susan Davy continued as a non-executive director of Restore plc throughout 2022/23. The Board is of the opinion that the experience gained from external appointments provides additional and different business experience and a fresh insight into the role of a director.

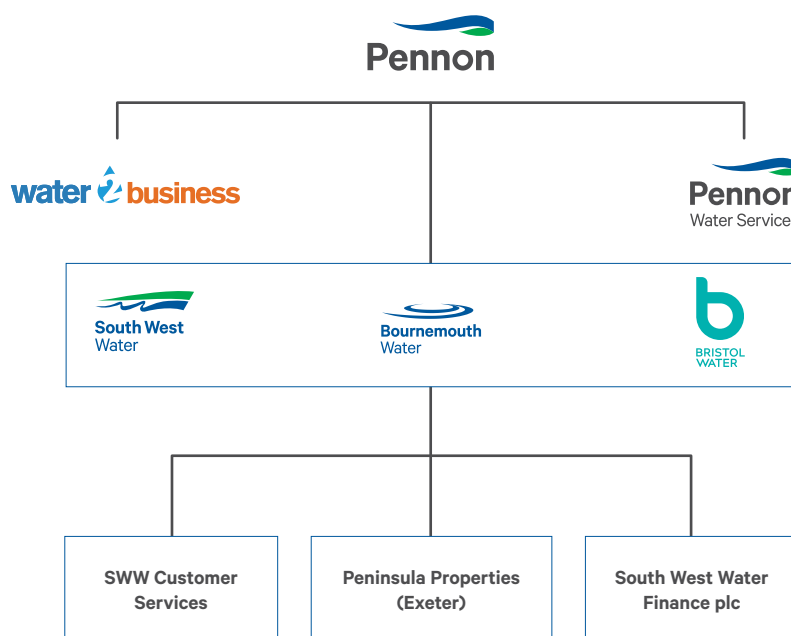
At year end, the Board had 55.6% female representation, which exceeds its 33% female representation target.

All the Non-Executive Directors are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations. Their biographies on pages 36 to 38 demonstrate collectively a broad range of business, financial and other relevant experience.

South West Water provides regulated water and wastewater services across Cornwall, Devon and parts of Dorset and Somerset, and water services in the Bournemouth Water area of operation (covering areas of Dorset, Hampshire and Wiltshire). From 1 April 2020, South West Water's licence was extended to provide water and wastewater services on the Isles of Scilly.

The Company also provides a small number of non-appointed services.

South West Water's group context



Our parent company – Pennon Group plc

Pennon Group plc is a UK FTSE listed company and owns 100% of the share capital of South West Water Limited. Further details of the governance arrangements are provided in this section of the Annual Performance Report and Pennon Group plc's Annual Report and Accounts

annualreport.pennon-group.co.uk/documents/pennon_full_year_report_2023.pdf

Bristol Water:

On 2 June 2021, Pennon approved the acquisition of Bristol Water Holdings UK Limited, including its subsidiary Bristol Water plc, which provided water only services to c.1.2 million customers in the Bristol region. Bristol Water Holdings has a 50% holding in Bristol Wessex Billing Services Limited, which provides debt collection services and a 30% holding in water2business Limited, which is a retailer of non-household water and wastewater services.

In February 2023, following approval and regulatory licence merger, Bristol Water's assets and liabilities being transferred into South West Water Limited. As with Bournemouth Water, which was previously merged into South West Water, the Bristol Water brand is being maintained.

South West Water's other active subsidiaries:

South West Water Customer Services Limited manages South West Water's billing, collections and customer contact activities (formerly Source Contact Management Limited).

Peninsula Properties (Exeter) Limited advises South West Water on property development opportunities.

South West Water Finance plc acts as a financing company, raising borrowings for South West Water.

Other significant associated companies:

Pennon Water Services:

Pennon Water Services provides retail services to non-household customers. Whilst part of the wider Pennon Group, South West Water has in place robust policies and practices to ensure full competition compliance with the market codes for the non-household retail market.

Board leadership and Company purpose continued

DIRECTORS' ROLES AND ACCOUNTABILITY

Chair Gill Rider	<ul style="list-style-type: none"> • Leading the Board and setting its agenda • Promoting the highest standards of integrity and probity and ensuring good and effective governance • Managing Board composition, performance and succession planning • Providing advice, support and guidance to the Executive Directors • Representing the Company and being available to stakeholders • Discussing separately with the Non-Executive Directors performance and strategic issues.
Group Chief Executive Officer Susan Davy	<ul style="list-style-type: none"> • Managing South West Water and providing executive leadership • Leading the operation of the Company in accordance with the decisions of the Board • Co-ordinating with the Chair on important and strategic issues of the Company and providing input to the Board's agenda • Contributing to succession planning and implementing the organisational structure • Managing stakeholder relations.
Senior Independent Director Neil Cooper	<ul style="list-style-type: none"> • Assisting the Chair with stakeholder communications and being available as an additional point of contact for stakeholders • Being available to other Non-Executive Directors if they have any concerns that are not satisfactorily resolved by the Chair.
Group Chief Financial Officer Paul Boote	<ul style="list-style-type: none"> • Supporting the Chief Executive Officer in providing executive leadership and developing strategy • Reporting to the Board on performance and developments across the business • Implementing decisions of the Board • Managing specific business responsibilities.
Non-Executive Directors Jon Butterworth Iain Evans Claire Ighodaro Dorothy Burwell Loraine Woodhouse	<ul style="list-style-type: none"> • Critically reviewing the strategies proposed for the Company • Critically examining the operational and financial performance of South West Water • Evaluating proposals from management and constructively challenging management's recommendations • Contributing to corporate accountability through being active members of the Committees of the Board.

Directors' roles

Neil Cooper is chair of the Audit Committee and in accordance with the UK Code and FCA Disclosure Guidance and Transparency Rule 7.1.1 he has recent and relevant financial and accounting experience (as set out in his biography on page 36). The Board is satisfied that the Committee as a whole has competence relevant to the operations of South West Water.

There is a clear separation of responsibilities between the Chair and the Chief Executive Officer, divided between managing the Board and the business, while they of course maintain a close working relationship.

All the Directors are equally accountable for the proper stewardship of South West Water's affairs but they have specific roles including those set out in this report.

Managing South West Water

The South West Water Board continues to operate as a separate independent board – albeit with common directors with Pennon Group plc – in accordance with its schedule of matters reserved (see right) to ensure compliance with Ofwat's principles on Board leadership, transparency and governance.

The Pennon Group Board's responsibilities include overall leadership of the Group, setting the Group's values, policies and standards, approving Pennon's strategy and objectives and providing oversight of the Group's operations and its performance.

Because the two Boards are run concurrently, the Directors are well-positioned to ensure that matters reserved to each respective Board are appropriately scrutinised and undertaken in compliance with each business's regulated obligations. A rigorous conflicts of interest process also safeguards the South West Water Board's ability to set and take accountability for all aspects of the regulated business strategy and to strengthen South West Water's regulatory ringfence.

While certain matters may be delegated to the Board Committees and to the Executive Directors, as appropriate, the matters reserved to the Board include:

- All acquisitions and disposals
- Major items of capital expenditure
- Authority levels for other expenditure
- Risk management process and monitoring of risks
- Approval of the strategic plan and annual operating budgets
- Company policies, procedures and delegations
- Appointments to the Board and its Committees
- Approval of the Annual Reports and Financial Statements and the Annual Performance Report and Regulatory Reporting.

Without reserving to itself the final decision-making power, the Pennon Group Board also endorses certain decisions taken by the South West Water Board, including major capital projects and investments, long-term objectives and commercial strategy, the five-year regulatory plan, annual budgets, and certain decisions relating to financing. This approach remains compatible with Ofwat's principles on board leadership, transparency and governance because such decisions are ultimately reviewed by the South West Water Board.

Approval of South West Water's dividend policy and the declaration of dividends to be paid by South West Water also remain reserved to the South West Water Board.

The Executive team meets in advance of each meeting of the Board in order to ensure clear ownership and management of the operations of the business prior to the formal Board and Committee meetings.

In addition to the six scheduled Board meetings, a strategy day is held in September each year, and extra ad hoc Board meetings are arranged as required.

Board support and training

Directors have access to the advice and services of the Company Secretary, and the Board has an established procedure whereby Directors, in order to fulfil their duties, may seek independent professional advice at the Company's expense. The Company Secretary is responsible for ensuring that the Board operates in accordance with the governance framework and that information flows effectively between the Directors, the Board and the Committees.

Newly appointed Directors receive a formal, tailored induction, which includes, inter alia, an explanation of the Company and wider Group structure, regulatory and legal issues, the governance framework and policies, the approach to risk management and its principal risks (financial and non-financial, including environmental, social and governance (ESG) risks), duties and obligations (including protocols around conflicts of interest and dealing in shares of the parent company), and the current activities of the Board and its Committees.

Newly appointed Directors are also invited to visit different operating facilities across the business and to meet with employees in order to understand key processes and systems better. As part of Dorothy and Loraine's induction to Pennon and its Group companies, they took the opportunity with Andrew to visit several sites across the region including a drinking water treatment site, a sewage treatment site and a reservoir catchment project.

The two days of site visits were complemented by a full day briefing session on topics ranging from Governance and Group Finance to the Group's approach to Health and Safety and key risks and opportunities faced by Pennon and the wider UK water industry.

The training needs of Directors are reviewed as part of the Board's performance evaluation process each year. Training may include attendance at external courses organised by professional advisors and also internal presentations from senior management.

Board Committees' terms of reference

In accordance with policies, a range of key matters are delegated to the Board's Committees.

The terms of reference of each of the Board's Committees are set out on the Company's website (www.southwestwater.co.uk/about-us/documents/terms-of-reference/) and are also available from the Group Company Secretary upon request.

The terms of reference, as well as the Board's schedule of matters reserved, were reviewed and updated during the year to ensure that they remained

Operation of the Board

The Board operates by receiving written reports circulated in advance of the meetings from the Executive Directors on matters within their respective business areas. The Board also receives presentations on key areas of the business and undertakes site visits to meet employees and gain a better understanding of the operation of business initiatives. In 2022/23, the Board was able to resume a programme of largely in-person Board meetings.

Under the guidance of the Chair, all matters placed before the Board are discussed openly. Presentations and advice are received frequently from senior executives and from external advisors to facilitate the decision-making of the Board. In 2022/23, the Board has considered a wide range of matters in order to meet its obligations. More detail on the key activities of the Board can be found on pages 35 and throughout the Governance Report.

In arriving at decisions, the Board always considers the impact they might have on stakeholder groups when considering what is in the best interests of stakeholders as a whole.

The Chair and Non-Executive Directors take particular care to ensure that the Board considers the interests of customers in all matters discussed by the Board, reflecting a very real understanding of the particular pressures on South West Water's customers. In addition to a regular review of customer contact and complaint analysis, the Board is regularly updated on customer satisfaction surveys.

South West Water has monitored customer satisfaction with service and value for money quarterly for over 20 years, and has also facilitated focus groups to discuss local and regional investment. Findings from all methods of customer consultation are fed back to the Board and incorporated into Company plans.

All Directors are equally accountable for the stewardship of the Company's affairs with the Non-Executive Directors having a particular responsibility for ensuring that strategies proposed for the development of the business are critically reviewed. The Non-Executive Directors also examine the operational and financial performance of the Company and fulfil a key role in corporate accountability through their membership of the governance committees of the Board.

During 2022/23, refresher training was provided to the Board on Directors' duties.

Executive management

The role of the Executive is to define and drive the business priorities that will achieve delivery of the strategy. It is responsible for ensuring, to the extent of the authority delegated by the Board, the proper and prudent management of resources to create and maximise value whilst protecting the interests of the wider stakeholder group.

Chaired by the Chief Executive Officer, the Executive meets formally fortnightly/monthly to manage the performance of the Company and to review and refine recommendations to be presented to the Board.

Further details concerning the Executive Management and its sub-groups are provided on pages 40 to 43.

Board leadership and Company purpose continued

Dealing with Directors' conflicts of interest

In accordance with the Directors' interest provision of the Companies Act 2006 and the Company's Articles of Association, the Board has in place a procedure for the consideration and authorisation of Directors' conflicts or possible conflicts with the Company's interests. The Board considers that this has operated effectively during the year.

Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company.

A register of Directors' conflicts is maintained and reviewed at each Board meeting. Authorised conflicts disclosed on the register currently involve cross-directorships with Pennon Water Services Limited and the trustee board of Pennon Group's defined benefit scheme. No other conflicts of interest arose during the year.

Related parties

The processes outlined left in relation to conflicts of interest, together with the commissioning of frequent share register analysis, enable the Board to monitor related parties so that any related party transactions may be quickly identified and compliance with the Listing Rules ensured.

Risk management and the system of internal control

The Board is responsible for maintaining the system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing the significant risks faced by South West Water that has been in place throughout 2022/23 and up to the date of the approval of this Annual Performance Report.

The Group's system of internal control is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' (FRC Internal Control Guidance).

The Board confirms that it applies procedures in accordance with the UK Code and the FRC's Internal Control Guidance, which brings together elements of best practice for risk management and internal control by companies. The Board's risk framework described in the Annual Report and Financial Statements provides for the identification of key risks, including ESG risks, in relation to the achievement of the business objectives of the Group, monitoring of such risks and ongoing and annual evaluation of the overall process. ESG risks identified and assessed by the Board cover areas such as health and safety, climate change and tax compliance. Details of the key risks affecting the Company are set out in the strategic report on pages 67 to 68.

Key performance indicators are in place to enable the Board to measure the Company's ESG performance and a number of these are linked to remuneration incentives (see the Annual Report on Remuneration).

As part of the review of the effectiveness of the system of risk management and internal control under the Pennon Group risk management policy, all Executive Directors and senior managers are required to certify on an annual basis that they have effective controls in place to manage risks and to operate in compliance with legislation and other procedures.

The processes and policies serve to ensure that a culture of effective control and risk management is embedded throughout South West Water and that the Company is in a position to react appropriately to new risks as they arise.

Code of Conduct and policies

The Pennon Group Code of Conduct has been adopted within South West Water. It and related policies set out our commitment to promoting and maintaining the highest ethical standards. Areas covered in the Code of Conduct and policies include our impact on the environment and our communities, our workplace and our business conduct.

The Group's policy on anti-bribery and anti-corruption strictly prohibits employees from offering or accepting bribes, facilitation payments and kickbacks. The policy requires proper due diligence checks of third party suppliers or contractors doing business with the Group, including a corruption risk assessment by the relevant unit, to examine the nature of the proposed work or transaction. The policy sets the framework for our clear requirement that everyone who works with or for us must act honestly and with integrity at all times. It has been rolled out comprehensively into all parts of the Group, with training provided into business units by the dedicated Group legal compliance team. Enforcement of the policy is achieved through planned and ad hoc checks, the training mentioned, and detailed investigations into allegations or whistleblows received from employees, customers and suppliers around potential wrongdoing.

Allegations of bribery or corruption are reported to the Audit Committee together with investigation outcome and details of any action taken, and will be disclosed to our external auditors. To date there have been no fines, penalties or significant issues reported or found in relation to bribery, corruption or fraud.

The Group also has policies in place, adopted by South West Water, covering the acceptance of gifts and hospitality, anti-facilitation of tax evasion and conflicts of interest, which require our people to disclose any situation which may conflict with their responsibilities as employees. Our Code of Conduct and our policies are available on our website at www.pennon-group.co.uk/about-us/policies.

Specific risk assessments undertaken by the Group internal audit function identify more vulnerable areas of the Company. In order to try and mitigate risk wherever possible, targeted authorisation and oversight processes apply to the areas identified as being more vulnerable and additional training is provided.

The Group legal compliance team likewise actively assesses high risk areas based on information gained through its close working with business functions and Group internal audit. Assessments are undertaken using a number of entry points, including using the output of reviews with the executive teams, during and following face-to-face training, and analysing whistleblowing reports.

Foreign trading operations, procurement activities and business development/ commercial back-office areas continue to be specifically reviewed for compliance with anti-bribery and anti-corruption requirements. Comprehensive operating procedures are in place to address risks in those areas, with regular reviews taking place to ensure the assessment of risk remains up to date.

The policy also sets out the employment consequences for its breach and potential legal sanctions under bribery laws. Any breaches or failure to adhere to the Group's strict standards of integrity and honesty will be subject to disciplinary action, up to and including dismissal from the Company. All employees are required to read, understand and comply with the policy and report any circumstances or any suspicions of fraud, bribery, corruption or other irregularities, either to a line manager or by using the confidential whistleblowing (Speak Up) service. There were no confirmed cases of bribery or corruption, and no confirmed business ethics incidents, during the year.

Speak Up

The Speak Up service encourages employees to raise concerns about suspected wrongdoing or unlawful or unethical conduct, explains how this should be done and ensures that they are able to do so without fear of reprisals. The Pennon Group's whistleblowing policy specifically includes and encourages reporting of:

- Bribery or corruption
- Stealing or fraud
- Corrupt or dishonest activity
- Anything else contrary to the law.

The Speak Up service comprises telephone and web-based reporting channels operated by an independent provider Navex Global. Following receipt, the allegation will be assessed and an investigation started promptly. The investigation process will be undertaken fairly, impartially and thoroughly, and maintaining strict confidentiality at all stages of the investigation and any subsequent action taken.

Our vision, purpose, values and culture

Our vision

Our vision is 'Bringing water to life'

Monitoring purpose and culture

Monitoring and measuring the Company's purpose and culture is a key focus area for the Board. Our organisation couldn't deliver without our c. 3,000 colleagues. Our purpose, Bringing water to life – supporting the lives of people and the places they love for generations to come and underpinned by our values that we live by – trusted, responsible, collaborative, progressive, governs how we operate, behave and fosters a diverse and inclusive culture.

Everything we do, we do with our stakeholders in mind, be it supporting our customers with financial support, providing help and funding for community initiatives, working with our regulators and the government on ensuring the future is sustainable, celebrating and rewarding our colleagues or finding innovative ways to protect our environment.

Underpinned by the values we live by



Trusted

We do the right thing for our customers and stakeholders.



Responsible

We keep our promises to our customers, communities and each other.



Collaborative

We forge strong relationships, working together to make a positive impact.



Progressive

We are always looking for new ways to improve and make life better.

Development of our purpose

We are committed to listening, engaging and reflecting our stakeholders' needs and priorities in our business plans and operations. Our engagement approach involves regular dialogue that is timely and open, building meaningful relationships based on trust and transparency. We use a wide range of methods to reach our stakeholders, ranging from formal independent research, focus groups and workshops to real-time conversations. We engage with our stakeholders in order to understand their needs and priorities, which in turn shape our strategy and social purpose.

Our Board regularly reviews stakeholder feedback to ensure that our Company purpose reflects the expectations of our stakeholders, our role, as they see it, as a provider of an essential public service and a custodian of the environment, ensuring we meet our customers' needs and maintain services for future generations.

Last year we refreshed our purpose, reflecting the wider social contract we have with all our stakeholders and the region we support. Our new purpose, Bringing water to life – supporting the lives of people and the places they love for generations to come, shows the importance we place on operating in the public interest for the benefit of our customers and our employees, now and into the future, underpinned by our core values, which guide everything we do.

Our purpose reflects what we have heard from customers. Our customers tell us that we have the opportunity to improve their lives and the environment across the region. Customers' top priority is to have safe, clean water – it's vital for life. The next four priorities are around improving the water environment – improving bathing waters and rivers and reducing pollution – as this can impact and enhance their lives, communities and society. Top 10 priorities include boosting reliability – we need to bring water to them all day, every day without interruption, no matter the weather.

Our purpose needs to reflect these customer needs, and we think our purpose does indeed encapsulate perfectly what our customers tell us is important to them.

Through the WaterShare Advisory Panel we tested our evolved purpose – Bringing water to life – which evolved from Bringing resources to life, which stakeholders thought better reflected South West Water.

Aligning and monitoring values and culture with our vision and purpose

We have eight core operational outcomes, which were developed through our business planning process, reflecting the priorities of our customers and other stakeholders.

Our business model is underpinned by strong governance and is designed to ensure we:

- deliver value for money services while keeping bills affordable for customers
- achieve or exceed the high quality standards set by our regulators
- safeguard our existing investments (e.g. networks, treatment works, operational assets and systems)
- minimise the impact of our activities on the environment
- ensure fair returns for our investors
- are able to meet future challenges such as climate change, resilience, population growth and new legislation.

Our purpose, strategy and values are areas that we actively monitor to ensure that they remain appropriate for the needs of those we provide services to, and the wider society.

Our values define the culture in which we all operate and are aligned to our overall purpose. Our Company values (trusted, responsible, collaborative and progressive) are clear and ensure that everyone knows how we operate as a regulated business and carry out our day-to-day operations.

The values were co-created with our employees and we discuss how each function and each role contributes to them.

We regularly undertake reviews of our Board's objectives, including matters reserved to the Board, to ensure that the Board continues to focus on appropriate areas and priorities.

Two-way employee engagement is key to encouraging the right behaviours and we do this through a variety of channels and activities, for example, people committee and employee engagement forums where function representatives meet regularly with the Executive team. Regular team meetings take place, where our values are reinforced. Employees have regular 1:1s and annual appraisals to review job role objectives, how activities and duties have been carried out and where improvements can be made. Senior management hold regular 'Big Chat' broadcasts where our Executive team talk about issues facing the business in a live environment and are available for Q&As.

The Board and Executive Management routinely interact with employees as part of their site visit programme. This allows the Board to understand first-hand the key issues identified by our workforce and provide feedback directly. During the year the Board reviews and considers the outcomes of the Employee Engagement annual survey carried out by 'Great Places to Work'. The Board discusses the results and the plans to address the areas of focus identified. We have a Pennon Group-wide 'Speak Up' programme, the outcomes of which are reviewed by the Board on an ongoing basis.

Board leadership and Company purpose continued

Compliance with Ofwat's principles and the UK Code – analysis by objective/provision and principle

South West Water is providing a detailed analysis of how we comply with Ofwat's Board principles of Board leadership, transparency and governance as well as the 2018 UK Corporate Governance Code (in the context of being a subsidiary of a listed company).

Details of how the Board has addressed Ofwat's principles (including links to more detailed sections of the Annual Performance Report and Regulatory Reporting) are provided below.

A summary of explanations of measures the Company has taken in areas where South West Water is unable to achieve full compliance with the 2018 UK Code due to its group context is provided on pages in the Annual Report and Financial Statements. A full summary of compliance by provision of the 2018 UK Code is provided in South West Water's Annual Report and Financial Statements.

Ofwat board leadership, transparency and governance principles (January 2019)

From 1 April 2019, Ofwat revised 'Board leadership, transparency and governance' principles have applied to South West Water. These were published following consultation by Ofwat in January 2019. The following table details how we comply with these principles, where we have taken additional steps during the year to comply, or indicates elsewhere in this Annual Performance Report where this detail is provided.

Objective 2.1 purpose, values and culture

The board of the Appointee establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

Provision i.

The board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.

Our purpose is laid out in the 'Our Business model and strategy' on pages 4 and 5. This is developed to align with our regulatory business plans which are themselves based around the eight outcomes which our customers and other stakeholders have identified as their top priorities.

Provision ii.

The board makes sure that the company's strategy, values and culture are consistent with its purpose.

'Business model and strategy' on pages 4 and 5 lays out our strategy, values and culture which have been developed in line with our purpose and the linkage is outlined in that section.

Provision iii.

The board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment it takes corrective action.

All employees are provided with our Code of Conduct which outlines the behaviours expected in line with the values and culture which we expect. An independent 'Speak Up' whistleblowing process is made available to all staff to raise any relevant matters. These are reviewed by the Head of Legal Compliance and summaries of matters raised are then reviewed by the Board and corrective actions to any matter requiring correction are also reviewed. Further details are provided on pages 29 and 46.

Provision iv.

A company annual reporting explains the board's activities and any corrective action taken. It also includes an annual statement from the board focusing on how the company has set its aspirations and performed for all those it serves.

The activities of the Board are detailed on page 35. Pages 28 and 29 detail continued employee engagement. The Risk and Compliance Statement on pages 60 to 66 focuses on how the Company has set its aspirations and performed for all those it serves.

Objective 2.2 standalone regulated company

The Appointee has an effective board with full responsibility for all aspects of the Appointee's business for the long term.

Provision i.

The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.

The Board leads the Company both in terms of accountability and legitimacy and is responsible for the setting of and ownership of the Company's strategy together with the ability to make ongoing strategic and sustainable decisions in the interests of the Company for the long term. Pennon endorses significant decisions impacting Group strategy. These are detailed within the Governance section alongside detail of the operation of the South West Water Board. We believe this approach is compatible with this provision.

Provision ii.

Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.

The South West Water Annual Report and Financial Statements details the operation of South West Water's Audit, Remuneration, Nomination, Health and Safety and ESG Committees, each of which reports into the Board. Other than in areas identified in this report as reserved for the parent company, final decisions are made by South West Water's Board and Committees.

Provision iii.

The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

The role of the Board and updates on its activity during the year are detailed on page 35 and throughout the Governance section and it is fully focused on the activities of South West Water. The approach to conflicts of interest including in respect of third parties is detailed on page 46.

Ofwat board leadership, transparency and governance principles (January 2019) continued

Objective 2.3 Board leadership and transparency

The board of the Appointee's leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions. Regulated companies publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders:

Provision i. An explanation of group structure.	See page 43.
Provision ii. An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).	See page 90.
Provision iii. An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.	See 'Managing our risks' pages 67 to 68.
Provision iv. The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.	These are included in the Governance section (pages 34 - 39).
Provision v. An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.	See pages 50 to 59.

Objective 2.4 Board structure and effectiveness

The board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

Provision i. Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.	See pages 34 to 49 for summaries of the Board and Committees.
Provision ii. Independent non-executive directors are the largest single group on the board.	The majority of the Board is comprised of independent Non-Executive Directors (seven of a total of nine Directors, including the Chair).
Provision iii. The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.	The Chair is independent of management, although is also the Chair of the parent company Pennon Group plc. There is a clear and explicit division of responsibilities between the Board and Executive, and a summary of their roles is provided on page 41.
Provision iv. There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.	See page 45.
Provision v. There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.	See pages Nomination Committee Report in the South West Water Annual Report and Financial Statements.
Provision vi. To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.	Two new non-executive appointments have been made this year. When they are made, new Board members are provided with inductions. The Board receives training, including in respect of the roles of Non-Executive Directors throughout the year. Further details of their support and training are provided on page 45.
Provision vii. There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.	Summaries of Committee membership and attendance is provided in the South West Water Annual Report and Financial Statements. Each of these Committees has a majority of Independent Non-Executive members.

Annual report on remuneration

Overview

There is growing focus on the water sector to clearly demonstrate it is acting in the best interests of customers, communities and the environment, and to rebuild trust and confidence in the sector, in the matter of Executive pay.

Susan Davy, Chief Executive Officer, and Paul Boote, Chief Financial Officer, are both Executive Directors of Pennon Plc and South West Water Ltd. Their remuneration is set by the Pennon Group Remuneration Committee and in accordance with the Pennon Group remuneration policy, approved by shareholders on 22 July 2020. In line with the normal three-year review process, the proposed remuneration policy for 2023 is detailed in the Pennon Group Annual Report and will be subject to shareholder vote at the annual AGM. Full details of the proposed policy and implementation for 2023/24 can be read in the Group Annual Report on page 137 and pages 152 to 157.

The apportionment included in this report for FY2023 is 70%, with 50% for South West Water and 20% for Bristol Water. South West Water Executives are remunerated in line with the Remuneration policy approved as part of PR19.

Remuneration policy review

Our current remuneration Policy was set in 2020. In accordance with the normal three-year renewal timetable, our parent company Pennon Group plc, will be seeking shareholder approval for a new Policy at our 2023 AGM.

We are proposing changes to strengthen the link with customer and environmental commitments.

Overall remuneration levels under the policy remain modestly positioned against our water sector peers, and no increased are being proposed as part of the policy renewal. We also continue to have a number of safeguard performance mechanisms to avoid payments for failure including use of clear performance measures, stakeholder and other feedback, operation of a discretion framework before approving incentive outcomes and robust malus and clawback provisions.

However, the Committee is aware of the external environment, particularly in the context of our business plan submission for the next regulatory review cycle, due to Ofwat in October 2023. We intend to undertake a review of our pay structure taking account of our strategic priorities and continuing best practice guidance. This review will reflect on a range of approaches seen in the market, from alternative performance metrics through to structural changes such as the use of restricted shares. We will also consider any refinements that are needed to in-flight arrangements.

Balance of customer measures in variable pay (2022/23)

Areas of focus	Maximum bonus (% of salary)			Overall bonus		SWW / BW role - 70%		Group role - 30%
	Weighting	Categorisation of measures	Weighting	125%		87.5%		37.5%
				Overall bonus		SWW / BW role - 70%		Group role - 30%
Service and customer measures	30%	Service and customer-related	30%	38%	Water related bonus	38%		n/a - predominantly linked to water business
ESG	20%	Service and customer-related	13.3%	17%	Water related bonus	17%		n/a - predominantly linked to water business
		Group ESG, but matters of importance to our customers	6.7%	8%	Split proportionately in this illustration	4%		4%
Financial	50%	Group Financial	50%	63%		29%		33%
Total	100%		100%	125%		87.5%		37.5%
	% of max based service / customer			43%		62%		NIL
	% of max based service / customer / ESG			43%		66%		12%

The current bonus arrangements meets Ofwat's best practice guidance of 60% of annual variable remuneration being linked to positive customer outcomes, with 66% of the allocated apportionment of the bonus based on service and customer targets for South West Water and Bristol Water, as shown above. For 2023/24 the upweighted focus on customer and environmental will increase the apportionment to c.84% from 66%.

Incentive outcomes (2022/23)

In December 2022, David Black wrote to all Remuneration Chairs regarding performance-related pay, reminding Remuneration Committees of the importance of ensuring that stakeholders can clearly see the link between performance related pay and stretching customer and environmental outcomes, in line with Ofwat's board, leadership, transparency and governance principles. The Remuneration Committee carefully considered this both in the approval of the outturns for FY23, and in the review of future policy, which will be approved by shareholders at the 2023 AGM.

Based on the formulaic assessment of performance, the bonus out-turns for the Group CEO and CFO was 26% of maximum for the annual bonus and 45% for the Long-Term incentive plan. For the SWW Executives the annual bonus was 12% and 34% for the Long-Term incentive plan. The Committee was satisfied that the outcomes fairly capture the overall performance over the period. The proposed out-turns were also reviewed by the WaterShare plus advisory panel.

Additionally, having reflected on the exceptional economic backdrop, the Pennon Group Chief Executive Officer recommended to the Committee that her annual bonus and 2020 LTIP awards were foregone in full. An equivalent value is to be diverted into a future issuance under the Company's WaterShare+ scheme, which directly benefits customers by either providing money off their bill or via ownership of Pennon shares.

Whilst recognising the performance delivered, the Committee reflected on the broader environment and approved the Group Chief Executive Officer's recommendation.

Additionally, the Group has confirmed that customers will not fund the bonus payments for the Group Chief Financial Officer.

Incentive outcomes (2023/24)

For 2023/24 we have uplifted the focus on customer measures and the environment in the incentive arrangements for the Pennon Group Executive Directors and more can be read in the Pennon Annual Report and Accounts on page 137. When considering the implementation of the policy for the coming year, the Committee was mindful of evolving Ofwat guidance on incentives for senior executives, in particular the desire for a substantial portion of awards to be linked to delivery for customers, communities and the environment.

For 2023/24, the annual bonus structure has been revised, and balances our focus on operational and strategic objectives related to customers, communities and the environment (60%) and maintains an appropriate weighting on financial results (40%). For South West Water executives this remains at 70% and 30% respectfully.

For 2023 LTIP awards, the balance of measures has been refined to respond to both Ofwat guidance and recent feedback from our stakeholders. A significant portion of the awards will be based on a return on regulated equity (50% weighting, increased from 33%), as this is a key measure for our stakeholders and the regulator. As the performance period concludes during the next price review period, the targets have been expressed as returns above the allowed cost of equity, but require the same level of out-performance as the 2022 LTIP. Customer experience has also been maintained as a measure (20% weighting). A new measure linked to water quality and the environment (30% weighting), has been introduced, with long-term objectives relating to our EPA rating, reductions in pollution incidents and combined storm overflows.

Annual report on remuneration continued

ELEMENT	IMPLEMENTATION
Base pay and benefits	
Set at a competitive level to attract and retain high-calibre people to meet the Company's strategic objectives in an increasingly complex business environment.	Salaries are generally reviewed annually, and any changes are normally effective from 1 April each year. In normal circumstances, salary increases will not be materially different to general employee pay increases. The CEO declined to take an award in 2022/23. The CFO received an increase of 3%, less than the increase awarded to the wider workforce. Benefits currently include the provision of a Company vehicle, fuel, health insurance, income protection and life assurance. Other benefits may be provided if the Committee considers it appropriate. Benefits include car benefit, health insurance, life assurance and annual holiday.
Benefits provided are consistent with the market and level of seniority to aid retention of key skills to assist in meeting strategic objectives.	The salary for the CEO was £253,000. The salary for the CFO was £164,000.
Pension	
Provides funding for retirement and aids retention of key skills to assist in meeting the Company's strategic objectives.	The maximum annual pension contribution or cash allowance is in line with the contribution available to the wider population at 10% of salary.
Annual bonus	
Incentivises the achievement of key performance objectives aligned to the strategy of the Company.	50% of any bonus is deferred into shares in the Company which are normally released after three years. Malus and clawback provisions apply. The bonus measures for 2022/23 were set against: <ul style="list-style-type: none"> Financial performance Customer service and ODI performance Environmental, social and governance.
Long-Term Incentive Plan (LTIP)	
Provides alignment to the achievement of the Company's strategic objectives and the delivery of sustainable long-term value.	Annual grant of conditional shares (or equivalent). Share awards vest subject to the achievement of specific performance conditions measured over no less than three years. In addition, a two-year holding period will apply in respect of any shares which vest at the end of the three-year performance period. An underpin applies which allows the Committee to reduce or withhold vesting if the Committee is not satisfied with the underlying operational and economic performance of the Company. Malus and clawback provisions apply. The 2022 LTIP award was based on: <ul style="list-style-type: none"> Return on Capital Employed Sustainable dividend measures (Pennon) Earnings per share.
Shareholding guidelines	
Create alignment between Executives and shareholders and promote long-term stewardship.	Both Executive Directors are expected to build a shareholding of 200%.
Discretion	
In line with the 2018 Corporate Governance Code, the Remuneration Committee has ensured that it will maintain the ability to override the formulaic outcomes for future awards under the annual bonus and LTIP where the outcomes are not considered by the Committee to be appropriate (e.g. unreflective of underlying performance). The Committee will disclose the use of any such discretion.	

South West Water 2022/23

During 2022/23, prior to the appointment of Paul Boote as Chief Financial Officer for South West Water Ltd, the role of Finance Director was held by Louise Rowe.

Louise Rowe took up an alternative role within South West Water and resigned her responsibilities as South West Water Finance Director and as a member of the Board on 31 August 2022. The full year's remuneration is shown for 2022/23 for full transparency rather than for her period as a statutory director only.

ELEMENT	OPERATION AND IMPLEMENTATION IN 2022/23
Base pay	
Set at a competitive level to attract and retain high-calibre people to meet the Company's strategic objectives in an increasingly complex business environment.	Salaries are generally reviewed annually, and any changes are normally effective from 1 April each year. In normal circumstances, salary increases will not be materially different to general employee pay increases. The Finance Director received a salary of £180,268 during 2022/23.
Benefits provided are consistent with the market and level of seniority to aid retention of key skills to assist in meeting strategic objectives.	Benefits currently include the provision of a Company vehicle, fuel, health insurance, income protection and life assurance. Other benefits may be provided if the Committee considers it appropriate.
Pension-related benefits	
Provides funding for retirement and aids retention of key skills to assist in meeting the Company's strategic objectives.	The maximum annual pension contribution or cash allowance is in line with the contribution available to the wider population. The Finance Director received pension benefit of 15% of salary.
Annual bonus	
Incentivises the achievement of key performance objectives aligned to the strategy of the Company.	The maximum bonus potential is 75% of salary. A portion of any bonus is deferred into shares in the Company which are normally released after three years. Normally 50% is deferred. Malus and clawback provisions apply. For the Finance Director, customer and operational measures and ESG measures will account for 70% of the bonus weighting. The remaining 30% will be linked to SWW financial performance.
Long-Term Incentive Plan (LTIP)	
Provides alignment to the achievement of the Company's strategic objectives and the delivery of sustainable long-term value.	Annual grant of conditional shares (or equivalent). Share awards vest subject to the achievement of specific performance conditions measured over no less than three years. In addition, a two-year holding period will apply in respect of any shares which vest at the end of the three-year performance period. An underpin applies which allows the Committee to reduce or withhold vesting if the Committee is not satisfied with the underlying operational and economic performance of the Company. Malus and clawback provisions apply. Maximum award of 80% of salary for the Finance Director. The 2022 LTIP award for the Finance Director was based on: <ul style="list-style-type: none"> • 1/3 Return on Regulated Equity (RoRE) – measure based on outperforming the Final Determination (FD) year on year metric • 1/3 sustainable dividend measures (Pennon) • 1/3 C-MeX (median moving to upper quartile).
Discretion	
In line with the 2018 Corporate Governance Code, the Remuneration Committee has ensured that it will maintain the ability to override the formulaic outcomes for future awards under the annual bonus and LTIP where the outcomes are not considered by the Committee to be appropriate (e.g. unreflective of underlying performance). The Committee will disclose the use of any such discretion.	
Shareholding requirements	
Create alignment between executives and shareholders and promote long-term stewardship.	During the course of their tenure, Executive Directors are expected to build up a shareholding equivalent to a percentage of salary. The shareholding guideline is of 100% of salary.
All-employee share plans	
Align the interests of all employees with Company share performance.	The Finance Director may participate in HMRC approved all-employee plans on the same basis as employees. The maximum is as prescribed under the relevant HMRC legislation governing the plans.

Annual report on remuneration continued

Non-Executive Director policy and remuneration

Full details of the Non-Executive Directors' policy, letters of appointment, remuneration for 2022/23 and shareholding can be found in the Pennon Group Annual Report and Accounts on pages 146 and 155.

Directors' service contracts and letters of appointment

The dates of Directors' service contracts and letters of appointment and details of the unexpired term are shown below:

EXECUTIVE DIRECTORS	DATE OF APPOINTMENT	NOTICE PERIOD
Susan Davy ¹	31 July 2020	12 months
Louise Rowe ²	1 February 2015	n/a
Paul Boote ³	8 July 2020	12 months
NON-EXECUTIVE DIRECTORS	DATE OF APPOINTMENT	EXPIRY DATE OF APPOINTMENT
Gill Rider ⁴	1 April 2016	31 August 2024
Neil Cooper	1 April 2016	31 August 2023
Iain Evans	31 July 2020	31 August 2024
Claire Ighodaro	31 July 2020	31 August 2025
Jon Butterworth	28 September 2017	31 July 2023
Loraine Woodhouse	1 December 2022	30 November 2025
Dorothy Burwell	1 December 2022	30 November 2025

1. Susan Davy held a previous service contract dated 1 February 2015 in respect of her appointment as Chief Financial Officer, Pennon.

2. Louise Rowe took up an alternative role within South West Water and resigned her responsibilities as South West Water Finance Director on 31 August 2022.

3. Paul Boote was appointed to the Board of Pennon Group plc 8 July 2020 and South West Water from 1 September 2022.

4. Gill Rider was appointed as Chair of the Board as of 31 July 2020 and as such is providing ongoing strategic support and continuity of the Board for up to three years.

The policy is for Executive Directors' service contracts to provide for 12 months' notice from either side.

The policy is for Non-Executive Directors' letters of appointment to contain a three-month notice period from either side.

	Louise Rowe ¹ (£000)		Susan Davy ² (£000)		Paul Boote ³	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Base salary	180	172	253	238	164	–
Benefits ⁴ (including ShareSave)	4	18	11	14	8	–
Pension-related benefits ⁵	27	26	24	28	16	–
Total fixed pay	211	216	288	280	188	–
Annual bonus (cash and deferred shares) ^{6,7}	21	47	0	91	0	–
Long-Term Incentive Plan ^{7,8,9}	53	169	0	393	0	–
Total variable pay	74	216	0	484	0	–
Total remuneration	285	432	288	764	188	–
Value of remuneration forgone	–	–	233	–	–	–

1. Louise Rowe took up an alternative role within South West Water and resigned her responsibilities as South West Water Finance Director and a member of the Board on 31 August 2022. For transparency the full year's remuneration has been disclosed above.

2. Susan Davy was appointed as Chief Executive Officer of Pennon Group plc and South West Water as of 31 July 2020. The figures are those re-chargeable to South West Water through Group re-charges and reflect 50% of her remuneration until 31 January 2023 and then 70% for the remainder of the financial year, following the statutory transfer of Bristol Water plc to South West Water. Reflecting the nature of Susan's position as Chief Executive of the Group, all subsidiaries receive a cross-charge for fixed remuneration only for 2022/23, based on the percentage allocations noted above. The full single total figure of remuneration table is shown on page 142 of the Pennon Group plc Annual Report and Accounts 2023.

3. Paul Boote was appointed as Chief Financial Officer of Pennon Group plc on 8 July 2020 and South West Water from 1 September 2022. The figures above are those re-chargeable to South West Water through Group re-charges and reflect 50% of his remuneration until 31 January 2023, from his appointment to the Board of South West Water Ltd and then 70% for the remainder of the financial year, following the statutory transfer of Bristol Water plc to South West Water. Reflecting the nature of Paul's position as Chief Financial Officer of the Group, all subsidiaries receive a cross-charge for fixed remuneration only for 2022/23, based on the percentage allocations noted above. The annual bonus award and vesting 2020 LTIP are fully funded by Pennon. The full single total figure of remuneration table is shown on page 142 of the Pennon Group Plc Annual Report and Accounts 2023.

4. Benefits comprise a car allowance, fuel allowance and medical insurance.

5. Retirement benefits for the Executive Directors of Pennon plc and South West Water Ltd are shown on page 145 of the Pennon Group plc Annual Report and Accounts 2023 and on page 171 for the Finance Director.

6. As detailed above, the Chief Executive Officer chose to forgo her annual bonus for 2022/23 and the vesting 2020 LTIP. A value equivalent to the annual bonus outturn will be diverted to a future issuance under the Group's WaterShare+ scheme.

7. Details of the annual bonus and LTIP awarded to the Chief Financial Officer are shown on page 145 of the Pennon Group Annual Report and Accounts.

8. For 2022/23 the 2020 South West Water LTIP for the Finance Director was valued based on the average share price during the three-month period to 31 March 2022 of 891.86 pence and a vesting outcome of 34%, as referred to on page 170, together with an estimate of the accrued dividends payable on the vesting shares. Of the vested amount, none of the amount relates to share price appreciation over the performance period.

9. For 2021/22, the 2019 LTIP value reflects the share price at the date of vesting of 970.5p and a vesting outcome of 88.2%. The value includes accrued dividends over the vesting period. The Committee did not exercise any discretion in relation to share price changes. These LTIP awards are subject to a two-year holding period.

Incentive outcomes

As detailed above, full details of the annual bonus and LTIP arrangements relating to Directors who are also Pennon Executive Directors can be found in the Pennon Annual Report and Accounts on pages 142-145.

Based on the formulaic assessment of performance, the annual bonus delivered an outcome of 26% of maximum and the 2020 LTIP vested at 45% of maximum. Further detail on the targets and outcomes is set out in the main body of the report. There were clear areas of under and over performance, and this is reflected in the scorecard results. The Committee was satisfied that these outcomes fairly captured overall Group performance over the relevant performance periods.

The Chief Executive Officer reflected on the exceptional economic backdrop and recommended to the Committee that her bonus and 2020 LTIP awards were foregone in full. An equivalent value is to be diverted into a future issuance under the Company's WaterShare+ scheme. The WaterShare+ scheme directly benefits our customers by either providing money off their bill or ownership of Pennon shares.

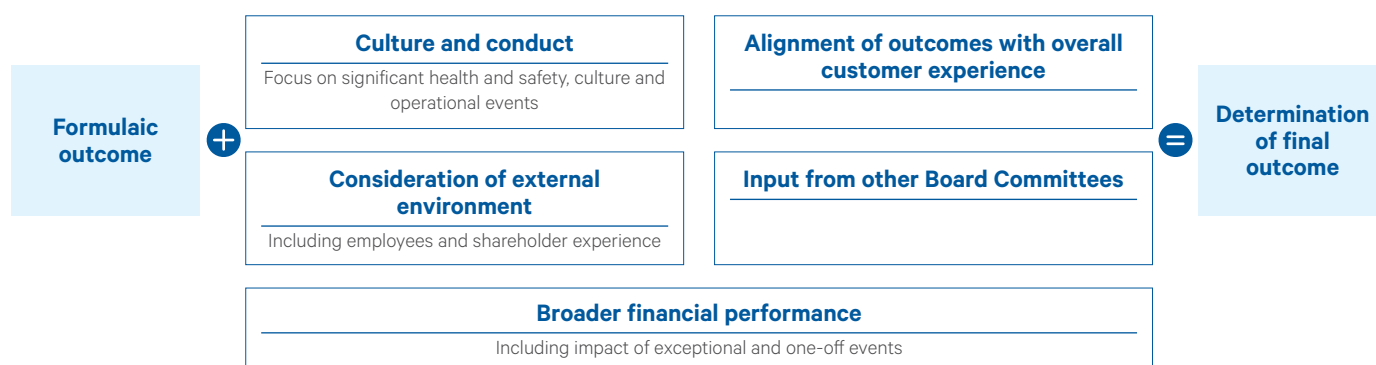
While recognising the performance delivered, the Committee reflected on the broader environment and approved the Chief Executive Officer's recommendation regarding her awards. Therefore, the Chief Executive Officer's single figure for 2022/23 does not include any variable incentives and is significantly lower than outcomes in prior years.

The 2022/23 bonus and vesting 2020 LTIP award for the Chief Financial Officer will be fully funded by Pennon and will not be subject to the re-charges to South West Water and Bristol Water.

For the SWW arrangements, the Remuneration Committee has reviewed the formulaic outturns of all schemes, taking into account the broader context of overall performance, using the discretion framework shown below.

Discretion framework

Factors considered include:



SWW annual bonus outturn for 2022/23

For 2022/23 the Finance Director participated in the annual bonus plan which was based on a combination of financial and operational performance alongside measures for environmental, social and governance targets. In line with the policy 50% of any bonus is payable in shares, the release of which is deferred for a three-year period. The targets for 2022/23 and the performance outcomes are shown below:

FINANCIAL	TARGET	ACTUAL	RANGE	BONUS OUTTURN (% OF MAX)
PBT	£93.7	£131m	-2% – + 5%	0%
SERVICE AND CUSTOMER SERVICE METRICS	TARGET	ACTUAL	ACHIEVED	BONUS OUTTURN
Bathing water quality improvements	4 cumulative	8 cumulative	Yes	0%
Wastewater pollution incidents, per 10,000km sewer	23	62	No	
Internal sewer flooding no./10k connections	1.58	0.68	Yes	
Sewer collapses per 1,000km	15.54	8.01	Yes	
Leakage (3 year rolling average) MI per day	113	113	Yes	
Environment Agency EPA*	3 star	2 star	No	
CRI (water quality score)*	2	2.4	No	
Interruptions to supply per property	5 mins 45 seconds	8 mins 42 seconds	No	
C-Mex	Median (9th)	12th	No	

*Subject to regulator confirmation in July

Annual report on remuneration continued

ESG METRICS	TARGET	ACTUAL	ACHIEVED	BONUS OUTTURN
Reduce carbon emissions in support of our strategy to meet Net Zero by 2030	65%	65%	Yes	77.8%
Increase renewable generation	7%	6.89%	No	
Reduce onsite water usage	5MI/d	6.13MI/d	Yes	
Great Place to Work accreditation	Maintain	Maintained	Yes	
Reduce lost time injuries	22 (-18%)	28 (-12%)	No	
Achieve FTSE Women Leaders rating (previously Hampton Alexander survey)	20th	14th	Yes	
Achieve a Sustainalytics ESG	75%	80%	Yes	
New debt through Sustainable Financing Framework	60%	100%	Yes	
Fair Tax accreditation	Maintain	Maintained	Yes	

Summary of bonus outcome

Each year, the Remuneration Committee undertakes a holistic review of performance to consider whether formulaic outcomes are appropriate in the context of overall performance.

Within the annual bonus arrangements for South West Water, an underpin is in place requiring achievement of 90% of all ODIs to be achieved, before any award can be made in respect of the ODIs element of the bonus. The Committee was satisfied that the underpin had achieved its' purpose, ensuring no bonus was paid against the Customer ODI element, should performance fall below 90% achievement overall. For 2022/23 the underpin has not been met. As a result, this element of the bonus will not be awarded and payment will be made in respect of ESG performance only.

SOUTH WEST WATER	WEIGHTING	BONUS OUTTURN FINANCE DIRECTOR
Financial measure	30%	0%
Customer service and ODI measures	50%	0%
Group ESG measures	20%	15.6%
Total outturn		15.6%
Bonus as % of salary		12%

South West Water long term incentive plan

The LTIP targets for the South West Water Finance Director were reviewed for the 2020 and subsequent awards as shown in the policy table.

The awards in the single figure table relate to the awards granted on 14 July 2020, which are due to vest on 13 July 2023. These share awards were subject to South West Water performance targets previously set as relating to RORE, a sustainable dividend measure and C-Mex, the external measure of customer service, each at equal weighting. Vesting of the award is subject to an 'underpin' relating to overall Company performance. The Committee has determined, to the date of this report, that this underpin has been satisfied, using the established discretion framework, which incorporates views from other Committees including Audit and Health and Safety and considering wider stakeholder experience. Given a reduced dividend payment was made to Pennon plc in 2021, this was reflected in the outturn for this measure.

MEASURES	WEIGHTING	THRESHOLD (25% OF MAXIMUM VESTS) ¹	MAXIMUM (100% OF MAXIMUM VESTS)	ACHIEVEMENT ²	VESTING OUTCOME (% OF MAX)
RoRE (WaterShare cumulative)	RORE (33% of award)	6%	8%	7.8%	30.8%
Sustainable dividend measure (dividend growth and dividend cover)	Sustainable dividend measure (dividend growth and dividend cover) (33% of award)	2.6x	3.6x	3.4%	3.6% ¹
C-Mex Relative position	C-Mex (33% of award)	Median (9th)	UQ (4th)	12th	0%
Total vest level					34.4%

1. For below threshold performance for any of the performance conditions, 0% vests in respect of that performance condition.
2. Straight-line vesting between points.

Retirement benefits and entitlements (audited information)

The retirement benefits for the Pennon Executive Directors are detailed in the Pennon Group Annual Report and Accounts on page 145. Details of South West Water's Finance Director's pension entitlements and pension related benefits during the year are as follows. Effective 1 August 2021, the maximum pension contribution made by the Company to newly appointed Directors is 10% of salary.

	Value of defined benefit pension (£000)	Company contributions to defined contribution arrangements (£000)	Cash allowances in lieu of pension (£000)	Age and date of retirement (for pension purposes)
Louise Rowe ¹		2	25	(15 January 2047)

1. Louise Rowe is a member of Pennon Group's defined contribution arrangement and received an overall pension benefit from the Company equivalent to 15% of her salary. She is able to access her benefits from the Master Trust from the age of 55.

Percentage change in Directors' remuneration

Comparison of Directors' remuneration to employee remuneration

Details of the percentage change and comparison to employee remuneration are shown in the Pennon Group Annual Report and Accounts on page 148 for both Executive and Non-Executive Directors.

The table below shows the percentage change between 2021/22 and 2022/23 in base salary, benefits and annual bonus of the Finance Director and all employees.

	Percentage change in salary/fees 2022/23	Percentage change in benefits 2022/23	Percentage change in annual bonus 2022/23	Percentage change in salary/fees 2021/22	Percentage change in benefits 2021/22	Percentage change in annual bonus 2021/22	Percentage change in salary/fees 2020/21	Percentage change in benefits 2020/21	Percentage change in annual bonus 2020/21
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Executive Directors

Louise Rowe	4.6 %	-72%	-15%	1.8%	0%	-7.0%	1.5%	0%	-40.4%
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All employees

South West Water	3.8%	-18.7%	-18.1	2.2%	10.1%	2.8%	4.28%	4.38%	-0.08%
UK employees	3.9%	-20.3%	-45.4	2.0%	-19.5%	-14.3%	1.22%	5.7%	-17.8%

Relative importance of spend on pay

	2022/23 £m	2021/22 £m	Percentage change
Overall expenditure on pay ¹	79	69	14.5%
Distributions to parent company (excluding special dividend) ²	12	88	-86.4%
Net interest charges	111	76.8	-44.5%
Purchase of property, plant and equipment (cash flow)		197.3	22.5%

1. Excludes employer's social security costs and non-underlying items.

2. 2022/23 (includes payment of the outperformance dividend based on the cumulative outperformance for 2020/21 of £430m that has been deferred to August 2022 (2020/21 includes payment of the outperformance dividend based on the cumulative outperformance for 2019/20 of £581m that was deferred to August 2021). 2020/21 excludes dividend payment of £1.2 million to parent in October 2020 as part of the WaterShare+ customer rebate scheme).

The above table illustrates the relative importance of spend on pay compared with distributions to shareholders and other Company outgoings. The distributions to parent company, interest charges and the purchase of property, plant and equipment (cash flow) have been included as these were the most significant outgoings for the Company in the last financial year.

Annual report on remuneration continued

Share awards and shareholding disclosures (audited information)

Share awards granted during 2022/23

The table below sets out details of share awards made to the South West Water Finance Director in the year. Details of the Pennon Group Executive Directors' share awards are included in the Pennon Group Annual Report and Accounts on pages 149 to 151.

EXECUTIVE DIRECTOR	Type of interest	Basis of award	Face value £000	Percentage vesting at threshold performance	Performance restricted period end date
Louise Rowe	LTIP	80% of salary	144	25% of maximum	12 June 2025
	Deferred bonus	50% of bonus awarded	23	N/A	18 July 2025

LTIP awards were calculated using the Pennon Group plc share price of £10.376 (being the average closing price over the five dealing days preceding the date of grant, which was 13 June 2022). LTIP awards are subject to an additional two-year holding period. Deferred bonus awards were calculated using the average Pennon Group share price at which shares were purchased on the market on 19 July 2022 in order to satisfy the award, which was £9.8794.

Directors' shareholding and interest in shares

The Remuneration Committee believes that the interests of Executive Directors and senior management should be closely aligned with the interests of Pennon Group plc shareholders. To support this, the Committee operates shareholding guidelines. For 2022/23, this guideline was 100% of salary for the Finance Director. Details of the shareholding guidelines for the Pennon Executive Directors can be found in the Pennon Annual Report on pages 136 in line with best practice guidelines, deferred bonuses and LTIP awards subject to a holding period may only count towards the guidelines on a net-of-tax basis.

The Executive Directors are expected to build up a shareholding in the Company within the first five years of joining the Company, or appointment to a new role.

The beneficial interests of the Finance Director in the ordinary shares (61.05p each) of Pennon Group plc as at 31 March 2023 and 31 March 2022, together with the shareholding guideline obligation and interest, are shown in the table below. Following shareholder approval at a General Meeting on 5 July 2021, the Company's share capital was consolidated into shares of 61.05p each, on a 3:2 basis, so direct holdings were reduced by a third, compared with the position prior to this date:

	Share interests (including connected parties) at 31 August 2022	Share interests (including connected parties) at 31 March 2022	Vested LTIP awards in holding period ¹	Deferred bonus shares	SAYE	Performance shares (subject to performance conditions)	Shareholding guideline	Shareholding guideline met?
Louise Rowe	32,820	18,396	34,464	6,638	2,047	41,470	100%	Yes

1. These share awards are not subject to further performance criteria and may therefore count towards the guideline on a net-of-tax basis.

Details of share awards

(a) Long-term incentive plan

In addition to the above beneficial interests, the Finance Director of South West Water has or had a contingent interest in the number of ordinary shares (61.05p each) of Pennon Group plc shown below, representing the maximum number of shares to which they would become entitled under the plan should the relevant criteria be met in full:

DIRECTOR AND DATE OF AWARD	Vested awards held at 1 April 2022 ¹	Conditional awards held at 1 April 2022	Conditional awards made in year	Market price upon award in year	Vesting in year ²	Value of shares upon vesting (before tax) £000	Vested awards held at 31 August 2022 ³	Vested awards released in year ⁴	Conditional awards held at 31 August 2022	Date of end of period for qualifying conditions to be fulfilled	Expected date of release
Louise Rowe											
25/08/17	15,961	–	–	802.7p	–	161	–	16,874	–	24/08/20	24/08/22
02/07/18	17,003	–	–	790.1p	–	200	17,003	–	–	01/07/21	01/07/23
04/07/19	–	17,692	–	752.7p	17,461	169	17,461	–	–	03/07/22	03/07/24
03/08/20	–	15,705	–	1075.5p	–	–	–	–	15,705	13/07/23	13/07/25
01/07/21	–	11,967	–	1140.8p	–	–	–	–	11,967	30/06/24	30/06/26
13/06/22	–	–	13,898	1037.6p	–	–	–	–	13,898	12/06/25	12/06/27

1. 86.6% of the awards granted on 25 August 2017 vested on 24 August 2020 at a market price of £10.085 per share. 89.9% of the awards granted on 2 July 2018 vested on 1 July 2021 at a market price of £11.7698 per share.

2. 88.2% of the awards granted on 4 July 2019 vested on 3 July 2022 at a market price of £9.705 per share. In respect of (1) and (2), the total number of shares that vested included additional shares equivalent in value to such number of shares as could have been acquired by reinvesting the dividends which would otherwise have been received on the vested shares during the three-year performance period. The balance of the award lapsed.

3. Vested award, no longer subject to performance conditions.

4. Awards released in year at a market price of £9.8717 per share, inclusive of additional shares equivalent in value to such number of shares as could have been acquired by reinvesting the dividends which would otherwise have been received on the vested shares during the two-year holding period.

Annual incentive bonus plan – deferred bonus shares (long-term incentive element)

The following Director has or had a contingent interest in the number of ordinary shares (61.05 pence each) of Pennon Group plc shown below, representing the total number of shares to which they have or would become entitled under the deferred bonus element of the annual incentive bonus plan (the bonus plan) at the end of the relevant restricted period:

DIRECTOR AND DATE OF AWARD	Restricted awards held at 1 April 2022	Restricted awards made in year	Market price of each share upon award in year	Restricted awards post-share consolidation (restated) ²	Released in year ¹	Value of shares upon release (before tax) £000	Restricted awards held at 31 August 2022	Date of end of restricted period
Louise Rowe								
24/07/19	7,317	–	755.54p	4,877	4,877	37	–	23/07/22
14/07/20	4,102	–	1,079.47p	2,734	–	–	2,734	13/07/23
30/06/21	2,325	–	1,150.45p	1,549	–	–	1,549	29/06/24
19/07/22	–	2,355	987.94p	2,355	–	–	2,355	18/07/25

1. These shares were released on 24 July 2022 at 755.55p per share.

2. All shares under the AIBP were adjusted on 5 July to reflect the share consolidation activity at a ratio of 3:2 into shares of 61.05.

(a) ShareSave Scheme

Details of options to subscribe for ordinary shares (61.05 pence each) of the Company under the all-employee ShareSave Scheme were:

DATE OF AWARD	Options held at 1 April 2021	Granted in year	Exercised in year	Exercise price per share	Market price of each share on exercising	Market value of each share at 31 March 2022	Options held at 31 March 2022	Exercise period/ maturity date
Louise Rowe								
06/07/21		2,047		879.00p		874.0p	2,047	01/09/24- 28/02/25

The Remuneration Committee and its advisors

Claire Ighodaro and Neil Cooper were members of the Remuneration Committee throughout the year. Loraine Woodhouse and Dorothy Burwell joined the Committee on their appointment to the Board on 1 December. Gill Rider, Iain Evans and Jon Butterworth stepped down from the Committee on 31 January 2023, and now attend by invitation as required. During the year, the Committee received advice or services which materially assisted the Committee in the consideration of remuneration matters from Adele Barker (Group Chief People Officer) and from Deloitte LLP.

During 2018/19, Deloitte LLP was reappointed directly by the Committee with a refreshed advisory team, following a comprehensive retendering process. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice it has received from Deloitte LLP has been objective and independent.

Risk and Compliance Statement – Summary

In line with the information outlined in the Risk and Compliance Statement section of this Annual Performance Report and Regulatory Reporting, the Board confirms:

- 1 We have a full understanding of, and we meet all of, our relevant statutory, licence and regulatory obligations in all material respects (see more below)
- 2 We have taken appropriate steps to understand and meet customer expectations (see more below)
- 3 We have sufficient processes and internal systems of control to meet our obligations fully (see more below)
- 4 We have appropriate systems and processes in place to identify, manage, mitigate and review our risks (see more below)
- 5 We meet the Ofwat objectives on board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives (see more on page 61)
- 6 We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business (see more below)

Regulatory Statements including support for the Risk and Compliance Statement

Governance

The 2022/23 South West Water Annual Performance Report and Regulatory Reporting highlights Company performance for the third year of the five-year 2020-25 regulatory period (AMP7) and provides detail on operational performance metrics throughout the period.

The Outcome Delivery Incentives (ODIs), which are South West Water's and Bristol Water's Key Performance Indicators, incorporate the metrics used by the South West Water Board and Ofwat, our economic regulator, to monitor performance. They were developed in line with customer and other stakeholder priorities following comprehensive engagement exercises in each area while developing the 2020-25 business plan.

In line with Ofwat's Regulatory Reporting requirements, this Risk and Compliance Statement details the South West Water Board's approach to governance, and compliance with its obligations to stakeholders.

The South West Water Board has in place a well established and effective set of policies and processes covering corporate governance, internal control and risk management.

Statutory obligations

The Company has a number of statutory obligations including those detailed within the Water Industry Act, the Companies Act, the South West Water Licence, and the Competition Act.

Since privatisation, the Company has developed and established processes and procedures for ensuring obligations are adhered to in all material aspects.

Compliance with obligations and performance against targets are outlined through Regulatory Reporting. This year's performance is again summarised in the Company's Annual Performance Report and Regulatory Reporting.

The South West Water Board has received reports from the business detailing the applicable statutory licence and regulatory obligations (for which Ofwat is the relevant enforcement authority) and the means by which compliance in all material aspects with those obligations is assured within South West Water for 2022/23.

Customer expectations

The Company has developed approaches and appropriate processes for engaging with customers to ascertain priorities and expectations.

The Company continually gathers customer feedback and engages with customers in order to understand their expectations. South West Water has considered how communications adhere to Ofwat's information principles with the aim of ensuring information is accurate, transparent, clear, accessible and timely.

Our Codes of Practice meet licence conditions G and H, providing information to customers describing the nature of the services to domestic customers, giving guidance to domestic customers who have difficulty paying their bills and advising customers of their options and rights about the help available when they have a leaking supply pipe.

Our approach for producing and reviewing customer information is consistent with Ofwat's information principles. Customer research and feedback is acquired through our quarterly tracking survey and on specific topic areas to support the quality of our communications.

Regulatory queries and investigations

On 28 June 2022, Ofwat announced that South West Water would be included alongside five other companies which received formal notices in March 2022 as part of its ongoing investigation into how water and wastewater companies manage their flow obligations at wastewater treatment works.

On 23 May 2023, Ofwat announced an investigation into South West Water's 2021/22 operational data relating to leakage and per capita consumption.

This operational performance data was reported in South West Water's 2021/22 Annual Performance Report. That report was subject to rigorous assurance processes including independent external technical assurance, as was summarised in that report.

Both of these investigation processes are ongoing and we continue to work openly and constructively with Ofwat to comply with these formal notices issued to South West Water as part of these investigations.

Leakage and per capita consumption performance data

We have reviewed and developed our methodology in light of the leakage and per capita consumption investigation, as well as other submissions throughout the year, and we have compiled further detailed reviews of historically reported data in respect of leakage and per capita consumption, including assurance from external technical experts of the 2021/22 leakage and per capita consumption data.

Furthermore, as our understanding of the COVID impacts has changed, and the analysis now available to assess the non-resident population has developed, we have engaged a third party to review the position over the last three years – including 2020/21 to ensure our three-year rolling position is on a consistent basis.

South West Water Board statement

The South West Water Board confirms that in its opinion sufficient processes and systems of internal control were in place to meet the Company's obligations for the 12-month period to 31 March 2023 for ensuring that the Company complied in all material respects with its legal and regulatory obligations as a water and sewerage undertaker.

It also confirms that in its opinion the Annual Performance Report covers the issues it considers to be material to the Company and gives a fair, balanced and understandable view of the Company's performance and compliance with the relevant obligations.

Regulatory Statements including support for the Risk and Compliance Statement continued

Statement of Directors' responsibilities for regulatory information

Further to the requirements of company law, the Directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat. This additionally requires the Directors to:

- confirm that, in their opinion, the Company has sufficient financial resources and facilities, management resources and methods of planning and internal control for the next 12 months
- confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company
- confirm that, in their opinion, the Company has contracts with any associate company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the Company's obligations as a water and sewerage undertaker
- report to Ofwat changes in the Company's activities which may be material in relation to the Company's ability to finance its regulated activities, undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length
- keep proper accounting records which comply with Condition F.

These responsibilities are additional to those already set out in the statutory financial statements. In the case of each of the persons who are Directors at the time when the report is approved under Section 418 of the Companies Act 2006 the following applies:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company performance

The South West Water Board monitors and controls the performance of the Company against the targets and expectations within the Final Determination and statutory obligations by:

- setting targets and reviewing performance against key levels of performance indicators and financial measures on a monthly basis at Board and Executive Management level
- implementing Investment Planning & Control procedures to ensure that the principles of proper financial control are applied throughout the inception, evaluation, implementation and handover of capital investment

- encouraging a culture of openness, where issues can be openly discussed, continuing to support a 'Whistleblowing' policy (see details of our 'Speak Up' programme on page 46).

Performance against targets is measured and reported using key performance indicators which are aligned with those highlighted in this Annual Performance Report.

There are appropriate systems and processes in place to identify, manage and review any potential material exceptions to the delivery of outputs or changes in circumstances to those assumed within our 2019 Final Determination. These include those which might lead to an adjustment to price limits through the revenue price caps or performance measures.

South West Water has not identified any circumstances that have resulted in a material variance to the Final Determination expectations. Where areas of focus have been identified, plans overseen by the Board to ensure outcomes are achieved as soon as possible.

Board leadership, transparency and governance

The South West Water Board is dedicated to developing and improving the governance structures and activities in accordance with best practice and Ofwat's board transparency and governance requirements.

For 2022/23 South West Water and, prior to the merger, Bristol Water, had fully functioning and standalone Boards and Committees. The business of the Board with associated Audit, ESG, Remuneration and Nomination Committees covers a full range of corporate issues including strategy, performance, delivery, compliance and governance.

The members of the Board are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations and to represent customers' interests.

The Company has complied with the UK Corporate Governance Code 2018 subject to a number of exceptions which relate to certain responsibilities being reserved by the Board and Committees of Pannon Group plc (the parent company), which itself fully complies with the UK Corporate Governance Code. The exceptions are explained in the South West Water Annual Report on pages 112 to 113.

During 2022/23 and in accordance with the established governance framework, the South West Water Board and, prior to the merger, the Bristol Water Board, convened before each Pannon Group Board meeting to consider Company strategy, performance and regulatory planning.

The governance framework is set out in the governance section on pages 36 to 49. The regulatory ring-fence around the South West Water business is protected through efficient and transparent decision-making.

The Board has a 'matters reserved' schedule setting out its responsibilities. Each Committee has detailed terms of reference setting out its responsibilities and accountabilities. Further details of the responsibilities of each of the Committees are set out in the report of each Committee on pages 135 to 154 of the South West Water Annual Report and Financial Statements. These, together with the risk management and internal controls frameworks, form an effective and robust governance structure.

The South West Water Board includes the Chair, the Chief Executive Officer, the Chief Financial Officer, the Senior Non-Executive Director and five further Non-Executive Directors, convened before each Pannon Board meeting, and considers South West Water strategy, performance and regulatory planning.

Pannon and South West Water Boards have consistent Chair and Non-Executive Director memberships in line with the revised focus of the Group.

Risk management

The Company has robust systems and processes in place to identify, manage, mitigate and review its risks.

The system for profiling and monitoring key risks is embedded in our normal business practices. We regularly review how we have sustained specific risk control measures, to decide if the probability and consequence of certain risks have changed, and if necessary to recommend further actions or investment to ensure the effectiveness of our corporate governance.

For the purposes of assessing and managing risk within South West Water, the individual departments review risks to the business associated with their accountabilities and responsibilities within the Company's strategy. An overall risk register is updated on an ongoing basis as a result of any changes in the nature and extent of risks.

Throughout the year the Risk Committee (attended by members of the Executive Management and senior management) formally review and update the risk register on a quarterly basis, with a particular emphasis on assessing and challenging, where necessary, the controls and mitigating factors recorded on the risk register. Risks are also formally reviewed as part of the quarterly forecasting and annual business planning processes. The Risk Committee considers deep dive reports of particular risk areas in advance of the Audit Committee reviewing these areas. It also considers a refreshed suite of Key Risk Indicators to ensure that risks reported internally and externally are fully benchmarked in line with the most appropriate quantitative data where appropriate.

Executive Directors and senior managers are required to complete an annual 'Certificate of Effective Internal Control' prior to the finalisation of the financial statements and before publishing any annual performance data. The Audit Committee considers the resources for carrying out internal audits in key Company specific areas – this activity is carried out by the Independent Pannon Internal Audit team.

The South West Water Audit Committee endorses and acts on audit findings from these audits carried out within the Company. There is also a programme of internal audits coordinated by the Risk and Compliance team as part of the Company's ISO and British Standards. South West Water currently holds and held the following accreditations/certifications throughout the year:

- ISO 9001:2015 (quality management)
- ISO 14001:2015 (environmental management)
- ISO 55011:2014 (asset management)
- ISO 50001:2011 (energy management)
- ISO 27001:2013 (information security)
- ISO 17025:2005 (laboratories and sampling)
- BS 18477:2010 (inclusive service provision)
- MCERTS (flow monitoring).

Regulatory Statements including support for the Risk and Compliance Statement continued

Section 172 (Companies Act 2006)

We have complied with the requirements of S172 and our full statement can be found on page 124 of the [South West Water Annual Report](#).

Delivering for everyone who depends on South West Water's services

South West Water's targets are ambitious and include both:

- our performance commitments in respect of the outcomes laid out in both our 2020-25 Business Plan and the Bristol Water 2020-25 Business Plan, which were both set following extensive customer and other stakeholder engagement to reflect the priorities of stakeholders
- a limited number of additional KPIs which have been included to provide performance information in respect of South West Water's performance in other areas deemed important to stakeholders (such as our 'Engagement Index' and performance in respect of our Lost Time Injury Frequency Rate (LTIFR) which are important to our people).

The targets are reviewed and monitored on a monthly basis with the Executive Management level 'Outcome Delivery Incentive (ODI) Committee' preparing performance updates and plans to ensure targets are delivered. This group reports to the Executive and the Board.

Our performance is challenged by the WaterShare+ Advisory Panel as described on page 75. This Panel has a sub-committee representing the Bristol Water area, as described on page 76. We have also discussed our performance for 2022/23 with customers to obtain their views.

This report includes performance against all of the performance commitments as well as our additional KPIs. All performance data has been externally assured (as summarised on pages 71 to 73). It also demonstrates the linkage between our purpose and values, our business outcomes, our business model and the risks to achieving these.

The majority of South West Water's outcomes have annual committed performance levels which are designed to achieve year-on-year improvements in performance.

Executive Director remuneration is linked to Company performance via the performance related bonus arrangements. This linkage and comprehensive disclosures of Director remuneration are provided, including the specific performance targets used in the bonus calculations on page 50 to 59.

Green Recovery initiative

The Board has satisfied itself that:

- We are on track to meet all the elements of our approved Green Recovery initiative
- Progress has been fairly reflected in our Green Recovery Annual Report (see: southwestwater.co.uk/report2023) and associated reporting data has been collated in line with our established reporting and assurance processes.



Jacobs

Technical assurer's statement on the Risk and Compliance Statement

Jacobs UK Ltd (Jacobs) has reviewed South West Water's (SWW) Risk & Compliance Statement as part of our assurance of the technical elements of SWW's 2022/23 Annual Performance Report (APR). The Risk & Compliance statement covers both the SWW and Bristol Water (BRL) regulated businesses. Ofwat requires companies' statements to confirm compliance with all relevant statutory, licence and regulatory obligations and to demonstrate they have appropriate controls to identify, manage and mitigate risks.

Throughout Jacobs' assurance activity we had visibility of SWW's risk framework and how this links to the parent company Pennon Group's risk framework. SWW's integrated assurance framework is embedded 'top down' within the organisation from Board level through the Risk Committee (attended by members of the Executive Management and Senior Management) which provides oversight. Risks and mitigations are reported to Audit Committee.

Individual departments regularly undertake a 'bottom up' review of risks to the business associated with their activities, accountabilities and responsibilities. This assessment uses a risk-based approach to ensure risks are identified, updated and appropriate mitigations are in place.

The Company's risk register is updated on an ongoing basis as a result of any changes in the nature, extent of risks, and any emerging through horizon scanning. The Risk Committee formally reviews and updates the risk register on a quarterly basis whilst challenging the controls and mitigations to ensure their robustness.

SWW's assurance framework uses three lines of defence which is well established and good practice to ensure an appropriate level of assurance is provided depending on the assessed level of risk. Our audits have confirmed the top down and bottom-up risk processes to be robust.

Responsibility for internal audit, risk management, and assurance activities within Pennon Group sits with Pennon Group's Director of Risk & Assurance. Responsibility for coordinating the production of the APR sits with SWW's Regulation Department. APR audit and assurance was overseen by the Group Risk and Compliance Manager who reports to the Compliance and ESG Director providing independence from SWW's Regulation department. SWW has created a new role of Compliance and ESG Director which is filled by a senior Executive to oversee all assurance activity across the SWW and BRL businesses.

Jacobs concludes that SWW's risk management processes are well established and embedded in the organisation with direction provided by SWW's Board, Executive Management cascading into the Risk Committee, the Compliance and ESG Director and to the individual departments. Risk owners, Senior Managers and Directors are responsible for the bottom-up identification and ownership of risks.

Through our assurance activities for APR 2023 we are satisfied that SWW has provided a risk and compliance statement, appropriately signed off, in which the Board clearly confirms that the Company:

- understands the Company's relevant statutory obligations;
- has taken steps to understand and meet customer expectations;
- has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations;
- has appropriate systems and processes to identify, manage, mitigate and review its risks.

We presented the findings of our assurance work on the APR to SWW's Executive Management, Audit Committee, and Board Directors to assist with endorsement and sign off of the APR by the Board.

G D Hindley
Assurance Director
Jacobs UK Ltd

Departures from the statement

As described on page 60 the Board has concluded that it has a full understanding of, and meets all, our relevant statutory, licence and regulatory obligations in all material respects, with exceptions as listed below. Although these have been assessed by the Board to have a low impact, these have been disclosed for transparency and in line with our values.

DESCRIPTION OF DUTY/ OBLIGATION	PURPOSE OF DUTY/ OBLIGATIONS	DISCLOSURE
Water Resources Act 1991	Water abstraction licence compliance – to ensure that abstraction of water is monitored and controlled	South West Water has been responsible for water and sewerage provision to the majority of households and businesses on the Isles of Scilly since April 2020. When South West Water became responsible for these services, abstractors of water on the islands were exempt from the need to hold licences to abstract. Following this exemption ending and a detailed assessment of South West Water's applications, the Environment Agency issued six licences to South West Water, covering abstractions from 21 wells and boreholes across the islands.
Environmental Permitting (England and Wales) Regulations 2010 Water Industry Act 1991 (section 94) Urban Waste Water Treatment (England & Wales) Regulations 1994	Water discharge licence to ensure wastewater treatment works can treat minimum levels in their permits at any given time and are appropriately controlled by conditions in their permits. Also to ensure that wastewater treatment plants are designed, constructed, operated and maintained appropriately.	South West Water is under investigation by the Environment Agency with regard to its obligations under Environmental Permitting Regulations and by Ofwat with regard to section 94 of the Water Industry Act and the Urban Waste Water Treatment (England & Wales) Regulations 1994. South West Water is fully cooperating with the Environment Agency and Ofwat in that respect and has provided extensive information to both in response to their investigations. The data gathered for those responses has identified potential minor non-compliances which are being reviewed and addressed where necessary. This investigation remains ongoing.
Environmental Permitting (England and Wales) Regulations 2010	Water discharge licence compliance – to ensure that the discharges to water are monitored and controlled	During the year, four wastewater treatment works were identified as potentially non-compliant with their flow management obligations within their discharge permits and these have been included within South West Water's S.203 Notice response. Further detail is provided in the performance summary, including overall compliance percentages with numeric compliance of 99.4% and total wastewater treatment works compliance of 99.4%.
Water Industry Act 1991 (section 37)	Annual reporting of our performance in respect of leakage and per capita consumption	On 23 May 2023, Ofwat announced an investigation into South West Water's 2021/22 operational data relating to leakage and per capita consumption. For further details of the investigation, and our ongoing review of historic data prior to 2021/22, see page 60.
Prosecutions in line with Environmental Permitting Regulations	Legislation to ensure clean water and wastewater quality	In September 2022, South West Water was fined £0.23m following a water supply incident affecting Bratton Fleming and other communities in North Devon in 2018. In April 2023, a prosecution by the Environment Agency for seven incidents at 5 Wastewater Treatment Works between 2016 and 2020, resulted in a fine of £2.15m. In light of both of these prosecutions, South West Water has reviewed its transformation and improvement plans
Water Industry Act 1991 Information provisions	Water Industry Act Section 199 places an obligation on wastewater companies to maintain maps of their sewers	South West Water complies with this obligation, however notes that historically not all sewers have been mapped. We update our maps when we identify any such unmapped sewers.
2021/22 Annual Performance Report	Annual reporting of our performance data and other industry regulatory data	Following publication of our 2021/22 Annual Performance Report in July 2022, we identified a number of areas where data improvements could be made, whether through internal reviews, the availability of further retrospective information, or through the annual regulatory query process. As a result, we republished this Report in October 2022.

Board statement on accuracy and completeness of data and information

The Board is satisfied that the data and information which South West Water has provided to Ofwat in the reporting year 2022/23 (including annual reporting data provided following the year end in respect of 2022/23) is accurate and complete.

The Board is also satisfied that other data which the Company has published in our role as a water and sewerage undertaker is accurate and complete.

This statement is underpinned by the operation of our Integrated Assurance Framework (see page 69) and our response to how the Board is able to make this statement in line with each of the areas of our Assurance Plan identified as 'significant areas for assurance' (of which the Annual Performance Report is included). For each of these areas the Board reviews how it has:

- engaged and challenged the assurance approaches which have been taken;
- taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;
- satisfied itself that approaches have been appropriately identified and addressed any risks to the provision of accurate and complete data in particular areas; and
- utilised individual Directors and committees in carrying out its activities in this area.

The statement is not limited to these significant areas for assurance.

However these are the areas which the Board deems most significant to provide clear and detailed descriptions of the specific procedures performed in line with our Integrated Assurance Framework.

The Board is committed to reviewing its plan for assurance at least annually. However where circumstances change during a year the Board also acts to provide a greater degree of focus and assurance as it deems necessary. As a result, and as performance has not improved as quickly as anticipated in certain areas, the Board has added these areas as specific significant areas for assurance going forward and additional scrutiny and oversight of recovery plans will be provided.

We have confirmed that sufficient assurance activity has been performed, including assurance commissioned from independent external assurance providers, to allow the Board to make this statement.

The Board also notes the report of the WaterShare+ Advisory Panel in respect of their role providing an independent review of our business plan commitments and Board pledges (see page 5).

Further, this Annual Performance Report and Regulatory Reporting has been reviewed by the Board which has considered both the assurance performed over the data we are reporting as well as the consistency of the narrative throughout the report with the data, our performance, how the Company operates and any descriptions of assurance undertaken.

Licence condition compliance and statements

Licence of Appointment – statement relating to Condition F

In addition to internal assurance performed over the viability statement and external assurance in line with EY's role as statutory external auditor of the financial statements, the Audit Committee has provided extensive oversight and review of South West Water's long-term financial resilience (see pages 60 to 63 of the Annual Report and Financial Statements) and we commissioned further specific 'Agreed Upon Procedures' to be performed by EY covering the calculations and assessments made as well as challenge of the underlying assumptions and judgements. The Board of Directors of South West Water Limited has resolved that a Certificate be issued to the Water Services Regulation Authority confirming:

1. That in the opinion of the Directors, the Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Company's obligations under the Appointment)
2. That in the opinion of the Directors, the Company will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions.

In making this declaration, the Directors have taken into account:

- The net worth of the Company and the strength of key performance indicators as shown in the Company Annual Performance Report for the year ended 31 March 2023 and the Company's Business Plan for the remaining K period
- Borrowing facilities which include significant committed undrawn bank facilities
- Parental support provided by the holding company which will provide financial support to the Company to enable it to meet its liabilities as they fall due
- The Company's formal risk management process which reviews, monitors and reports on the Company's risks and mitigating controls and considers potential impact in terms of service, compliance, value, people, society and partners
- The Company's employment policies and strategy.

The Directors also declare that in their opinion all contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the Company to ensure that it is able to meet all its obligations as a water and sewerage undertaker, as required in Section 6 of Condition F of the Instrument of Appointment. This opinion has been formed following examination of the documents in question.

Licence of Appointment – statement to Condition P: Regulatory ring-fence

This certificate is provided in line with our requirement to do so under our licence of operation. The Board of Directors of South West Water Limited has resolved that a Certificate be issued to the Water Services Regulation Authority confirming that in the opinion of the Board it will have available to it sufficient:

- financial resources and facilities to enable it to carry out the Regulated Activities, for at least the 12-month period following the date on which the certificate is submitted
- management resources and systems of planning and internal control to enable it to carry out the Regulated Activities, for at least the 12-month period following the date on which the certificate is submitted

- rights and resources other than financial resources.
- The Board also confirms that all contracts entered into between South West Water (SWW) and any associated companies include the necessary provisions and requirements in respect of the standard of service to be supplied to SWW, to ensure that SWW is able to carry out the Regulated Activities.

Statement to Condition P-26

It is also the opinion of the Board that South West Water would be able to maintain an Issuer Credit Rating which is an Investment Grade Rating. In making this declaration, the Board has sought independent rating advice and has taken into account the following main factors:

- financial resources currently available to the business
- non-financial rights and resources available to the business and management
- key financial metrics including: adjusted interest cover; net debt/RCV; FFO/net debt; and RCV/net debt
- ownership and availability of assets where assets are held outright in perpetuity
- the capital programme over the current and future regulatory period as a proportion of the regulated asset base contracts which the Company has entered into
- the Company's risk profile
- financial policies, including dividend policy
- stability and predictability of the regulatory environment.

South West Water's approach to producing a quality certificate is to perform an internal assessment which is externally validated through an independent credit assessment review from two leading investment banks that provide rating advisory services.

The Company has performed a synthetic rating analysis utilising all relevant financial ratios aligned to specific credit rating guidelines and benchmarked against investment grade criteria. This looks back to the most recent financial year and future years to the end of 2030, in line with South West Water's approach to assessing viability.

The forecast is based on the PR19 Final Determination for 2020-25 including South West Water's view on potential outperformance and its internal strategic plan through to 2030. The assessment is then stress tested by analysing the potential impact of principal risks and defined downside parameters as set out by Ofwat.

The Board believes that this is an appropriate approach to complying with Condition P due to the dual approach in making internal and external assessments. The assessments conclude that South West Water would be able to comply with the licence obligation.

Like many companies in the sector, whilst leverage and interest coverage metrics for 2022/23 are adversely impacted by the current macro-economic environment, rating strength continues based on future year expectations.

(Note: the provisions of paragraph P26 that had effect prior to 1 February 2023 continue to have effect in line with condition P29A).

Licence of Appointment – statement relating to Condition R and Market Codes in respect of the non-household market

At 31 March 2023 the Company had in place an Access Code compliant with paragraphs 3 to 6 of Condition S of the Licence and South West Water has complied with this Code.

South West Water has also ensured that every transaction between itself and a related licensed water supplier is at arm's length and does not preferentially make available to the related licensed water supplier any of its other assets. South West Water has complied with other aspects of Condition R and Market Codes in respect of the non-household retail market. In making this assessment, the Directors have taken into account:

- South West Water's Compliance Code (available on www.southwestwater.co.uk)
- Internal processes for monitoring compliance against South West Water's Code
- Internal and external assurance provided as part of the Company's preparations for the opening of the non-household retail market (prior to its opening on 1 April 2017).

Long-term resilience and viability statement

The Directors of South West Water are responsible for ensuring the long-term viability of the Company. The Directors need to ensure the resilience of the Company by identifying, managing, avoiding or mitigating risks which may impact viability.

The Board's consideration of longer-term viability of the Company is an extension of the strategic business planning which is managed through regular long-term modelling and monitoring of key measures including gearing, debt covenant headroom and level of liquidity. The resilience of the business and these key viability measures are appropriately assessed by a number of mechanisms including a robust risk management assessment, sensitivity analysis and stress tests of financial performance.

The overall market context is a cornerstone of the viability assessment. South West Water is a long-term business characterised by multi-year investment programmes, with associated revenue streams with high levels of future visibility.

The viability assessment has been made with reference to the Company's current position and prospects, including consideration of the ongoing impacts of the Ukraine crisis, climate change, its longer-term strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as detailed on pages 43 - 59 of the risk report in the South West Water Annual Report and Financial Statements.

Period of assessment

The Board regularly considers the appropriate period for the viability assessment to be performed in line with the UK Corporate Governance Code. The Board considers the appropriate period to assess the Company's viability remains unchanged until the end of 2030, which recognises the longer-term visibility in the regulatory environment of the South West Water business to the end of the next price setting period in 2030.

The changing nature of regulation and current scrutiny of the water industry means that assessing viability on a longer-term basis than the seven years to 2030 would introduce significant uncertainty, therefore the Board has focused on the period to 2030 for its assessment of viability.

Risks

The Board considers the preventative and risk management actions in place and the potential impact of the principal risks (as detailed on pages 43 - 59 of the risk report in the South West Water Annual Report and Financial Statements) against our ability to deliver the business plan.

This assessment has considered the potential impact of these and other risks arising on the business model, future performance, solvency and liquidity over the period in question. The Company has a strong liquidity and funding position with £196m of cash and committed facilities as at 31 March 2023 and net assets of £971.9m. The Company has a mixture of fixed, floating and index linked debt financing with a weighted average maturity of c.14.0 years. In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Company's viability. Over the course of the year the Board, either directly or through the activities of the Audit Committee, has considered a deep-dive review of the following principal risks to enable a thorough assessment of the impact of these risks on ongoing viability:

- Cyber security
- Non-collection of debt
- Insufficient finance and funding
- PR24
- Power outage.

Stress testing

The Company's business plan has been stress-tested. Whilst the Company's risk management processes seek to mitigate the impact of principal risks as set out on pages 43 to 59 of the South West Water Annual Report and Financial Statements, individual sensitivities (shown in the table below) have been identified. These sensitivities, which are ascribed a value with reference to risk weighting, factoring in the likelihood of occurrence and financial impact, were applied to the baseline financial forecast which uses the Company's annual budget for FY 2023/24 and longer-term strategic business plan through to March 2030. The following table sets out the specific risks and specific application of this approach to each risk. The total value of the accumulated impact of these sensitised risks has been quantified to provide a combined weighted amount that is used to assess the impact on the viability of the Company.

The impact of climate risks has been assessed in detail as referenced in the Task Force on Climate-related Financial Disclosures (TCFD) section in the South West Water Annual Report and Financial Statements. The Company's strategic business plan includes the expected investment identified at this stage to meet climate change adaptation. The stress testing scenarios applied during the viability assessment period do not include specific reference to climate change related risks alone as climate change has been considered as part of the principal risks identified. Beyond the period of assessment additional impacts from climate change are considered in more detail within the TCFD section along with mitigating actions

PRINCIPAL RISK	VIABILITY SENSITIVITIES TESTED
A: Changes in Government policy	Changes in Government policy affecting the water industry, such as additional environmental legislation, may impact operational performance or investment requirements. The estimated average adverse impact on the Company's cash flows from a range of potential policy changes has been applied as a sensitivity.
B: Regulatory reform	Potential changes in PR24 price review may impact allowed regulatory returns in South West Water. The estimated average adverse impact on the Company's cash flows from a range of potential policy changes has been applied as a sensitivity.
C: Non-compliance with laws and regulations	The estimated impact of financial penalties and reputational damage from failure to comply with laws and regulations has been modelled as a sensitivity.
D: Inability to secure sufficient finance and funding to meet ongoing commitments	The impact of reduced availability of financing resulting in increased costs.
E: Non-compliance or occurrence of an avoidable health and safety event	The financial impact and cash outflows related to a major health and safety event have been applied as a sensitivity.
F: Failure to pay all pension obligations as they fall due and increased costs for the Company should the defined benefit pension scheme deficit increase	The financial impact on the Company's gearing from additional funding being required to support the Company's defined benefit pension schemes has been applied as an adverse scenario.
G: Macroeconomic risks impacting on inflation, interest rates and power prices	The adverse impact of higher operating and finance costs from increasing power prices and general inflation increases over and above increases assumed in base financial plans, including the impact on totex underperformance on regulatory returns and impact on debt financing costs. As well as a reduction in the collection of customer debt from adverse economic conditions.
H: Failure to deliver the Group's 2030 Net Zero commitments in response to the impact of climate change	The adverse impact of the failure to transition towards Net Zero in a timely manner could lead to increased costs and these have been applied as a sensitivity.
I: Availability of sufficient water resources to meet current and future demand	The cost of sourcing water from outside the South West Water catchment area to ensure availability of supply has been included as an adverse scenario.
J: Failure of operational water treatment assets and processes resulting in an inability to produce and supply clean drinking water	The adverse impact from non-delivery of regulatory performance targets which result in ODI penalties, other financial penalties and required additional investment reducing Company revenues and cash inflows have been applied as a sensitivity to the base plan.
K: Failure of operational wastewater assets and processes resulting in an inability to remove and treat wastewater and potential adverse environmental impacts, including pollutions	
L: Non-delivery of customer service and environmental commitments	
M: Insufficient skills and resources to meet the current and future business needs and deliver the Company's strategic priorities	
N: Insufficient capacity and resilience of the supply chain to deliver the Company's operational and capital programmes	
O: Inadequate technological security results in a breach of the Company's assets, systems and data. Inefficient or ineffective delivery of capital projects	The adverse financial impacts of a cyber attack resulting in operational disruption, potential loss of data, and potential detrimental impacts on customers with potential for financial penalties have been included in the sensitivity analysis.

Licence condition compliance and statements continued

A combined stress testing scenario has been performed to assess the overall impact of these individual scenarios impacting the Company which include the impact of inflation, interest and power costs being higher than the levels forecast in the base scenario. The combined weighted impact of the risks occurring is c.£120m; this value is considered equivalent to an extreme one-off event that could occur within a year and the probability of such an event happening is deemed unlikely. The financial impact of individual sensitivities is not shown as there can be an interaction between risks which need to be considered in totality when reviewing the overall combined stress test.

Stress testing evaluation and mitigations

Through this testing, it has been determined that none of the individual principal risks would in isolation, or in aggregate, compromise the Company's viability over the seven-year period. The assessment has been considered by reviewing the impact on the solvency position as well as debt and interest covenants. The financial impacts of the risks were probability weighted to obtain a value that was used in the stress testing. While mitigations were not required in any of the above individual or combined scenarios to ensure that the Company was viable, additional mitigations could be deployed to reduce gearing and increase covenant headroom. These include:

- Reduction in discretionary operational expenditure
- Deferral of capital expenditure and or cancellation of essential capital expenditure
- Reduction in the amount of dividend payable
- Raising additional funding.

The Company has confidence in its ability to raise additional funding if required should it be required to ensure the Company maintains solvency.


In addition, a reverse engineered scenario that could possibly compromise the Company's viability over the seven-year assessment period has been modelled.

This scenario builds on the factors above and additionally assumes all the Company's principal risks in any given year across the viability period, with no probability weightings attached. The Board considered the likelihood of this scenario on the Company's viability over the seven-year viability period as remote, concluding the Company could remain viable. Mitigations, as noted above, could also be deployed over the period if deemed necessary.

In making its assessment of the Company's viability, the Directors have taken account of the Company's strong capital solvency position, the Company's latest assessments of the impact of the Ukraine crisis on power and other commodity prices, latest inflation forecasts, its ability to raise new finance and a key potential mitigating action of restricting any non-contractual payments. In assessing the prospects of the Company, the Directors note that, as the Company operates in a regulated industry which potentially can be subject to non-market influences, such assessment is subject to uncertainty, the level of which depends on the proximity of the time horizon. Accordingly, the future outcomes cannot be guaranteed or predicted with certainty. As set out in the Audit Committee's report on pages 135 to 141 of the South West Water Annual Report and Financial Statements, the Directors reviewed and discussed the process undertaken by management, and also reviewed the results of the stress testing performed.

Viability assessment conclusion

The Board has assessed the Company's financial viability and confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a seven-year period, the period considered to be appropriate by the Board in connection with the UK Corporate Governance Code.

Name	Gill Rider	Neil Cooper	Iain Evans CBE	Claire Ighodaro CBE	Jon Butterworth MBE	Dorothy Burwell	Loraine Woodhouse	Susan Davy	Paul Boote
Position	Chair	Independent Non-Executive Directors						Chief Executive	Finance Director
Signed									

Managing our risks

Summary of Risk Report

South West Water operates within a complex and evolving risk landscape which includes changing Government policy, multiple regulatory frameworks and increasing customer and wider societal expectations.

The long-term success of the Group is dependent on the effective management of risks and opportunities and remains a key focus for the Pennon Board and Executive. To achieve this, South West Water operates mature risk management and internal control frameworks which are aligned to the Company's strategic priorities and are embedded into our processes, culture and ways of working. These frameworks form a key part of our governance structure ensuring that there is robust review, challenge and assurance over the management of both our current and emerging risks and opportunities.

OUR RISK MANAGEMENT FRAMEWORK

Our risk management framework, risk assessment methodology and detailed assessment of risks are described on pages 43 to 59 of the [South West Water Annual Report and Financial Statements](#).



Horizon scanning

Emerging risks and opportunities are considered to be factors and events which could have a future impact on the achievement of the Group's strategic priorities but lack the required clarity or certainty in order to adequately assess their impact. Horizon scanning of emerging risks and opportunities is embedded within the risk and opportunity review process performed by individual subsidiaries and functions. Emerging risks are reviewed by the Pennon Executive Risk Committee, Pennon Executive and Pennon Board as part of their regular assessment of the Group's risk profile. Notable emerging risks and opportunities are detailed within the table below:

South West Water's full risk report is included in the South West Water Annual Report and Financial Statements (pages 43 to 59), available at www.southwestwater.co.uk/report2023.

Risk/opportunity

MICROPOLLUTANTS, PLASTICS AND MICROPLASTICS

Comment

The continued focus on the impact of micropollutants and microplastics could present both risks and opportunities arising from changes to water treatment processes.

Risk category impact

- Operating performance
- Business systems and capital investment.

Time horizon: Medium-term

BIODIVERSITY

Comment

Threat to the region's biodiversity, as a result of climate change, may require changes to how we interact with species and habitats in the areas that we operate in.

Risk category impact

- Operating performance.

Time horizon: Long-term

CHANGES TO THE DEMOGRAPHICS WITHIN THE SOUTH WEST

Comment

Increases in population migration to the South West due to the longer-term impact of COVID-19 and climate change could place further demand on our resources and assets.

Risk category impact

- Operating performance.

Time horizon: Long-term

ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING

Comment

There is a risk that automated intelligence and learning deployed within operational processes develops faster than Government regulations and standards.

Risk category impact

- Operating performance.

Time horizon: Long-term

PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) AND FOREVER CHEMICALS

Comment

Changes in regulatory requirements or the introduction of statutory standards may require significant changes in operational processes in the water treatment process.

Risk category impact

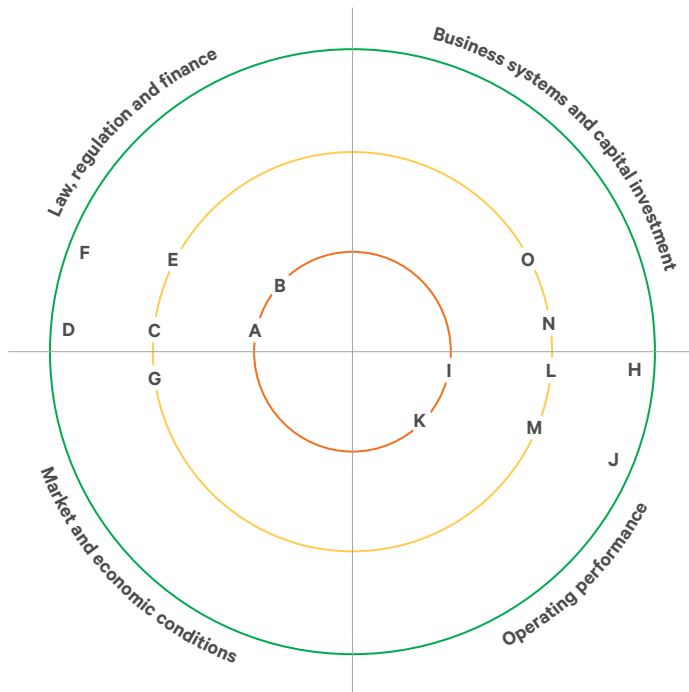
- Operating performance
- Business systems and capital investment.

Time horizon: Long-term

Managing our risks

Summary of Risk Report continued

Overview of South West Water's principal risk profiles



OUTCOMES

- Clean, safe and reliable supplies
- Available and sufficient
- Reliable wastewater services
- Responsive to our customers' needs and priorities
- Fair charging for all
- Environmentally sustainable actions and initiatives
- Providing reliable services even in extreme conditions
- Supporting our people and local communities

RISK LEVEL

- Increasing
- Stable
- Decreasing
- High
- Medium
- Low

CATEGORY	REF	STRATEGIC PRIORITIES – OUTCOMES	RISK DESCRIPTION	NET RISK
Law, regulation and finance	A		Changes in Government policy	
	B		Regulatory frameworks	
	C		Non-compliance with laws and regulations	
	D		Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments	
	E		Non-compliance or occurrence of an avoidable health and safety incident	
	F		Failure to pay all pension obligations as they fall due and increased costs to the Company should the defined benefit pension scheme deficit increase	
Market and economic conditions	G		Macroeconomic near-term risks impacting inflation, interest rates and power prices	
Operating performance	H		Failure to deliver the Company's 2030 Net Zero commitment to respond to the impact of climate change	
	I		Availability of sufficient water resources to meet current and future demand	
	J		Failure of operational water treatment assets and processes resulting in an inability to produce or supply clean drinking water	
	K		Failure of operational wastewater assets and processes resulting in an inability to remove and treat wastewater and potential environmental impacts, including pollutions	
	L		Non-delivery of customer service and environmental commitments	
	M		Insufficient skills and resources to meet the current and future business needs and deliver the Company's strategic priorities	
Business systems and capital investment	N		Inefficient capacity and resilience of the supply chain to deliver the Company's operational and capital programmes	
	O		Inadequate technological security results in a breach of the Company's assets, systems and data	

Assurance

Introduction

This assurance section of the Annual Performance Report provides a general overview of our assurance framework and processes as well as an update on the assurance performed in respect of the Annual Performance Report and Regulatory Reporting.

South West Water’s Assurance Plan is published as a standalone document on the Company’s website (www.southwestwater.co.uk/siteassets/about-us/governance/sww-rswap-2022-23.pdf).

In any significant area or projects where assurance is required over submitted data or information, certificates will be prepared by those responsible to confirm that the submission is robust and all material issues have been addressed.

Independent internal review is used to ensure that processes are robust and adhered to.

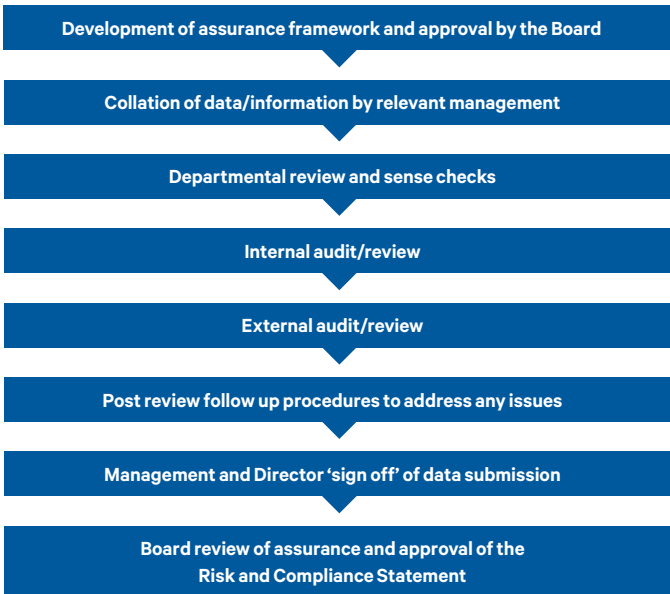
External review and audit processes are utilised whenever significant data is provided by South West Water externally (such as the PR19 Business Plan, tariffs/charges submissions and Annual Performance Report and Regulatory Reporting). The allocation of assurance work between external providers (including financial and technical auditors) is based upon the content of the data submission and multiple providers of external assurance are frequently engaged on the same project. The professional credentials of the third party assurance providers are considered in detail to ensure they have the relevant knowledge and experience.

Robust feedback processes are established to ensure that issues or queries raised during internal and external assurance processes are followed up to ensure that any changes required or follow up work is completed as appropriate.

In addition to strategic leadership provided by the Board, for significant projects a Steering Group is formed to give direction, monitor project delivery and issue regular updates to the Board. The Board and Audit Committee review and challenge assurance applied in each case under this framework.

For all key projects and data submissions the Board confirms that in its opinion, assurance provision, governance and internal systems of control have been sufficient.

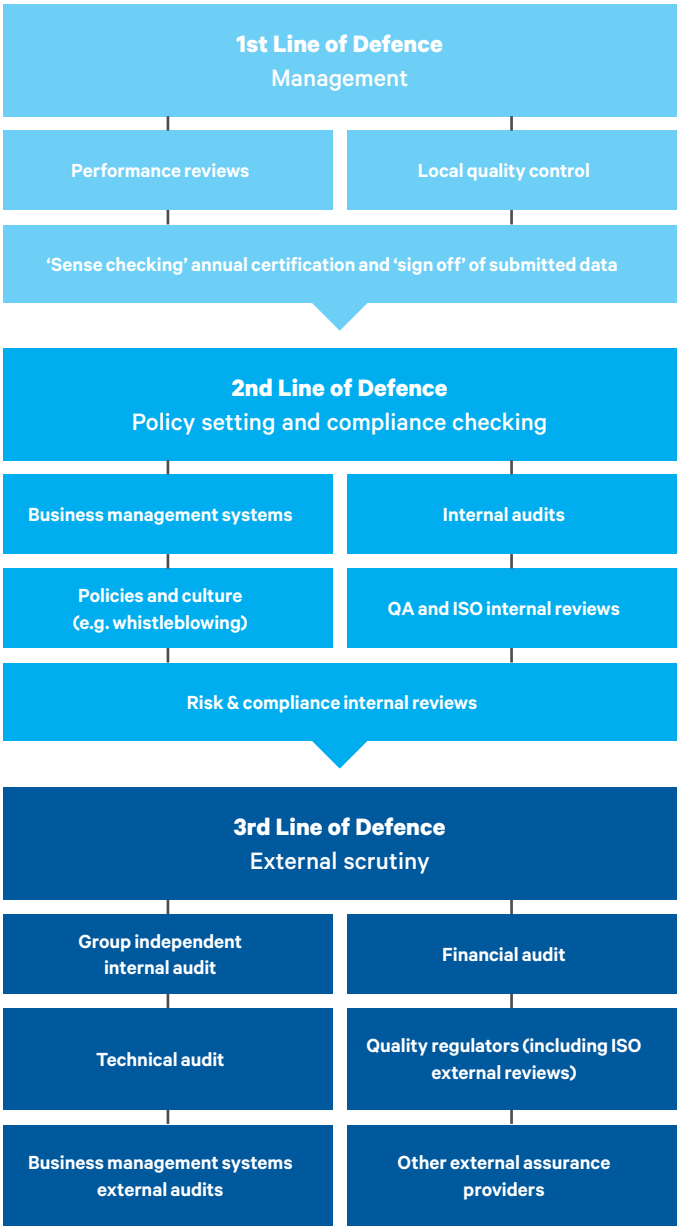
The following diagram summarises the typical assurance approach taken in any significant project involving submission of data externally:



South West Water’s integrated assurance framework

South West Water’s risk and assurance processes are embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis and appropriate mitigation is in place to suit the risk appetite. The methodology for identification and mitigation of risk is similar at individual business unit and corporate levels.

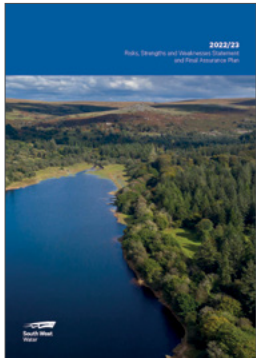
South West Water’s Integrated Assurance Plan ensures, utilising a risk based approach, that an appropriate balance of varied providers of assurance are deployed dependent on the assessed risk and complexity of assurance requirements. The integrated assurance approach includes:



This risk-based Integrated Assurance Framework is applied to all areas of the business, including all key projects as they arise. The mix of assurance methods used is reviewed by the South West Water Audit Committee, which is responsible for ensuring robust and comprehensive assurance frameworks are in place to support Board assurance and compliance requirements.

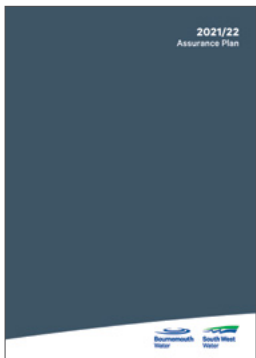
Assurance continued

South West Water publishes a range of documents which provide key information which customers and other stakeholders require. We publish performance information in this Annual Performance Report and Regulatory Reporting as well as in summary formats. In this section of the report we summarise the assurance we perform, however further detail on the assurance we perform can be found in related documents.



Risks, Strengths and Weaknesses Statement

This statement sets out our risks, strengths and weaknesses to the information that we publish following consultation with customers and other stakeholders.



Assurance Plan

Following consultation with customers, employees and other stakeholders the final Assurance Plan updates the draft Assurance Plan to address feedback received.



Annual Report and Financial Statements

Our Annual Report and Financial Statements is published in line with Companies Act requirements and as well as reporting on overall performance, provides a more detailed review of our financial performance during the year.



Business Plan 2020-25

In September 2018 we published our Business Plan for 2020-25 'The New Deal', which was given fast-track status by Ofwat. For further information on South West Water's New Deal visit www.southwestwater.co.uk/newdeal.



Our websites

The documents listed here are published on our websites (www.southwestwater.co.uk and www.bournemouthwater.co.uk) alongside other useful documents – such as our charges to customers for the year.



Annual Performance Report and Regulatory Reporting

The Annual Performance Report lays out our performance against the regulatory targets we have committed to achieve. Our Regulatory Reporting lays out key financial and non-financial performance for the year.



Summary Performance Report

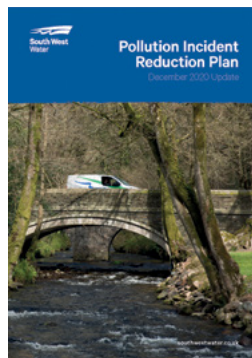
We publish a Summary Performance Report which provides a shorter summary of performance against each of our regulatory targets. This will be published at www.southwestwater.co.uk/report2023 by the end of July 2023.



Assurance

In recent years we have published a standalone 'Summary Assurance Report' which has reported on the assurance we have performed in significant areas where customers and other stakeholders would expect thorough and robust assurance. This has covered far more than just our published annual reporting data in line with our Assurance Plan.

Our Data Assurance Statement is on page 63, and we provide relevant Board Assurance Statements for other significant submissions alongside.



Pollution Incident Reduction Plan

In September 2020 we launched our Pollution Incident Reduction Plan, responding to our performance in this area and reflecting our commitment to ensure pollution incidents are significantly reduced through the remainder of the regulatory reporting period.

We provided an update of the plan in December, focusing on the areas making the most difference.

To read the update, visit www.southwestwater.co.uk/siteassets/document-repository/business-plan-2020-2025/pirp-update.pdf



DiscoverWater.co.uk

We share our key comparable data with www.DiscoverWater.co.uk who provide a user-friendly summary of English and Welsh water companies' data. We voluntarily obtain specific assurance from our technical auditor Jacobs in view of the importance of this data.

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting

SECTION 1	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
1A Income statement	EY	Regulatory Audit Opinion	Pages 97 and 195	Pages 77 to 79
1B Statement of comprehensive income	EY	Regulatory Audit Opinion	Pages 99 and 197	Pages 77 to 79
1C Statement of financial position	EY	Regulatory Audit Opinion	Page 100	Pages 77 to 79
1D Statement of cash flows	EY	Regulatory Audit Opinion	Page 102 and 198	Pages 77 to 79
1E Net debt analysis	EY	Regulatory Audit Opinion	Pages 103 and 199	Pages 77 to 79
1F Financial flows	EY	Regulatory Audit Opinion	Pages 104 and 200	Pages 77 to 79
SECTION 2	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
2A Segmental income statement	EY	Regulatory Audit Opinion	Pages 107 and 202	Pages 77 to 79
2B Totex analysis – by wholesale price controls	EY	Regulatory Audit Opinion	Pages 109 and 203	Pages 77 to 79
2C Cost analysis – retail	EY	Regulatory Audit Opinion	Pages 110 and 204	Pages 77 to 79
2D Historical cost analysis of fixed assets – by price control	EY	Regulatory Audit Opinion	Page 111 and 205	Pages 77 to 79
2E Analysis of 'grants and contributions' – water resources, water network plus and wastewater network plus	EY	Regulatory Audit Opinion	Pages 112 and 206	Pages 77 to 79
2F Residential retail	EY	Regulatory Audit Opinion	Pages 113 and 207	Pages 77 to 79
2G Non-household water – revenues by tariff type	EY	Regulatory Audit Opinion	N/A	Pages 77 to 79
2H Non-household wastewater – revenues by tariff type	EY	Regulatory Audit Opinion	N/A	Pages 77 to 79
2I Revenue analysis & wholesale control reconciliation ¹	EY	Regulatory Audit Opinion	Pages 114 and 208	Pages 77 to 79
2J Infrastructure network reinforcement costs	EY	Regulatory Audit Opinion	Pages 115 and 209	Pages 77 to 79
2K Infrastructure charges reconciliation	EY	Regulatory Audit Opinion	Pages 115 and 209	Pages 77 to 79
2L Analysis of land sales	EY	Regulatory Audit Opinion	Pages 115 and 209	Pages 77 to 79
2M Revenue reconciliation	EY	Regulatory Audit Opinion	Pages 116 and 210	Pages 77 to 79
2N Residential retail – social tariffs	EY	Regulatory Audit Opinion	Pages 117 and 211	Pages 77 to 79
2O Historic cost analysis of intangible fixed assets – by price control	EY	Regulatory Audit Opinion	Page 118 and 212	Pages 77 to 79
SECTION 3	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
3A Outcome performance – water common performance commitments	Jacobs ⁴	Technical audit – agreed upon procedures	Pages 119 and 213	Pages 80 to 86
3B Outcome performance – wastewater common performance commitments	Jacobs	Technical audit – agreed upon procedures	Page 126	Pages 80 to 86
3C C-MeX	Jacobs	Technical audit – agreed upon procedures	Pages 131 and 221	Pages 80 to 86
3D D-MeX	Jacobs	Technical audit – agreed upon procedures	Pages 132 and 222	Pages 80 to 86
3E Outcome performance – non-financial performance commitments	Jacobs	Technical audit – agreed upon procedures	Pages 133 and 223	Pages 80 to 86
3F Underlying calculations for common performance commitments – water and retail	Jacobs	Technical audit – agreed upon procedures	Pages 137 and 227	Pages 80 to 86
3G Underlying calculations for common performance commitments – wastewater	Jacobs	Technical audit – agreed upon procedures	Page 138	Pages 80 to 86
3H Summary information on outcome delivery incentive payments	Jacobs	Technical audit – agreed upon procedures	Pages 139 and 228	Pages 80 to 86
3I Summary outcomes information	Jacobs	Technical audit – agreed upon procedures	Pages 139 and 228	Pages 80 to 86

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

SECTION 4	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
4A Bulk supply information	T&T	Technical audit – agreed upon procedures	Pages 140 and 229	Page 87
4B Analysis of debt	EY	Financial agreed upon procedures	Pages 142 and 229	Pages 77 to 79
4C Impact of price control performance to date on RCV	EY	Financial agreed upon procedures	Pages 142 and 230	Pages 77 to 79
4D Totex analysis – wholesale water resources and water network+	EY ⁵	Financial agreed upon procedures	Pages 145 and 232	Pages 77 to 79
4E Totex analysis for – wholesale wastewater	EY ⁵	Financial agreed upon procedures	Page 146	Pages 77 to 79
4F Major project capital expenditure by purpose – wholesale water	T&T	Technical audit – agreed upon procedures	Pages 147 and 233	Page 87
4G Major project capital expenditure by purpose – wholesale wastewater	T&T	Technical audit – agreed upon procedures	Page 147	Page 87
4H Financial metrics	EY	Financial agreed upon procedures	Pages 147 and 233	Pages 77 to 79
4I Financial derivatives	EY	Financial agreed upon procedures	Page 148	Pages 77 to 79
4J Base expenditure analysis – wholesale water	EY	Financial agreed upon procedures	Pages 149 and 235	Pages 77 to 79
4K Base expenditure analysis – wholesale wastewater	EY	Financial agreed upon procedures	Page 150	Pages 77 to 79
4L Enhancement expenditure – water resources and water network+	T&T	Financial agreed upon procedures	Pages 151 and 236	Page 87
4M Enhancement expenditure – wastewater network+ and bioresources	T&T	Financial agreed upon procedures	Page 153	Page 87
4N Developer services – water resources and water network+	EY	Financial agreed upon procedures	Pages 155 and 237	Pages 77 to 79
4O New developments expenditure – wastewater network+ and bioresources	EY	Financial agreed upon procedures	Page 155	Pages 77 to 79
4P Expenditure on non-price control diversions	EY	Financial agreed upon procedures	Page 156 and 237	Pages 77 to 79
4Q Developer services non-financial data	EY	Technical audit – agreed upon procedures	Pages 156 and 238	Pages 77 to 79
4R Non financial information – Properties, Jacobs customers and population		Technical audit – agreed upon procedures	Pages 157 and 238	Pages 80 to 86
4S Green Recovery expenditure for the 12 months ended 31 March 2023 – water resources and water network+	EY	Financial agreed upon procedures	Page 158	Pages 77 to 79
4T Green Recovery expenditure for the 12 months ended 31 March 2023 – wastewater network+ and bioresources	EY	Financial agreed upon procedures	Page 159	Pages 77 to 79
4U Impact of Green Recovery on RCV	EY	Financial agreed upon procedures	Page 160	Pages 77 to 79
SECTION 5	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
5A Water resources asset and volume data	T&T	Technical audit – agreed upon procedures	Pages 162 and 240	Page 87
5B Water resources operating cost analysis	T&T	Financial agreed upon procedures	Pages 163 and 241	Page 87
SECTION 6	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
6A Raw water transport, raw water storage and water treatment	T&T	Technical audit – agreed upon procedures	Pages 164 and 242	Page 87
6B Treated water distribution – assets and operations	T&T	Technical audit – agreed upon procedures	Pages 165 and 243	Page 87

SECTION 6	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
6C Water network+ – Mains, communication pipes and other data	T&T	Technical audit – agreed upon procedures	Pages 168 and 244	Page 87
6D Demand management – metering and leakage activities	T&T	Financial agreed upon procedures	Pages 169 and 245	Page 87
6F WRMP annual reporting on delivery –non-leakage activities	Jacobs	Technical audit – agreed upon procedures	Pages 169 and 246	Pages 80 to 86
SECTION 7	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
7A Wastewater network+ – Functional expenditure	T&T	Financial agreed upon procedures	Page 170	Page 87
7B Wastewater network+ – Large sewage treatment works	T&T	Technical audit – agreed upon procedures	Page 170	Page 87
7C Wastewater network+ – Sewer and volume data	T&T	Technical audit – agreed upon procedures	Pages 172	Page 87
7D Wastewater network+ Sewage treatment works data	Jacobs	Technical audit – agreed upon procedures	Page 174	Pages 80 to 86
7E Wastewater network+ Energy consumption and other data	T&T	Technical audit – agreed upon procedures	Pages 176	Page 87
7F Wastewater network+ – WINEP phosphorus removal scheme costs and cost drivers	T&T	Technical audit – agreed upon procedures	Page 177	Page 87
SECTION 8	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
8A Bioresources sludge data	Jacobs	Technical audit – agreed upon procedures	Page 178	Pages 80 to 86
8B Bioresources operating expenditure analysis	T&T	Financial agreed upon procedures	Page 179	Page 87
8C Bioresources energy and liquors analysis	Jacobs	Technical audit – agreed upon procedures	Page 180	Pages 80 to 86
8D Bioresources sludge treatment and disposal data	Jacobs	Technical audit – agreed upon procedures	Page 181	Pages 80 to 86
SECTION 9	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
9A Innovation competition	T&T	Financial agreed upon procedures	Pages 182 and 248	Page 87
SECTION 10	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
10A Green Recovery non-cost data for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Page 184	Pages 80 to 86
10B Green Recovery water outcome performance analysis for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Page 185	Pages 80 to 86
10C Green Recovery wastewater outcome performance analysis for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Page 186	Pages 80 to 86
10D Green Recovery data capture outcome performance for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Page 187	Pages 80 to 86
10E Green Recovery data capture reconciliation for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Page 187	Pages 80 to 86
SECTION 11	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
11A Greenhouse gas emissions reporting for the 12 months ended 31 March 2023	Jacobs	Technical audit – agreed upon procedures	Pages 189 and 250	Pages 80 to 86

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

OTHER ANNUAL PERFORMANCE REPORT INFORMATION	EXTERNAL ASSURER	TYPE OF ASSURANCE	TABLE REFERENCE	EXTERNAL ASSURANCE SUMMARY
A Long-term resilience & viability statement	EY	Regulatory Audit Opinion	Page 64	Pages 77 to 79
B Annual performance information provided for the Discover Water website	Jacobs	Technical audit – agreed upon procedures	N/a	Report provided to Water UK

1. Including both the South West Water and Bournemouth Water tables.

2. The abstraction incentive mechanism (AIM) table is not applicable to South West Water. The technical auditor, Jacobs, has reviewed this assessment.

3. The Shadow Reporting tables have been reported to Ofwat and not published.

4. Two of the Bournemouth Water performance commitments, relating to financial data, are covered under EY's agreed upon procedures.

5. Unit cost metrics information is based upon non-financial information included within the scope of Jacobs' technical audit – agreed upon procedures. The calculations based upon this non-financial information are within the scope of EY's financial agreed upon procedures.

6. In addition to statutory audit requirements.

Other items

Many of our required annual disclosures are contained within this Annual Performance Report and Regulatory Reporting, however some are contained in our other related publications:

DISCLOSURE	LOCATION
Statement on directors' pay	Detailed disclosures in the Remuneration Report
Statement on disclosure of information to auditors	See page 61
Dividend policy	See page 90
Accounting policy note for price control units	See page 88
Revenue recognition note	See page 88
Capitalisation policy note	See page 89
Bad debt policy note	See page 89
Tax strategy for the appointed business	See page 94
Long-term viability statement	See page 64
RoRE summary	See page 32
Totex – difference between actual and allowed totex in table 4B	See page 92
Accounting Methodology Statement	www.southwestwater.co.uk/report2022

Open data

South West Water has again published its Annual Performance Report data in spreadsheet form on our website in addition to the Annual Performance Report document. We have reviewed the structure of commentary in respect of our performance data within our Annual Performance Report document and aligned this to the data tables in section 3 of this report.

We have also this year published our Compliance assessments in respect of relevant ODIs in spreadsheet format at www.southwestwater.co.uk/report2023.

South West Water is a member of the 'Stream' project to transform customer services in the water sector by driving innovation through data sharing.

As one of the 11 Stream member companies, we also intend to work together as part of this initiative to progress the publication of supporting datasets associated with the APR tables. This will ensure we focus on facilitating data re-users to more easily join up data from individual companies to maximise the potential benefits of publication. Stream's Use Case and Market Needs advisory group will consider the APR performance tables (and their supporting datasets) as part of their assessment to create a prioritised pipeline of datasets to publish.

Assurance – WaterShare+ Advisory Panel

The WaterShare+ Group Panel is an independent customer group that holds the company to account both on its current performance and ensuring the future plans represent customer views. The panel provides assurance to our customers and stakeholders on the reporting of performance and company plans to improve in relevant areas.

By holding in-depth sessions with the Executive Directors we have been able to drill into the operational issues that a water company faces. We have also worked with the water industry regulators to learn more about their priorities and how they impact both the company and its customers.

A key role of the WaterShare+ Group Panel is to review the company's data, information and assurance regime and the audit findings of the company's independent technical assurer, Jacobs Assurance. The Panel has received assurance from the independent assurer that the company's performance information is reliable and accurate.

By inviting CCW, the Environment Agency and Natural England to directly advise and attend the Panel, we have been able to understand their concerns too, and get their perspective on the evidence presented to us by the company on their successes and challenges over the year.

Following the merger with Bristol Water the WaterShare+ Group Panel has integrated with the Bristol Water Challenge Panel. From the outset, the intention has been to take the best of the best. We have strengthened our approach by the Chair and Deputy Chair of the Bristol Water Challenge Panel attending our meetings on the South West Water performance.

In a challenging year the Panel has been close to two of the key challenges facing the South West Water and the wider sector; drought and the impact of storm overflows on bathing water quality. We have welcome the launch of Waterfit Live and have reviewed and debated the content shared, and road mapped going forwards. We believe the transparency it provides to customers and stakeholders will benefit all going forward, particularly coupled with the contextual information and investment detail provided for each bathing water area.

We have devoted a significant amount of time to understanding the work the company is undertaking to respond to the drought of 2022 and ensure a resilient water supply across the region. The Stop the Drop customer water efficiency incentive, as well as the ongoing Save every Drop customer campaign to promote water efficiency and encourage action by all those in the region, has been a focus for the Panel and an important foundation for ever increasing focus on water efficiency going forward. The Stop the Drop campaign was a good example of generating behaviour change in Cornwall; following one of the lowest levels of rainfall in 130 years, customers were challenged with helping recharge the reservoir to 30% by 31 December, for which they received a £30 credit off their bill. The evolution across the region to the Save Every Drop campaign has been widespread, with engagement across with households, visitors, businesses and the tourism sector to explain the importance of reducing water usage, especially as we see the increasing impact of climate change and increasing population.

The WaterShare+ Advisory Panel also oversees the operation of the company's WaterShare framework. In 2022 the 2nd 'watershare' was issued; customers were given the choice of either receiving a £13 credit to their account or applying to receive shares in Pennon Group plc (the UK based company which owns South West Water). Thousands of customers took shares with 1 in 14 customers now shareholders as well as customers, across all our regions, including – for the first time those customers in the Bristol Water region. The Panel will continue to work with the Board of the company and customers to ensure that WaterShare+ achieves its full potential.

Lord Matthew Taylor

Chair of the WaterShare+ Advisory Panel



Meetings on the Company's website: www.southwestwater.co.uk/about-us/watershareplus/meeting/ and the Panel will publish its own annual report in September.

Assurance continued

Bristol Water Challenge Panel

The Independent Customer Challenge Group for Bristol Water is known as the Bristol Water Challenge Panel (the Panel).

The Bristol Water Challenge Panel is part of the WaterShare+ Group panel, an independent challenge group that holds the company to account both on its current performance and ensuring the future plans represent customer views.

We publish an independent report annually on the work of Bristol Water on behalf of customers, we ensure that the commitments made in the business plan are being met, scrutinise the plans for the future, and apply independent assurance to the performance reporting.

On the 1st February 2023, the Bristol Water licence to provide customers with water was integrated into the South West Water licence as part of the company merger. As a result of this acquisition, the WaterShare+ Group Panel has integrated with the Bristol Water Challenge Panel. From the outset, the intention has been to take the best of the best from both panels. As a result of this, there is now a new structure to the WaterShare+ Group panel.

In my role as Chair and along with my Deputy Chair of the Bristol Water Challenge Panel, I have now joined the WaterShare+ Panel and all subgroups. The Bristol Water Challenge Panel meetings now focus solely on how Bristol Water performs against its current business plan, all aspects of future planning are covered by the WaterShare+ meetings. The views of Bristol Water customers and stakeholders continued to be represented on future planning under this governance.

One of the Panel's roles is to monitor, scrutinise, challenge and report on Bristol Water's performance against its 29 performance commitments (PCs) for 2020 to 2025 as defined in Ofwat's Final Determination for the Price Review 2019 and as amended by the Competition and Markets Authority in March 2020. The Panel has done this, both at the mid-year and end-of-year positions.

As part of the WaterShare+ Panel, we have reviewed the company's data, information and assurance regime and the audit findings of the company's independent technical assurer, Jacob's Assurance. The Panel has received assurance from the independent assurer that the company's performance information is reliable and accurate. This was done jointly with the WaterShare+ Panel.

The Panel has questioned the company in depth over movement against specific targets, to understand the reasons for changes in performance, and the prospects for 2023/24.

The long hot summer of 2022 saw a number of water companies issuing temporary hose pipe bans for customers. The Panel asked for regular updates on the water resource situation for Bristol Water and challenged the company to use this opportunity to communicate better to customers about the importance of water as a scarce resource. Bristol Water created the campaign Every Drip, Every Drop to increase the awareness of both the company and customers of the need to save water. Bristol Water was able to manage the water resource challenge with no restrictions on customers. As a Panel we challenged the company to continue to do more to communicate how scarce the resource of water is. The Panel acknowledged that the operational performance for the year had been challenging with the dry summer and cold winter. It praised the customer experience performance which was good, especially with the challenging operational situation.

The Panel welcomed the increase in partnership working between the company and a range of organisations to share data to help promote discounts on the bill and priority services to those customers in need of extra help. These have been key to the company achieving the targets of 0% of customers in water poverty and the percentage of households on the priority services has been exceeded at 6.51%.

Bristol Water continues to make progress on its Social Contract initiatives. The Panel will continue to work with the company to ensure that the ambitions of Bristol Water complement those of local stakeholders.

The Panel applied challenge with the setting of customer charges for 23/24. We welcomed the change to delay an element of the increase beyond 2025, which saw customer bills increasing less than they would have done without the intervention.

The Panel thanks Bristol Water for its openness and transparency throughout the year and for providing it with regular, timely briefings and presentations and sharing its thinking on how it intends to improve its operational performance and customer service.

On behalf of the Bristol Water Challenge Panel

Mrs Peaches Golding OBE CStJ

Independent Chair



Independent Auditor's report

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South West Water Limited

Opinion

We have audited the sections of/tables within South West Water Limited's (the "Company") Annual Performance Report for the year ended 31 March 2023 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4W, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, The Company's Regulatory Accounting Statements have been properly prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2J), set out on page 88

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom adopted international accounting standards ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with

the Companies Act 2006.

The Regulatory Accounting Statements on pages 97 to 253 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the process undertaken by management to perform the going concern assessment.
- We have obtained management's going concern assessment, including the cash forecast, liquidity requirements and forecast covenant calculations for the going concern period which covers the period from approval of the 2023 financial statements through to 31 July 2024, and have tested this for arithmetical accuracy. Management has modelled a downside scenario in their cash forecast and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We have reviewed the forecasts used for the going concern assessment period, agreed the data to the Board approved plan and, where applicable, corroborated the data with audit information from other areas, including capital commitments. We have evaluated the appropriateness of the key assumptions in management's forecasts including revenue growth, by comparing these to year to date performance and through consideration of historical forecasting accuracy and the impact of regulatory price increases.
- The company has an agreed business plan with Ofwat for the five year price period from 1 April 2020 to 31 March 2025, setting out the basis of allowed tariff changes. We have compared the key assumptions in the company's forecasts to the business plans and pricing determinations agreed with Ofwat, for consistency.
- We have evaluated management's downside scenario and specific risk register probability weighted scenarios, to understand the impact on the company's liquidity and covenant ratios. We have compared the risks identified and modelled in the cash flow forecasts of management's downside scenario to the company's risk register and evaluated the quantification by management. We have considered whether there are other alternative risks that should be taken into consideration based on our knowledge of the business. Our procedures included evaluating management's assessment of the impact of climate change within the going concern period, including the principal risk of availability of sufficient water resources to meet current and future demand.
- Management has also modelled a reverse engineered scenario (reverse stress test) assuming all the principal risks materialise within the going concern period with no probability weightings attached. We performed testing to consider the likelihood of a scenario causing a liquidity issue or breach of covenants, including the impact of controllable mitigating actions where relevant.
- We have compared facilities assumed in the forecasts to supporting loan documentation and to covenant terms. For a portion of the facilities, where changes to terms are not finalised at the date of approval of the financial statements, we have evaluated the impact on covenants and liquidity headroom based on existing terms
- We have reviewed the company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards

We observed at 31 March 2023, the company had access to undrawn committed facilities of £150 million and cash and short-term and other deposits totalling £46 million (£24 million excluding restricted funds). The company generated positive net cash flows from operating activities of £132.7 million. Subsequent to the year end date, the company has secured a £300m private placement and agreed amended covenant terms on the majority of its facilities. Management's forecasts indicate there is headroom in the base case and in the downside scenario after controllable mitigations. Management consider the reverse engineered scenario, that all the group's principal risks are incurred within the going concern period with

Independent Auditor's report continued

no probability weightings attached, to be remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual Performance Report, other than the Regulatory Accounting Statements and our auditors' report thereon. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements, our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSR and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, the company's legal counsel, the regulatory team and the internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting

Guidelines as issued by the WRS, UK Companies Act, pensions legislation, tax legislation; and

- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating license, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgments made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
 - Tax legislation (governed by HM Revenue & Customs)
 - Health and Safety legislation
 - Environment Agency environmental permits
 - Ofwat regulations
- We understood how South West Water Limited is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment, including the level of oversight of those charged with governance. We made enquiries of the company's legal counsel, regulatory team and internal audit of known instances of non-compliance or suspected non-compliance with laws and regulations. We corroborated our enquiries through review of correspondence with regulatory bodies. We designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above. As well as enquiry and attendance at meetings, our procedures involved a review of the reporting to the above committees and a review of board meetings and other committee minutes to identify any non-compliance with laws and regulations. Our procedures also involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management, including the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and Audit Committee Chair. We planned our audit to identify risks of management override, tested higher risk journal entries and performed audit procedures to address the potential for management bias, particularly over areas involving significant estimation and judgement.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management and legal counsel, reviewing key policies, inspecting legal registers and correspondence with regulators and reading key management meeting minutes. We also completed procedures to conclude on the compliance of significant disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the company's voluntary compliance with the UK Corporate Governance Code.
- We attended key meetings with management and legal counsel in order to identify and communicate any instances of non-compliance with laws and regulations.
- The company operates in the water sector which is highly regulated. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2023 on which we reported on 14 July 2023, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come to save where expressly agreed by our prior consent in writing.

Christabel Cowling (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

14 July 2023

Technical auditor's report

Introduction, audit and assurance approach

South West Water (SWW) has compiled its Annual Performance Report for the period 01 April 2022 to 31 March 2023, which is the third year of the AMP7 5-year period. SWW has 44 Performance Commitments (PCs) for the AMP7 period defined in Ofwat's PR19 Final Determination dated December 2019. The set of PCs cover all supply regions of the Company as the South West Water region, the Bournemouth Water region (water supply only) and the Isles of Scilly. Bristol Water (water supply only) was acquired by Penmon in June 2021. Bristol Water (BRL) has 29 PCs which are reported separately.

Our approach to the assurance work was to review the processes, procedures, systems, data and analysis in place to gather and report performance information in line with Ofwat's prescribed definitions (RAG 4.11, and the PC definitions in the 2019 FD) and the required format in the data tables.

We met with process and data owners to obtain evidence of documented procedures and methodologies which describe the data sources, systems and processes in place. We sampled information tracing it back to corporate data sources to confirm that the stated processes were being followed to verify the information. We also reviewed governance arrangements for checking, verification and approval of information by the accountable managers and directors.

If material a concern was identified through audit, it was reported to the team and senior management responsible for the data via our Summary of Audit Findings (SAF) report. In the event the concern was not resolved (or could not be resolved, for example, due to time constraints) we alerted the Audit Committee and Board via our Interim Report and Board Assurance report (this report) which provides a high-level summary of our assurance activities.

This year, we are applied additional scrutiny to the subject areas of:

- Leakage and Per Capita Consumption (following changes in assessments of some components first seen in APR22);
- Bathing water quality where beach categories have deteriorated and whether this is related to South West Water's assets; and
- Mains repairs.

Our audits commenced in March 2023 for information reported on a calendar year basis. The year-end audits took place between 12 April 2023 and were completed by 09 June 2023 in line with the agreed programme. We provided a progress statement for the Audit Committee which we attended in person on 17 May 2023. The majority of audits took place remotely via Microsoft Teams.

To accommodate audits for BRL, PCs that were common or similar between SWW and BRL were scheduled for audit on the same day where possible with the same auditors reviewing one company followed by the other.

Audit opinion

Our audits have confirmed that South West Water and Bristol Water have processes in place to ensure that information published in the Companies' Annual Performance Reports accurately reflect the performance of each Company.

Both companies have methodologies in place which align to Ofwat's requirements in RAG 4.11 and/or the definitions in the PR19 Final Determinations. We found exceptions where SWW's leakage is reported differently to the baseline in the 2019 Final Determination, and SWW's PCC isn't fully in accordance with Ofwat's guidance. We also identified that BRL's Peak Week Pumping Capacity (used for Unplanned Outage) isn't in accordance with Ofwat's guidance.

SWW's and BRL's forecasts for years 4 and 5 generally appear realistic and are produced in a consistent manner. We discussed risks to future performance for the remainder of the AMP and the Companies are aware of these with plans in place to achieve targets. We note that achieving some PCs can be influenced by external events (e.g. weather) which are outside of the Companies' control.

The majority of data had been signed off by relevant managers. A small number of data sets required sign off to be completed, which was in hand.

Third party assurance of PCs with financial rewards/penalties

Ofwat's Information Note (IN23/O3) requires companies to provide a statement from their Assurers confirming that appropriate third-party assurance has been carried out on their reported 2022/23 PCs that have financial rewards and penalties. This statement should specify which of these PCs the third-party assurers have reviewed as part of their assurance work.

We confirm that all PCs with financial rewards and penalties for SWW and BRL were included in our audit scope.

ITEM	RAG	AUDIT STATEMENT
SWW & BRL PC information & Annual Performance Report 2023	●	With the exceptions (noted left), we conclude that the performance information reported to 31 March 2023 is accurate, reliable and complete, and we agree the reported metrics correctly represent SWW's outturn against its 2022/23 targets. We confirmed that information is soundly based, using audited APR data as the source information for the majority of PCs. Where information is not sourced from APR data, we confirmed robust systems are in place to capture the required information.
SWW Achievement of AMP7 year 3 PCs	● 31	● 13 SWW has 44 PCs with annual targets for each year of AMP7. SWW has achieved or outperformed 31 of the year 3 targets. In APR23, SWW met or outperformed 35 PC targets.
Achievement of AMP7 year 3 PCs	● 18	● 11 BRL has 29 PCs with annual targets for each year of AMP7. BRL has achieved or outperformed 18 of the year 3 targets. In APR23, BRL met or outperformed 22 PC targets.

Our key audit findings follow, assessed against the RAG criteria below (as used in our detailed audit reports).

- No concerns and compliant with requirements
- Minor concerns
- Material concerns
- Non-material observation or suggested opportunity for improvement

We have assessed the information within our scope against the audit tests and can confirm that we are satisfied that the PC information provides a fair and reasonable account of SWW's progress against the PC targets for year 2 of AMP7. Whilst we have identified a number of minor exceptions, none of these are considered material, and with continued focus the majority of the commitments are achievable.

Our audits confirmed the key findings on the following two pages.

More detailed information on the audits for SWW and BRL can be found in our Summary of Audit Findings document for each data table, held by the Risk & Compliance team in SWW.

Audits of financial information are completed by the financial auditors.

Audits took place remotely using MS Teams with the exception of leakage, PCC and customer service audits which were conducted in person.

Jacobs had full access to SWW and BRL staff, senior management and Directors, corporate systems, information and other supporting documentation. We acknowledge SWW's and BRL's flexibility to accommodate the audit and assurance activities.



G D Hindley
Technical Assurance Director
Jacobs UK Ltd

Technical auditor's report – SWB



Key findings

- Levels of compliance with SWW's internal requirements and definitions of performance commitments in the 2019 FD have remained high across all functions. The majority of methodologies and commentary ('M&C' documents) are consistent across the business.
- Progress with the PCs is reported monthly through the Directors' Report which is reviewed by the Executive Management and ODI Board which demonstrates thorough governance. Leakage is reported weekly.
- Leakage:

SWW has met the leakage target to reduce leakage by 9% from the 2019/20 baseline of 124.2 MI/d. We confirmed SWW is reporting a 9.7% reduction. However, compared to 2021/22, There has been an increase in total leakage driven by both summer hot weather leading to ground movement and two freeze/thaw events in December and January. The leakage management process appears robust although the company starts 2023/24 at a slightly higher position than 2022/23, so even with a 'good' year achieving the leakage target will be stretching.

We note that South West Water is considering backcasting data prior to 2021/22 to align with improvements to assumptions in some minor components of the water balance.
- The company is compliant across all components of the consistency RAG status, however there are a number of leakage sub-components that are 'amber'. These are:
 - 7a – Hour to day factors are not available for all DMAs
 - 13g – unmeasured consumption meter under registration is higher than the company average as new meters were used which were subsequently found to have a high MUR
 - 14c – own company use is greater than 0.6% of DI but has supporting evidence
 - 15b – other water use is greater than 1.8% of DI but has supporting evidence (sewage treatment works use) and is being targeted to be reduced (replaced with non-potable)
 - 16e the water balance gap is 2.12%. We also note that the water balance gap for SWW alone is 3.12% so without Bournemouth Water and IoS the company would be red on this sub-component.

South West Water is continuing to review its components of the water balance which we will assess in future audits.
- Per capita Consumption (PCC): The target to reduce PCC by 3.6% to 140.7 l/h/d from the 19/20 baseline (146.0 l/h/d) has not been achieved. SWW reports an unadjusted PCC of 157.5 l/h/d and 152.6 l/h/d with the covid adjustment introduced in 2020/21 to reflect a higher non-resident population which occurred during lockdown and since with second homes occupied for longer periods. Whilst SWW has evidence of the additional population which is in line with the Ofwat ODI guidance, it differs from the EA's guidance for WRMP19.
- Bathing Water Quality:

Our audit of bathing water quality performance was a detailed review of evidence and links to SWW's CSOs, Pollution Risk Forecasting, weather, tidal events and the time EA's samples were taken. The actual number reported each calendar year is the number of schemes meeting the requirement identified in the WINEP to improve bathing water quality, minus the number of bathing waters downgraded plus the number of waters upgraded due to company action. The number of bathing waters reported for 2022 remains at 150, although Watcombe was excluded from classification due to access issues.

In 2022, nine bathing waters improved their classification, and presented an improving picture when compared to 2021. We observe four beaches changed from Excellent to Good, a reported deterioration and all had potentially impacting CSO assets linked to them.

We conclude over the last three years, that when considering all the factors that impact bathing water quality, SWW assets were not wholly responsible for those beaches where classifications have changed, and the bathing water quality has deteriorated.

We reviewed the evidence packs for the two schemes (Bude & Galmpton) delivered under Bathing Water Improvement WINEP programmes. As a result of these improvements to reduce the spill frequency to two significant spills per season, these measures are expected to contribute to maintaining the Excellent classification threshold going forward. We conclude that the two schemes can be included as Bathing Water Improvements delivered in 2022/23 and contribute to the PC.
- Sewer blockages:

The number of sewer blockages are being correctly reported following reinstatement of a small number of events that were excluded.
- Sewer Collapses per 1000km:

SWW has used its updated sewer length to calculate the performance of 8.3 collapses per 1,000 km of sewer length. The updated length was submitted to Ofwat in August 2022 restating back to 2011/12 after re-visiting how the length of Section 105a sewers was reported.
- Supply interruptions and Resilience in the Round:

Verification of supply interruptions continues to be diligently managed for reporting against Supply Interruptions and Resilience in the Round. Supply interruptions has missed the target of 5 minutes 45 seconds per property, out-turning at 8 minutes 42 seconds. Unforeseen events such as the 2022 drought and the December and January freeze thaw period caused an increase in burst mains and associated supply interruptions.

The PC for Resilience in the Round (water) has not been met reporting 1,349 properties off supply >12 hours against the PC target of 641 properties. The freeze-thaw events in December and January are the main contributors to failing the target. We saw evidence that showed the events were similar to the Beast from the East event in 2018 and noted that SWW had performed better in 2022/23 by comparison with lessons learnt, better preparedness and improved incident management procedures that has been implemented after the 2018 event.
- Risk of sewer flooding in a storm:

This has been correctly reported outperforming at 7.13% of the region's population at risk of internal hydraulic flooding from a 1 in 50-year storm, against a target of 28.23%.

Technical auditor's report – SWB continued

Key findings

- We recommended the engineering decision tree should be included or referenced in the methodology. Data checks within the spreadsheet showed some inconsistencies and errors that were not found using the checking mechanisms incorporated. The error was resolved post-audit but didn't affect the overall number as the performance had been calculated using the correct data within the non-modelled approach. It is recommended that a more robust data checking process is incorporated.

- C-MeX:
The target has not been met, with the outturn below median (ranking 12th). We confirmed that the data and processes for customer service scores and customer experience surveys which feed the CSAT score were robust.

- D-MeX:
The processes for recording D-MeX performance against Water UK's metrics is sound and compliant with Water UK's metric definitions. We confirmed the resulting score following publication of the Q4 qualitative score by the 3rd party survey company on 30th May. SWW ranks 11th in the industry, two positions below the median score, not meeting the target

- Mains repairs:
The target for mains repairs per 1,000 km of water main has been missed at 141.1 against a target of 141.7. Performance is very close to the ODI target level this year which has been influenced by the summer and winter weather events.
- If weather is a significant factor again next year, this is likely to be a risk to the achievement of tighter performance commitment.

- Resilience in the Round (wastewater):
This has been outperformed at 223 resilience action plans against a target of 60. These have been compiled in line with Ofwat's definitions of an action plan.
- However, noted that in Ofwat's final determination, it states that resilience action plans will include:
 - Resilience measures to reduce the risk of flooding of assets through direct protection measures and/or delivery of Drainage and Wastewater Management Plans.
 Recommendations for each site are included in the reports but they appear to be standard recommendations (in the reports we sampled). We suggest considering whether specific measures can be identified for each site or provide a link to actions being taken as part of the DWMPs. We also suggest that any recommendations should have dates and accountable roles for delivery, together with an approach to monitoring, assuring and reporting progress. Since the audit, SWW has confirmed it has established an internal group to consider how to systemise the reports for review on a risk-based and regular frequency, as well as briefing relevant managers.

- AMR meters installed for meter optants:
We confirmed the definition had been followed for the PC AMR meters installed for meter optants, new connections and existing meter replacements on a yearly basis. Performance is in-line with previous years reporting 207,271 household AMR meters installed this year and exceeds the cumulative target of 204,655 for Year 3.

- Pollutions (water):
The total number of pollution incidents (Cat 1-3) associated with drinking water assets was 28 (27 in 2021). The number of self-reported incidents has increased from 68 in 2021 to 78 in 2022. All classifications have been checked and challenged where appropriate and the process has been followed.

- Pollutions (wastewater):
The total number of wastewater pollution incidents per 10,000 km of sewer (Cat 1-3) is 61.93 against a target of 23. This is a 26% reduction from last year of 86.58. All classifications have been checked and challenged where appropriate and the process has been followed.

- Treatment works compliance and Total wastewater treatment works compliance:
These targets have not been met. All reported data is compliant with internal and external reporting requirements.

- Priority services for customers in vulnerable circumstances
British Standard for inclusive service provision
Overall satisfaction of services received on the PSR
Number of customers on one of our support tariffs
Voids for residential retail
Percentage of customers who find their water bill affordable
Customer satisfaction with value for money:
All definitions have been following as per the FD and exclusions/inclusions have been followed.
All PC targets have all been achieved.
SWW has plans to continue to exceed targets for years 4 and 5 of AMP7. These include (but not limited to):
 - Extending PSR into customer communications (WhatsApp, letters and 'info postcards' were described as examples)
 - Training for call handlers and field officers on PSR
 - Letter contact strategy – smaller batches but more often over the year.

- Compliance Risk Index (CRI):
Data for the water quality indices are reported for the calendar year 2022 in line with the DWI's reporting requirements. The 2022 final values will be subject to DWI confirmation in the Chief Inspector's report issued in July 2023.
We confirmed the expected CRI reported by SWW at 2.39 and an improvement on the 3.86 reported in 2021. However, this is above the PC deadband value of 2.00. We reviewed the significant failures and DWI assessment letters for those which contributed to the CRI score.

Key findings

- We observe SWW is carrying a risk of increased CRI scores from assets linked to tanks which have not been cleaned within the required 10-year period. Any failures from these assets over the next two years are covered by a legal instrument and therefore score an assessment of 4. Whilst a number of new tanks are to be built during AMP8 to improve the ability to drain and clean tanks, SWW will be relying on an interim programme of inspections and cleaning works. The risk of failures remains high if this programme does not target the poorer performing assets in a timely manner.
- Taste, Smell and Colour (TSC) contacts: We confirmed this metric had been calculated using the population figure as the normaliser, previously submitted to the DWI.
- We note that a second drought year could impact those areas requiring DOMS flushing to reduce TSC contacts. Currently those areas under temporary use bans cannot be flushed until the restrictions are lifted.
- Bournemouth Capital Schemes (Alderney WTW and Knapp Mill WTW):

We reviewed progress with the two major schemes. They are under the management of an experienced project manager and progress has been made during the year. The reported performance against the PC has been calculated in line with the documented methodology and Ofwat's requirements. SWW is reporting zero months late for both Alderney and Knapp Mill.

There have been many changes to the scope and programme deliverables since APR22. This is mainly due to price increases and longer lead times of materials resulting in costs exceeding those contained in the 2019 Business Plan.

SWW has trialled alternative solutions such as retaining some of the existing infrastructure at a pilot site and adding membrane filtration to it. This has been a successful and has been adopted as the for Alderney and Knapp Mill. In turn this has reduced the amount of construction for Knapp Mill as manganese filtration, contact tanks and treated water storage are no longer required.

SWW is reporting zero days late for 2022/23 indicating the two capital projects are on programme:

Alderney – DWI date 31/12/2024, Ofwat PC date 31/03/2025. Currently forecasting delivery by 28/02/2025.

Knapp Mill – DWI and date Ofwat date 31/03/2027, brought forward to 31/03/2026 for Green Recovery. Currently forecasting delivery by 31/03/2026.

SWW is actively managing risks to the construction projects which could impact on delivering by the dates set in the PCs. For 2022/23, we consider the schemes are currently on programme to meet the Ofwat target and Green Recovery target.
- We confirmed information has been combined for the South West Water and Bournemouth Water regions (where appropriate). We also confirmed information for the Isles of Scilly has been integrated into the reported information (where appropriate, or as defined in the 2019 FD).

Technical auditor's report – BRL



Jacobs

Key findings

- Levels of compliance with BRL's internal requirements and definitions of performance commitments in the 2019 FD have remained high across all functions. The methodologies and commentary follow a consistent format across the business and data owner, manager and director sign off was available for all data.
- Progress with the PCs is reported monthly through the Directors' Report which is reviewed by the Executive Management and ODI Board which demonstrates thorough governance.
- Leakage:

There has also been an increase in total leakage (from 35.6 to 39.5 Ml/d) driven by the weather, although the BRL considers the winter was the main driver, particularly the impact on supply pipe losses. BRL has met not met the leakage target to reduce leakage by 15.8% from the 2019/20 baseline of 40.7 Ml/d. BRL is reporting a 9.3% reduction. The Company starts 2023/24 at a level that is similar to 2022/23.
- The company is compliant across all components of the consistency RAG status.

There are several leakage sub-components that are amber:

 - 3b – property numbers – there is a minor discrepancy between the number of properties used for leakage management and the number used for billing. This is being investigated and will be followed up at APR24
 - 4g – missing data reverts to company average, with no infilling. We do not consider this is material
 - 6e/6f – the non-household night used model requires updating
 - 10c – although drop tests are performed, not all service reservoirs are drop-tested within a 5-10 year cycle
 - 10f – flow checks are not performed at all DI meters, although all have downstream meters for validation
 - 13c – there is some concern over the representativeness of the HH consumption monitor
 - 13c own water use is well evidenced but greater than 0.6% of DI
 - 16e the water balance gap is 3.5% resulting in a red RAG status.

We consider there is a risk the water balance gap could approach 5% if the company's assumptions of the reason for the increase this year are incorrect.

For APR24 we recommend the company should develop a methodology document that contains the details that are currently within the spreadsheets.

For full confidence in the leakage values, we recommend the company considers an external 'deep dive' during 2023/24 to independently confirm the correct application of all assumptions and the generation of the reported values.

We recommend the company undertakes a mid-year water balance calculation to review the reconciliation error.
- Per Capita Consumption (PCC):

BRL is reporting PCC in accordance with its methodology which meets Ofwat's requirements. The target to reduce PCC by 3.9% from the 2019/20 baseline has not been met. The company is compliant across all components of the consistency RAG status. One sub-component is amber (own water use is well evidenced but greater than 0.6% of DI).
- Supply interruptions:

Verification of supply interruptions continues to be diligently managed for reporting against Supply Interruptions. We confirmed the methodologies comply with BRL's internal reporting requirements and Ofwat's requirements. The process for challenging event classification and reporting the impact of events has not changed.

Supply interruptions has missed the target of 5 minutes 45 seconds per property, out-turning at 8 minutes 04 seconds. Unforeseen events such as the December and January freeze thaw period caused an increase in burst mains and associated supply interruptions.

We confirmed the clarifications of Ofwat's exclusion regarding cattle troughs.
- Properties at risk of receiving low pressure:

The reported data is compliant with Ofwat's APR guidance in RAG 4.11 and the definitions in the 2019 FD. BRL has surpassed its PC target going with 11 properties on the register at the start of the year, out-turning with two properties on the register at the end of the year. The PC target for 2022/23 is 57 properties. The two properties remaining on the register are 'reservoir banded'. BRL is only obliged to report these properties.
- C-MeX:

BRL has not met the C-MeX target been met, with the outturn ranking 6th. The target is to be 5th in the industry. We confirmed that the data and processes for customer service scores and customer experience surveys which feed the CSAT score were robust. BRL takes advantage of the option in the CCWater definition of telephone complaints to not treat a contact as a complaint if it was resolved to the customer's satisfaction via a call-back that took place by the time promised during the original call and within 24 hours of that original call. We saw evidence of calls being classified according to whether the customer expressed dissatisfaction and whether the cause of that dissatisfaction was resolved during the call.
- D-MeX:

The processes for recording D-MeX performance against Water UK's metrics is sound and compliant with Water UK's metric definitions. We confirmed the resulting score following publication of the Q4 qualitative score by the 3rd party survey company on 30th May. BRL ranks 4th in the industry, five positions above the median scoring company, meeting the target.
- Mains repairs:

The methodology for mains repairs is consistent with Ofwat's requirements. The target for mains repairs per 1,000 km of water main has been missed at 170.8 against a target of 134.6. The data is consistent with previous years although there is a deterioration compared to last year's position resulting in the under-performance. This was attributed a rise in burst mains due to the extremely hot summer and cold winter.
- If weather is a significant factor again next year, it seems likely that this is a material risk to the achievement of tighter performance commitment targets in 2023/24 and 2024/25.

Key findings

● Meter penetration:

The documented methodology is in line with the Ofwat definition for Meter Penetration index and clearly outlines the process to obtain the figure reported. Data has been reported in accordance with the requirements. BRL started AMP7 at 8% below the commitment level and due to the Covid Pandemic have not been able to recover installation numbers. Performance for 2022/23 is reported at 64.89%, below the PC level of 71.30%.

● Unplanned maintenance non-infrastructure:

BRL's methodology and processes are in line with Ofwat's requirements and PC definition. BRL has met the PC target reporting 3,077 jobs against a target of 3,272. We traced a sample of maintenance jobs back to source systems and we did not identify any issues. Exclusions had been applied appropriately (only jobs where maintenance activity was undertaken are included in the data). There are appropriate checks and opportunities to challenge the classification of jobs. On a weekly basis, an automated report from SAP is analysed to check for correct coding.

The nature of unplanned maintenance means there are material risks to the performance that are difficult to control, including for example weather. The forecasts would result in an out-performance against the performance commitment targets and there has been an improving trend in performance over the last four years which seems to support these forecasts.

● Unplanned outage:

The methodology deviates from the guidance in the assessment of Peak Week Production Capacity (PWPC). The reporting guidance requires the PWPC to be supported by physical tests to demonstrate capability at least once every five years and that "this value is reviewed annually and as modifications to assets and processes are completed which impact capacity". BRL's PWPC is based on the design capacity of works. These values have not been substantiated by pumping tests in the last 5 years.

● The reported value of unplanned outages this year is 6.21%, which remains considerably higher than the forecast value and misses the PC target of 2.34%.

The team has recently reviewed the status of sites which are not being used or are 'out of service' to determine whether they should be reported as an unplanned or planned outage. The assumptions were explained. We consider the assumptions are reasonable except for the instance of Charterhouse Treatment Works (TW) where the team has not considered the site in the outage assessment (as the site has been out of service since 2017 and the expected return to service date is 2025) but has not removed the PWPC of the site from the company PWPC. This may impact the final reported outage value, but South West Water do not consider this would have a significant impact.

We made observations regarding the inclusion/classification of outages at Shipton Moyne TW, Sherbourne Spring TW and Cleavdon WTW. At a follow up audit we confirmed these observations had been resolved as follows:

- The team confirmed that Clevedon has now been included in the company Peak Week Pumping Capacity (PWPC) and Charterhouse has now been excluded from the PWPC.
- The team is continuing to exclude outages at Charterhouse, and Sherbourne Spring TW.
- Shipton Moyne is partially in production so has only been partly excluded from the PWPC. The team have taken a pro-rata value based on the average of the last 5 years and are using a revised PWPC value of 5.8ML/d, down from 12ML/d.
- BRL is reviewing its approach, including to the assessment of its PWPC volume and will consider impacts of this review ahead of the 2023/24 APR. SWW have stated that this review will include consideration of alignment of approaches between SWW and BRL.

● Asset failures at Purton TW account for 5.69% of the unplanned outage value in 2022/23. The commentary explains that the risk of further outages with the highlift pumps at Purton TW is high, and BRL expects further outages to impact the unplanned outage figure in 2023/24. This is because the motor and starter components of the pump are obsolete. Post audit, the team continues to acknowledge this as a potential risk.

● WINEP:

The data has been prepared in line with guidance and the clarification of queries from Ofwat. We confirmed the definition had been followed for WINEP delivery and NEP O1. BRL reports 'met' for 2022/23 and 100% for NEP.

● Raw water quality of sources, and Biodiversity index:

The methodologies and reporting comply with Ofwat's PC definitions.

● Raw water quality of sources is reported at 394 Kg P reduction & ahead of the 392 Kg P target level for Year 3. This is attributed to Bristol's work with farmers in their water supply catchments.

Biodiversity index - actual number of units achieved is reported at 17,692.96, also ahead of the PC target of 17,689.00. This has been achieved by ensuring asset maintenance, safety & condition to prevent the deterioration of habitat condition.

● Glastonbury Street network resilience:

The PC is to deliver the scheme by 31 March 2025, reporting the number of months late in delivery. This scheme has been delivered and is operational. We reviewed the Commissioning Programme Document, Glastonbury Street Network Resilience Methodology and the End of Year Approval Document. All were satisfactory and confirmed delivery of the scheme.

● Waste disposal compliance:

This performance commitment protects public and environmental health by ensuring that potentially harmful trade effluent is disposed in line with Environment Agency permit consents. It is measured as percentage of total trade effluent discharge samples that meet the consent requirements in EA's permits.

We confirmed the process is followed and complies with the requirements and definitions of the PC. The actual result for 2022 (calendar year) is 98%, 2 percentage points less than the target (100%). The current year performance is the same as in the previous 5 years (2017). BRL is forecasting 98% for years 4 and 5 of the AMP.

Technical auditor's report – BRL continued

Key findings

● Local community satisfaction

Percentage of satisfied vulnerable customers

Percentage of customers in water poverty

Priority service customers in vulnerable circumstances

Value for money:

All methodologies follow the definitions in the PR19 Final Determination. We confirmed BRL is following its methodologies and reporting accordingly.

All PCs have been achieved with the exception of Value for money which has missed the target of 82% reporting 68% (72% in APR2022).

We note the following:

Priority service customers in vulnerable circumstances exceeds the PC targets in all categories of reach, attempted contacts and actual contacts.

Percentage of customers in water poverty has reduced from 0.70% to 0.45% leading to a change in the reported figure from 1% to 0% (at zero decimal places) meeting the PC target of 0%.

● Compliance Risk Index (CRI):

We confirmed the expected CRI reported by BRL at 4.393 and a deterioration on the 4.19 reported in 2021. We observe that water quality has declined year on year since 2018. Post audit, a meeting with the DWI provided a provisional score of 4.604 (rounded to 4.60). The reported value for 2022 is well above the PC deadband value of 1.5 and will attract a financial penalty. We note the resource strategy and drought contingency plans implemented in 2022 impacted water quality with increased transit/retention times in the system, poor chlorine residuals in distribution and increased organics from Stowey WTW.

● To return to the deadband value of 1.5 for CRI requires full delivery of the improvement plans initiated in 2023 (Banwell WTW relining of contact tank, Littleton WTW new chlorine dosing & SR's replacement of sampling facilities) and the progression of PR24 quality improvement schemes (Banwell, Cheddar & Stowey WTW).

However, a second drought year could continue to impact water quality if the learnings from this year's drought plans (moving northern water to southern area) are not implemented during large scale, long lasting operational changes, or if a different resource strategy is used that has not been tested before.

● Turbidity performance at treatment works: This PC remains in line with the previously reported good performance attributed to robust process controls and safeguards in place and is meeting the PC target.

Technical auditor's report (technical information other than ODI's - Turner and Townsend (South West and Bristol))

Ofwat requires companies to publish the 2022-23 Annual Performance Report (APR23) not later than 15 July 2023. As one of your technical assurance partners, and in support of your APR23 submission, you asked us to review agreed South West Water (SWW) and Bristol Water (BRL) region 2022-23 asset, activity, and cost information you propose to report from across sections 4, 5, 6, 7 and 9 of the APR23 data tables.

Scope and approach

To fulfil the scope, we agreed we would:

- undertake data assurance audits focussing on the broad question 'Is this information or data that is ready to be published and that can be trusted and relied upon by external stakeholders?';
- test your teams' understanding of any changes to regulatory guidance; and
- test, through risk-based sampling, that data is competently sourced, processed and reported.

For the figures we assured, we agreed we would:

- check whether your teams had been through your internal assurance processes;
- check, where applicable, whether any material actions from 2021-22 audits had been addressed;
- check consistency of the proposed data with the applicable definition/guidance, taking account of Ofwat query responses and additional expectations where appropriate and known about at the time;
- sample data back to source inputs where available;
- test teams' understanding of outturn figures; and
- discuss the level of confidence teams had in the data.

Where your teams had drafted commentary to support their data, we reviewed this for consistency with information discussed in the audit and our understanding of regulatory expectations.

After each audit, we provided your teams with detailed feedback that explained our assessment of the risk associated with the audited figures for 2022-23 and set out any actions.

We note our assurance approach focused on the level of risk associated with the proposed data, was risk and sample based, and part of the broader governance and assurance processes you have in place to support you in making assurance statements in relation to the whole APR.

Findings

We assessed the majority of the data we reviewed as having low or low-to-medium risk (i.e., we assigned data grades of A or B).

There remained two SWW region and four BRL region areas of data where we considered there to be medium-to-high reporting risk. We shared key detailed findings with your management and provided detailed feedback directly to your teams.

We note your teams worked to resolve potential material issues we identified in other areas, and to counter the effects of: personnel changes; the formal implementation of BRL transfer; and PR24 work on the timing and application of your normal reporting processes and controls.

During the course of our work, we note we observed a number of areas where you could further reduce reporting risks prior to APR23 submission, or for future submissions (e.g., by maturing datasets in some areas; reviewing reporting approaches across interdependent data items; and completing your final quality assurance steps). We discussed these with you, and you considered how to address them for APR23 and/or incorporate them into future reporting processes

Conclusions

For the majority of data items we reviewed there were only non-material actions to address before submission or to support your teams' continuous improvement.

There were two SWW region and four BRL region areas of data we reviewed where we considered medium-to-high reporting risk remained. Your team understood these risks and actively considered them ahead of finalising reporting for submission.

Yours sincerely

Andrew Day

Andrew Day
Assurance Lead
Turner & Townsend Infrastructure Limited



Additional financial assurance (South West and Bristol)

Financial information

EY, who are knowledgeable of the Company through their role as statutory auditors and providing an audit opinion on specific areas of Regulatory Reporting, were engaged by South West Water to perform agreed-upon procedures over the areas of Regulatory Reporting which are not covered by the audit opinion, including cost assessment tables.

The agreed-upon procedures included agreeing certain specified tables to the underlying data and supporting calculations supplied by management.

The scope of their work was determined and agreed by management. EY have discussed and reported their findings to the Board and management.

The assurance work covered the following areas:

- Review and consideration of SWW allocation of costs both between the appointed and non-appointed business as well as the appropriateness of allocations to business areas – confirming the cost drivers and methods used
- Disclosures of trading activities with associated companies
- Financial cost assessment information and additional reporting required by Ofwat – including the Financial Flows.

Agreed upon procedures:

- Financial Tables (or parts of Tables) agreed to be within scope:
 - agreement of data included in the Tables to underlying records
 - agreement of the calculations in the submission Tables provided by Ofwat to the calculations used by management
 - confirming cumulative values or calculations within the tables to supporting documentation.

The findings from this work have been reported to management and the Board.

Notes to the regulatory accounts

BASIS OF PREPARATION

These regulatory accounts are prepared in accordance with regulatory accounting guidelines issued by the Water Services Regulation Authority (Ofwat), specifically:

- RAG 1.09 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime
- RAG 2.09 – Guideline for classification of costs across the price controls
- RAG 3.14 – Guideline for the format and disclosures for the annual performance report
- RAG 4.11 – Guideline for the table definitions in the annual performance report
- RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors.

They have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom except for the dis-application of certain parts of IFRS 18 in respect of the probability of collection of billed revenue and IAS 23 in relation to the capitalisation of interest incurred during the construction phase of items of property, plant and equipment.

The detailed accounting policies applied by South West Water are set out on pages in of our Annual Report and Financial Statements. The accounting policies and disclosures set out in this section include those specifically required within RAG 3.14.

Since 1 February 2023, the trade and the significant majority of assets and liabilities of Bristol Water plc were transferred to South West Water Limited under a statutory transfer mechanism set out in the Water Industry Act. As part of the transfer and to aid comparability, regulatory information has been prepared on a separate basis, as if the two companies had traded independently for 12 months. Therefore all required regulatory tables have been provided for SWW and Bristol in two separate sections of tables except table 1C, the balance sheet which reflects the combined entities. Additional reconciliations have been provided to show how South West Water Ltd statutory accounts (which include 2 months of Bristol Water trading) reconciles to the pro forma stand alone company position from which further regulatory and other adjustments are made as normal.

Going concern basis of preparation

The going concern basis has been adopted in preparing the financial statements as stated by the Directors. At 31 March 2023, the Company had access to undrawn committed funds and cash and cash deposits totalling £196m (£193m excluding restricted cash). Having considered the Company's strong funding position and prudent financial projections, which take into account a range of possible impacts, as described in this report, including the Covid-19 pandemic, the Directors have a reasonable expectation that the Company has adequate resource to continue in operational existence for the period up to 31 July 2024 and that there are no material uncertainties to disclose. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

The regulatory accounts apply the same policy for revenue recognition as the statutory accounts, apart from the derecognition of income adjustments relating to amounts deemed as uncollectable under IFRS15.

This difference in accounting treatment has resulted in £5.4m (SWB, nothing for BRL) of revenue recognised within the Regulatory Reporting which is not recognised as revenue within the Financial Statements.

Following this accounting treatment additional £5.4m (SWB), nothing for BRL is recognised as an expected credit loss charge within operating expenses compared to the statutory financial statements, which results in no difference in operating profit or profit before tax.

All turnover is recognised in the regulatory accounts with the exception of rental income and contributions received from developers, which are included below operating profit in "other income" in accordance with the regulatory accounting guidelines.

Turnover comprises charges to and accrued income from customers and retailers for water and other services, exclusive of VAT. Turnover is recognised as the performance obligation is satisfied.

Income from unmetered supplies is based on either the rateable value of the property or on an assessed volume of water supplied. Income from metered supplies is based on actual or estimated water consumption.

An accrual is estimated for measured consumption that has not yet been billed. For domestic customers, the measured income accrual is an estimation of the amount of mains water and wastewater charges unbilled at the year end. The accrual for unbilled charges is estimated using a defined methodology reflecting historical consumption, estimated demand trends and current tariffs. The measured income accrual is recognised within revenue. The methodology for calculating the measured income accrual is consistent with that applied in 2021/22. A retrospective review of the 2021/22 measured income accrual and the amounts actually billed during 2022/23 which would be expected to align to the accrual was performed and there was no material difference.

Nonhousehold retailers are billed monthly, and the nonhousehold unbilled accrual is based on the market monthly settlement reports. The estimation of measured income included in these reports is also based on historic consumption.

A domestic property which is believed to be occupied (due to meter activity or other occupancy indicator), but where the occupier's details are not known, is billed in the name of 'the occupier' as efforts are made to obtain the occupier's details. The Company actively seeks to identify the name of 'the occupier' through multiple measures including visits to the property and land registry searches. If the occupier cannot be confirmed within 90 days of invoice, the bill is cancelled and the property classified as void.

Where an invoice has been raised or payment made but water or other services have not been provided, it is treated as billing or payment in advance accordingly. This will not be recognised within the current year's revenue but will instead be recognised within creditors.

Charges on income arising from court, solicitor and debt recovery agency fees are credited to operating costs and added to the relevant customer account. They are not recognised within turnover. A summary of the differences between revenue recognised in the statutory financial statements and Regulatory Reporting is included on page 99.

Accounting policy note for price control segments

In accordance with Regulatory Accounting Guideline 4.11 – 'Guideline for the definitions table definitions in the Annual Performance Report', a segmental income statement (table 2A) and other segmental analysis (tables 2B to 2O) are presented within the Regulatory Reporting as well as certain detailed analysis in sections 3 to 8.

This segmental analysis separates certain financial and non-financial information between the following regulatory price controls:

- Water resources
- Water Network+
- Wastewater Network+
- Bioresources
- Retail Household
- Retail Non-household (not applicable to South West Water, following exit from the non-household retail market in 2017).

Whilst these business units are not treated as organisationally separate businesses or separate companies by South West Water there are certain activities which are solely carried out by specific areas of the business due to more efficient and effective structures being in place to support the management and accountability of the business.

Certain departments (especially operational departments) may provide services for one regulatory price control segment, however many other departments perform services across two or more regulatory price control segments. Certain financial and non-financial information is therefore separated based upon a methodology which includes some assumptions and judgements utilising all available information.

Services

The allocation of operating costs within South West Water to specific service areas within the appointed business is based on activity analysis and principles which result in both direct and support costs being apportioned where not directly attributed. Activity levels between individual services are ascertained by reference to time allocations by individual employees along with other allocation bases in accordance with the underlying nature of resource utilisation. A full 'accounting separation' methodology statement can be found at www.southwestwater.co.uk. The methodology statement explains in detail the basis of allocations for costs and assets.

Capitalisation policy note

Definition of a fixed asset

The cost of property, plant and equipment capitalised includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Costs which meet the criteria for a capital asset and total in excess of £1,000 are capitalised.

Property, plant and equipment includes:

i) Infrastructure assets (being water mains and sewers, impounding and pumped raw water storage reservoirs, dams, pipelines and sea outfalls)

Infrastructure assets were included at fair value on transition to IFRS and subsequent additions at cost, less accumulated depreciation. Expenditure to increase capacity or enhance infrastructure assets is capitalised where it can be reliably measured and it is probable that incremental future economic benefits will flow to the Company. The cost of day to day servicing of infrastructure components is recognised in the income statement as it arises.

Infrastructure assets are depreciated evenly over their useful economic lives and are principally:

- Dams and impounding reservoirs 100 - 200 years
- Water mains 60 - 180 years
- Sewers 75 - 150 years.

Assets in the course of construction are not depreciated until commissioned.

ii) Other assets (including property, overground plant and equipment) Other assets are included at cost less accumulated depreciation. These are generally categorised as non-infrastructure.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives to their residual value and are principally:

- Freehold buildings 10 - 80 years
- Leasehold buildings - Over the estimated economic life or lease period, whichever is the shorter
- Operational properties 15 - 100 years Fixed plant 10 - 30 years
- Vehicles, mobile plant and computers 4 - 20 years.

Assets in the course of construction are not depreciated until commissioned.

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Assets transferred from customers are recognised at fair value.

The assets' residual values and useful lives are reviewed annually.

Gains or losses on disposals are determined by comparing the proceeds of sale with the carrying amount and are recognised within the income statement.

In line with IAS 23, within the Statutory Accounts and Financial Statements, borrowing costs directly attributable to the construction of a qualifying asset (an asset necessarily taking a substantial period of time to be prepared for its intended use) are capitalised as part of the asset. However within the Regulatory Reporting, in a deviation from IAS 23 and in line with Ofwat RAG 3.14, borrowing costs are not capitalised.

Expected credit loss note

During 2022/23, materially all of the trade and assets of Bristol Water plc were transferred to South West Water Ltd as part of the statutory licence transfer. For the purposes of the Statement of Financial Position, the gross trade receivables balance and Expected Credit Loss (ECL) provisions are therefore now combined to show a single total net trade receivables position.

Whilst the operations of both companies are now combined in South West Water Ltd, due to different systems the ECL provision is considered separately for the different customer areas under one consistent accounting framework.

The provisions, collectability rates and review procedures used in each of the calculations are therefore still reflective of the individual customer bases and as a result an ECL provision summary for the year has been provided for both SWB and BRL.

The consolidated statutory current gross trade receivables balance at the reporting date is £252.0m, against which £104.0m had been provided for ECLs, resulting in net trade receivables of £148.0m (Note 20 in the South West Water Annual Report and Accounts).

Neither SWB nor BRL have a provision for non-household debt as under the non-household retail market codes, retailers provide collateral for their debt. However, specific provision will be made if collateral is not sufficient to cover any identified risk.

The ECL charge and the provision exclude the adjustments made in the statutory accounts for amounts deemed uncollectable under IFRS15.

South West

SWB has a material level of exposure to the collection of trade receivables. Provisions in respect of these balances are calculated based on assumptions of historical credit loss experience, adjusted for forward-looking factors which by their nature are subject to uncertainty. Analysis of actual recovery compared with provisioning levels have not, to date, resulted in material variances.

Under its regular review procedures, at the balance sheet date, SWB applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, SWB does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. SWB has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivables and the economic environment.

SWB recognise the pressure the cost of living crisis poses to our customers and we are focused on providing a broad range of affordability measures to support those in financial need. Across the businesses, the potential impact of significant increases in the cost of living on affordability has been considered in assessing our expected credit loss charges. Despite the ongoing cost of living pressures felt throughout the UK economy, SWB has not seen any material deterioration in collection rates as a result of the its robust debt management and customer collection processes. This will continue to be carefully monitored as an operational risk.

The actual level of debt collected may differ from the estimated levels of recovery. As at 31 March 2023 SWB's current trade receivables were £210.1m (2022: £227.5m), against which £87.6m (2022: £84.5m) had been provided for ECLs.

There has been no change to the write-off policy or bad debt provisioning policy.

Bristol

BRL has a policy to make full provision for debt which remains uncollected after four years of billing, for example uncollected debt in relation to financial year 2018/19 and before is fully provided for by the end of financial year 2022/23.

A provision is made for debt outstanding in relation to the current and last three financial years. The provision is primarily based on historic collection rates and further adjusted by judgemental factors to reflect the current economic environment. The judgemental factors are applied only if it is believed that the historic collection rates do not reflect future expected collection rates.

BRL believes that there will be a future impact of cost of living increases on the recovery of household debt and has estimated an expected increase in the impairment of trade receivables of £0.5m (2022: 1.0m). This estimate has been based on historic collections data from previous financial crises and an assessment of the potential impact on household debt.

Water debt is written off for one of following four reasons:

- It is considered or known to be uncollectable
- It is considered uneconomic to collect
- Older debt is written off by agreement with the customer in return for the receipt of regular monthly payments to pay-off current year debt as part of our "Restart" and "Assist" policies
- Write-off is ordered by the County Court. In these cases the court may set payment at a proportion of the outstanding debt. When the required level of payment is reached the court would instruct the rest of the debt to be written-off.

BRL's write off policy has remained unchanged and has been consistently applied in the current and prior years. During the year a programme of bulk write-offs of debt over four years old was processed, as part of the joint billing company's credit team's housekeeping. This exercise reduced the net debt older than four years, and therefore reduced the overall provision. The total provision at 31 March 2023 was £17.1m (2022: £16.8m).

The increase in the provision reflects the increase due to the expected impact of the cost of living crisis on household debt recovery offset by a reduction due to debt written off as uncollectable.

Net trade debtor balance at 31 March 2023 was £25.8m (2022: £23.9m).

Notes to the regulatory accounts continued

Directors' emoluments

Payments related to performance against agreed standards

As required by the Water Act 2014 and Regulatory Accounting Guidance from the Water Services Regulation Authority (Ofwat), additional information is given regarding this aspect of remuneration.

Full and detailed disclosures of Directors' remuneration are included on pages 50 to 59 of the Remuneration report including details of the performance-related bonus arrangements and the amounts paid to Directors under those arrangements.

In line with our Business Plan the WaterShare+ advisory panel has renewed the application of the performance targets for the year.

As the price controls are not organisationally separated in South West Water they do not have their own separate management and support functions and they do not trade with one another. To represent them as distinct controls requires the allocation of costs and assets to them.

Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied linked to the key metric which best reflects the nature of the activity and costs.

The allocation between activities is reviewed annually to ensure the basis of allocation is still appropriate.

Where no direct allocation is possible management judgement is applied to allocate costs separately. The resulting costs reported for these business units do not necessarily represent what the costs would be if they were operated as separate business units.

Dividend policy

The Company has an established a dividend policy which includes:

- Base dividends – derived from the price determination and are made with reference to Ofwat's assessment for a notional balance sheet and paid in the year
- Outperformance dividends – linked to business performance and outcomes delivered ahead of business plan commitments (totex, ODIs and financing), paid a year in arrears
- Other dividends – payments designed to ensure that key financial ratios are optimised, and gearing remains aligned with Ofwat's notional level, which has historically been set in the range of 55-65% (currently 60% for K7) and does not exceed 70% gearing
- Total dividend payments will not exceed the retained underlying profits in any year, except as a result of a special dividend or balance sheet restructuring, or where there is a significant non-underlying non-cash impact (such as deferred tax)
- Dividend payments will be approved by the Board annually.

Dividend payments are designed to ensure that statutory obligations and key financial ratios are not prejudiced, that customer, environmental and other stakeholders are considered, and that the Company has adequate resources to carry out its work now, and into the future.

Application of dividend policy

It is the Board's view that the conditions detailed above were met in each of the first three years of this regulatory period, as explained in more detail below.

In making dividend decisions, the Board has considered the Company's financial resilience, the Company's performance against its statutory obligations, the performance of the Company against the final determination for K7, the impact that the payment of the dividend would have on its ability to serve stakeholders, alongside broader considerations set out below that the Board has considered in relation to dividends in K7. Dividends declared during 2022/23 are considered in the context of the cumulative position across the first three years of K7. However, for the purposes of explaining our dividend decisions against the company's performance, it is helpful to present the dividends declared as they relate to each of the first three years of the regulatory period. This is summarised on the 'Application of dividend policy' table.

Dividend metrics relate to South West Water, pre Bristol merger. In future years, evaluation of the combined business will be included in the dividend determination.

Base dividend return

The level of base dividend was informed by the final determination for PR19 in which Ofwat viewed a base dividend yield of up to 4% as being reasonable for companies that have little real RCV growth and that perform in line with the determination during 2020-25. The table below shows the calculation of base dividend and below that the rationale demonstrating that these two tests were met. SWW Board agreed a base dividend of 3% of 2019/20 closing equity RCV with annual growth of CPIH + 1.18% and adjusted for inflation.

- Calculation of base dividend
- Level of RCV growth and long-term financial resilience.

The level of real RCV growth has been low in this regulatory period as shown in the table.

Long term financial resilience is underpinned by the work undertaken to give the Board the ability to state that in its opinion SWW could obtain a credit issuer rating at least that of investment grade.

In addition, the long term viability assessment carried out to support the Company's viability statements published in the APR support our long term resilience assessment. The level of growth in the asset base and measures of long term financial resilience therefore appear consistent with the assumptions described in the final determination as supporting the base dividend assumption.

- Performing in line with the determination for 2020-25.

The Board considers that there is substantial evidence that the company's overall performance is broadly in line with the final determination, including the obligations and commitments embedded within South West Water's business plan and set out in the final determination for K7. Evidence supporting this view and of the Company's delivery for customers includes the following:

- SWW met or exceeded targets for 80% of its performance commitments in 2020/21 and 2021/22 with c.70% of performance commitments met in 2022/23. Details of this performance are set out on pages 8-11 of this report
- Table 1F of this report shows that return on regulated equity – a key measure of performance has exceeded the final determination allowances in 2022/23 and on a cumulative basis to date
- Outperformance has allowed resilience against shocks – eg volatile energy prices arising from wider macro-economic factors and has enabled reinvestment in emerging priorities such as addressing storm overflows through our WaterFit programme.

Outperformance

Other dividend payments in excess of the base dividend are to be reflective of current or past outperformance versus the final determination. This outperformance can arise for a number of reasons including cost savings, strong ODI performance, outperformance of financing assumptions or a combination of these. The Board considers whether outperformance should be reflected in dividend payments each year, but payable a year in arrears to ensure that the outperformance element is based on robust, audited data and not on estimates.

1. Nominal using actual FYE CPIH.

2. Relating to the previous years performance and payable in arrears.

3. Excluding impact of third-party event at Carland Cross, Cornwall. In late August 2021 a third-party utility company, performing work unconnected with South West Water, damaged mains supply pipes at Carland Cross in Cornwall, causing a localised loss of supply.

SUMMARY DIVIDEND

	2020/21 £m	2021/22 £m	2022/23 £m
Total dividend payable	101.6	88.0	12.0
Comprising:			
Base	42.5	44.6	49.2
Outperformance	58.1	43.0	57.1
Watershare+	1.2	-	0.4
Restriction	-	-	(94.7)
Other	(0.2)	0.4	-
Dividend yield	7.5%	6.1%	0.8%

CALCULATION OF BASE DIVIDEND

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Closing RCV	3,367.7	3,393.4	3,611.4	3,941.8
Closing equity RCV	1,347.1	1,357.4	1,444.5	1,577.1
3% base yield of 2019/20 closing		40.4	40.4	40.4
Dividend growth at 1.18%		0.8	1.5	1.9
Enhanced equity		1.4	1.4	1.5
Inflation to actual CPIH FYA		0.1	1.3	5.4
Base dividend		42.5	44.6	49.2
Base dividend yield		3.1%	3.1%	3.1%

LEVEL OF RCV GROWTH AND LONG-TERM FINANCIAL RESILIENCE

		2020/21	2021/22	2022/23
		£m	£m	£m
Closing RCV ⁽¹⁾	3,367.7	3,393.4	3,611.4	3,941.8
Nominal growth		0.8%	6.4%	9.1%
CPIH		(0.8)%	(3.6)%	(8.7)%
Real growth		-	2.8%	0.4%

OUTPERFORMANCE

	2020/21 £m	2021/22 £m	2022/23 £m
Outperformance	58.1	43.0	57.1
Comprising:			
Totex ⁽²⁾	32.5	32.0	11.7
Financing ⁽²⁾	31.7	26.7	50.0
ODIs ⁽²⁾	2.2	(10.4) ⁽³⁾	0.8
Customer sharing	(3.7)	(4.0)	(4.0)
Other adjustments	(4.6)	(1.3)	(1.4)
Outperformance dividend yield	4.3%	3.0%	3.6%

Notes to the regulatory accounts continued

For the purposes of calculating outperformance, SWW's WaterShare method of calculating RORE is used which differs slightly from table 1F, primarily in that it uses a long term average estimated rate of inflation to remove short term volatility and excludes additional expenditure commitments over and over the final determination such as that relating to additional drought expenditure and the accelerated WaterFit programme. Both of these adjustments are made to reflect the true underlying performance against the Final Determination throughout the regulatory period.

The table below shows the split of outperformance elements for each of the three years of the regulatory period to date and other adjustments to that position.

- **Totex** – outperformance from 2019/20 and the first two years of the current regulatory period (as this is payable in arrears) reflects efficiency in delivery and advancement of key programmes of work including bathing waters
- **Financing** – financing outperformance continues to be strong during each year of the regulatory period to date driven by SWW's flexible financing strategy and diverse debt portfolio, with a comparatively lower level of index-linked debt relative to the industry average, allowing the Company to outperform the Final Determination cost of debt allowance.
- **ODIs** - Overall net reward in relation ODI for 2021/22 with 10 performance measures achieving their 2025 target early. This excludes the impact of a third-party event at Carland Cross, Cornwall.
- **Customer sharing** - c.£4.0m has been allocated to WaterShare our unique voluntary sharing mechanism which shares embedded debt outperformance with customers and has the effect of reducing the dividend payable to shareholders. This represents the yearly amount accrued over time and used to fund customer share issuances and bill reductions.
- **Other adjustments** - These additional minor adjustments include a technical adjustment, offset with base dividends in relation to the enhanced equity arising from SWW securing fast track status at both PR14 and PR19 and equates to 30 and 10 basis points respectively.

WaterShare+

Amounts of £1.2m in 2020/21 and £0.4m in 2023/23 reflects additional dividend paid to SWW's parent company in order that it could issue shares to those customers that elected to take them. The overall benefit to customers has been c.£40m to date as described above with remaining customers opting to receive a credit to their bill.

Restriction

In line with our dividend policy, the overall level of dividend has been restricted by £94.7m to reduce the amount payable to lower than the statutory profit after tax excluding non-underlying items of £224m.

Additional considerations in determining dividend payments *(The table on the next page summarises the additional Board considerations made in determining whether to pay a dividend).*

Exceptional and unforeseen circumstances

In truly exceptional and unforeseen circumstances, the Board has stated that it may have to deviate from these principles – for example to meet changing statutory requirements or during unexpected and exceptional events.

The Board committed that if it were to do so, it would explain its reasoning to customers and other stakeholders so that the company could be judged on the extent to which it sought to meet these commitments and the reasons why a deviation was justified. There have been no such circumstances in the first three years of the regulatory period to date.

Bristol Water

A dividend was paid by Bristol Water in the period from 1 April 2022 to 31 January 2023, just prior to the statutory transfer, of £3.3m of regulated dividend given RORE performance of 4.6%, prorated for the ten month period to the statutory transfer.

In addition a £61.0m dividend in specie was declared on 31 January 2023, from brought forward statutory reserves, which satisfied in full the intercompany loan receivable from Bristol Water UK Holdings, ensuring that there were no outstanding balances from Bristol Water's structures once it transferred to South West Water. This transfer did not result in any cash impact on the Company, and does not reflect a return to its shareholders.

Annual dividends of £0.55m (2021/22: £1.1m) were paid on the irredeemable preference shares. The irredeemable preference shares were shown as debt in the balance sheet and the dividend was shown as a finance cost in the income statement. The irredeemable preference shares were not transferred as part of the transfer of trade and assets to South West Water on 1 February 2023 and are no longer part of the licenced business. The finance cost in the income statement includes 10 months of dividend accrual up to 31 January 2023.

Until the eve of the statutory transfer of Bristol Water to South West Water, Bristol Water operated its own dividend policy that was aligned to its previous funding structure.

Transparency

We have committed to providing increased transparency through our APR about the dividends paid and how these relate to our dividend policy. This is in addition to the existing statutory and regulatory requirements that we already disclose. We committed to explain how dividend payments have been determined and how these relate to our performance. This disclosure is aimed at providing stakeholders with transparency about our dividend policy and the broader considerations taken into account by the SWW board in making its determination.

OTHER BOARD CONSIDERATIONS

Consideration	2022/23
Financial resilience & gearing Consideration of current gearing and key financial metrics for the year and into the future to ensure payment of a dividend is not detrimental to long term viability	Gearing of 60.8% is close to Ofwat's notional level for an efficient company. Long term viability assessment, includes assessment of downside scenario's based on principle risks and Ofwat defined scenarios, continue to support the view that the company remains financially resilient.
Delivery of statutory obligations Payment of dividends not considered appropriate if minimum statutory obligations are not fulfilled	The Board believe its statutory obligations in the year were fulfilled.
Cumulative financial flows Consideration to level of cumulative financial flows before recommending payment of a dividend	The cumulative fund flow as shown on table 1F is £416m and therefore there is sufficient headroom to support this year's dividend.
Customer service delivery Delivery of key services should be maintained at all times	<p>c.70% of ODIs have met or exceeded their target with c.80% achieved in the previous two years. 2022/23 was impacted by exceptional weather events, in particular the dry summer of 2022 and throughout the winter of 2022/23.</p> <p>Service was maintained throughout the drought period with overall water quality levels improving, new water resources procured and commissioned.</p> <p>On balance the Board considers service levels have been maintained.</p>
Customer affordability Customer affordability measures are a Board priority and pledges made are prioritised over dividend payments	<p>SWW continues to deliver on its affordability pledges with twice the number of customers benefitting from one of our support tariffs over K7, and on track to deliver a pledge to tackle water poverty.</p> <p>2023/24 bills increases below inflation at just 0.8% for SWW and 5.5% for Bristol, also support customers in the current economic climate.</p>
Environmental performance Delivery of environmental performance should be improving and not impacted by payment of dividends	<p>Pollutions and EPA performance continue to be below target, however significant progress was made in the year against key priorities with c.50% reduction in pollutions since 2020, c.30% use in storm overflows and an anticipated 2* EPA score, improving from the prior year.</p> <p>Penalties incurred in 2022/23 will reduce any dividend proposed, therefore this is appropriately taken into consideration, noting improvements are being made.</p>
Current and future investment needs Sufficient funds should be available to enable sufficient capital investment to support day to day operations and company performance improvement targets	<p>Investment increased to c.£358m in 2022/23 with c.£750m planned over the next two years including in areas of drought and the environment through WaterFit which are incremental to the Final Determination.</p> <p>Sufficient funds are available through existing cash and facilities in addition to ongoing access to financial markets.</p>
Impact on credit rating Payment of dividends should not impact the likelihood of obtaining a credit rating	Our internal assessment supported by external experts has enabled the Board to state that in its opinion the company could maintain an issuer credit rating which of at least investment grade.
Sharing of outperformance Sharing of performance should be balanced between all stakeholders	<p>The second issuance of WaterShare+ of c.£20m equating to a £13 reduction per household was accelerated in 2022/23 on top of the c.£20m issuance in 2020/21.</p> <p>Company performance and support in prioritising activities is supported by our independent WaterShare+ advisory panel.</p>

Notes to the regulatory accounts continued

Tax strategy

South West Water (including both the appointed and non-appointed business) has fully adopted the Pennon Group plc tax strategy. This means that we will:

- at all times consider the business's corporate and social responsibilities in relation to its tax affairs
- operate appropriate tax risk governance processes to ensure that the policies are applied
- comply with our legal requirements; file all appropriate returns on time and make all tax payments by the due date
- consider all taxes as part of ongoing business decisions
- not enter into artificial tax arrangements or take an aggressive stance in the interpretation of tax legislation
- not undertake transactions which are outside the Group's low risk tax appetite for tax or not in line with the Group's Code of Conduct
- engage with HMRC in a proactive and transparent way and discuss our interpretation of tax laws in real-time, such interpretations following both the letter and spirit of the laws
- not have any connections with tax havens unless it is necessary for the purposes of trading within those jurisdictions.

The Company's approach to tax planning, risk management and governance is in line with the Finance Act 2016 requirements. The Company does not expect its tax strategy to change significantly year on year, however it is reviewed and updated annually.

Further details are given in the Group's 'Contributing to society through a responsive approach to tax' document which is available on the Pennon Group website.

Corporate taxation - SWB

The current tax credit was lower than the current tax charge allowed in the final determination for the following reasons:

- Profit before tax in the price determination was higher than the actual for the appointee company
- Capital allowances in excess of depreciation are higher than those allowed in the price determination largely as a result of Government introducing super-deductions and enhanced first year allowances on certain categories of capital expenditure
- Higher tax relief is available than that allowed in the price determination as additional contributions have been made to the defined benefit pension scheme. Tax relief is spread across several tax years in accordance with tax legislation
- The final determination was based on a corporation tax rate of 17%. The actual rate is 19%
- Tax relief on finance leases has reduced compared to the final determination, following the termination of some of these leases
- Tax relief on (non-taxable)/non-deductible expenditure has reduced compared to the final determination as a result of a non-deductible fine from the EA
- Tax losses generated in the year will be carried forwards for relief against taxable profits in future years. These losses arise from lower PBT and higher capital allowances, the latter of which were not included in the final determination as the tax legislation was amended the FD was issued
- A prior year credit of £2.7m arises following the submission of the 2021/22 tax computations in March 2023
- The tax effect of green recovery expenditure is included as a notional adjustment as this is not included in the final determination figure.

2022-23 results in a current tax credit for the year, this compares to a current tax charge in 2021-22. The key driver of the difference is the result of a significantly lower profit before tax which results in some losses being carried forward for relief against future taxable profits.

The UK main rate of corporation tax will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021, as such deferred tax liabilities and assets have been recalculated and recorded at the rate they are expected to unwind. This increased the tax charge in the income statement during the year ended 31 March 2022 by £98.7m, with a credit of £6.6m taken through the SOCI/Equity in respect of retirement obligations, derivatives and share based payments.

The Chancellor announced in the March 2023 Budget, that super deductions, will be replaced by full expensing for the next three years in respect of plant and machinery assets. The 50% first year allowance in relation to special rate assets will also continue until 31 March 2026. The company therefore anticipates generating tax losses for the next few years resulting in a current tax result of nil.

The Company received a net repayment of £0.2m of UK corporation tax in the year (2021/22: £10.2m). This is comprised of net receipts of £0.1m from HMRC and £0.1m of group relief payments to other group companies)

The appointee deferred tax credit of £4.0m for the year relates to charges in respect of timing differences between depreciation and capital allowances of £12.4m, largely due to the effect of super deductions, timing differences in relation to short term timing differences of £0.6m, timing differences in relation to relief for pension contributions of £1.1m. This is offset by a credit in relation to tax losses carried forwards of £18.1m.

South West Water has disclaimed capital allowances in the year, in order to minimise tax losses. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

During the Chancellor's Budget on 3 March 2021, it was announced that the UK main rate of corporation tax will increase to 25% from 1 April 2023. The change was substantively enacted at the balance sheet date (it was substantively enacted on 24 May 2021) and thus the change is reflected in these accounts. The 2021/22 accounts have recalculated the deferred tax assets and liabilities and they are recorded at the tax rate at which they are expected to unwind. The change in tax rate has increased SWW's tax charge by £97.4m.

Taxation - SWB

	2022-23 Actual £m	2022-23 FD £m	Variance £m
Profit before tax	1.3	122.1	(120.8)
Tax at 19%	0.2	23.2	(23.0)
Effect of change in tax rate	-	(2.4)	2.4
Depreciation not deductible for tax purposes	23.0	21.4	1.6
Capital allowances relief available in place of depreciation	(33.7)	(21.2)	(12.5)
Tax relief on pension contributions	(1.4)	(0.2)	(1.2)
Allowable depreciation on finance leases	(1.7)	(2.0)	0.3
Tax relief on (non-taxable)/non-deductible expenditure	(0.4)	(1.0)	0.6
Group relief - current year	-	-	-
Tax losses carried forwards	13.7	-	13.7
Current year tax credit	(0.3)	17.8	(18.1)
Prior year adjustments	(2.7)	-	(2.7)
Current year tax credit including prior year adjustments	(3.0)	17.8	(20.8)
Tax effect of green recovery expenditure - notional adjustment	0.8		0.8
Current year tax credit including prior year adjustments and green recovery expenditure	(2.2)	17.8	(20.0)

Notes to the regulatory accounts continued

Corporate taxation - BRL

The current tax charge was lower than the current tax charge allowed in the final determination for the following reasons:

- Profit before tax in the final determination was higher than the actual for the appointee company
- Capital allowances in excess of depreciation are lower than those allowed in the price determination as the business has disclaimed capital allowances during the year in order to minimise its losses on a statutory basis. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position
- Tax relief on the debt gearing adjustment has reduced compared to the final determination
- A prior year credit of £0.1m arises following the submission of the 2021/22 tax computations in March 2023
- Accounting policy alignment adjustment - This relates to the appointed business aligning its accounting policy in relation to deferred income to that of other Group companies on acquisition. Despite the accounting adjustments reflecting these through reserves, for tax purposes the adjustment will be subject to corporation tax during the year ended 31 March 2023. An equivalent credit is also reflected through deferred tax as the adjustment is timing in nature.

2022-23 results in a current tax charge for the year (before prior year adjustments), which is higher than that in the prior year. The key drivers of the difference are the company generating a pre-tax loss rather than a profit, a reduction in capital allowances as a result of the making of disclaimers and the accounting policy alignment adjustments being treated as subject to tax in the year in accordance with tax legislation.

The UK main rate of corporation tax will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021, as such deferred tax liabilities and assets were recalculated and recorded at the rate they are expected to unwind in the previous year.

The Chancellor announced in the March 2023 Budget, that super deductions, will be replaced by full expensing for the next three years in respect of plant and machinery assets. The 50% first year allowance in relation to special rate assets will also continue until 31 March 2026. The company therefore anticipates generating tax losses for the next few years resulting in a current tax result of nil.

The Company made a net payment of £1.6m of UK corporation tax in the year (2021/22: £1.8m). This is comprised of net payments of £1.4m to HMRC and £0.2m of group relief payments to other group companies)

The appointee deferred tax credit of £5.2m for the year relates mainly to the accounting policy alignment adjustment of £5.0m which is subject to corporation tax in the year, there is also a £0.1m credit in relating to general provisions and £0.1m in respect of tax losses.

Bristol Water has disclaimed capital allowances in the year, in order to minimise statutory tax losses. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

Taxation - BRL

	2022-23 actual £m	2022-23 FD £m	Variance £m
Profit before tax	(19.5)	19.6	(39.1)
Tax at 19%	(3.7)	3.7	(7.4)
Effect of change in tax rate	3.9	3.7	0.2
Depreciation not deductible for tax purposes	(3.8)	(5.1)	1.4
Capital allowances relief available in place of depreciation	0.0	0.0	0.0
Tax relief on pension contributions	0.0	(0.3)	0.3
Allowable depreciation on finance leases	5.0	0.0	5.0
Tax relief on (non-taxable)/non-deductible expenditure	(0.0)	0.0	(0.0)
Group relief - current year	0.0	0.0	0.0
Tax losses carried forwards	0.0	0.0	0.0
Current year tax credit	1.5	2.0	(0.5)
Prior year adjustments	(0.1)	0.0	(0.1)
Current year tax credit including prior year adjustments	1.4	2.0	(0.6)

Regulatory Financial Reporting – SWB



South West
Water

Table 1A – Income statement

For the year ended 31 March 2023

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Adjustments Total adjustments £m	Total appointed activities £m
Revenue	544.226	13.161	14.292	(1.131)	543.095
Operating costs	(450.002)	(4.489)	(11.056)	6.567	(443.435)
Other operating income	–	0.449	–	0.449	0.449
Operating profit	94.224	9.121	3.236	5.885	100.109
Other income	–	12.091	0.758	11.333	11.333
Interest income	2.498	(1.305)	0.031	(1.336)	1.162
Interest expense	(107.648)	(4.997)	–	(4.997)	(112.645)
Other interest expense	–	1.305	–	1.305	1.305
Profit before tax and fair value movements	(10.926)	16.215	4.025	12.190	1.264
Fair value gains/(losses) on financial instruments	–	–	–	–	–
Profit before tax	(10.926)	16.215	4.025	12.190	1.264
UK Corporation tax	5.462	(3.281)	(0.799)	(2.482)	2.980
Deferred tax	3.097	0.849	0.015	0.834	3.931
Profit for the year	(2.367)	13.783	3.241	10.542	8.175
Dividends	(12.325)	–	(3.241)	3.241	(9.084)
Tax analysis					
Current year	(2.767)	3.281	0.799	2.482	(0.285)
Adjustments in respect of prior years	(2.695)	–	–	–	(2.695)
UK Corporation tax	(5.462)	3.281	0.799	2.482	(2.980)

Non-appointed
£m

Analysis of non-appointed revenue

Imported sludge	–
Tankered waste	2.040
Other non-appointed revenue	12.252
Revenue	14.292

Statutory revenue includes an amount of £13.555m relating to the WaterShare+ rebate which is outside of scope of price control and regulated activities and has therefore been adjusted for through the 'Differences between statutory and RAG definitions'. There is also an amount of £7.597m relating to the "Stop the Drop" campaign.

Statutory operating costs include an amount of £0.992m relating to WaterShare+ associated costs, which are outside of the scope of price control and regulated activities and has therefore been adjusted for through the differences between statutory and RAG definitions. Also included within statutory costs is £9.367m related to drought expenditure and a £0.253m credit to restructuring costs which were booked as a charge in the prior year, but was not utilised and as a result has been reversed in the year.

The Company does not have any financial instruments accounted for at fair value through the income statement.

Regulatory financial reporting – SWB continued

Table 1A – Income statement continued

Non-appointed

Activities outside of the appointed business include property searches, commission from plumbing and drainage insurance, meter reading services to non-household retailers and wastewater providers, moorings and fisheries, rental income from non-appointed properties and energy generation from non-appointed assets.

Non-appointed operational costs include the element of depreciation charged to the non-appointed business for the use of assets primarily used in the wholesale business (such as IT assets) and reflects investments in solar and wind turbine installations as well as hydro generation schemes.

Difference between statutory and RAG definitions

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Net Interest expense £m	Other interest expense £m	Current tax £m	Deferred tax £m	Profit for the year £m
Revenue not recognised under IFRS as deemed uncollectable	5.400	(5.400)	–	–	–	–	–	–	–
Net income/operating cost allocations ¹	(1,300)	1.300	–	–	–	–	–	–	–
Classification of new connections and infrastructure income	(11,333)	–	–	11.333	–	–	–	–	–
Classification of rental income	(0.758)	–	–	0.758	–	–	–	–	–
Profit on disposal of fixed assets	–	(0.499)	0.499	–	–	–	–	–	–
Capitalised interest, depreciation and tax impacts	–	0.484	–	–	(3.881)	–	(3.281)	0.849	(5.829)
Innovation fund costs/revenue	–	(1.417)	–	–	–	–	–	–	(1.417)
Add in financing subsidiary interest expense	–	–	–	–	(1.116)	–	–	–	(1.116)
Pension interest allocation (other interest expense)	–	–	–	–	(1.305)	1.305	–	–	–
WaterShare+ rebate outside of scope of price control and regulated activities	13.555	0.992	–	–	–	–	–	–	14.547
Stop the Drop campaign rebate outside of scope of price control and regulated activities	7.597	–	–	–	–	–	–	–	7.597
Net adjustments	13.161	(4.489)	0.449	12.091	(6.302)	1.305	(3.281)	0.849	13.783

1. Adjustments relate to power generation recognised as a reduction in operating costs for statutory purposes but as non-appointed income for Regulatory Reporting. In addition, overhead costs recharged to a subsidiary for retail activities are netted off against the contract value in Regulatory Reporting to reflect fairly the cost of delivering the appointed businesses' retail activities.

Table 1Ai Interest

	£m
Interest charged on external borrowings, excluding those relating to DPC arrangements	(108.691)
Interest payable on intra-group borrowings	(0.423)
Interest charges in relation to DPC arrangements under IFRS16	–
Interest payable in relation to other leases under IFRS16	(1.387)
Amortisation of debt issuance costs	(0.635)
Amortisation of any debt premiums/discounts	–
Preference share dividends	–

1A.7 Interest expense

(112.645)

Interest received in relation to defined benefit pension scheme assets	1.305
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A.8 Other Interest expense

1.305

TABLE 1A – Reconciliation

		SWB Statutory Accounts	Adjustments	SWB Statutory for 1A
		12 months SWB trading +2 month BRL trading	Remove 2 months trading reported in SWB statutory accounts	12 months SWB trading
1A.1	Revenue	566.418	(22.192)	544.226
1A.2	Operating costs	(466.229)	16.227	(450.002)
1A.3	Other operating income	-	-	-
1A.4	Operating profit	100.189	(5.965)	94.224
1A.5	Other income	-	-	-
1A.6	Interest income	2.498	0.000	2.498
1A.7	Interest expense	(113.550)	5.902	(107.648)
1A.8	Other interest expense	-	-	-
1A.9	Profit before tax and fair value movements	(10.863)	(0.063)	(10.926)
1A.10	Fair value gains/(losses) on financial instruments	-	-	-
1A.11	Profit before tax	(10.863)	(0.063)	(10.926)
1A.12	UK Corporation tax	5.462	0.000	5.462
1A.18	UK Corporation tax	(5.462)	0.000	(5.462)

The results of South West Water Limited include two months of trading from Bristol Water following the license transfer on 1 February 2023. To maintain comparability, tables 1A for South West Water and Bristol Water in this report adjust the impact of two months trading so that the Statutory column in tables 1A show 12 months of relevant activity. This reconciliation shows how the signed statutory accounts reconcile to table 1A.

Narrative on statutory financial performance can be found in the financial review on page 32.

TABLE 1B – Statement of comprehensive income

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Adjustments	Total appointed activities £m
				Total adjustments £m	
Profit for the year	(2.367)	13.783	3.241	10.542	8.175
Actuarial gains/(losses) on post employment plans	(23.538)	-	(0.709)	0.709	(22.829)
Other comprehensive income	21.814	-	-	-	21.814
Total comprehensive income for the year	(4.091)	13.783	2.532	11.251	7.160

Actuarial gains/losses are net of tax and allocated based on the deficit/surplus associated with the pension scheme member. This is applied to the activities associated with their employment history weighted by the time spent in each role, consistent with the approach to allocating pension contributions.

Other comprehensive income relates to cash flow hedges held in the appointed business.

Regulatory financial reporting – SWB continued

TABLE 1C – Statement of financial position

Reflects Balance Sheet as at 31 March 2023

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Adjustments Total adjustments £m	Total appointed activities £m
Non-current assets					
Fixed assets	4,144.402	(30.092)	5.293	(35.385)	4,109.017
Intangible assets	313.371	–	–	–	313.371
Investments – loans to Group companies	–	–	–	–	–
Investments – other	167.958	–	–	–	167.958
Financial instruments	32.652	–	–	–	32.652
Retirement benefit assets	17.526	–	0.577	(0.577)	16.949
Total non-current assets	4,675.909	(30.092)	5.870	(35.962)	4,639.947
Current assets					
Inventories	9.955	–	0.027	(0.027)	9.928
Trade and other receivables	219.094	0.196	2.541	(2.345)	216.749
Financial instruments	20.092	–	–	–	20.092
Cash and cash equivalents	46.122	–	2.390	(2.390)	43.732
Total current assets	295.263	0.196	4.958	(4.762)	290.501
Current liabilities					
Trade and other payables	(139.682)	0.737	(10.301)	11.038	(128.644)
Capex creditor	(63.744)	–	–	–	(63.744)
Borrowings	(345.399)	–	–	–	(345.399)
Financial instruments	(2.426)	–	–	–	(2.426)
Current tax liabilities	–	–	–	–	–
Provisions	(7.208)	–	–	–	(7.208)
Total liabilities	(558.459)	0.737	(10.301)	11.038	(547.421)
Net current assets/(liabilities)	(263.196)	0.933	(5.343)	6.276	(256.920)
Non-current liabilities					
Trade and other payables	(0.486)	–	–	–	(0.486)
Borrowings	(2,792.034)	–	–	–	(2,792.034)
Financial instruments	(2.406)	–	–	–	(2.406)
Retirement benefit obligations	–	–	–	–	–
Provisions	–	–	–	–	–
Deferred income – G&Cs	(24.538)	(0.233)	–	(0.233)	(24.771)
Deferred income – adopted assets	(149.883)	–	–	–	(149.883)
Preference share capital	–	–	–	–	–
Deferred tax	(471.506)	6.701	(0.527)	7.228	(464.278)
Total non-current liabilities	(3,440.853)	6.468	(0.527)	6.995	(3,433.858)
Net assets	971.860	(22.691)	–	(22.691)	949.169
Equity					
Called up share capital	295.923	–	–	–	295.923
Retained earnings and other reserves	675.937	(22.691)	–	(22.691)	653.246
Total equity	971.860	(22.691)	–	(22.691)	949.169

The balance sheet at 31 March 2023 includes those assets and liabilities of Bristol Water PLC transferred to South West Water Limited on 1 February and year on year increases in key balance sheet lines reflect this inclusion.

Notes for the statement of financial position are shown on the following page.

TABLE 1C – Statement of financial position continued**The statement of financial position reflects the balance sheet as at 31 March 2023**

	Fixed assets £m	Trade and Other Receivables £m	Cash and Cash Equivalents £m	Trade and Other Payables £m	Capex Creditors £m	Deferred tax £m	Net assets £m
Cumulative capitalised interest, depreciation and tax impact ¹	28.115	–	–	–	–	(6.701)	21.414
Conversion opening difference	0.067	–	–	–	–	–	0.067
New Supplies NPV	2.146	–	–	–	–	–	2.146
S185 NPV	(0.236)	–	–	–	–	–	(0.236)
Revenue Deemed uncollectable	–	(0.196)	–	–	–	–	(0.196)
Innovation Fund Adjustment	–	–	–	(0.737)	–	–	(0.737)
S185 G&Cs	–	–	–	–	0.233	–	0.233
Deferred tax treatment RAG Difference	–	–	–	–	–	–	–
Net adjustments	30.092	(0.196)	–	(0.737)	0.233	(6.701)	22.692

1. Cumulative capitalised interest of £31.585m and depreciation on capitalised interest of £3.470m.

The statement of financial position reflects the balance sheet as at 31 March 2023. The statement of financial position is reflective of the combined assets, liabilities and equity of South West Water and Bristol Water following the statutory of materially all of the trade and assets of Bristol Water plc to South West Water Ltd during 2022/23. Accumulated reserves, pension assets and certain debt instruments did not transfer to the South West Water Ltd appointed company and remained with Bristol Water plc. Both statutory financial statements and Regulatory Reporting is based on International Financial Reporting Standards (IFRS) with the following adjustments to reflect the Regulatory Reporting Guidelines (RAGs).

As at 31 March 2023, SWW has a current tax asset (£11.533m) and as a result is being disclosed under trade & other receivables within current assets (1C.9) opposed to a debit balance within current liabilities.

The appointed cash balance of £43.732m includes £3.805m which relates to the innovation competition fund. For South West Water and Bristol Water the innovation competition fund value is £2.949m and £0.856m respectively as at 31 March 2023.

Non-appointed

Non-appointed fixed assets reflect investments in solar and wind installations (prior to 2015) as well as hydro-generation schemes, fisheries and riverside assets and the fair value of non-appointed leased assets. In addition, investment to support tankered waste activities has been included within non-appointed assets.

Trade and other receivables reflect debt associated with non-appointed activities and trade payables are allocated based on operating costs.

Current tax liabilities represent the tax due on profits with deferred tax reflecting the capital allowances on fixed assets and the pension surplus.

Retirement benefit obligations are allocated based on the surplus associated with the pension scheme member and applying this to the activities within their employment history.

As all of the Company's borrowings have been raised to fund appointee activities, none of these have been apportioned to the non-appointed business.

Regulatory financial reporting – SWB continued

TABLE 1D – Statement of cash flows

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Adjustments Total adjustments £m	Total appointed activities £m
Operating activities					
Operating profit	94.224	9.121	3.236	5.885	100.109
Other income	–	12.091	0.758	11.333	11.333
Depreciation	120.258	(0.484)	0.352	(0.836)	119.422
Amortisation – G&Cs	–	–	–	–	–
Changes in working capital	61.765	(19.433)	(0.390)	(19.043)	42.722
Pension contributions	–	(1.295)	(0.093)	(1.202)	(1.202)
Movement in provisions	(0.236)	–	–	–	(0.236)
Profit on sale of fixed assets	(0.449)	–	–	–	(0.449)
Cash generated from operations	275.562	–	3.863	(3.863)	271.699
Net interest paid	(130.863)	–	–	–	(130.863)
Tax paid	(0.191)	–	–	–	(0.191)
Net cash generated from operating activities	144.508	–	3.863	(3.863)	140.645
Investing activities					
Capital expenditure	(282.009)	–	–	–	(282.009)
Grants & contributions	–	–	–	–	–
Disposal of fixed assets	0.692	–	–	–	0.692
Other	–	–	–	–	–
Net cash used in investing activities	(281.317)	–	–	–	(281.317)
Net cash generated before financing	(136.809)	–	3.863	(3.862)	(140.672)
Cash flows from financing activities					
Equity dividends paid	(55.325)	–	(3.241)	3.241	(52.084)
Net loans received	193.569	–	–	–	193.569
Cash inflow from equity financing	–	–	–	–	–
Net cash generated from financing activities	138.244	–	(3.241)	3.241	141.485
Increase/(decrease) in net cash	1.435	–	0.622	(0.622)	0.813

Statement of cashflows has been completed on an SWB-only basis.

Commentary for the adjustments within the statement of cashflows to reconcile from the statutory financial statements to 1D has been noted within the income statement.

A further reconciliation between the statutory entity and the SWB appointed company can also be found within 1A commentary.

All other cash flows are separately identifiable for the purposes of the SWB statement of cash flows.

TABLE 1E – Net debt analysis (appointed activities)

	Fixed rate £m	Floating rate £m	RPI £m	Index linked CPI/CPIH £m	Total £m
Interest rate risk profile					
Borrowings (excluding preference shares)	1,711.151	531.144	176.579	58.387	2,477.262
Preference share capital	–				–
Total borrowings	1,711.151	531.144	176.579	58.387	2,477.262
Cash					(26.599)
Short-term deposits					(21.653)
Net debt					2,429.010
Gearing					
Gearing					60.696%
Adjusted gearing					60.636%
Interest					
Full year equivalent nominal interest cost	60.221	14.401	34.552	6.166	115.340
Full year equivalent cash interest payment	60.221	14.401	10.587	0.256	85.465
Indicative interest rates					
Indicative weighted average nominal interest rate	3.519%	2.711%	19.567%	10.561%	4.656%
Indicative weighted average cash interest rate	3.519%	2.711%	5.996%	0.438%	3.450%
Time to maturity					
Weighted average years to maturity	6.721	22.069	75.140	7.000	14.917

South West Water does not have any preference share capital.

The table above reflects the position of the appointed business and excludes the £2.390m of non-appointed cash assumed within cash. RCV at 31 March 2023 was £4,001.9m resulting in a gearing ratio of 60.696% for the appointed business.

Adjusted gearing of 60.636% is based on the total cash position (rather than the cash position of the appointed business only).

Fixed and floating debt costs and interest rates are equivalent to the cash interest payments. Only index-linked debt has a differential between the interest charges and cash interest payments, where RPI or CPI is accreted into the loan balance.

Table 1E total borrowings	2,477.262
Unamortised debt issuance costs	4.742
Rounding	(0.052)
Table 4B gross debt	2,481.952

Liquidity and debt profile

The Company has a strong liquidity and funding position with £196 million of cash and committed facilities as at 31 March 2023. This consists of cash and cash equivalents of £46 million (including £22 million of restricted funds representing deposits with lessors against lease obligations) and £150 million of undrawn facilities.

Following the successful transfer of Bristol Water to South West Water, this has meant changes to the regulatory licence and we are targeting to obtain a strong investment-grade rating for South West Water for the start of the next regulatory period.

South West Water net debt at 31 March 2023 is a mix of fixed / swapped (£1,944 million, 62%), floating (£791 million, 25%) and index-linked borrowings (£402 million, 13%), which reflects our diverse debt portfolio and compares to an industry average of fixed / swapped 42%, floating 4% and index linked 54%. New debt raised during this regulatory period has been fixed to align to iBoxx indices in line with Ofwat's approach to allowed cost of debt. Where appropriate, derivatives are used to fix the rate on floating rate debt.

As we progress through the remainder of K7, we expect the mix of our debt portfolio to evolve and are strategically targeting index-linked debt to represent 20–25% of our portfolio in the long term. This will enable the Company to maintain its financing flexibility, whilst remaining within our treasury policy of at least 60% fixed rate debt.

As the Company continues to develop, and we see our funding requirements grow, we expect the Company to manage its portfolio with larger debt issuances, taking advantage of the public ratings once established in 2025, in line with Ofwat's final PR24 methodology requirements.

We will continue to maintain a diverse portfolio of debt to support flexibility and growth opportunities. We expect that our reinvestment of our outperformance in environmental enhancements will be financed through debt, resulting in increased net debt to RCV gearing in the short term. In the long-term this investment will provide returns through K8 revenues and a higher RCV. We now expect RCV to reach £5.2bn at the start of K8.

Regulatory financial reporting – SWB continued

TABLE 1F – Financial flows for the 12 months ended 31 March 2023

	12 months ended 31 March 2023					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Return on regulatory equity						
Regulatory equity	1317.289	1317.289	1287.326			
Return on regulatory equity	4.00%	3.91%	4.00%	52.692	51.493	51.493
Financing						
Impact of movement from notional gearing		0.09%	0.04%		1.199	0.557
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		1.36%	1.39%		17.941	17.941
Group relief		–	–		–	–
Cost of debt		8.86%	9.27%		116.746	119.396
Hedging instruments		–	–		0.021	0.021
Return on regulatory equity including Financing adjustments	4.00%	14.23%	14.71%	52.692	187.400	189.408
Operational performance						
Totex out / (under) performance		(4.49%)	(4.59%)		(59.149)	(59.149)
ODI out / (under) performance		(0.24%)	(0.24%)		(3.136)	(3.136)
C–Mex out / (under) performance		(0.04%)	(0.04%)		(0.576)	(0.576)
D–Mex out / (under) performance		–	–		(0.019)	(0.019)
Retail out / (under) performance		(0.13%)	(0.13%)		(1.722)	(1.722)
Other exceptional items		0.02%	0.02%		0.313	0.313
Operational performance total		(4.88%)	(4.99%)		(64.289)	(64.289)
RoRE (Return on regulatory equity)	4.00%	9.35%	9.72%	52.692	123.111	125.119
RCV growth	10.73%	10.73%	10.73%	141.345	141.345	138.130
Voluntary sharing arrangements	–	–	–	–	–	–
Total shareholder return	14.73%	20.08%	20.45%	194.037	264.456	263.249
Dividends						
Gross dividend	3.00%	0.58%	0.60%	39.519	7.694	7.694
Interest received on intercompany loans		0.25%	0.26%		3.331	3.331
Retained value	11.73%	19.24%	19.59%	154.518	253.431	252.224
Cash impact of 2015–20 performance adjustments						
Totex out / under performance		(0.13%)	(0.14%)		(1.768)	(1.768)
ODI out / under performance		0.16%	0.17%		2.164	2.164
Total out / under performance		0.03%	0.03%		0.396	0.396

Our strong return on regulated equity for 2022/23 of 9.3% for South West Water is driven by the Group's flexible financing strategy and diverse debt portfolio, with a comparatively lower level of index-linked debt relative to the industry average, allowing us to outperform the cost of debt allowances. Our efficient financing strategy continues to drive significant outperformance with South West Water's effective interest rate at 5.5%. Given the current macro-environment, this strong financing outperformance of 8.9%, 1.4% from lower tax as a result of lower profit and capital allowances which outweighed a net ODI penalty equivalent to 0.3% and higher totex reflecting additional drought and environmental investments driving 4.6% RORE under performance.

Cumulative retained value has increased by £213.8m (actual returns, notional regulated equity) due to the strong RORE outperformance and dividends paid of £47.0m (being the restricted dividend of £12m declared in year plus payments relating to the prior year).

TABLE 1F – Financial flows for the AMP to date (2017–18 financial year average CPIH) continued

	Average 2020–25					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Return on regulatory equity						
Regulatory equity	1301.956	1301.956	1152.857			
Return on regulatory equity	3.95%	3.50%	3.95%	51.427	45.538	45.538
Financing						
Impact of movement from notional gearing		0.45%	0.21%		5.889	2.656
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		0.47%	0.48%		6.226	6.226
Group relief		–	–		–	–
Cost of debt		4.91%	5.23%		64.706	67.318
Hedging instruments		(0.35%)	(0.35%)		(4.568)	(4.568)
Return on regulatory equity including Financing adjustments	3.95%	8.99%	9.51%	51.427	117.791	117.170
Operational performance						
Totex out / (under) performance		(0.38%)	(0.39%)		(5.040)	(5.040)
ODI out / (under) performance		(0.29%)	(0.30%)		(3.869)	(3.869)
C–Mex out / (under) performance		(0.03%)	(0.03%)		(0.371)	(0.371)
D–Mex out / (under) performance		–	–		(0.006)	(0.006)
Retail out / (under) performance		0.02%	0.02%		0.300	0.300
Other exceptional items		0.01%	0.01%		0.138	0.138
Operational performance total		(0.67%)	(0.69%)		(8.848)	(8.848)
RoRE (Return on regulatory equity)	3.95%	8.32%	8.83%	51.427	108.943	108.322
RCV growth	6.33%	6.33%	6.33%	82.414	82.414	72.976
Voluntary sharing arrangements		–	–		–	–
Total shareholder return	10.28%	14.65%	15.16%	133.841	191.357	181.298
Dividends						
Gross dividend	3.00%	4.76%	5.37%	39.059	61.934	61.934
Interest received on intercompany loans		0.09%	0.10%		1.110	1.110
Retained value	7.28%	9.80%	9.69%	94.782	128.313	118.254
Cash impact of 2015–20 performance adjustments						
Totex out / under performance		(0.13%)	(0.15%)		(1.719)	(1.719)
ODI out / under performance		0.16%	0.18%		2.103	2.103
Total out / under performance		0.03%	0.03%		0.384	0.384

South West Water's Dividend policy is included on page 90.

	£m
Brought Forward	163.2
2022/23	253.0
March 2023 Cumulative retained value	416.2

The RCV balance used, is inclusive of the IFRS16 lease adjustment, this is in line with the letter published 18 May 2020 by David Black.

Regulatory financial reporting – SWB continued

Table 1F Commentary

Financial flows

Our strong return on regulated equity for 2022/23 of 9.3% for South West Water is driven by the Group's flexible financing strategy and diverse debt portfolio, with a comparatively lower level of index-linked debt relative to the industry average, allowing us to outperform the cost of debt allowances. Our efficient financing strategy continues to drive significant outperformance with South West Water's effective interest rate at 5.5%. Given the current macro-environment, this strong financing outperformance of 8.9%, 1.4% from lower tax as a result of lower profit and capital allowances which outweighed a net ODI penalty equivalent to 0.3% and higher totex reflecting additional drought and environmental investments driving 4.6% RORE under performance.

Cumulative retained value has increased by £253.0m (actual returns, notional regulated equity) due to the strong RORE outperformance being significantly greater than dividends.

Price review and other segmental reporting – SWB


TABLE 2A – Segmental income statement

	Retail Household £m	Retail Non-household £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Biosources £m	Total £m
Revenue – price control	30.280	0.018	21.461	231.122	233.201	25.276	541.358
Revenue – non price control	–	–	–	1.135	0.602	–	1.737
Operating expenditure – excluding PU recharge impact	(27.947)	–	(26.229)	(132.275)	(118.911)	(20.403)	(325.764)
PU opex recharge	(1.430)	–	0.062	0.700	0.510	0.159	–
Operating expenditure – including PU recharge impact	(29.377)	–	(26.167)	(131.575)	(118.401)	(20.244)	(325.764)
Depreciation – tangible fixed assets	(0.891)	–	(3.854)	(48.149)	(62.011)	(4.482)	(119.387)
Amortisation – intangible fixed assets	–	–	–	–	–	–	–
Other operating income	–	–	0.247	0.202	–	–	0.449
Operating profit	0.012	0.018	(8.313)	52.735	53.391	0.550	98.393
Surface water drainage rebates							6.457
Surface water drainage rebates							

Revenue – price control

This includes all wholesale water and wastewater charges, trade effluent income and household retail charges.

Price control revenue above is shown before the impacts of the 'Stop the Drop' campaign, which resulted in nearly £50m passed back to customers through reduced bills. It is also shown before the impacts of revenue passed back to customers via the WaterShare mechanism. The impact of both of these initiatives is shown in the "Difference between statutory and RAG definitions" section of table 1A on page 98

Revenue – non price control

This has been based on the RAG 4.11 revenue appendix and includes mains and sewer diversions, standpipe hire and other rechargeable works.

Retail Non-household revenue reflects income from business customers on the Isles of Scilly.

Other operating income

Profit on the sale of fixed assets (other operating income) has been allocated based on the underlying asset category which generated the sale, with management and general assets being split pro-rata.

Recharges

Recharges to other business segments reflect charges for the use of assets, and are equal to the depreciation charged in respect of management and general assets principally used by the wholesale business units where part of the cost is recharged to the retail business unit. This excludes charges to non-appointed activities reflected in operating costs in table 1A.

Surface water rebates

Surface water rebates reflects 86,812 customers for whom there is no connection to the South West Water wastewater network for surface water (i.e. rainwater which falls on an impermeable area of a property such as its roof, drive, hardstanding area or car park).

Price review and other segmental reporting – SWB continued

Allowed Revenue Reconciliation

	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Total Revenue for RF	Bioresources £m	Total £m
Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	20.294	230.572	225.951	476.817	22.909	499.726
Customer Demand and Profile	1.139	8.429	14.927	24.495	2.320	26.815
New Connections / Diversions / Requisitions ¹	–	(2.031)	(0.842)	(2.873)	–	(2.873)
Meter Optants	0.028	0.320	0.462	0.810	0.047	0.857
Capitalised Requisitions	–	0.002	–	0.002	–	0.002
Actual Outturn (Table 2M)	21.461	237.292	240.498	499.251	25.276	524.527
Variance to Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	1.167	6.719	14.546	22.432	2.367	24.799
Variance as % for RFI	5.75%	2.91%	6.44%	4.70%		4.96%

1. New connections impact both the water and wastewater revenue as well as revenue for connection and infrastructure charges.

As shown above, outturn revenue is £24.8m higher than allowed revenue. This will incur a penalty of c. £0.8m through the RFI mechanism.

The RFI variances are made up from Wholesale revenue and Developer Services revenue. When setting the 2022/23 tariffs (published January 2022) the UK economy was recovering from Covid and an overall demand reduction was expected: households were expected to return to pre-pandemic consumption trends and commercial businesses were expected to stabilise following a post lockdown recovery. During 2022/23 household has followed expectation in both customer numbers and demand reduction (c.-5%). Commercial customers have followed customer number expectation whilst continuing to show strong post-covid recovery, and we have continued to see a significant consumption increase through the CMOS settlement reports instead of the expected decrease (+7% demand). Developer service activity (grants and contributions) continues to recover but remains lower than expected, notably on the Water revenue controls.

The wastewater variance as a % for RFI is slightly high at 6.4%. This has been driven by the unexpected continued uplift in commercial performance.

TABLE 2B – Totex analysis – wholesale

	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Base operating expenditure					
Power	9.126	39.840	39.499	3.313	91.778
Income treated as negative expenditure	(1.069)	(0.151)	(0.020)	(0.358)	(1.598)
Service charges/discharge consents	5.499	0.519	4.310	–	10.328
Bulk supply/Bulk discharge	–	–	–	–	–
Renewals expensed in year (Infrastructure)	–	6.996	8.004	–	15.000
Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–
Other operating expenditure	9.230	59.893	61.470	15.875	146.468
Local authority and Cumulo rates	2.200	20.791	4.954	1.414	29.359
Total base operating expenditure	24.986	127.888	118.217	20.244	291.335
Other operating expenditure					
Enhancement operating expenditure	1.181	–	–	–	1.181
Developer services operating expenditure	–	2.508	0.184	–	2.692
Total operating expenditure excluding third party services	26.167	130.396	118.401	20.244	295.208
Third party services	–	1.179	–	–	1.179
Total operating expenditure	26.167	131.575	118.401	20.244	296.387
Grants and contributions					
Grants and contributions – operating expenditure	–	6.573	5.428	–	12.001
Capital expenditure					
Base capital expenditure	4.966	79.711	80.478	4.759	169.914
Enhancement capital expenditure	25.637	36.024	50.953	–	112.614
Developer services capital expenditure	–	9.635	7.583	–	17.218
Total gross capital expenditure (excluding third party)	30.603	125.370	139.014	4.759	299.746
Third party services	–	–	–	–	–
Total gross capital expenditure	30.603	125.370	139.014	4.759	299.746
Grants and contributions					
Grants and contributions – capital expenditure	–	3.734	2.047	–	5.781
Net Totex	56.770	246.638	249.940	25.003	578.351
Cash					
Pension deficit recovery payments	–	–	–	–	–
Other cash items	–	–	–	–	–
Totex including cash items	56.770	246.638	249.940	25.003	578.351

Table 2B Commentary

Operating Expenditure

Year on year operating costs are c.£74m higher than prior year reflecting c.£44m higher power costs arising from higher wholesale prices as a result of the war in Ukraine and other macro economic factors and additional other operating expenditure costs associated with responding to drought and other weather conditions during the year.

Capital Expenditure

Capital expenditure is c.£100m higher than prior year. This reflects the anticipated elevated profile of the Final Determination and Green Recovery plan in year three, in addition to extra commitments made in the year in response to the drought and as part of our WaterFit initiatives.

Price review and other segmental reporting – SWB continued

TABLE 2C – Operating cost analysis – retail

	Household – total £m	Non-household – total £m	Total £m
Operating expenditure			
Customer services	11.800	–	11.800
Debt management	0.461	–	0.461
Doubtful debts	8.500	–	8.500
Meter reading	1.466	–	1.466
Services to developers	–	–	–
Other operating expenditure	5.714	–	5.714
Local authority and Cumulo rates	0.003	–	0.003
Total operating expenditure excluding third party services	27.944	–	27.944
Depreciation			
Depreciation on tangible fixed assets existing at 31 March 2015	–	–	–
Depreciation on tangible fixed assets acquired after 1 April 2015	0.891	–	0.891
Amortisation on intangible fixed assets existing at 31 March 2015	–	–	–
Amortisation on intangible fixed assets acquired after 1 April 2015	–	–	–
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	1.430	–	1.430
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	–	–	–
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–	–
Net recharges costs	1.430	–	1.430
Total retail costs excluding third party and pension deficit repair costs	30.265	–	30.265
Third party services operating expenditure	0.003	–	0.003
Pension deficit repair costs	–	–	–
Total retail costs including third party and pension deficit repair costs	30.268	–	30.268
Debt written off			
Debt written off	5.311	–	5.311
Capital expenditure			
Capital expenditure	2.791	–	2.791
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
Demand-side water efficiency – gross expenditure			2.571
Demand-side water efficiency – expenditure funded by wholesale			1.899
Demand-side water efficiency – net retail expenditure			0.672
Customer-side leak repairs – gross expenditure			2.336
Customer-side leak repairs – expenditure funded by wholesale			2.133
Customer-side leak repairs – net retail expenditure			0.203
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end			99.454
Cumulative allowed expenditure to reporting year end			99.598
Total allowed expenditure 2020–25			171.211

Operating costs

South West Water's retail activities are largely undertaken by a wholly owned subsidiary South West Water Customer Services Limited.

Cost allocations are based on the policy outlined on page 88 with a detailed methodology available from the website www.southwestwater.co.uk.

TABLE 2C – Operating cost analysis – retail continued**Depreciation**

Depreciation reflects the direct depreciation charged for assets used wholly or principally within the retail price controls. This includes:

- Customer billing and account software
- Meter reading mobile software
- Debt initiatives.

Debt written off

Debt written off is allocated based on the specific customers, excluding the costs associated with court and debt recovery activity. South West Water's policy for debt write-off is included within the regulatory disclosures on page 89 (expected credit loss note).

Capital expenditure

Capital expenditure recognised directly in the retail business includes:

- Customer service improvement initiatives
- Information technology support and costs
- Directly attributable transport costs.

Non-household market

South West Water exited the non-household retail market on 1 April 2017. Following this date there are no associated retail costs in the non-household price control.

TABLE 2D – Historic cost analysis of tangible fixed assets

	Retail Household £m	Retail Non-household £m	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Cost							
At 1 April 2022	28.326	–	155.306	2,161.893	2,714.762	161.443	5,221.730
Disposals	–	–	(0.070)	(1.795)	(0.927)	(0.030)	(2.822)
Additions	2.791	–	30.603	128.647	135.621	4.759	302.421
Adjustments	–	–	–	–	–	–	–
Assets adopted at nil cost	–	–	–	2.499	11.818	–	14.317
At 31 March 2023	31.117	–	185.839	2,291.244	2,861.274	166.172	5,535.646
Depreciation							
At 1 April 2022	(25.898)	–	(51.042)	(718.145)	(1,120.884)	(99.491)	(2,015.460)
Disposals	–	–	0.031	1.609	0.913	0.027	2.580
Adjustments	–	–	(0.107)	(0.667)	(2.790)	(0.181)	(3.745)
Charge for the year	(0.891)	–	(3.854)	(48.149)	(62.011)	(4.482)	(119.387)
At 31 March 2023	(26.789)	–	(54.972)	(765.352)	(1,184.772)	(104.127)	(2,136.012)
Net book amount at 31 March 2023	4.328	–	130.867	1,525.892	1,676.502	62.045	3,399.634
Net book amount at 1 April 2022	2.428	–	104.264	1,443.748	1,593.878	61.952	3,206.270
Depreciation charge for year							
Principal services	(0.891)	–	(3.854)	(48.149)	(62.011)	(4.482)	(119.387)
Third party services	–	–	–	–	–	–	–
Total	(0.891)	–	(3.854)	(48.149)	(62.011)	(4.482)	(119.387)

Fixed assets have been allocated based upon their principal use. For assets which are used across the business units (i.e. management and general), they have been assumed to have principal use within wholesale and then allocated between water and wastewater.

The net book value includes £265.508m in respect of assets in the course of construction.

Of the total depreciation charge for the company of £123.968m, we've deducted depreciation on capitalised interest £0.484m, capitalised depreciation £1.584m, deferred income of £2.161m and we've reported £119.387m, with £0.352m of depreciation on assets used by the non-appointed business charged through operating costs.

Additions in the year include assets acquired as a result of new connections, in accordance with IFRIC 18 these assets are recognised at fair value which is their cost excluding administration costs. The value of those in 2022/23 was £5.5m.

The total fair value of assets adopted at nil cost in the year was £14.3m: £2.5m in water and £11.8m in wastewater.

An adjustment in respect of sewer adoptions was made during the year, to ensure the value of the adoption reflects the fair value at the time the sewer adoption occurs. The total adjustment resulted in an increase of £3.673m to fixed assets, with a corresponding increase in deferred income.

In total, cumulative adopted assets have a value of £162.3m before deducting depreciation.

IFRS16 ROU (right of use assets) were adopted as at 1 April 2019 to offset the lease liabilities which were added to the balance sheet. Assets adopted in 2019/20, 2020/21 and 2021/22 are included in the opening balance and assets adopted in 2022/23 in Addition's line. The total value of these adopted in 22/23 were £0.7m which was allocated to water £0.35m and wastewater £0.35m.

Price review and other segmental reporting – SWB continued

TABLE 2E – Analysis of ‘grants and contributions’ – 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)	–	–	–	–
Price control grants and contributions	–	–	–	–
Diversions – NRSWA	–	–	–	–
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	–	–	–	–
Total	–	–		–
Value of adopted assets	–	–		–
Grants and contributions – water network+				
Connection charges	4.196	–	–	4.196
Infrastructure charge receipts	0.941	–	–	0.941
Requisitioned mains	–	2.318	–	2.318
Diversions – s185	1.031	–	–	1.031
Other contributions (price control)	–	–	–	–
Price control grants and contributions before deduction of income offset	6.168	2.318	–	8.486
Income offset	–	2.316	–	2.316
Price control grants and contributions after deduction of income offset	6.168	0.002	–	6.170
Diversions – NRSWA	0.068	–	–	0.068
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	0.337	3.732	–	4.069
Total	6.573	3.734		10.307
Value of adopted assets	–	2.499		2.499
Grants and contributions – wastewater network+				
Receipts for on-site work	–	2.903	–	2.903
Infrastructure charge receipts	5.045	–	–	5.045
Diversions – s185	0.118	–	–	0.118
Other contributions (price control)	0.087	–	–	0.087
Price control grants and contributions before deduction of income offset	5.250	2.903	–	8.153
Income offset	–	0.856	–	0.856
Price control grants and contributions after deduction of income offset	5.250	2.047	–	7.297
Diversions – NRSWA	0.148	–	–	0.148
Diversions – other non-price control	–	–	–	–
Other Contributions (non-price control)	0.030	–	–	0.030
Total	5.428	2.047		7.475
Value of adopted assets	–	9.174		9.174

Contributions are principally received from developers in respect of both new connections which are recognised in the income statement and requisitioned mains/sewers which are reflected in deferred income and amortised to the income statement over the performance obligation period of 60 years. In previous years requisitioned mains/sewers were netted from the capital expenditure for the related assets. The treatment was changed following discussion with the auditors to treat the income as deferred income amortised over the performance obligation period. As this change occurred at the year-end, no amortisation was charged in the year.

Contributions (non-price control) are relate to other chargeable works, such as planning application costs, build over applications and changes for remedial works.

Other wastewater contributions (price control) are charges for the inspect of sewer connection.

The carried forward figure of £11.606m represents the total in 1C.26 (£7.188m) plus the grants and contributions recognised as due within one year in line 1C.18 (£4.418m).

	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
Movements in capitalised grants and contributions				
Brought forward	–	1.041	4.783	5.824
Capitalised in year	–	3.734	2.047	5.781
Amortisation (in income statement)	–	–	–	–
Carried forward	–	4.775	6.830	11.605

Disposals of protected land, including those already subject to regulation through condition K of the licence, have been allocated based on principal site location in line with previously reported figures.

TABLE 2F – Residential retail

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale charges	388.528		
Retail revenue	30.280		
Total residential revenue	418.808		
Retail revenue			
Revenue Recovered ("RR")	30.280		
Revenue sacrifice	–		
Actual revenue (net)	30.280		
Customer information			
Actual customers ("AC")		1,002.853	
Reforecast customers		1,002.853	
Adjustment			
Allowed revenue ("R")	30.104		
Net adjustment	(0.176)		
Other residential information			
Average residential retail revenue per customer			30.194

Retail revenue was £176k higher than the allowed revenue.

Retail revenue per customer was £30.19, compared to an FD allowance of £30.75, this is due to changes in the k factor related to 2020/21 performance as well as movements in social tariff cross subsidy compared to our tariff assumptions.

TABLE 2G – Non-household water – revenues by tariff type and TABLE 2H – Non-household wastewater – revenues by tariff type

Tables 2G and 2H are applicable to Welsh companies only.

Price review and other segmental reporting – SWB continued

TABLE 2I – Revenue analysis

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water						
Unmeasured	40.082	1.231	41.313	3.305	38.008	41.313
Measured	141.562	64.337	205.899	17.696	188.203	205.899
Third party revenue	–	5.371	5.371	0.460	4.911	5.371
Total wholesale water revenue	181.644	70.939	252.583	21.461	231.122	252.583
	Household £m	Non-household £m	Total £m	Wastewater network+ £m	Bioresources £m	Total £m
Wholesale charge – wastewater						
Unmeasured – foul charges	31.521	1.431	32.952	29.844	3.108	32.952
Unmeasured – surface water charges	6.508	0.277	6.785	6.145	0.640	6.785
Unmeasured – highway drainage charges	4.667	0.210	4.877	4.417	0.460	4.877
Measured – foul charges	113.238	37.587	150.825	135.967	14.858	150.825
Measured – surface water charges	32.013	6.565	38.578	34.777	3.801	38.578
Measured – highway drainage charges	18.937	5.523	24.460	22.051	2.409	24.460
Third party revenue	–	–	–	–	–	–
Total wholesale wastewater revenue	206.884	51.593	258.477	233.201	25.276	258.477
Wholesale total	388.528	122.532	511.060	254.662	256.398	511.060
Retail revenue						
Unmeasured	6.146	0.001	6.147			
Measured	24.134	0.017	24.151			
Other third party revenue	–	–	–			
Retail total	30.280	0.018	30.298			
Third party revenue – non-price control						
Bulk supplies – water			0.030			
Bulk supplies – wastewater			0.036			
Other third party revenue			–			
Principal services – non-price control						
Other appointed revenue			1.671			
Total appointed revenue			543.095			

Third party revenue within the price control reflects income on development planning and third party non-price control revenue, includes mains and sewer diversions, standpipe hire and other rechargeable works. Bulk supplies relate to treated water supplies to the neighbouring water company.

TABLE 2J – Infrastructure network reinforcement costs

	Network reinforcement capex £m	On site/site specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	0.034	–
Pumping and storage facilities	–	–
Other	–	–
Total	0.034	–
Wholesale wastewater network+ (sewage collection)		
Foul and combined systems	1.360	–
Surface water only systems	0.358	–
Pumping and storage facilities	0.072	–
Other	–	–
Total	1.790	–

Inline with RAG4.10, table 2J includes expenditure on the provision or upgrading of network assets to provide for new customers with no net deterioration of existing levels of service. In 2022/23 most of the expenditure was incurred on infrastructure assets.

TABLE 2K – Infrastructure charges reconciliation

For the 12 months ended 31 March 2023

	Water £m	Wastewater £m	Total £m
Impact of infrastructure charge discounts			
Infrastructure charges	0.941	5.045	5.986
Discounts applied to infrastructure charges	–	–	–
Gross infrastructure charges	0.941	5.045	5.986
Comparison of revenue and costs			
Variance brought forward	5.893	5.532	11.425
Revenue	0.941	5.045	5.986
Costs	(0.034)	(1.790)	(1.824)
Variance carried forward	6.800	8.787	15.587

This is a new table introduced following the introduction of the new developer services charging regime on 1 April 2018. The new charging regime requires an approximate matching of total relevant developer services income (infrastructure charge receipts as reported in table 2E), since 1 April 2018, with infrastructure network reinforcement expenditure, taking account of both actual income and expenditure and income and expenditure forecast for the following five years. Infrastructure network reinforcement expenditure is reported in the preceding table, table 2J, and covers capacity enhancements to treated water distribution and sewage collection assets, including some non-infrastructure assets such as service reservoirs and pumping stations. The over recovery as at 31 March 2023 is attributable to high levels of private housebuilding combined with the timing of investment plans which will see increases in expenditure over the next regulatory period 2020–25.

TABLE 2L – Analysis of land sales

For the 12 months ended 31 March 2023

	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
Proceeds from disposals of protected land	0.317	0.422	–	0.739

During the year, South West Water made seven disposals of protected land, none of these were above the qualifying threshold for reporting to Ofwat and the net benefit of land sales was £0.739 million.

Price review and other segmental reporting – SWB continued

TABLE 2M – Revenue reconciliation – wholesale
For the 12 months ended 31 March 2023

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Revenue recognised					
Wholesale revenue governed by price control	21.461	231.122	233.201	25.276	511.060
Grants and contributions (price control)	–	6.170	7.297	–	13.467
Total revenue governed by wholesale price control	21.461	237.292	240.498	25.276	524.527
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	21.161	223.743	227.214	22.893	495.011
Allowed grants and contributions before adjustments (or modified by CMA)	–	8.199	8.143	–	16.342
Revenue adjustment	(0.885)	(4.860)	(13.437)	–	(19.182)
Other adjustments	0.018	3.490	4.031	0.016	7.555
Revenue cap	20.294	230.572	225.951	22.909	499.726
Calculation of the revenue imbalance					
Revenue cap	20.294	230.572	225.951	22.909	499.726
Revenue recovered	21.461	237.292	240.498	25.276	524.527
Revenue imbalance	(1.167)	(6.720)	(14.547)	(2.367)	(24.801)

When setting the 2022/23 tariffs an overall demand reduction was expected. Households (HH) were expected to continue their trajectory to return to pre-covid historic consumption patterns whilst non-households (NHH) were expected to reduce following a strong market recovery following Covid.

During 2022/23 HH has followed expectation in both customer numbers and demand reduction.

NHH has followed expectation for customer numbers but has continued to show strong post-covid recovery and has seen a significant consumption increase through the CMOS settlement reports instead of the expected decrease.

Whilst Developer Service activity (grants and contributions) continues to recover it remains lower than expected, notably on the Water revenue controls (see table 2E for commentary).

The RFI balances, and associated penalty (c.£0.7m), will be returned to customers through the 2024/25 charge process.

TABLE 2N – Residential retail – social tariffs

	Revenue £m	Number of customers 000s	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs		1.138	
Residential wastewater only social tariffs		0.036	
Residential dual service social tariffs		17.921	
Number of residential customers not on social tariffs			
Residential water only no social tariffs		269.081	
Residential wastewater only no social tariffs		4.991	
Residential dual service no social tariffs		709.688	
Social tariff discount			
Average discount per water only social tariffs customer			30.756
Average discount per wastewater only social tariffs customer			55.556
Average discount per dual service social tariffs customer			117.627
Social tariff cross-subsidy – residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	0.035		
Total customer funded cross-subsidies for wastewater only social tariffs customers	0.002		
Total customer funded cross-subsidies for dual service social tariffs customers	2.108		
Average customer funded cross-subsidy per water only social tariffs customer			0.130
Average customer funded cross-subsidy per wastewater only social tariffs customer			0.398
Average customer funded cross-subsidy per dual service social tariffs customer			2.897
Social tariff cross-subsidy – company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	–		
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	–		
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	–		
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			–
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			–
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			–
Social tariff support – willingness to pay			
Level of support for social tariff customers reflected in business plan			9.370
Maximum contribution to social tariffs supported by customer engagement			9.370

Price review and other segmental reporting – SWB continued

TABLE 20 – Historic cost analysis of intangible fixed assets

	Retail Residential £m	Retail Business £m	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Cost							
At 1 April 2022	1.252	0.139	2.545	49.209	0.137	0.036	53.318
Disposals	–	–	–	–	–	–	–
Additions	–	–	58.114	190.208	–	–	248.322
Adjustments	–	–	–	–	–	–	–
Assets adopted at nil cost	–	–	–	–	–	–	–
At 31 March 2023	1.252	0.139	60.659	239.417	0.137	0.036	301.640
Amortisation							
At 1 April 2022	(1.252)	(0.139)	(0.021)	(0.406)	(0.137)	(0.036)	(1.991)
Disposals	–	–	–	–	–	–	–
Adjustments	–	–	–	–	–	–	–
Charge for year	–	–	–	–	–	–	–
At 31 March 2023	(1.252)	(0.139)	(0.021)	(0.406)	(0.137)	(0.036)	(1.991)
Net book amount at 31 March 2023	–	–	60.638	239.011	–	–	299.649
Net book amount at 1 April 2022	–	–	2.524	48.803	–	–	51.327
Amortisation for year							
Principal services	–	–	–	–	–	–	–
Third party services	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–

The brought forward NBV of intangible assets relates to Goodwill on acquisition of Bournemouth Water. As a result of the statutory transfer of materially all of the trade and assets of Bristol Water plc to South West Water Ltd, SWW recognised Goodwill of £248.322m in intangible fixed assets as an addition. The Goodwill recognised has been apportioned across price controls based on the RCV for Bristol Water determined a FD at 31 March 2023.

Performance summary – SWB


TABLE 3A – Outcome performance – Water common performance commitments

	Unit	Performance level Actual	PCL met?	Outperformance or underperformance payment £m	See page
Financial					
Water quality compliance (CRI)	nr	2.40	No	(0.148)	120
Water supply interruptions	hh:mm:ss	00:08:42	No	(1.360)	120
Leakage	%	9.1	Yes	-	121
Per capita consumption	%	0.8	No	-	122
Mains repairs	nr	141.1	Yes	0.004	122
Unplanned outage	%	0.70	Yes	-	123
Total				(1.504)	
Bespoke PCs – Water and Retail (Financial)					
Taste, smell and colour contacts	nr	1.51	Yes	-	123
Water restrictions placed on customers	nr	1	No	-	123
Resilience in the round – water	nr	1,349	No	(1.062)	124
Operational contacts resolved first time – water	%	95.3	Yes	0.008	124
Number of pollution incidents cat 1-3 (water only)	nr	28	No	(1.736)	124
Biodiversity – Enhancement	Ha	111,515	Yes	-	124
Abstraction incentive mechanism	nr	N/A	Yes	-	125
Efficient delivery of the new Knapp Mill WTW	text	N/A	Yes	-	125
Efficient delivery of the new Alderney WTW	text	N/A	Yes	-	125
Resilient water and wastewater services on the Isles of Scilly	text	Maintained	Yes	-	125
Total				(2.790)	

A summary of penalties and rewards reflected in the period and those recognised at the end of the period is shown below. Forecasts for the remaining years have not been included. However South West Water remains on track to deliver 2025 targets and is focused on delivering improvements for customers and the environment.

We can confirm that we are compliant with all components of the reporting guidelines for all of the common performance commitments with R/A/G compliance checklists. Commentary relating to performance in respect of each performance commitment can be found further in this section.

Summary of penalties and rewards to be reflected in the period and to be recognised at the end of the period

	In Period (-/+)	End of Period (-/+)	Total
3A	(4.294)	-	(4.294)
Per capita consumption		(1.172)	(1.172)
Water restrictions placed on customers	-	(0.176)	(0.176)
Biodiversity – Enhancement	-	4.725	4.725
3B	(3.945)	-	(3.945)
Bathing Water	-	1.656	1.656
3C	(0.697)	-	(0.697)
3D	(0.315)	-	(0.315)
Total	(9.251)	5.033	(4.218)

Key*

Water	Service	Community
Wastewater	Environment	
Customer	Resilience	

* Calendar year incentive.

Performance summary – SWB continued

3A.1 – Compliance risk index (CRI)

The compliance risk index (CRI) is a water quality performance metric defined by the Drinking Water Inspectorate to illustrate the risk of treated water compliance failures. CRI is reported for each calendar year.

The company's CRI performance improved significantly from 3.86 in 2021 to 2.40 in 2022. Whilst above the regulatory deadband of 2.00 (which is also the DWI target) and the performance commitment target of 0.00, this performance is expected to be significantly better than the performance of the industry overall and confirms our drinking water is amongst the best in the UK.

During 2022 there were just 26 sample results which did not meet the standards set in the Water Supply (Water Quality) Regulations 2016. The sample failures which received the highest CRI scores were two microbiological failures and one turbidity failure at three separate water treatment works. Improvement works are being delivered during this 2020-25 period at the two water treatment works with microbiological failures and interim mitigation is in place until then. The turbidity failure was caused by sample presentation and measures have been put in place to replace the sample facilities and prevent a re-occurrence of the failure.

South West Water has continued to make excellent progress through our 'Quality First' programme with respect to the inspection and cleaning of treated water storage tanks which is reducing the risk of future compliance failures. In March 2023 we published our action plan to improve performance in this area and will update this regularly through the year.

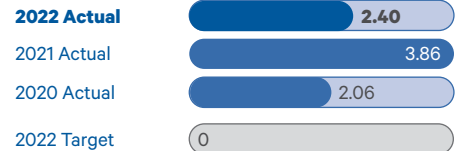
We have major improvement investments at six sites: Alderney (Dorset), Knapp Mill (Hampshire), St Cleer, Restormel and Stithians (Cornwall), and Littlehempston (Devon).

Work is also progressing on improving water quality on the Isles of Scilly. In line with the guidance in the 'PR19 final determinations: South West Water – Outcome performance commitment appendix' document, the Isles of Scilly has been excluded from this commitment, and data provided from the DWI regarding our CRI score received does not include the Isles of Scilly.

2.40



Water quality compliance (CRI) Number



3A.2 Supply Interruptions

We know our customers rely on a continuous supply of high-quality drinking water. The importance of 'always on' supplies, maintaining both public health and customer confidence is one of our key priorities.

A combination of significant trunk main burst events and the impacts of extremes of weather unfortunately meant that we missed our target of 5 minutes 45 seconds (for interruptions of 3 hours or longer). Outside of these events, our performance continues to trend positively, however we know we need to continue to focus on resilience to significant events of this nature.

Where significant events have occurred, alternative supplies were provided to affected customers throughout the lifecycle of these events and our Alternative Water Supplies (AWS) fleet have been extensively deployed to mitigate impacts as far as practicable.

Of note trunk main bursts in Buckfastleigh and Ivybridge were significantly impactful (comprising 60 seconds and 25 seconds respectively of our year end result). These bursts occurred on large diameter trunk mains systems where mitigation options were limited by the scale of the events. In addition to this the extremes of weather experienced in late December saw significant increases in mains burst and subsequent impacts on customer supplies. Burst main events were up 130% on average during the month as freeze and thaw conditions were experienced across our region.

Network teams and our repair partners worked around the clock to mitigate impacts but due to the severe and prolonged nature of the event some customers experienced interruptions to their supplies. Most interruptions were relatively short lived although a number in the most severely affected areas ran over multiple days.

The most impactful supply interruption events during this period occurred in Holcombe Rogus and Axminster areas of East Devon. Issues accessing the burst sites and decreased network storage due to maintenance were significant contributing factors.

Throughout this period every effort was made to provide alternative supplies to customers, although given the widespread scale of the event some customers will have experienced delays in service. We continue to work with our supply chain partners to increase our capability and capacity in this area. Reflecting on our performance in extreme events, we saw a significant improvement in our response, compared to the similar conditions seen during the 2018 'Beast from the East' event, where interruptions over the period were down c. 85%.

Throughout 2022/23, our 'Dial before you Dig' campaign was positively communicated to organisations working in our around buried assets to prevent third-party damage. The campaign will continue to be run over the following year and we are confident that it will continue to raise awareness amongst key stakeholders.

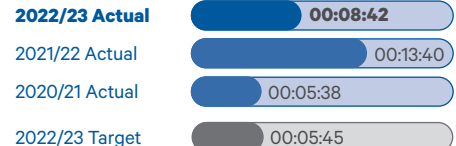
South West Water continue to develop their capability in Alternative Water Supply mitigation techniques, leveraging innovation wherever possible. Our internal tanker fleet continues to provide value and we continue to work with our supply chain partners to ensure our response and recovery processes are optimised.

In accordance with Ofwat's "IN 23/03 Expectations for monopoly company annual reporting 2022-23", we can confirm our supply interruptions data includes interruptions that are greater than or equal to three hours in duration for the current reporting period and the previous two reporting years.

00:08:42



Water supply interruptions hh:mm:ss



3A.3 Leakage

We continued the extensive leakage reduction plans instigated in 2021/22 and utilised a consistent approach to leakage calculations into 2022/23, investing c.£30m in leakage control.

The teams supporting active leakage control increased in size in 2022/23 – with a largely supply chain sourced resource linked to a new agreement with a national company expert in water network operation and leakage control. The professionals supporting us via that framework doubled from the April position. This was directly linked to the arrival of the hot, dry summer and what we now know to have been a climate record breaker. We quickly responded to the chance of leakage being a factor in water scarcity.

The enhanced team stepped-up to the challenge we detected more leaks than ever. Since April 2022 the total number of leaks we've found and fixed averaged at 2,000 per month – with one month seeing 2,500 leaks being detected, reported to us – they were all fixed. Continuing the ambition to find and fix more leaks than ever, we rolled out a completely free customer leak policy to much of the South West.

Over 1,200 of our customers private pipes were fixed or renewed in the year. That saved some 21 million litres of water. Additionally, we reached out to our non-household consumers in our region, offering support with leak detection and repair in some cases. Where non-household customers were identified to have private leaks, they didn't express interest in resolving or taking up our offer of support, we pursued the companies to force a repair. Whilst a last resort, leaks have been fixed following the enforcement process.

The teams involved with finding leaks doubled in number in the year 2022/23. Having the most capable, skilled and proficient is equally important to just numbers of colleagues. To maximise the capability we delivered, and mandated, a specialist leakage progression framework. The project was rolled-out in the year, with 100% of the team achieving the desired level of evidenced competency. The framework included training provision. High on the list of needed training included the requirement for all staff to spend the necessary time operating our new, state of the art, network training centre in Exeter. The centre enables colleagues to experience all aspects of safe and controlled water supply network operation. The benefit of the centre has been recognised outside of SWW, with a peer water company investing in their leakage and network staff attending an adapted version of the courses, some 250 external candidates will have completed the training.

Pressure management remains a core strategy to manage water into supply and leakage. We continued to invest in new pressure control schemes as well as optimisation of schemes delivered in 2021/22. Over 300 existing pressure control values were data logged, analysed and optimised. Ensuring we never fail our enhanced minimum pressure standard, the optimisation effort yielded a reduction in leakage by just over a megalitre.

Acknowledging the transient impacts of events, particularly the December freeze and thaw event, we have been able to maintain a strong repair time performance. From leak identification and location and completion of repair, we have been able to achieve an average duration of 4.5 days – that's every single leak we're aware of and is a leak we are required to repair. Bursts that affect customers supplies, interrupt and/or cause low pressure, those we fixed within just four hours on average in 2022/23.

This multiplicity of activities, and the scaling of them, has contributed to us achieving the performance level for leakage in the year. This means we're tracking positively to have reduced leakage by 15% by the end of this five year investment period – c. 9% to date.

Leakage reporting

On 23 May 2023, Ofwat announced an investigation into South West Water's 2021/22 operational data relating to leakage and per capita consumption. Leakage performance data was reported in South West Water's 2021/22 Annual Performance Report and was subject to rigorous assurance processes including independent external technical assurance.

We have completed further detailed reviews of historically reported data in respect of leakage and per capita consumption.

These detailed reviews have included further advice and assurance from external technical experts. For example, during the year we engaged an independent technical consultant, separate from our current ODI technical assurer to provide additional assurance in respect of the 2021/22 leakage data.

In performing detailed reviews, obtaining further external analysis and through the additional assurance process, we recognise that certain improvements to our process for calculating leakage during 2021/22 to improve accuracy and reflect areas of best practice could be considered changes in methodology and assumptions from the baseline.

We do not believe adjustments are required to 2021/22 leakage data as it is based on an enhanced methodology and remain consistent with compliance reporting requirements (i.e., remain green in the headline areas). We have discussed and agreed with Ofwat that we will undertake a review of previous years leakage assessments, including baseline years, which will recalculate leakage for years prior to 2021/22. We recognise that we could have been clearer in explaining our enhanced approach and assumptions supported by third-party analysis as these have developed.

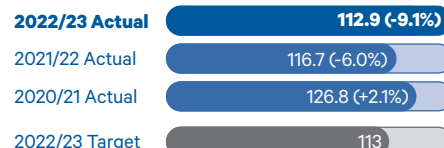
This investigation process is ongoing, and we continue to work openly and constructively with Ofwat to comply with these formal notices issued to South West Water as part of these investigations.

-9.1% (112.9)



Leakage levels

Reduction from baseline (MI/d)



Performance summary – SWB continued

3A.3 Leakage continued

Our underlying approach for calculating leakage and PCC has not changed for 2022/23 and in-year performance reflects the best practise improvements made in 2021/22 with updated input assumptions to reflect the year in review. The calculation of three-year rolling average has been based on the outturn reported in the previous years' Annual Performance Reports and the target reflects the current baseline set in 2020. As we review the historical data, whilst this does not change the outturn for 2022/23, it may change the rolling three-year average position and target. We have agreed this position and approach with Ofwat and are committed to open and transparent discussions as we move through this review.

3A.4 Per capita consumption (PCC)

In 2022/23 we have seen an overall slight reduction in annual household demand (circa 3%). During the last year the South West experienced an extended summer period of hot, dry weather combined with less than expected rainfall through most of the year. To influence household demand and preserve water resources a number of actions were taken by the company.

In the Colliford Water Resource Zone (Cornwall) and Upper Tamar area Temporary Use Bans were implemented in August 2022, which are in still in place. Also in Colliford an innovative incentive scheme, £30 for 30%, launched in November 2022 asking our customers to reduce their demand to help our Colliford Reservoir recover to 30% by the end of December 2022 and in return every customer in the Colliford zone would receive £30. This ran successfully reducing household demand in Colliford by approximately 4% and assisted in recovering Colliford storage levels.

South West Water also proactively initiated an intense media campaign with messaging across the region promoting water efficiency and free water saving devices through the SaveWaterSaveMoney website and in the Colliford area Cenergist, a water efficiency contractor were engaged to carry out household audits which included fixing leaking taps and toilets, installing water saving devices and talking to customers about water use.

The combination of all of these demand reduction and water saving activities will have contributed to this regional, annual reduction. We continue to fund all these activities into 2023/24 and are expanding the reach of these water efficiency measures across other Water Resource Zones.

South West Water has again engaged with an external contractor, Quod, to better understand and measure the impact of non-resident population on company PCC. This analysis uses mobile phone tracing to quantify non-resident population staying in the South West region which is particularly important and relevant to the South West where tourism is such a critical part of our economy compared to other regions of the UK.

Our result for the three-year rolling average for the is 144.9 l/p/d against a performance commitment of 140.7 l/p/d.

In response to Ofwat's investigation into this area we are completing a review of 2020/21 population in line with our approach in 2021/22.

3A.5 Mains Repairs

Decreasing the number of mains failures is vital as it benefits our customers through fewer supply interruptions as well as reducing the necessity for repairs, which have the potential to be locally disruptive. We continue to invest in and optimise operability and control of our network by implementing pressure management and a 'calm network' strategy.

Our leading-edge Network Training Centre plays a vital part in this strategy, teams from across the business and supply chain have attended bespoke calm valving training events. The sessions focus on calm operation of network valving (manual and automated) and the benefit that has on reducing stress on the distribution network.

We continue with a targeted mains replacement programme, focussing on those mains with higher failure rates which also has overlap benefits for supply interruptions.

Performance this year, although within target, has deteriorated from last year's excellent position. This is largely related to the increase in burst main events experienced during the freeze/thaw event that affected our region in late December. Burst main events were also elevated through peak summer as the impacts of the drought and subsequent rapid drying of the ground led to an increase in failure rates through August and September.

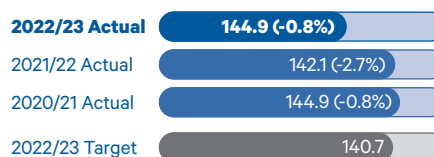
As a result, there have been significantly higher numbers of mains repairs compared to last year. In 2021/22 we were able to significantly outperform our target of 147.0 mains repairs per 1,000 km of mains. Due to the factors detailed above our performance this year equates to 141.1 repairs per 1,000km of mains.

We will continue with our package of continuous improvement and investment initiatives and are confident they will deliver benefits that will continue to underpin our performance in this area.

-0.8% (144.9)  

Per capita consumption

Reduction from baseline (Litres/person/day)



141.1



Mains repairs
Number



3A.6 Unplanned Outage

Water treatment unplanned outage is a means of assessing asset health (primarily for non-infrastructure – above ground assets) relating to water abstraction and water treatment activities. It tracks the temporary loss of production capacity across our 42-water treatment works, resulting from unplanned breakdowns and asset failure. Our performance in 2022/23 has remained strong and compares well with the rest of the industry. This is founded on effective investment and maintenance regimes to ensure that unplanned failures are minimised. This in turn minimises the risk of any production outages resulting in service impacts for our customers.

2022/23 has seen continued progress with our site-based 'MOT' programme, which targets our water treatment works on a prioritised basis assessing asset performance and identifying potential risks to water quality. Identified issues are then addressed in the delivery phase or considered as part of the wider planned investment programme. The impact of drought on our region has meant that we have been particularly focused on maintaining availability of our assets to ensure operational flexibility across our network.

Our performance for 2022/23 was an unplanned outage figure of 0.70%, achieving a significantly better performance than our target of 2.34%.

3A.7 Taste, smell and colour contacts

The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the taste, smell and colour of their tap water. The consumer contact rate for taste and odour contacts improved again this year from 1.55 in 2021 to 1.51 in 2022. This meets our 2022 performance target of 1.51.

Most consumer contacts for this measure are related to discolouration. The company has agreed enhanced expenditure in this area and Regulation 28 improvement notice reduce the risks of consumers experiencing discolouration. The programmes of work being delivered resulted in year on year improvement in this measure.

The primary short-term mitigation for reducing discolouration contacts is through the flushing and conditioning of our network of pipes. This activity has been challenging in most of the region due to the drought in 2022 which has prevented flushing in 2022 and the start of 2023.

Longer term measures to improve discolouration are also agreed with enhancement schemes to deliver improved treatment to remove dissolved metals. During the 2020-25 period, three improvement schemes are being delivered to mitigate the risk of dissolved metals. Further schemes are being considered for 2025-30.

Taste and smell contacts are often caused by internal plumbing issues or by the presence of compounds associated with the growth of algae in our reservoirs. We are experiencing ever an increasing challenge from algae because of climate change. To mitigate the risk of taste and smell we have been investing in improved treatment with activated carbon to remove problem compounds. Three new activated carbon schemes are being delivered this regulatory period and a further schemes are being considered for our 2025-30 business plan.

This metric is calculated using the number of contacts and the resident population as reported to the Drinking Water Inspectorate (DWI). This population varies slightly from table 4R due to timing of measurement (calendar year) and due to this metric not including the Isles of Scilly for the 2020-25 period.

Taste, smell and colour contacts relating to the Isles of Scilly are not included, in line with the guidance in the 'PR19 final determinations: South West Water – Outcome performance commitment appendix' document. Data provided from the DWI regarding our taste, smell and colour contacts received does not include the Isles of Scilly.

3A.8 Water restrictions placed on customers

On 23 August 2022, South West Water introduced the first 'temporary use ban' in the South West Water area in more than 25 years. Restrictions were introduced for households in the Colliford Water Resource Zone and Upper Tamar area and prohibit the use of a hosepipe, including sprinklers, dripper hoses, automatic irrigation systems and similar devices, in most circumstances. It remains in place in July 2023.

The restrictions followed some of the hottest, driest weather on record resulting in severe pressure upon water resources across our region and our duty to protect them.

Since the Covid-19 pandemic impacted the UK in 2020, our region has seen increased demand for water, especially in the Summer months, with an increase in tourists, staycations and occupancy of 'second homes.'

In 2022, this increase in demand was accompanied by drought conditions. Rainfall levels were substantially lower than normal for a sustained period of time. At its lowest point in October 2022, the Colliford reservoir was only just under 15% full. These levels had not been experienced since the reservoir was first filled 40 years ago.

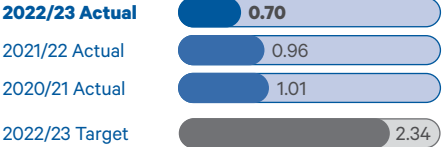
There have been periods of time into Spring 2023 where we have seen intense rainfall over a short period of time, however the amount of water we have been able to abstract from rivers in line with our permits, including through a number of additional abstraction 'drought permits,' has not yet enabled our 28.5 billion litre Colliford reservoir to recharge to normal levels, resulting in the restriction remaining in place.

Although under the definition of this metric, this represents one restriction in 2022/23 during a discrete (albeit prolonged) drought event, we recognise the impact of the restriction has upon customers. In introducing and maintaining such restrictions, we consider this impact upon customers, as well as the risk of further more stringent restrictions if we are not cautious enough.

0.70



Unplanned outage %



1.51



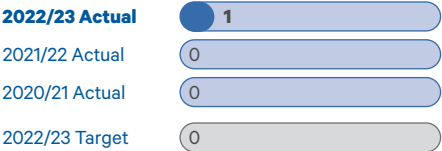
Taste, smell and colour contacts* Number



1



Water restrictions placed on customers Number



Performance summary – SWB continued

3A.8 Water restrictions placed on customers continued

For future resilience of our supply, we are taking action to supplement current availability and storage. We will need to be increasingly resilient to the ever greater climatic challenges we will face. South West Water has built or acquired three new reservoirs in the past 15 years, including our new Hawks Tor reservoir, in a former china clay pit on Bodmin Moor, which will see its first Summer of operation in 2023. We are also in the planning process, developing a desalination plant to supplement the supply into our Restormel Water Treatment Works in mid-Cornwall and are aiming for this to be operational by the end of 2023.

In April 2023, restrictions commensurate with those discussed above in the Colliford Water Resource Zone were also introduced in the Roadford Water Resource Zone, reflecting on the Roadford reservoir level ahead of the Summer period. While we remain reasonably confident that further restrictions will not need to be implemented during 2023, we keep the situation under continual review.

3A.9 Resilience in the round - water

This measure reports the number of properties affected by unplanned interruptions to supply of greater than 12 hours. In 2022/23, 1,349 properties were affected by an unplanned supply interruption greater than 12 hours.

This number was higher than our performance commitment of 641 properties although significantly improved from 2021/22 where the impact of a large-scale third-party damage event resulted in impacts to over 3,000 customers in the Mid and West Cornwall areas where supplies were interrupted for more than 12 hours.

Most of the properties impacted resulted from three events, the first of which was related to a significant trunk mains failure. Due to health and safety and engineering considerations this event led to extended supply interruptions for customers in the Buckfastleigh area. The second and third were related to the freeze/thaw event which impacted our operating region in late December, customers in the Axminster and Holcombe Rogus areas of East Devon experienced extended supply interruptions due to mains failure and decreased storage due to the supplying Service Reservoir being out of service for maintenance.

Overall, performance in this area continues to be positively impacted by South West Water's proactive response and recovery strategy. When we become aware that supplies may be affected, rapid mobilisation of alternative temporary water supply measures is initiated, this is inclusive of both internal and supply chain resources. Without this response, the property count affected here would be considerably higher.

3A.10 Operational contacts resolved first time – water

This performance commitment measures the company's ability to resolve drinking water operational contacts first time without customers needing to contact the company a second time for the same issue. Water again met the 95% committed performance level.

Our aim is to prevent issues happening however, where things do go wrong, our focus remains the speedy attendance and resolution of all queries or problems with emphasis on excellent customer experience. This can be measured through our continuing achievement of this measure.

3A.11 Number of pollution incidents cat 1-3 (water only)

The number of pollution incidents arising from our drinking water assets was 28 which was unfortunately significantly adverse to our target of zero. The incidents were predominantly due to short duration escapes of potable water from burst mains across our water distribution network.

This outturn represents a deterioration in performance from 2021/22 where we recorded eight events against a target of zero. In response we have revisited our culture and training programmes and re-briefed internal and supply chain staff on our pollution management and reporting processes. We have also worked with our supply chain partners to increase audit activity across network repair activities. This will provide further scrutiny and confidence that best practice in managing events is always followed. Incidents relating to the Isles of Scilly are not included, in line with the guidance in the 'PR19 final determinations: South West Water – Outcome performance commitment appendix' document.

3A.12 Biodiversity – Enhancement

Catchment management protects and improves river quality and critical water abstraction sources to provide clean, safe drinking water without the need to provide additional infrastructure. It is supported by our customers as part of our commitment to protect and enhance the environment in the catchments in which we operate. This performance commitment is designed to incentivise an increase in land under active improved catchment management as part of the 'Upstream Thinking' and the more recent 'Green Recovery' project interventions.

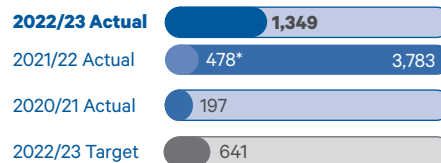
The initial business plan annual target for Upstream Thinking is 10,000 hectares of new land under active improved catchment management (50,000 more hectares over the five-year regulatory period). The Green Recovery programme will deliver a further 10,000 hectares of new land under active management during the four years it will be active leading up to 2025.

1,349



**Resilience in the round – water
Number**

***478 (excl. 3rd party incident)**



95.3



**Operational contacts resolved first time – Water
%**

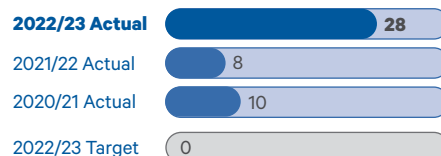


28



**Number of pollution incidents
Category 1-3 (water only)***

Number



* Calendar Year Incentive

111,515



**Biodiversity – Enhancement
Hectares**



3A.12 Biodiversity – Enhancement continued

So far in each year of the 2020-25 regulatory reporting period we have delivered more new land under active catchment management compared to our commitments. In 2022/23 a further 12,282 hectares of land were added to our business plan Upstream Thinking project, whilst a further 3,414 hectares were added to the Green Recovery programme, resulting in an annual delivery of 15,696 against an annual combined target of 12,000 ha. This brings our cumulative position to 111,515 ha of new areas under active catchment management since April 2015. This is above our performance commitment position of 96,209ha.

Upon review, we have included in this cumulative position 316 hectares of land entering active catchment management in 2021/22 which were included in our Green Recovery Annual Report, but omitted from the 3A.12 cumulative total. Given the comparatively small nature of this adjustment, and no impact on achievement of target or any financial reward/penalty, we have not proposed a retrospective adjustment.

3A.13 Abstraction incentive mechanism

The East Devon groundwater sources are important for supply in this area. As such, we included an Abstraction Incentive Mechanism, or AIM, for a key groundwater sources in East Devon for the 2020-25 regulatory period. The purpose of the AIM is to promote the switch of water resource mix if groundwater levels are low. Groundwater levels were such that the AIM scheme was not triggered this year.

We continue to operate these resources in such a way to minimise the associated abstraction in line with the AIM process, in locations either to fill or restore existing hedgerows, unite discrete sections to form a continuous linear habitat, or create new stretches of hedgerows to replace habitat that had existed in the past.

There has been activity to mitigate degradation due to capital delivery projects and the impact of invasive plant species. These include planting to offset tree removal due to ash dieback works, and removal of Himalayan balsam.

Other work has taken the form of strategic planning in terms of invasive species and a proactive programme of habitat maintenance, including a review of grass mowing requirements to balance the need for reservoir safety with the desire to promote grass and flower species diversity at certain sites.

3A.14 Efficient delivery of the new Knapp Mill WTW

The works upgrade is proceeding on track for meeting the water into supply in line with our ODI commitment. During the year, further design and piloting has been completed to reduce power demand and chemical consumption of the proposed scheme, as well as optimising the scope.

We have also been working closely with the local council to secure planning permission. This process remains ongoing, and should it be prolonged may impact the final completion date. We will review our programme when planning permission is obtained.

This scheme is also part of our Green Recovery and further details can be found in the Green Recovery Annual Report published at southwestwater.co.uk/report2023.

3A.15 Efficient delivery of the new Alderney WTW

The works upgrade is proceeding on programme for meeting the water into supply ODI commitment of March 2025. Work has continued on site with the completion of site clearance and enabling works, as well as the installation of foundations and procurement of long-lead items.

A contract has been placed with RSE for the a combined “turn key” work package that will include the ceramic membranes, Ozone generation plant and chemical dosing equipment for the Alderney project. This essential element of the development will be entirely fabricated in RSE's workshop in Scotland, including the building in which it is housed. It will arrive on site in segments and be assembled on a pre formed concrete base on site. This approach will reduce Health and Safety risk, reduce programme risk as the impact of adverse weather is greatly reduced, improve quality and minimise time on site.

3A.16 Resilient water and wastewater services on the Isles of Scilly

South West Water has been operating water and sewerage services on the Isles of Scilly since April 2020 and continues to deliver both long and short term improvements to services for both customers and visitors to the islands. During 2022/23 investments continue to be focused on delivery of improved automation and control of key assets, water sampling to inform future treatment options, water resource modelling and ongoing investigations into robust wastewater treatment on the island of St Marys.

In the period South West Water has also successfully delivered a number of short-term interventions to improve water quality, the most notable of which was a Radon reduction scheme on St Marys.

Our strategy of local recruitment continues to underpin an operational delivery team that are invested in delivering top-quality services for the communities in which they live and work. In addition, our laboratory on St Mary's has gained UKAS accreditation meaning we can undertake a range of water quality microbiological analysis 'on-island' without the need to transport samples back to the mainland. This not only improves resilience but is key to ensuring water quality analysis is undertaken in the timeliest manner, avoiding delays linked to adverse weather.

To date all regulatory deadlines agreed with the DWI and the Environment Agency have been met, work now continues at pace to move to the next stage of the programme which aims to deliver significantly improved water treatment to all islands by 2025.

N/A



Abstraction Incentive Mechanism (AIM)
Score

2022/23 Actual	N/a – on track
2021/22 Actual	N/a – on track
2020/21 Actual	N/a – on track
2022/23 Target	365

Zero (on track)



Efficient delivery of the new Knapp Mill WTW

2022/23 Actual	0
2021/22 Actual	0
2020/21 Actual	0
2022/23 Target	0

Zero (on track)



Efficient delivery of the new Alderney WTW

2022/23 Actual	0
2021/22 Actual	0
2020/21 Actual	0
2022/23 Target	0

Appointed



Resilient water and wastewater services on the
Isles of Scilly

2022/23 Actual	Appointed
2021/22 Actual	Appointed
2020/21 Actual	Appointed
2022/23 Target	Appointed

Performance summary – SWB continued

3A.16 Resilient water and wastewater services on the Isles of Scilly continued

On the wastewater asset base, South West Water has successfully delivered additional emergency storm tank capacity on Tresco. The work was completed with full buy-in from the Tresco Estate Team and carried out during the off-season to minimise disruption to their operation.

South West Water continues to work with all stakeholders across the islands to ensure that delivery of the next phase of the programme is carried out in a considerate and collaborative manner.

TABLE 3B – Outcome performance – Wastewater common performance commitments

		Performance level		Outperformance or underperformance payment	
	Unit	Actual	PCL met?	£m	See page
Common PCs – Wastewater (Financial)					
Internal sewer flooding	number of internal sewer flooding incidents per 10,000 sewer connection	0.63	Yes	4.189	127
Pollution incidents	Pollution incidents per 10,000 km of sewer length	61.93	No	(4.477)	127
Sewer collapses	number of sewer collapses per 1,000 km of all sewers	9.93	Yes	0.224	128
Treatment works compliance	%	99.40	No	-	128
Total				(0.064)	
Bespoke PCs – Wastewater (Financial)					
External sewer flooding incidents	nr	1,816	No	(3.210)	128
Sewer blockages	nr	7,149	No	(0.206)	128
Odour contacts from wastewater treatment works	nr	154	Yes	0.280	129
Descriptive compliance	%	99.4	No	-	129
Compliance with sludge standard	%	99.14	No	(0.064)	129
Resilience in the round – wastewater	nr	223	Yes	0.319	129
Operational contacts resolved first time – wastewater	%	95	Yes	-	130
EPA	nr	2	No	(1.000)	130
Bathing water quality	nr	2	Yes	-	130
Total				(3.881)	

A summary of penalties and rewards reflected in the period and those recognised at the end of the period is shown on page 119. Forecasts for the remaining years have not been included, however South West Water remains on track to deliver 2025 targets and is focused on implementing improvements for customers and the environment.

We can confirm that we are compliant with all components of the reporting guidelines for all of the common performance commitments with R/A/G compliance checklists.

3B.1 Internal sewer flooding

We understand how distressing sewer flooding can be and that how we react when these situations occur is a good indicator of the commitment of care to our customers. Accordingly, we enhanced our response during the year by providing customers with a named SWW contact within our Customer team who will provide liaison and support. Alongside this, we also need to demonstrate our ongoing commitment to reduce the risk of internal sewer floodings.

During 2022/23 the number of internal sewer flooding cases decreased again from the previous year with a total of 50 internal sewer flooding events (or 0.63 per 10,000 sewer connections). This is a significant outperformance against target and again places us as one of the best performers in the industry on this measure.

We continue to investigate internal sewer floodings to determine the root cause and identify the interventions required to mitigate the risk of future repeats. Other key activities include the continuation of a programme to install 9,000 sewer depth monitors at key points within the network to alert us to potential issues, targeted fast-track repair interventions, enhanced programme of educational visits to commercial premises over sewer misuse (fats, oils and grease) and targeted programme of planned sewer cleansing to clear potential problems that could result in an internal sewer flooding.

South West Water is an active participant in all forms of collaborative working and sharing of best practice across the issues faced by the water and wastewater sector. This participation cuts across involvement with cross-company best practice workshop sessions, industry working groups / task and finish groups, innovation projects, Water UK networks/research projects, conferences and other forums.

For wastewater networks, the issues faced here often impact on a number of associated problems including sewer floodings (internal and external), pollutions, blockages and collapses.

South West Water is an active participant in all forms of collaborative working and sharing of best practice across the issues faced by the water and wastewater sector. This participation cuts across involvement with cross-company best practice workshop sessions, industry working groups/task and finish groups, innovation projects, Water UK networks/research projects, conferences and other forums.

During 2022, South West Water has been a participant member of the Water UK led industry-wide best practice workshops on sewage in homes (an initiative to share best practice and reduce the number of internal and external sewer floodings). The initiative was driven by the CEO's of the respective companies jointly committing to work together to reduce cases of sewer flooding. Following this, South West Water and other companies have come together and shared details of the work they've been doing to reduce sewer floodings.

We are an active member of the Sewer Network Abuse Partnership (SNAP) and the Network Protective Forum (NPF) groups which represent all water utilities across the UK – attending meetings and other face to face events on a quarterly basis. The focus of these groups is on reducing sewer misuse, sharing knowledge on activities and experience to reduce misuse that leads to blockages, sewer floodings and pollutions.

In March 2023, South West Water participated at the Hotel Restaurant and Catering (HRC) event at Excel Centre in London, along with other utilities to launch the FOG (fats, oils and grease) Management Guide for food service establishments (FSE's), again with a particular focus on reducing the causes of blockages that lead onto sewer floodings and pollutions

In March 2023, South West Water attended the South West Tourism Awards, and gave a speech regarding sewer misuse whilst presenting the Better Environment Award.

3B.2 Pollution incidents

Our performance on wastewater pollution incidents improved again in 2022 with a 28% reduction on 2021 incidents. We had 108 wastewater category 1-3 incidents in 2022 compared to 151 in 2021. This decrease together with the previous reduction between 2021 and 2020, means that we have reduced wastewater category 1-3 pollution incidents by over 50% over the last 2 years. Pleasingly, the number of category 1-2 pollution incidents reduced to two 2022 from eight in 2021 and we have not had any category 1 incidents since 2018. However, overall we did not fully achieve the targets we set ourselves in the Pollution Incident Reduction Plan and therefore recognise that we have much more to do still to reduce pollutions and protect our environment.

We will improve further by continuing with enhancements already in place and by actioning other performance improvement opportunities that we have set out in a new plan for 2023. Some of the key initiatives are:

- Acceleration of additional telemetry on our sewer network, including 9,000 sewer level monitors, region-wide deployment of AI tool for predictive analytics on storm overflows, increased use of AI tool for detection of bursts on rising mains and intelligent alarms.
- Enhancements to our Control Centre operation to strengthen our 24/7 response to telemetry data.
- Continuation of 'hotspot' investment programme at problematic locations alongside 'Fast-Track' investment funding streams available to operational teams to avoid delay on remedial work.
- Completion of proactive rising mains replacement programme with a further 18 to deliver this year.
- Additional sewer network cleansing.
- Sewer misconnection and commercial FOG (fats, oils and grease) team to drive improved compliance and more rapid response to sewer misuse events.
- Enhancing root cause analysis processes to deliver greater insight into identifying cause, risk and remedial actions.
- Establishing a Wastewater Process and Best Practice Training Centre.

Incidents relating to the Isles of Scilly are not included, in line with the guidance in the 'PR19 final determinations: South West Water – Outcome performance commitment appendix' document.

0.63



Internal sewer flooding incidents

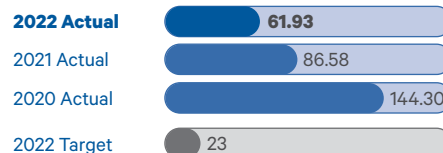
Incidents per 10,000 sewer connections



61.93



Number of pollution incidents
Category 1-3 (wastewater only)*
No. / 10, 000km sewer



Performance summary – SWB continued

3B.3 Sewer collapses

During 2022/23, we've continued good performance outperforming our targets on collapses.

For collapses our performance is 9.93 cases per 1,000km of sewer network against a target of 15.54. This is slightly higher than the 2021/22 value of 6.75 cases per 1,000km of sewer although noting that we have still significantly outperformed our target this year.

As described in table 7C, South West Water has updated its 'Length of formerly private sewers and lateral drains (s105A sewers)' in line with an improved analysis and detailed third-party expert review. This increases the denominator for this metric. We have not retrospectively adjusted the normalised sewer collapses values (shown right) for 2020/21 and 2021/22, as these represent the finalised performance commitment positions in those years for the purposes of calculation of rewards/penalties. If these adjustments were made, the normalised sewer collapses would have been 5.60 in 2021/22 and 8.15 in 2020/21 respectively.

There were 253 occasions during 2022/23 where a failure occurred to the pipe that resulted in either any contact with the company or any unplanned escape of wastewater and resulted in spot repairs or relining. This is higher than 24 in 2021/22 due to the spike in volumes across the summer driven by ground compression due to drought, thus rendering pipes susceptible to this, at risk

3B.4 Treatment works compliance (numeric permitted sites)

South West Water's wastewater treatment works have permitted discharges governed by either numeric or descriptive conditions. Numeric permits place measurable conditions on the final effluent discharged to the environment, whereas descriptive permits place narrative conditions upon the quality of final effluent discharge, avoiding environmental impact or the equipment deployed in the treatment process. South West Water reports performance for each calendar year within each of these categories as well as the percentage of population service by noncompliant works.

In 2022, 313 of the 315 numerically permitted treatment works were compliant (99.40%), with discharges at only two wastewater treatment works deemed non-compliant by the Environment Agency (EA). Our performance commitment of 100% compliance was therefore not achieved, however this was within the industry-wide 'deadband' of 99%.

None of our numeric discharge permits at Drinking Water Treatment Works were deemed non-compliant.

This year our MOT programme, investment plans and targeting third-party compliance, as well as utilising temporary assets over the summer to mitigate process risks, have delivered our best ever score at 99.40% and is expected to be in the top quartile for the industry. We will continue to deliver the actions set out in our action plan to maintain this improved performance

3B.5 External sewer flooding incidents

During 2022/23, the number of external sewer flooding cases increased compared to the previous year, resulting in a total of 1,816 events. Unfortunately, this represents an underperformance against the target for the year.

The increase in external sewer floodings corresponds with an increase also on blockages with a marked rise in numbers on both in the second half of the year. This has likely occurred due to the change between a period of low flow (therefore lowered self-cleansing of the network) allowing debris to solidify in the network during the record-breaking prolonged dry hot summer of 2022 followed by periods of significant rainfall resulting in a rising number of blockages and external sewer floodings.

For 2023/24, we will be actioning an improvement plan specifically targeted to reduce external sewer floodings including increased proactive cleansing on the network and continuing the rollout of sewer depth meters.

3B.6 Sewer blockages

During 2022/23, we've continued good performance by outperforming our targets on both blockages and collapses.

On blockages we had 7,149 cases against a target of 7,020, thereby achieving our target. However, this was an increase on 2021/22 (6,458 cases). The increase in blockages corresponds with an increase on external sewer floodings. We experienced a marked rise in numbers on both in the second half of the year. This has likely occurred due to the change between a period of low flow (therefore lowered self-cleansing of the network) during the record-breaking prolonged dry hot summer of 2022 followed by periods of significant rainfall resulting in a rising number of blockages and external sewer floodings.

For 2023/24, we will be actioning an improvement plan specifically targeted to reduce blockages as we know that these are a lead indicator for flooding and pollutions from our sewer network. We have already increased our activities on reducing sewer misuse by expanding our resource focused on commercial customer compliance (reducing the amount of fat, oils and grease disposed of into the sewer network). We are visiting more commercial premises and providing educational and compliance advice on how people can protect the sewer network from the build-up of deposits that cause blockages, floodings and pollutions. We have also continued with the wider promotional and educational campaigns to all customers around inappropriate products (wet wipes, rags etc.) being disposed of in the sewer network.

9.93



Sewer collapses

Collapses per 1,000km sewers



99.40



Treatment works compliance (numeric)*

%



1,816



External sewer flooding incidents

Number



7,149



Sewer blockages

Number



3B.7 Odour contacts from wastewater treatment works

There were 154 reportable odour contacts for 2022/2023 compared to the target of 210.

A review of odour management plans at several wastewater treatment works, aligned with some additional investment in odour system refurbishment and changes to operational practises, have been successful in constraining odour contacts through a very dry and hot summer, keeping our performance within target.

The change in work life patterns of many of our customers and visitors to the region following the COVID-19 Pandemic has resulted in recent years in a number of repeat and follow up contacts from individual customers when normal operations had been maintained at the wastewater treatment works.

The very dry summer drove the contact traffic with weather conditions linked with multiple contacts from several customers regarding the same issue.

Into the Autumn of 2022, wetter and colder weather reduced contact traffic below historic and target levels for the remainder of the year.

3B.8 Descriptive compliance

Descriptive compliance for 2022 has improved slightly to 99.4% from 99.1% in 2021. Enhanced visits to sites and an increase in resources focused on maintaining Descriptive sites have continued. This is aligned with capital investment where required.

For the sites that failed we have reviewed the causes and where are implementing necessary improvements to reduce the risk of future failures.

In the final Environment Agency report for the year, a third descriptive site failure is listed for 2022. We are currently investigating, however currently do not believe this to be a failure of one of our descriptive permitted sites. Even if this were the case, our performance would have been 99.1% in line with the prior year and within the deadband with no impact to penalty or reward.

3B.9 Compliance with sludge standard

South West Water recycles treated sewage sludge into a valuable resource which can be used as a fertiliser or soil improver on agricultural land. This fertiliser product is known as a bioresource or biosolid. Biosolids recycling to agricultural land is in most circumstances considered to be the Best Practicable Environmental Option and it is a sustainable practice. In addition to valuable nutrients, bioresources also contain organic matter, which benefits agriculture and the environment. Bioresources can be produced in a variety of ways, SWW produce compliant bioresources through anaerobic digestion, lime stabilisation, or a combination of these treatments.

In 2022/23 the company focus on bioresources has been amplified. The regulatory framework for ensuring safe and environmentally useful bioresources is changing. In 2020 we saw the move towards accreditation for the Biosolids Assurance Scheme (BAS) and in 2022 we saw the introduction of 20 best practice guidance measures under Farming Rules for Water (FRfW). FRfW is guidance for good agricultural practice alongside The Reduction & Prevention of Agricultural Diffuse Pollution Regs 2018. Further regulatory changes are due in 2023.

South West Water is currently planning their bioresources strategy for the next 25 years to ensure we can provide compliant bioresources in an environmentally resilient way. We will do this in line with customer needs and regulatory requirements.

In 2022 SWW delivered 99.14% compliance against the Satisfactory Sludge Use and Disposal measure. The Environment Agency set target is 98.2%. Our aim, and performance commitment target, is to ensure 100% compliance. The small percentage not complying with the standard in 2022 was in relation to field store compliance and timely product movement. To ensure best practice within a dynamic environment we continue to work with our partner contractors to ensure the bioresource store inspections and fertiliser application regimes are compliant. In acknowledgement that the system is working, in January 2023 we were successful in retaining our Biosolids Assurance Scheme certification.

3B.10 Resilience in the round – wastewater

This measure relates to the ability to protect and quickly recover treatment processes at wastewater treatment works in the case of extreme weather events. It is measured as the number of resilience action plans put in place for the wastewater treatment works. South West Water has already written a plan for each of the 223 Wastewater treatment works which are located in the 1:1000 extreme flood zone as published by the Environment Agency, against a 2022/23 target of 60.

The plans have been produced in line with our business plan to improve the response and recovery of each wastewater site following any flooding incident.

South West Water is incorporating these plans into Management Systems, developing a briefing to relevant managers and establishing processes for regular reviews of these plans.

154



Odour contacts – wastewater treatment works
Number



99.4



Descriptive compliance*
%



99.14



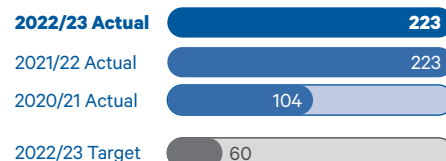
Compliance with sludge standard*
%



223



Resilience in the round – wastewater
Number



Performance summary – SWB continued

3B.11 Operational contacts resolved first time – wastewater

This performance commitment measures the company's ability to resolve wastewater operational contacts first time without customers needing to contact the company a second time for the same issue. Waste again met the 95% committed performance level.

Our aim is to prevent issues happening however where things do go wrong our focus remains the speedy attendance and resolution of all queries or problems with emphasis on excellent customer experience. This can be measured through our continuing achievement of this measure.

95.0



Operational contacts resolved first time – wastewater

%



3B.12 EPA

The EPA is the Environment Agency's assessment of environmental performance. It includes the following measures for the calendar year 2022:

- total pollution incidents (sewerage)
- serious pollution incidents
- self-reporting of pollution incidents
- discharge permit compliance numeric
- delivery of the WINEP
- supply demand balance index (SDBI)
- sludge compliance.

For 2022 we have seen improvements across all areas, except for SDBI where the drought experienced through the long hot dry summer has reduced our supply demand balance.

Despite the continuing improvement plan to reduce total pollution incidents (wastewater), reducing by c.30% for 2022, this remains a red measure for the year. However the 75% reduction in serious pollution incidents and improved self-reporting resulted in these measures being amber for the year.

Permit compliance at 99.4% was our best ever performance and we have cumulatively delivered 536 of the 538 WINEP schemes over the first three years of the 2020-25 period. Two complex shellfish schemes at Exmouth, require additional investments linked to improvements in the next regulatory period. Sludge compliance was reintroduced into the EPA this year and at 99.14% resulted in a green assessment.

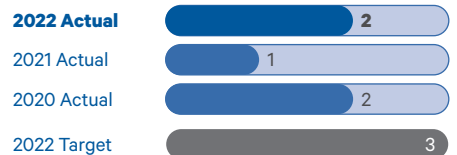
We recognise that there is still more to do in this area as our targets become more stringent. The investments and interventions we are making support our target to improve our overall position, achieving 4 star EPA rating by the end of 2024. Our steadfast focus remains in this area to deliver a meaningful step change in performance. In addition to the significant focus on reducing pollution incidents, which has started to make a significant impact, South West Water is also taking action to improve performance across all areas of the EPA.

2



EPA

Rating



* Calendar Year Incentive

3B.13 Bathing water quality

The purpose of this performance commitment is to incentivise the Company to improve water quality at the beaches designated for swimming within our region. By encouraging the improvement of bathing water quality, this performance commitment will enhance coastal environments, whilst also supporting the continued development of the leisure and tourism industries in the South West region. This performance commitment is based on the following factors:

- the number of bathing waters meeting or exceeding Environment Agency requirements identified in the WINEP
- the number of bathing waters downgraded during 2020-25 (based on Environment Agency annual classification data) where the cause is solely attributable to South West Water
- the number of bathing waters where South West Water is investigating the potential for improved status under the WINEP, and deliver an improved bathing water classification because of improvement actions identified in those investigations (and agreed with the Environment Agency) directly or through partnership activities.

In 2022 there were 150 designated bathing waters in the South West Water region. Of these, 149 were monitored and classified by the Environment Agency, as one beach, Watcombe, was unable to be sampled by the Environment Agency due to access issues.

The Environment Agency's bathing water classification confirms all 149 sites met or exceed / pass the minimum standard 'sufficient' for the 2022 bathing season delivering 100% compliance - for the second year in a row.

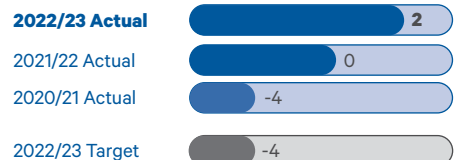
In 2022, 136 bathing beaches remained static i.e. did not change in classification; nine bathing waters improved, these were: Combe Martin and Par Sands that moved from 'sufficient' to 'good'; and Croyde Bay, Gorran Haven Little Perhaver, Ladram Bay, Pendower, Plymouth Hoe (East), Porthcurnick and Portwrinkle that moved from 'good' to 'excellent'. In the same season, four bathing waters deteriorated from 'excellent' to 'good' these were:

2*



Bathing water quality

Number



* 2 represents a net improvement of 10 from the -8 baseline

3B.13 Bathing water quality continued

Porthminster, Readmoney Cove, Swanpool and Teignmouth Town. The audit completed by Jacobs has concluded that none of the four beaches which have deteriorated in class from 'excellent' to 'good' are as a result of South West Water operational assets. Porthluney is our only 'sufficient' bathing water but has no South West Water assets associated with this beach.

During the year we completed works at two beaches (reflecting 10 schemes in the regulatory period to date) to maintain our strong quality position.

During the rest of the 2020-25 regulatory period, further investments will be made in improvements to the performance of our assets. This includes investigations to improve our understanding of current bathing water quality issues, as well as improvement measures at existing assets to reduce the impact of storm overflows.

For the 2023 bathing water season, a newly designated bathing water Firestone (Plymouth) will be part of the Environment Agency's bathing water quality sampling programme. It will therefore also form part of our 2023/24 Annual Performance Report data.

TABLE 3C – Customer measure of experience (C-MeX) table

Item	Unit	Value
Annual customer satisfaction score for the customer service survey	nr	76.84
Annual customer satisfaction score for the customer experience survey	nr	76.06
Annual C-MeX score	nr	76.45
Annual net promoter score	nr	13.50
Total household complaints	nr	7,725
Total connected household properties	nr	1,015,498
Total household complaints per 10,000 connections	nr	76.071
Confirmation of communication channels offered	TRUE or FALSE	TRUE

See page below for further commentary in respect of our C-MeX performance and commentary in this section for further details of our performance in respect of customer service in the round.

C-MeX

While we work hard every day to deliver for our customers, our overall customer satisfaction position has remained stable with SWW positioning 12/17 companies in each of the last three years.

We are now even more accessible to customers than ever before with further modernisation of our contact channels including the introduction of WhatsApp messaging. Alongside this customers can now speak to us digitally at a time that suits them with conversations now taking place 24/7. We have also enhanced our self-serve functionality, stepping up to the cost of living crisis, by giving customers the ability to provide a meter reading and receive a statement at any time so they can better manage their finances.

We also introduced our largest ever community outreach program with a presence in the communities who need our support the most engaging through initiatives including water saving, environmental and affordability, as well as teaching future generations about the value of water.

Support for vulnerable customers has and remains a key focus with 96.9% of customers finding their bill affordable in 2022/23 as we continue on our glidepath to achieve our industry leading commitment to eradicate Water Poverty by 2025.

Whilst we have continued to improve service in these key areas C-MeX performance and wider customer perception has been impacted by the issue of a Temporary Use Ban in Cornwall and a small part of North Devon in August as an environmental drought was declared by the EA following a prolonged period of dry weather.

We know there is more to do and our action plan to achieve our targeted industry ranking of 10/17 next year with engagement and communication being critical in allowing us to understand customer concerns and explain to them what we are doing to resolve them. Our continued focus in 2023/24 is to:

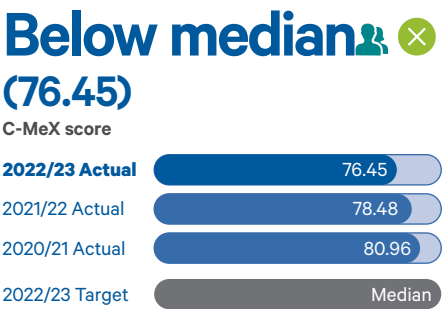
- Change wider customer perceptions through our customer engagement
- Ensure we are open and transparent
- Deliver improvements for the environment through our WaterFit programme
- Ensure that we deliver a service that is 'right first time'.

For the often longer-term challenges, stakeholders and our WaterShare+ Panel are key to showing transparency, openness and building trust with our customers.

SWW has offered 11 communication channels with 7 of these being digital. All communication channels offered are listed below:

Digital channels (7): Email, MyAccount Online Self Service, Webform, Web Messaging ,Web Messaging via WhatsApp, Social media - Facebook, Social Media - Twitter

Other channels (4): Telephone, Letter, SMS, WhatsApp.



Performance summary – SWB continued

TABLE 3D – Developer services measure of experience (D-MeX) table

Item	Unit	Value
Qualitative component annual results	nr	72.27
Quantitative component annual results	nr	99.52
D-MeX score	nr	85.89
Developer services revenue (water)	£m	8.486
Developer services revenue (wastewater)	£m	8.153

See page 133 for further commentary in respect of our D-MeX performance

Calculating the D-MeX quantitative component

Water UK performance metric	Unit	Second reporting period (1 October to 31 March)	Quantitative score (annual)
W1.1 Pre-development enquiry – reports issued	%	98.44%	
W3.1 s45 quotations	%	99.79%	
W4.1 s45 service pipe connections	%	99.67%	
W6.1 Mains design <500 plots - quotations	%	100.00%	
W7.1 Mains design >500 plots - quotations	%	-	
W8.1 Mains construction	%	99.63%	
W17.1 Mains diversions (without constraints) - quotations	%	100.00%	
W17.2 Mains diversions (with constraints) - quotations	%	-	
W18.1 Mains diversions - construction/commissioning	%	100.00%	
W20.1 Self-lay Point of Connection reports <500 plots etc - reports issued	%	-	
W21.1 Self-lay Point of Connection reports >500 plots etc - reports issued	%	-	
W23.1 Self-lay design and terms request <500 plots etc - quotations	%	-	
W24.1 Self-lay design and terms request >500 plots etc - quotations	%	-	
W26.1	%	-	
W27.1 Self-lay permanent water supply - provided	%	-	
W30.1 Self lay references and costing details - issued	%	-	
S1.1 Pre-development enquiry - reports issued	%	97.21%	
S3.1 Sewer requisition design - offers issued	%	97.30%	
S4.1 Sewer requisition - constructed and commissioned	%	100.00%	
S7.1 Adoption legal agreement - draft agreements issued	%	-	
WN1.1 % of confirmations issued to the applicant within target period	%	100.00%	
WN2.2 % Bulk supply offer letters issued to applicant within target period	%	98.84%	
WN4.1 % of main laying schemes constructed/commissioned within target	%	-	
WN4.2 % of testing supplies provided within target period	%	100.00%	
WN4.3 % of permanent supplies made available within the target period	%	100.00%	
SN2.2 % Bulk discharge offer letters issued to the applicant within target	%	98.63%	
SN4.1 % of main laying schemes constructed/commissioned within target	%	-	
SAM 3/1 Update draft agreement	%	99.39%	
SAM 4/1 Inspections and construction period	%	100.00%	
SLPM - S1/2 Review PoC proposal	%	-	
SLPM - S2/2a Provide Design	%	100.00%	
SLPM - S2/2b - Water Company to provide design acceptance	%	100.00%	
SLPM - S3 review/revise Water Adoption agreement	%	100.00%	
SLPM - S4/1 Source of Water Delivery Date	%	100.00%	
SLPM - S5/1a Review request and carry out Final Connection	%	100.00%	
SLPM - S7/1 Validate notification and provide consent to progress with connection	%	100.00%	
D-MeX quantitative score (for the reporting period)	%	99.52%	
D-MeX quantitative score (annual)	nr		1.00

D-MeX

In 2022/23, we delivered a level of service below the median company.

This performance commitment aims to drive improvements in developer services for Developers, Self Lay Providers and new applications and variations (NAV's).

We have improved our score from 84.99 to 85.89 over the past year. We recognise we need to improve our service further and we have development plans in place to drive improved performance and we will deliver on the priorities of our customers who ask for better communication, quality of information and timescales for completed work.

We will be inviting customers to a Market Engagement Event giving customers a platform to speak directly to the team. We will be introducing updates via regular Newsletters issued by email to keep our customers who cannot attend the events informed.

Below median 
(85.89)

D-MeX score

Performance
level

TABLE 3E – Outcome performance – Non financial performance commitments

	Unit	Actual	PCL met?	See page
Common				
Risk of severe restrictions in a drought	%	-	Yes	133
Priority services for customers in vulnerable circumstances – PSR reach	%	7.8	Yes	134
Priority services for customers in vulnerable circumstances – Attempted contacts	%	90.1	Yes	134
Priority services for customers in vulnerable circumstances – Actual contacts	%	47.0	Yes	134
Risk of sewer flooding in a storm	%	7.11	Yes	135
Bespoke PCs				
Total wastewater treatment works (WWTW) compliance	%	99.4	No	135
Customer satisfaction with value for money	%	74	Yes	135
British Standard for inclusive service provision	score	Achieved	Yes	136
Overall satisfaction of services received on the PSR	%	91	Yes	134
Biodiversity – Compliance	nr	-	Yes	136
Biodiversity – Prevent Deterioration	nr	101	Yes	136
Installation of AMR meters	nr	207,271	Yes	136
Number of customers on one of our support tariffs	nr	43,239	Yes	135
Voids for residential retail	%	0.86	Yes	136
Percentage of customers who find their water bill affordable	%	96.9	Yes	135

3E.1 Risk of severe restrictions in a drought


This measure looks at the long-term risk of customers experiencing severe supply restrictions. Our 2020-25 business plan forecast was that we did not expect any customers to be at risk from severe restrictions in 1 in 200 year drought events – this is still the case.

2022 was an extraordinary year where an exceptional shortage of rain – the summer was the 4th driest in 130 years, extreme heat resulting in the hottest year on record, high levels of soil moisture deficit reducing the benefits of any rainfall which did occur, weather factors increasing summer demand from customers for example watering gardens, filling paddling pools and increased demand as a result of population growth in the region due to COVID with greater use of second homes coupled with increased tourism resulted in a situation for our Colliford water resource zone beyond our current WRMP19 1-in-200 design conditions.

Despite these conditions, no customers were without a water supply or had severe restrictions (outside of the temporary use bans) and actual storage in the Colliford reservoir did not reach Level 3 within our drought plan – consistent with the 0% assumed within the 2020-25 business plan.

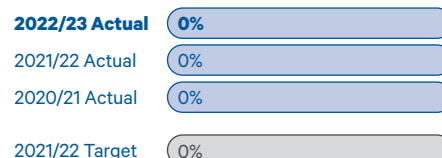
However, recognising the aim of avoiding any restrictions to customers, in the longer term, we are working to address further supply interventions in specific areas of our region, and our Green Recovery annual report provides details of a project 'Water Resources Grid Enablement' which is a reservoir winter storage scheme. This project will provide an increased ability for transfers around our region.

This metric will vary during the regulatory reporting period 2020-25, if companies deliver schemes to reduce risk or if changes are identified to the baseline starting point that was established in the WRMP19/PR19 process. Our 2020-25 business plan did not include any new supply schemes reflecting a 0% baseline. Our planned supply interventions and demand assumptions have been updated in our WRMP19 review for 2023 submitted in July and in compiling our WRMP24 and PR24 plans. As we develop our WRMP across both South West and Bristol we will review and update the long-term outcomes and re-assess this position if required.

Zero 

Risk of severe restrictions in a drought

% of the population that would experience severe supply restrictions in a 1 in 200 year drought



Performance summary – SWB continued

3E.2 Priority services for customers in vulnerable circumstances - PSR reach & 3E.3 Priority services for customers in vulnerable circumstances - Attempted contacts &

3E.4 Priority services for customers in vulnerable circumstances - Actual contacts & 3E.9 Overall satisfaction of services received on the PSR

PSR is a common performance commitment consists of the following criteria:

- The PSR reach percentage of households that are registered for additional support
- Percentage of households on the PSR the company has attempted to contact
- Percentage households on the PSR that the company has contacted

The measure ensures a minimum standard across all companies for the number of household's registered and for data checking.

Each of the three PSR elements was achieved or exceeded in 2022/23 with 78,981 customers registered for extra support, an in-year increase of 20,908 or 36%.

PSR	31 March 2023	Target
Reach (3E.2)	7.8%	3.50%
Attempted (3E.3)	90.1%	90.0%
Actual (3E.4)	47.0%	35.0%

We currently offer 10 different services for customers requiring additional support ranging from a braille bill to a water delivery in an emergency. Customers can register for as many of these services as they require with a water delivery in an emergency being the most prevalent additional support required with 84% of customers on PSR registered for this service.

Through the development of our affordability and vulnerability toolkit, we have empowered our staff to identify all types of vulnerability, from transient to long-term, to find the right support for our customers through enhanced, innovative training and ongoing support.

We have been supported in the development of our Affordability and Vulnerability Training program, delivered to both Contact Centre and Field Staff, by external partners such as the mental health charity MIND and Dementia Friends. This has enabled us to provide additional insight and awareness for all customer service staff so that they are able to recognise potential and emerging vulnerabilities.

Our retained accreditation of the BS 18477 standard for Inclusive Service provision was specific to the identification and responding to vulnerability. We had a very successful external audit, conducted by BSI, in February 2022 and are currently working towards the new BSI 22458, with the assessment scheduled within 2023/24.

From April South West Water will join a two-way data sharing arrangement with the two principal energy network operators. An important first step in achieving Ofwat's and CCW's vision of joined up vulnerability data across both sectors. This approach will see the number of customers on the non means tested PSR register who require additional support further increase.

91



Overall satisfaction of services received on the PSR



Achieved



Priority services register



7.8



PSR - Reach



90.1



PSR - Attempted contacts



47.0



PSR - Actual contacts



83



Percentage of satisfied vulnerable customers %



3E.5 Risk of sewer flooding in a storm

This metric has been designed to measure the resilience of South West Water's drainage systems to assess existing and future resilience to extreme wet weather events causing sewers to flood. The aim is to prioritise investment, engage more extensively in partnership working and with customers, and importantly, to focus the development of long-term planning strategies with a view to reducing the chances that residential and business customers will be flooded in future. We currently have a 2022/23 commitment to have no more than 29.7% of the region's population at risk from internal hydraulic flooding, and we are currently forecasting well below this figure at 7.13% (a significant improvement on our 2021/22 success of 9.83%)

3E.6 Total wastewater treatment works (WWTW) compliance

This measure is a combination of performance at our numerically permitted discharges at treatment works (measure 3B.4) and at our descriptive sites (3B.8). As each of those measures have performance of 99.4% compliance, this total measure also has 99.4% performance.

As noted in commentary for those metrics, performance has improved in 2022 compared to the previous year, and for numerically permitted sites, our performance was at our best ever level. Our target is for no failing sites, and where failures occur, we review the reasons and implement improvements (whether to process or assets) as required. Both of the component measures have a deadband of 99%.

3E.7 Customer satisfaction with value for money & 3E.15 Percentage of customers who find their water bill affordable & 3E.13 Number of customers on one of our support tariffs

We are pleased to report that we have achieved each of these three linked performance commitments this year.

Our region has a higher proportion of households with lower-than-average incomes. This, coupled with the size of customer's water bills not being uniform across England and Wales, means that nowhere has the cost-of-living crisis impact more acutely than in the South West.

The definition of Water Poverty is where any customers bill is more than 5% of equivalised income. SWW have made measurable industry leading Business Plan commitments to eradicate Water Poverty by 2025, ahead of the CCW's 2030 ambition, which we are pleased to report we are on track to achieve this with 96.9% of customers who find their bill affordable exceeding our glidepath target of 95.2% as we aim to eradicate Water Poverty by 2025.

To achieve this at the end of March 2023 43,239 SWW customers were benefiting from and being brought out of Water Poverty through a support tariff in 2022-23. This is an in year increase of 10,984 or 38%.

The innovative use of data is at the forefront of eradicating poverty, allowing us to identify and reach out to the struggling silent. Through this and our Datashare agreements we are now able to identify, proactively engage with and auto enrol individual customers who are in Water Poverty onto support tariffs, with over 8,000 customers benefitting to date since being launched in July.

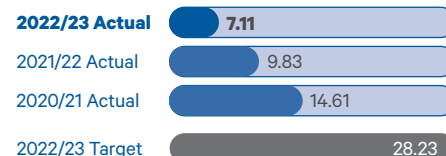
Whilst our first focus is always on keeping bills low we know that there is more to do and we are undertaking a wide range of actions and initiatives to help all our customers during these unprecedented times including from April 2023 removing the benefits eligibility criteria to receive support.

Through this we expect the number of SWW customers benefiting from support tariffs to grow to 59,000 next year with a further 6,000 customers brought out of Water Poverty through our targeted Lowest Price Guarantee metering and water efficiency programs.

7.11



Risk of sewer flooding in a storm
% of population at risk of sewer flooding
in 1 in 50 year storm



99.4



Total wastewater treatment works (WWTW) compliance*
%



74



Customer satisfaction with value for money
%



96.9



Percentage of customers who find their water bill affordable
%



43,239



Number of customers on one of our support tariffs
Number



Performance summary – SWB continued

3E.8 British Standard for inclusive service provision

We maintained our certification under BS 18477:2010, the British Standard for Inclusive Service Provision, the scope of which includes identifying and responding to consumer vulnerability for the supply of water and wastewater services. Assessment covered not only the quality of services for PSR customers, but also our wider service provision to all customers in vulnerable circumstances, regardless of whether they are registered for the PSR.

In the forthcoming 12 months, South West Water is planning to upgrade to the new “BS ISO 22458: Consumer vulnerability. Requirements and guidelines for the design and delivery of inclusive service”, which has been developed from the British Standard BS 18477.

In line with the standard, the British Standards Institution (BSI) has also introduced the BSI Inclusive Service Kitemark for Water Provision. This BSI Kitemark has been tailored to demonstrate best practice for Water Provision and has been designed to align with Ofwat requirements. South West Water also intends to put in place a programme to achieve this Kitemark.

3E.10 Biodiversity – Compliance

During 2022, there were no category 1 or 2 pollutions events at any relevant locations and therefore as in the previous two years, the target was met. Relevant locations include freshwater Natura 2000 sites, Special Sites of Scientific Interest and Country Wildlife Sites (ecologically sensitive locations).

This outcome supports our commitment to achieving the outcomes of the Government Environmental Improvement plan and its ambitions to improve the condition of all Sites of Special Scientific Interest in the next ten years.

Incidents relating to the Isles of Scilly are not included, in line with the guidance in the ‘PR19 final determinations: South West Water – Outcome performance commitment appendix’ document.

3E.11 Biodiversity - Prevent Deterioration

Invasive non-native species (INNS) can impact on all aspects of the business with significant operational, compliance, reputational and financial risks and are one of the most significant causes of biodiversity loss globally.

This measure is to incentivise the delivery of biosecurity installations at South West Water sites, to prevent the introduction of new and spread of existing INNS.

This programme has been accelerated for the third year and we are exceeding our targets:

- our commitment was to install a range of signs at 100 sites – 20 signs a year over the five years 2020–25. However, we are ahead of schedule having installed signs at 90 sites over the first three years of the regulatory period
- we also committed to installing 12 biosecurity wash down facilities over the five year period. Again, we are ahead of schedule and have installed 11 facilities to date and are scoping for two further watercraft wash downs for this AMP. Our exemplar biosecurity wash down facilities at Roadford, includes a pressure washer for watercraft, an angling dip tank, and a boot scrub.

We continue to work closely with South West Lakes Trust who are monitoring use of this biosecurity hub. Uptake has been great as site visitors are aware that these measures help protect the water supply, recreational activities, and wildlife.

3E.12 Installation of AMR meters

Our customers tell us they want us to help all customers use less water to protect valuable resources and support household budgeting. To do this it is important that as many customers as possible receive accurate and timely bills.

Installing meters with automatic meter reading capability (AMR) means we can take even more regular meter readings, reducing the need to send estimated bills. AMR meters also help us to detect if water is being used continuously, which might indicate a leak and can help customers avoid unnecessarily high bills.

In 2022/23 we achieved and exceeded the AMR target for third consecutive year.

Since 2017/18 all new meters installed have been AMR whether this be a new connection, where a customer applies for a meter or a meter exchange.

In addition to this, we have continued our partnership with Aqua Logic, who work to retro-fit AMR radio units onto existing visual read meters. This enables them to be read remotely and become Smart meter enabled allowing for more regular meter readings, reducing the need to send estimated bills, and providing customers accurate bills which are so important for families to be able to manage their finances as the cost of living poses real financial challenges for customers, some for the first time.

The AMR retro-fit program is undertaken using a geographic approach so that travel requirements are minimised, carbon impact is reduced, and the number of retro-fit installations is maximised.

Maintained



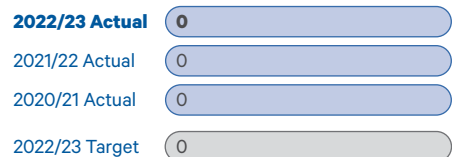
British Standard for inclusive service provision



Zero



Biodiversity – Compliance Number



101



Biodiversity – Prevent Deterioration Number



207,271



Installation of AMR meters Number



3E. 14 Voids for residential retail

Investigating and reducing the number of properties that do not pay for the services they receive is the right thing to do and fair to everyone who pays their bill.

Void properties are defined as chargeable premises which are recorded as vacant with no charges levied as of 31 March each year.

The void percentage achieved in 2022/23 was 0.86%, which is just within the target of 0.87%.

Robust void management is an important factor in ensuring customers are billed accurately and fairly and that customers who may require additional support can be quickly identified.

To do this we have developed and operate several activities and processes that help us to ensure that we proactively identify and prevent properties from becoming void including.

- Data collection at the point of contact where a customer moves into or vacates a property
- Previous and Current Occupier Tracing and Data Sharing – utilising data through multiple sources to identify occupants

0.86

Void properties
%



TABLE 3F – Underlying calculations for common performance commitments – water and retail

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)			
Performance commitments set in standardised units – Water								
Mains repairs – Reactive		Mains repairs per 1000 km	Mains length in km	18,546.00	1,796	96.84		
Mains repairs – Proactive		Mains repairs per 1000 km	Mains length in km	18,546.00	820	44.21		
Mains repairs		Mains repairs per 1000 km	Mains length in km	18,546.00	2,616	141.05		
Per capita consumption (PCC)	lpd	Population		2,306.97	352	152.60		
	Unit	Performance level – actual (2019-20)	Performance level – actual (2020-21)	Performance level – actual (2021-22)	Baseline	Performance level – actual (2022-23)	Performance level 3 year average	Calculated performance level to compare against PCLs
Performance commitments measured against a calculated baseline								
Leakage	MI/d	123.5	136.0	90.6	124.2	112.2	112.9	9.1
Per capita consumption (PCC)	lpd	144.0	138.6	143.6	146.0	152.6	144.9	0.8
		Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual number of minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions								
Water supply interruptions		Average number of minutes lost per property per year	Number of properties	1,092.53	9,505,011	26,479	00:08:42	
				Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %		
Unplanned or planned outage								
Unplanned outage				897.11	6.26	0.70%		
	Total Residential properties	PSR household	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts	Attempted contacts %	Number of actual contacts	Actual contacts %
Priority services for customers in vulnerable circumstances								
Priority services for customers in vulnerable circumstances	1,006.77	78,981	7.8%	45,093	40,634	90.1%	21,201	47.0%

Performance summary – SWB continued

TABLE 3G – Underlying calculations for common performance commitments – wastewater

		Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual current reporting year	Calculated performance level
Performance commitments set in standardised units						
Internal sewer flooding – customer proactively reported	As per outcome performance commitment appendix	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	798.26	45	0.56
Internal sewer flooding – company reactively identified (i.e. neighbouring properties)	As per outcome performance commitment appendix	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	798.26	5	0.06
Internal sewer flooding	As per outcome performance commitment appendix	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	798.26	50	0.63
Pollution incidents	As per outcome performance commitment appendix	Pollution incidents per 10,000 km of sewer length	Sewer length in km	17,440.00	108	61.93
Sewer collapses	As per outcome performance commitment appendix	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km ¹	19,243.00	191	9.93

1. The sewer length used in the calculation of pollution incidents per 10,000km of sewer length reflects an historic assessment as required in the definition of the performance commitment.

Initial calculation of
performance payments
(excluding CMEX and DMEX)
£m (2017-18 prices)

TABLE 3I – Supplementary outcomes information

Risk of severe restrictions in drought

Risk of severe restrictions in drought ¹	764.09	9.69	613.54	60.63	2,258.70	0.00
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1. In line with the ODI guidance, values used for output and demand in the calculations for risk of severe restrictions in a drought align to Water Resources Management Plan values. Actual demand has increased, and is reflected in table 6B Consumption. This change is driven by the Covid-19 pandemic which has led to a significant increase in the population in the region, resulting in increased household and non-household demand.

Sewer collapses

Sewer collapses 253

Additional regulatory information – service level – SWB



TABLE 4A – Water bulk supply information

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Golf Links Reservoir, Lyme Regis, Dorset, DT7 – SWTBWE2 – Charmouth / Lyme Regis	4.560	–	0.009
Wellington Monument Road, Hemyock, Devon, EX15 – SWTBWE1	11.160	–	0.022
Reciprocal Resilience agreement – SBWBWE2 – (Canford Bottom / Corfe Hills)	63.640	–	–
Stubhampton / Crichel	–	–	–
Whiteparish / Standlynch	–	–	–
Total bulk supply exports	79.360	–	0.031
Bulk supply imports			
Reciprocal Resilience agreement – SBWBWE2 – (Canford Bottom / Corfe Hills)		83.050	–
Total bulk supply imports		83.050	–

The reciprocal resilience agreement (Canford Bottom / Corfe Hills) is a long standing agreement with Wessex Water in our Bournemouth Water area. This agreement is based upon equal imports and exports over the longer term (i.e. net zero import/export). Operating costs in respect of the bulk supply exports and imports are limited in the year to limited trivial maintenance costs in respect of metering equipment.

Exports and imports were significantly lower this year reflecting the need to use the interconnecting main to support upgrades at the Alderney treatment works.



Additional regulatory information – service level – SWB continued

4B – Analysis of Debt

In accordance with RAG 3.14, point 2.7, table 4B is not required to be included as part of the APR due to its size, but it is included within the APR tables on our website.

TABLE 4C – Impact of price control performance to date on RCV

	12 months ended 31 March 2023			
	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed Totex (net of business rates, abstraction licence fees and grants and contributions)	10.292	178.275	172.901	21.389
Actual Totex (net of business rates, abstraction licence fees and grants and contributions)	45.480	219.557	240.825	23.589
Transition expenditure	–	–	–	–
Disallowable costs	0.160	0.740	2.586	0.464
Total actual Totex (net of business rates, abstraction licence fees and grants and contributions)	45.320	218.817	238.239	23.125
Variance	35.028	40.542	65.338	1.736
Variance due to timing of expenditure	–	–	–	–
Variance due to efficiency	35.028	40.542	65.338	1.736
Customer cost sharing rate – Outperformance	50.00%	50.00%	50.00%	–
Customer Cost Sharing Rate – Underperformance	50.00%	50.00%	50.00%	–
Customer share of Totex overspend	17.514	20.271	32.669	–
Customer share of Totex underspend	–	–	–	–
Company share of Totex overspend	17.514	20.271	32.669	1.736
Company share of Totex underspend	–	–	–	–
Totex – business rates and abstraction licence fees				
Final determination allowed Totex – business rates and abstraction licence fees	7.409	23.056	6.262	0.846
Actual Totex – business rates and abstraction licence fees	7.699	21.310	4.954	1.414
Variance – business rates and abstraction licence fees	0.290	(1.746)	(1.308)	0.568
Customer cost sharing rate – business rates	75.00%	75.00%	75.00%	–
Customer cost sharing rate – Abstraction licence fees	75.00%	75.00%	75.00%	–
Customer share of Totex over/underspend – business rates and abstraction licence fees	0.218	(1.310)	(0.981)	–
Company share of Totex over/underspend – business rates and abstraction licence fees	0.073	(0.437)	(0.327)	0.568
Totex not subject to cost sharing				
Final determination allowed Totex – not subject to cost sharing	0.296	5.068	1.760	–
Actual Totex – not subject to cost sharing	0.160	1.013	3.253	0.464
Variance – 100% company allocation	(0.136)	(4.055)	1.493	0.464
Total company share of Totex over/under spend	17.732	18.962	31.688	–
RCV				
Total Customer share of Totex over/under spend	17.732	18.962	31.688	–
PAYG rate	77.79%	55.68%	53.03%	74.64%
RCV element of Totex over/underspend	3.938	8.404	14.884	–
Adjustment for ODI outperformance payment or underperformance payment				
Green recovery				
RCV determined at FD at 31 March				
Projected 'shadow' RCV				

The RCV balance used, is inclusive of the IFRS 16 lease adjustment, this is in line with the letter published 18 May 2020 by David Black.

Price control period to date				
	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m
	30.377	458.004	522.619	59.152
	74.659	510.397	558.891	62.707
	–	–	–	–
	0.314	1.794	4.234	0.761
	74.345	508.603	554.657	61.946
	43.968	50.599	32.038	2.794
	3.374	21.180	38.996	1.850
	40.594	29.419	(6.958)	0.944
	50.00%	50.00%	50.00%	–
	50.00%	50.00%	50.00%	–
	20.297	14.710	–	–
	–	–	(3.479)	–
	20.297	14.710	–	0.944
	–	–	(3.479)	–
	20.789	64.696	17.571	2.374
	21.716	63.588	14.986	3.522
	0.927	(1.108)	(2.585)	1.148
	75.00%	75.00%	75.00%	–
	75.00%	75.00%	75.00%	–
	0.695	(0.831)	(1.939)	–
	0.232	(0.277)	(0.646)	1.148
	0.490	13.224	4.987	–
	0.314	6.291	5.265	0.761
	(0.176)	(6.933)	0.278	0.761
	20.992	13.879	(5.418)	–
	20.992	13.879	(5.418)	–
	75.48%	62.90%	49.44%	76.02%
	5.147	5.149	(2.739)	–
	1.273	(0.038)	1.007	–
	3.613	7.455	3.736	–
	167.296	1,707.016	2,036.623	90.978
	177.329	1,719.582	2,038.627	90.978

Additional regulatory information – service level – SWB continued

TABLE 4C – Commentary

Wholesale

Table 4C indicates the impact on the RCV at the end of the price control period as a result of cumulative performance to date. For 2022/23 it also includes an adjustment related to the Green Recovery spend as per table 4U.

The year end RCV figures in nominal terms are published by Ofwat on an annual basis, however for PR19 SWW have to adjust these figures to include the IFRS16 leases which were omitted from the opening PR19 RCV in the FD. The published value for 2022/23 is £3,972.4m, the IFRS16 lease adjustment is £29.5m, giving a total of £4,001.9m. This adjustment has been made in accordance with the logic applied to the FD RCV by Ofwat in the 2023 Regulatory Capital Value publication, and the letter dated 11 February 2020 from Ofwat quantifying the omission in 17–18 CPIH deflated prices

Table 4C summary	Water £m	Wastewater £m	Total Wholesale £m
Final determination allowance excluding business rates, abstraction licences and grants and contributions	188.6	194.3	382.9
FD allowance business rates and abstraction licences	30.5	7.1	37.6
	219.0	201.4	420.4
Actual excluding business rates, abstraction licences and grants and contributions	265.0	264.4	529.5
Actual business rates and abstraction licence	29.0	6.4	35.4
Total	294.0	270.8	564.9

Totex is significantly higher than the Final Determination and prior year for water resources, water network plus and wastewater network plus but broadly in line for bioresources.

Water resources expenditure in the year includes additional costs associated with the response to the ongoing drought conditions that commenced in the summer of 2022. This includes additional abstraction licenses and associated costs and additional capital to increase available resources including repurposing quarries and commencing plans for a desalination plant in Cornwall.

Water network plus addition costs reflect the ramp up in costs at the new treatment works in Bournemouth and accelerated leakage and other network replacement activity to support challenging leakage performance targets to 2025 and 2030.

Wastewater network plus additional costs compared to the Final Determination include our additional commitments made as part of our WaterFit initiatives. This includes accelerated costs to reduce storm overflow usage and to support improvements in pollutions reduction as we work towards our target of 4* EPA by 2024.

TABLE 4D – Totex analysis – water resources and water network+

	Network+					
	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure						
Base operating expenditure	24.986	5.423	–	63.194	59.271	152.874
Enhancement operating expenditure	1.181	–	–	–	–	1.181
Developer services operating expenditure	–	–	–	–	2.508	2.508
Total operating expenditure excluding third party services	26.167	5.423	–	63.194	61.779	156.563
Third party services	–	–	–	–	1.179	1.179
Total operating expenditure	26.167	5.423	–	63.194	62.958	157.742
Grants and contributions						
Grants and contributions – operating expenditure	–	–	–	–	6.573	6.573
Capital expenditure						
Base capital expenditure	4.966	0.160	–	35.963	43.588	84.677
Enhancement capital expenditure	25.637	3.483	–	26.848	5.693	61.661
Developer services capital expenditure	–	–	–	–	9.635	9.635
Total gross capital expenditure (excluding third party services)	30.603	3.643	–	62.811	58.916	155.973
Third party services	–	–	–	–	–	–
Total gross capital expenditure	30.603	3.643	–	62.811	58.916	155.973
Grants and contributions						
Grants and contributions – capital expenditure	–	–	–	–	3.734	3.734
Net Totex	56.770	9.066	–	126.005	111.567	303.408
Cash expenditure						
Pension deficit recovery payments	–	–	–	–	–	–
Other cash items	–	–	–	–	–	–
Totex including cash items	56.770	9.066	–	126.005	111.567	303.408
Atypical expenditure						
	–	–	–	–	–	–
Total atypical expenditure	–	–	–	–	–	–

Operating expenditure

Base operating expenditure has increased year on year by £44.089m (£157.742m in 22/23 and £117.059m in 21/22). The increase in expenditure is driven by an increase in power and chemical prices and additional activity in response to the drought conditions during 2022/23 including additional permits, tankering and pumped storage costs.

Capital expenditure

Gross capital expenditure has increased by £58.886m (£155.973m in 22/23, £97.087m in 21/22). The increase in expenditure is driven by an increased focus on water resources as part of our drought plan together with increased expenditure on Upstream Thinking. Raw Water transport increases reflect the North Devon Water Resources green recovery programme. Water treatment costs have increased as we meet legislative obligations, with installation of secondary filters and work on GAC and UV at certain sites.

Grants and contributions have increased with additional expenditure on our Upstream Thinking programme and CREWW research.

Additional regulatory information – service level – SWB continued

TABLE 4E – Totex analysis – wastewater network+ and bioresources

	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Imported sludge liquor treatment £m	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	
Operating expenditure									
Base operating expenditure	30.592	8.201	1.583	74.112	3.729	4.016	12.073	4.155	138.461
Enhancement operating expenditure	–	–	–	–	–	–	–	–	–
Developer services operating expenditure	0.184	–	–	–	–	–	–	–	0.184
Total operating expenditure excluding third party services									
Third party services	30.776	8.201	1.583	74.112	3.729	4.016	12.073	4.155	138.645
	–	–	–	–	–	–	–	–	–
Total operating expenditure	30.776	8.201	1.583	74.112	3.729	4.016	12.073	4.155	138.645
Grants and contributions									
Grants and contributions – operating expenditure	4.118	1.098	0.212	–	–	–	–	–	5.428
Capital expenditure									
Base capital expenditure	27.627	7.270	1.454	42.362	1.765	–	4.759	–	85.237
Enhancement capital expenditure	14.575	3.836	0.767	30.505	1.270	–	–	–	50.953
Developer services capital expenditure	5.795	1.490	0.298	–	–	–	–	–	7.583
Total gross capital expenditure (excluding third party)	47.997	12.596	2.519	72.867	3.035	–	4.759	–	143.773
Third party services	–	–	–	–	–	–	–	–	–
Total gross capital expenditure	47.997	12.596	2.519	72.867	3.035	–	4.759	–	143.773
Grants and contributions									
Grants and contributions – capital expenditure	1.556	0.409	0.082	–	–	–	–	–	2.047
Net Totex	73.099	19.290	3.808	146.979	6.764	4.016	16.832	4.155	274.943
Cash expenditure									
Pension deficit recovery payments	–	–	–	–	–	–	–	–	–
Other cash items	–	–	–	–	–	–	–	–	–
Totex including cash items	73.099	19.290	3.808	146.979	6.764	4.016	16.832	4.155	274.943

	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Imported sludge liquor treatment £m	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	
Atypical expenditure	–	–	–	–	–	–	–	–	–
Total atypical expenditure	–	–	–	–	–	–	–	–	–

Operating expenditure

Base operating expenditure has increased year on year by £31.595m driven by an increase in power and chemical prices, continued investment in our people and support from our external partner teams to proactively maintain our wastewater assets and drive better communications with our external stakeholders.

Capital expenditure

Gross capital expenditure has increased by £40.738m (£143.772m in 22/23, £103.034 in 21/22). The increase in expenditure is driven by an increase on sewage treatment and disposal.

The increase in base expenditure is driven by additional spend on pollutions investment across the foul network, together with higher reactive expenditure at wastewater treatment works. The increase in enhanced expenditure is due to increases in legislative bathing water and shellfish water. Sewage Treatment costs are also increased due to a split in new reporting lines and include costs for wastewater flow compliance, flow to full treatment, storm sewage schemes as well as an increase in expenditure on phosphorus removal schemes.

TABLE 4F – Major project expenditure for wholesale water by purpose

South West Water does not have any Water projects that satisfy the Ofwat definition of a major project in the context of table 4F.

TABLE 4G – Major project expenditure for wholesale wastewater by purpose

South West Water does not have any Wastewater projects that satisfy the Ofwat definition of a major project in the context table 4G.

TABLE 4H – Financial metrics as at 31 March 2023

	Current year £m	AMP to date
Financial indicators		
Net debt	2,429.010	
Regulatory equity	1,572.903	
Regulatory gearing	60.70%	
Post tax return on regulatory equity	0.09%	
RORE (return on regulatory equity)	9.31%	8.09%
Dividend yield	0.58%	
Retail profit margin – Household	–	
Retail profit margin – Non household	0.01%	
Credit rating – Fitch	N/A	
Credit rating – Moody's	N/A	
Credit rating – Standard & Poor's	N/A	
Return on RCV	2.95%	
Dividend cover	0.90	
Funds from operations (FFO)	97.923	
Interest cover (cash)	1.75	
Adjusted interest cover (cash)	0.29	
FFO/Net debt	0.04	
Effective tax rate	(22.55%)	
RCF	45.839	
RCF/Net debt	0.02	
Borrowings		
Proportion of borrowings which are fixed rate	69.07%	
Proportion of borrowings which are floating rate	21.44%	
Proportion of borrowings which are index linked	9.48%	
Proportion of borrowings due within 1 year or less	2.32%	
Proportion of borrowings due in more than 1 year but no more than 2 years	3.51%	
Proportion of borrowings due in more than 2 years but no more than 5 years	14.50%	
Proportion of borrowings due in more than 5 years but no more than 20 years	55.22%	
Proportion of borrowings due in more than 20 years	24.44%	

South West Water does not have a credit rating as this is not a licence requirement.

South West Water monitors several metrics (including those within the Regulatory Reporting table 4H) as outlined below:

Regulatory Capital Value (RCV)

RCV is the financial base used by Ofwat to allow a rate of return and set prices at each Periodic Review. At 31 March 2023 RCV equalled £4,001.9m with CPIH at the year end of 8.84%. Year-end RCV at 31 March 2022 was £3,623.2m.

Regulated gearing

The regulated gearing of 60.7% including IFRS 16 has been calculated as year end net debt as a proportion of RCV with Ofwat's notional regulated gearing for the regulatory period 2020–25 set at 60.0%.

Post tax return on regulated equity

The post-tax return on regulated equity of 0.09% has been calculated as profit after current tax for the appointed business as a percentage of year average regulated equity of £1,444.3m.

Dividend yield

The dividend yield of 0.58% is calculated as the total appointed dividend for the year of £91m on the year end regulated equity of £1,572.4m.

Additional regulatory information – service level – SWB continued

Table 4H Commentary

Dividend cover

The dividend is covered 0.9 times and has been calculated as the profits of the appointed business for the year before dividends divided by total appointed dividend.

Interest cover

South West Water has access to overall interest rates that are amongst the lowest in the water industry. Reported interest cover of 1.7 times for 2022/23 is lower than prior year. Covenants on an underlying basis are maintained with sufficient headroom.

Adjusted interest cover

Adjusted interest cover of 0.29 times for 2022/23 is lower than prior year. This adjusted interest cover deducts regulatory depreciation (which is defined in the Final Determination) from the funds from operations calculated as covering interest.

Return on regulated equity

South West Water's strong financial performance has contributed to a RORE of 9.3%.

Financing

Our efficient financing strategy continues to drive outperformance with South West Water's effective interest rate at 4.7% in nominal terms, lower than Ofwat's nominal cost of debt of 11.1% (based on a real rate of 2.16% for 2022/23). While recent increases in inflation are driving an increase in finance costs of index-linked debt, we continue to outperform the cost of debt allowances through our flexible financing strategy and the Company's diverse debt portfolio, with a relatively lower level of index-linked debt compared to the industry average.

Effective tax rate

The tax rate differs from the standard rate of corporation tax primarily due to super deductions and first year capital allowances on qualifying assets.

Proportion of index-linked debt

The percentage of index-linked debt has reduced due to RPI linked swaps and the repayment of a Bristol Water bond.

TABLE 4I – Financial derivatives

Derivative type	Financial derivatives – Total								
	Nominal value by maturity (net) at 31 March				Total value at 31 March			Interest rate	
	0 to 1 years £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to Market £m	Total accretion at 31 March £m	Payable %	Receivable %
Interest rate swap (sterling)									
Floating to fixed rate	10.000	240.400	368.000	235.000	853.400	(52.288)	–	1.536%	2.283%
Floating from fixed rate	–	–	–	–	–	–	–	–	–
Floating to index linked	–	–	–	–	–	–	–	–	–
Floating from index linked	–	–	–	–	–	–	–	–	–
Fixed to index-linked	–	–	–	–	–	–	–	–	–
Fixed from index-linked	–	300.000	–	–	300.000	4.376	–	7.957%	12.867%
Index-linked to index-linked	–	–	–	–	–	–	–	–	–
Total	10.000	540.400	368.000	235.000	1,153.400	(47.912)	–		
Total financial derivatives	10.000	540.400	368.000	235.000	1,153.400	(47.912)	–		

The only financial derivatives South West Water have are type D (Other Swaps)

South West Water has rate swaps which are used to swap floating rate and index linked debt. The table above has been compiled on the basis of swap value and maturity, rather than the underlying debt instrument.

TABLE 4J – Base expenditure analysis – water resources and water network+

	Water network+					
	Water resources £m	Raw water distribution £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure						
Power	9.126	3.576	–	29.625	6.639	48.966
Income treated as negative expenditure	(1.069)	(0.121)	–	(0.024)	(0.006)	(1.220)
Bulk supply	–	–	–	–	–	–
Renewals expensed in year (infrastructure)	–	–	–	–	6.996	6.996
Renewals expensed in year (non-infrastructure)	–	–	–	–	–	–
Other operating expenditure	9.230	0.979	–	30.560	28.145	68.914
Local authority and Cumulo rates	2.200	0.644	–	2.869	17.278	22.991
Service charges						
Canal & River Trust abstraction charges/discharge consents	–	–	–	–	–	–
Environment Agency/NRW abstraction charges/discharge consents	5.499	0.345	–	0.164	0.010	6.018
Other abstraction charges/discharge consent	–	–	–	–	–	–
Other operating expenditure						
Costs associated with Traffic Management Act	–	–	–	–	0.209	0.209
Costs associated with lane rental schemes	–	–	–	–	–	–
Statutory water softening	–	–	–	–	–	–
Total base operating expenditure	24.986	5.423	–	63.194	59.271	152.874
Capital expenditure						
Maintaining the long term capability of the assets – infra	0.472	0.160	–	0.205	34.696	35.533
Maintaining the long term capability of the assets – non-infra	4.494	–	–	35.758	8.892	49.144
Total base capital expenditure	4.966	0.160	–	35.963	43.588	84.677
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act	–	–	–	–	–	–

Total base operating expenditure has increased year on year by £42.908m (2022/23 is £152.874 and 2021/22 is £109.966m). The most significant increase is in power costs that have increased by £25.500m (2022/23 is £48.966m and 2021/22 is £23.466m). The largest driver of this increase in power cost is the price payable for electricity, which has increased by over 70% year on year. In addition we also saw an increase in Network Demand in terms of additional pumping to increase resilience in response to the drought conditions.

Other Operating Expenditure has increased year on year by £17.955m (2022/23 is £68.914m and 2021/22 is £50.959m). This has been driven by an increase in costs associated with our response to the drought conditions, ensuring continuity of supply for Cornwall, including implementing water tankering, developing drought permits, water efficiency devices and campaigns, standby incident support and additional expenditure on chemicals predominantly driven by chemical price increases.

Additional regulatory information – service level – SWB continued

TABLE 4K – Base expenditure analysis – wastewater network+ and bioresources

	Expenditure in report year								
	Wastewater network+					Bioresources			
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Sludge liquor treatment £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	Total £m
Operating expenditure									
Power	9.700	2.553	0.511	23.407	3.328	–	3.309	0.004	42.812
Income treated as negative expenditure	(0.004)	(0.001)	–	(0.015)	–	–	(0.358)	–	(0.378)
Bulk supply	–	–	–	–	–	–	–	–	–
Renewals expensed in year (infrastructure)	6.083	1.601	0.320	–	–	–	–	–	8.004
Renewals expensed in year (non–infrastructure)	–	–	–	–	–	–	–	–	–
Other operating expenditure	13.625	3.732	0.747	42.962	0.401	4.016	7.712	4.147	77.342
Local authority and Cumulo rates	0.096	0.025	0.005	4.828	–	–	1.410	0.004	6.368
Service Charges									
Canal & River Trust discharge consents	–	–	–	–	–	–	–	–	–
Environment Agency/ NRW discharge consents	1.090	0.290	–	2.930	–	–	–	–	4.310
Other discharge charges/permits	–	–	–	–	–	–	–	–	–
Other expenditure									
Costs associated with Traffic Management Act	0.002	0.001	–	–	–	–	–	–	0.003
Costs associated with lane rental schemes	–	–	–	–	–	–	–	–	–
Costs associated with Industrial Emissions Directive	–	–	–	–	–	–	–	–	–
Total base operating expenditure	30.592	8.201	1.583	74.112	3.729	4.016	12.073	4.155	138.461
Capital expenditure									
Maintaining the long term capability of the assets – infra	16.415	4.320	0.864	0.103	0.004	–	–	–	21.706
Maintaining the long term capability of the assets – non–infra	11.212	2.950	0.590	42.259	1.761	–	4.759	–	63.531
Total base capital expenditure	27.627	7.270	1.454	42.362	1.765	–	4.759	–	85.237
Traffic Management Act									
Projects incurring costs associated with Traffic Management Act	–	–	–	–	–	–	–	–	–
Operating expenditure (AMP 7 shadow reported values)									
Power	0.237	0.062	0.012	0.573	0.081	–	–	–	0.965
Income treated as negative expenditure	–	–	–	–	–	–	(0.965)	–	(0.965)

Base operating expenditure has increased year on year by £31.595m driven by an increase in power and chemical prices, continued investment in our people and support from our external partner teams to proactively maintain our wastewater assets and drive better communications with our external stakeholders.

4L – Enhancement expenditure for the 12 months ended 31 March 2023 – water resources and water network+

In accordance with RAG 3.14, point 2.7, table 4L is not required to be included as part of the APR due to its size.

A summarised version of this table, showing totex, is produced below showing the comparison between cumulative actual spend and cumulative allowed spend in 2022/23 prices.

Line description	Cumulative expenditure on all schemes to reporting year end Total £m	Cumulative allowed expenditure on all schemes to reporting year end Total £m	Cumulative allowed expenditure on all schemes 2020–25 Total £m
EA/NRW environmental programme (WINEP/NEP)			
Ecological improvements at abstractions	1.498	2.167	3.613
Eels Regulations (measures at intakes)	0.661	0.776	1.266
Invasive Non Native Species	0.759	1.434	2.391
Drinking Water Protected Areas (schemes)	1.329	3.110	5.262
Water Framework Directive measures	0.686	0.404	0.680
Total environmental programme expenditure	4.933	7.891	13.212
Supply–demand balance			
Supply–side improvements delivering benefits in 2020–2025	12.857	6.562	17.454
Demand–side improvements delivering benefits in 2020–2025 (excl leakage and metering)	1.564	1.327	2.321
Leakage improvements delivering benefits in 2020–2025	–	0.567	1.671
Strategic regional water resources	–	2.046	4.640
Total supply demand expenditure	14.421	10.502	26.086
Total metering expenditure	13.076	8.246	17.349
Other enhancement			
Improvements to taste, odour and colour	2.807	5.001	8.748
Addressing raw water deterioration (total)	45.332	57.561	114.520
Enhancing resilience to low probability high consequence events	16.207	32.150	63.398
Meeting lead standards (total)	0.977	6.663	16.393
Security – SEMD	0.080	1.077	1.884
Security – Non–SEMD	0.674	1.077	1.884
Additional line 3 – Clean Water Isles of Scilly	3.473	6.121	10.671
Total other enhancement expenditure	69.550	109.650	217.498
Total enhancement expenditure	101.980	136.289	274.145

Cumulative expenditure is lower than the allowed profile, but higher in year at 96% reflecting a different profile of delivery than assumed in the determination. For Water this primarily reflects the timing of the new treatment works in Bournemouth impacting both enhancing resilience and addressing raw water deterioration lines.

Funding for improvements with the Final Determination was split for some large projects between base and enhancement. For consistency we have treated those projects the same, using the same allocation to base and enhanced.

The summary table below shows the cumulative expenditure as a proportion of allowed expenditure by year. We have not included higher than allowed leakage expenditure as enhancement despite a proportion of it contributing to a reduction in leakage ODI. The summary tables below highlight the extent of cumulative enhanced spend including and excluding the substantial leakage expenditure.

Water enhancement	2020/21	2021/22	2022/23
Excluding leakage	67.4%	56.3%	73.9%
Including leakage	95.1%	77.6%	88.4%

Additional regulatory information – service level – SWB continued

TABLE 4L - commentary continued

Drinking water protected areas – This reflects expenditure to contribute to the long-term sustainability of water supplies in our area. This is being delivered through our upstream thinking programme with the full allowance planned to be spent within the regulatory period.

Supply side improvements – Expenditure is significantly higher than allowances reflecting additional water resources developed and commissioned during the year. This includes purchasing and building pipelines at Porth Rialton and Blackpool pit to transport new raw water supplies to treatment works enabling additional capacity.

Demand side improvements – As part of a campaign to reduce customer demand during 2022/23, c.130,000 devices were given to customers to help reduce their consumption, including water butts, flow meters and other water saving devices. This has been treated as an enhanced operating cost due to the benefit to water consumption in response to the drought conditions.

Improvements to taste, odour and colour – Investments include targeted mains replacements as supported by the DWI with c.£3.7m of the total of c.£4.7m included for this.

Addressing raw water deterioration – The DWI supported investments at Littlehempston, Restormel, Stithians and St Cleer in addition to apportioning 20% of costs at Knapp Mill and Alderney treatment works in Bournemouth. All projects at each site is underway. The cumulative expenditure is lower than allowances reflecting some slight delays in works in Bournemouth due to planning issues, but we are still expecting to meet regulatory deadlines.

Enhancing resilience to low probability high consequence events – Our programme includes prevention of flooding at four sites, improvements in operational technology control system networks at water treatment works and network enhancements to reduce customer single source exposure phased evenly over the regulatory period in addition to 30% of expenditure at Knapp Mill and Alderney treatment works. The costs to date primarily reflect Knapp Mill and Alderney.

Isles of Scilly - Investments to date continue to be focused on delivery of improved automation and control of key assets, water sampling to inform future treatment options, water resource modelling and ongoing investigations into robust wastewater treatment on the island of St Marys.

In the period to date South West Water has also successfully delivered a number of short-term interventions to improve water quality, the most notable of which was a Radon reduction scheme on St Marys.

To date all regulatory deadlines agreed with the DWI and the Environment Agency have been met, work now continues at pace to move to the next stage of the programme which aims to deliver significantly improved water treatment to all islands by 2025.

4M – Enhancement expenditure for the 12 months ended 31 March 2023 – wastewater network+ and bioresources

In accordance with RAG 3.14, point 2.7, table 4M is not required to be included as part of the APR due to its size.

A summarised version of this table, showing totex, is produced below showing the comparison between cumulative actual spend and cumulative allowed spend in 2022/23 prices.

	Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020–25
Line description	Total £m	Total £m	Total £m
EA/NRW environmental programme (WINEP/NEP)			
Conservation drivers	0.156	3.436	4.994
Event Duration Monitoring at intermittent discharges	5.415	3.893	5.659
Flow monitoring at sewage treatment works	3.562	1.324	1.924
Schemes to increase flow to full treatment	14.355	23.865	34.690
Schemes to increase storm tank capacity	11.829	14.446	20.999
Total for storage schemes in the network to reduce spill frequency at CSOs etc (grey + green)	28.125	38.427	55.991
Chemical removals schemes	–	2.060	2.994
Chemicals monitoring/ investigations/ options appraisals	0.560	2.193	3.188
Phosphorus removal	11.239	22.358	32.499
Reduction of sanitary parameters	0.683	8.569	12.456
UV disinfection (or similar)	0.588	0.810	1.177
Investigations	3.518	2.692	3.913
Total environmental programme expenditure	80.030	124.073	180.484
Other enhancement			
First time sewerage	0.315	0.822	1.195
Enhancing resilience to low probability high consequence events	1.026	2.965	4.310
Security – SEMD	0.088	0.029	0.042
Security – Non-SEMD	0.115	0.029	0.042
Additional line 1 - WW Bathing and Shellfish Waters additional requirements	0.987	–	–
Additional line 2 - Downstream thinking	1.018	–	–
Additional line 3 - WW Isles of Scilly	0.731	6.102	9.174
Additional line 5 - Green recovery	–	0.000	0.000
Total other enhancement expenditure	3.293	9.947	14.763
Total enhancement expenditure	83.323	134.020	195.247

Cumulative expenditure is lower than the allowed profile, but higher in year at 126% reflecting a different profile of delivery agreed with the Environment Agency than assumed in the determination. Enhancement projects associated with phosphorus and schemes associated with increasing flow to full treatment currently have lower spend than that allowed but these schemes are progressing well and costs are likely to fall into the 2023/24 financial reporting year. Expenditure over the 5 year regulatory period is expected to be higher than the allowance due to cost pressures and additional WaterFit commitments to support our environmental goals.

Funding for improvements with the Final Determination was split for some large projects between base and enhancement. For consistency we have treated those projects the same, using the same allocation to base and enhanced.

The summary table below shows the cumulative expenditure as a proportion of allowed expenditure by year. We have not included the reducing flooding risk expenditure cumulative totals in line with Ofwat's table. However we believe this activity is largely enhancement spend by nature and has contributed to our leading position with regard to internal sewer flooding. The summary table below shows what the cumulative enhanced spend would have been had it included the additional reduction of flooding risk activity.

Wastewater enhancement	2020/21	2021/22	2022/23
Excluding reduce flooding risk	40.7%	38.3%	62.9%
Including reduce flooding risk	62.8%	52.6%	74.1%

Additional regulatory information – service level – SWB continued

TABLE 4M - commentary

Conservation drivers – this includes planned expenditure at wastewater treatment sites to support the control of non-native species at location of sites of special scientific interest. Expenditure to date on control of non-native species has focused on reservoirs and rivers where the risk is greatest and these costs are shown within the water enhancement table.

Event duration monitors (EDMs) – include planned expenditure over the regulatory period to install EDMs at combined sewer overflows. To support our environmental ambitions, we have accelerated and expanded our plan with 100% of monitors were installed by the end of the year. The cumulative expenditure is therefore higher than allowances.

Flow monitoring at sewage treatment works – This includes the installation of flow monitors at our wastewater treatment works in addition to certification at 240 sites. Expenditure is higher than allowances due to a number of factors including increased scope of works required by the EA the acceleration of these schemes.

Schemes to increase flow to full treatment – Investments covered within the WINEP U_IMP5 driver and requires upsizing 15 sites to increase the flow to full treatment (FFT) to meet updated EA guidance. This was profiled evenly in the determination, but subsequently an updated profile was agreed with the EA with dates weighted towards the last three years, reflecting the lower spend to date compared to allowances. To date 6 have been completed in addition to expenditure incurred at Radford, and to improve FFT at these locations in addition to the WINEP requirement.

Schemes to increase storm tank capacity – Our planned programme was agreed with the EA to identify the highest priority sites requiring increased storm tank capacity at wastewater treatment works with the spend profiled evenly over 5 years. We subsequently agreed an updated priority and phasing of schemes that is different from this profile, reflecting the lower spend to date compared to allowances. Of the 58 sites identified in the WINEP, 19 have been completed so far with the remainder on track for delivery before March 2025.

Total for storage schemes in the network to reduce spill frequency at CSOs – This programme included storage schemes on the network to reduce spill frequency at combined sewer overflows primarily at key bathing and shellfish waters. In the year key investments have been completed at Bude, Cornwall and Galmpton, Devon. For shellfish waters all schemes were delivered except Exmouth where whilst we have completed some substantive works in the catchment, the final solution is more complex and is linked to significant investment plans in the next regulatory period. Further expenditure will be undertaken in the next two years exceeding the allowances to 2025.

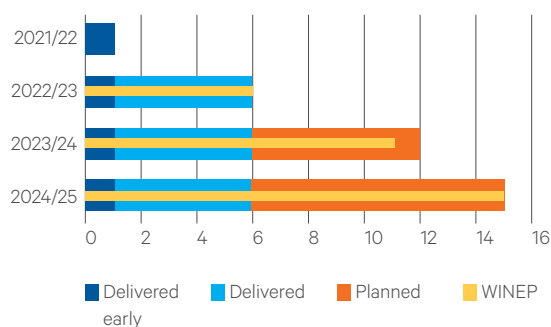
Chemical removals schemes – This relates to schemes at Pelynt and Looe in Cornwall regarding the potential for elevated levels of zinc and tributyltin. Sampling has indicated that the original need is not currently required, however regular monitoring takes place to ensure that the chemical levels remain below requirements. These allowances will be utilised to support additional expenditure requirements, unless found to be needed later in the regulatory period, elsewhere in the wastewater enhanced programme.

Phosphorus removal – This includes investments to remove phosphorus at activated sludge and filter bed wastewater treatment works including installation of chemical dosing plants and tertiary solids removal at 33 sites. To date 4 have been completed, however cumulative expenditure includes significant investigations at all sites to establish the appropriate solution, with activity underway on 25 sites. We remain on track for completion ahead of agreed regulatory deadlines.

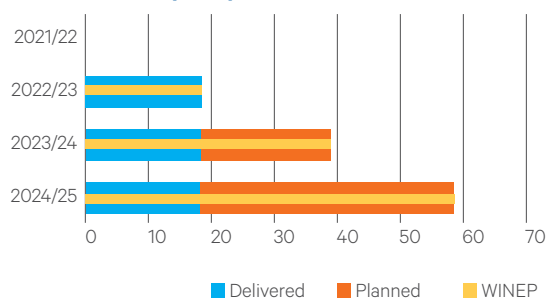
Reduction of sanitary parameters – The programme includes the reduction on sanitary parameters including ammonia and biochemical oxygen demand at seven wastewater treatment sites and includes the installation of additional biological treatment. Expenditure to date relates to improvements at Kilmington wastewater treatment works. The remaining sites are planned for year the last two years. The most significant investment planned is at Gwennap wastewater treatment works.

Isles of Scilly – investments on the Isles of Scilly include improvements within the sewerage system and pumping stations and a significantly upgraded wastewater treatment works on St Marys. Expenditure to date has focused on setting up an enhanced operational presence on the islands and resolving legacy issues and recorded as base expenditure. The majority of enhanced investments are being planned over the remaining two years of the regulatory period.

Flow to full treatment



Storm tank capacity



Phosphorus schemes

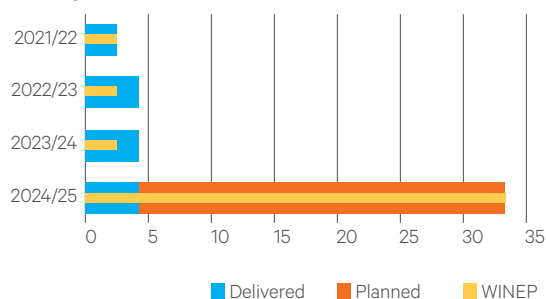


TABLE 4N – Developer services expenditure – water resources and water network+

	CAPEX £m	Treated water distribution	
		OPEX £m	TOTEX £m
New connections	5.464	0.510	5.974
Requisition mains	4.137	–	4.137
Infrastructure network reinforcement	0.034	–	0.034
s185 diversions	–	1.083	1.083
Other price controlled activities	–	–	–
Total developer services expenditure	9.635	1.593	11.228

New connections costs have increased by £0.116m driven by set up costs for a new offshore customer support function and the roll out of new customer engagement software. S185 Diversions Opex has decreased by £0.819m (2022/23 £1.083m and 2021/22 £1.902m) driven by reduced activity due to the slowdown in the housing market.

TABLE 4O – Developer services expenditure – wastewater network+ and bioresources

	Wastewater network+					Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Sludge liquor treatment £m	
CAPEX						
New connections	–	–	–	–	–	–
Requisition sewers	4.435	1.132	0.226	–	–	5.793
Infrastructure network reinforcement	1.360	0.358	0.072	–	–	1.790
s185 diversions	–	–	–	–	–	–
Other price controlled activities	–	–	–	–	–	–
Total total developer services capex	5.795	1.490	0.298	–	–	7.583
OPEX						
New connections	0.029	–	–	–	–	0.029
Requisition sewers	–	–	–	–	–	–
Infrastructure network reinforcement	–	–	–	–	–	–
s185 diversions	0.081	–	–	–	–	0.081
Other price controlled activities	0.085	–	–	–	–	0.085
Total total developer services OPEX	0.195	–	–	–	–	0.195
TOTEX						
Total developer services expenditure	5.990	1.490	0.298	–	–	7.778

S185 diversion expenditure has decreased by £0.063m (2022/23 £0.081m and 2021/21 £0.144m) driven by reduced activity due to the slowdown in the housing market.

Additional regulatory information – service level – SWB continued

TABLE 4P – Expenditure on non-price control diversions

	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
CAPEX				
Costs associated with NSWRA diversions	–	–	–	–
Costs associated with other non-price control diversions	–	–	–	–
Other developer services non-price control totex	–	–	–	–
Developer Services Non Price Control Capex	–	–	–	–
OPEX				
Costs associated with NSWRA diversions	–	0.915	(0.011)	0.904
Costs associated with other non-price control diversions	–	–	–	–
Other developer services non-price control totex	–	–	–	–
Developer Services Non Price Control Opex	–	0.915	(0.011)	0.904
Non-price control diversions				
Costs associated with NSWRA diversions	–	0.915	(0.011)	0.904
Costs associated with other non-price control diversions	–	–	–	–
Other developer services non-price control totex	–	–	–	–
Developer services non-price control totex	–	0.915	(0.011)	0.904

Diversions are all treated as operating costs. The reduction year on year is due to exceptional highways schemes in the prior year.

TABLE 4Q – Developer services – Non financial information

	Water nr	Wastewater nr	Total nr
Connections volume data			
New connections (residential – excluding NAVs)	7,671	6,562	14,233
New connections (business – excluding NAVs)	866	110	976
Total new connections served by incumbent	8,537	6,672	15,209
New connections – SLPs	651		
Properties volume data			
New properties (residential – excluding NAVs)	7,671	6,562	14,233
New properties (business – excluding NAVs)	866	110	976
Total new properties served by incumbent	8,537	6,672	15,209
New residential properties served by NAVs	33	56	89
New business properties served by NAVs	–	–	–
Total new properties served by NAVs	33	56	89
Total new properties	8,570	6,728	15,298
New properties – SLP connections	651		
New water mains data			
Length of new mains (km) – requisitions	36		
Length of new mains (km) – SLPs	10		

TABLE 4R – Connected properties, customers and population

	Units	Unmeasured	Measured	Total	Voids
Customer numbers – average during the year					
Residential water only customers	000s	80.338	189.790	270.128	1.836
Residential wastewater only customers	000s	2.104	2.922	5.026	0.110
Residential water and wastewater customers	000s	89.649	637.662	727.311	6.672
Total residential customers	000s	172.091	830.374	1,002.465	8.618
Business water only customers	000s	1.538	34.227	35.765	3.821
Business wastewater only customers	000s	0.630	0.229	0.859	0.110
Business water & wastewater customers	000s	1.490	39.285	40.775	2.213
Total business customers	000s	3.658	73.741	77.399	6.144
Total customers	000s	175.749	904.115	1,079.864	14.762

Property numbers – average during the year	Units	Water			Wastewater		
		Unmeasured	Measured	Total	Unmeasured	Measured	Total
Residential properties billed	000s	169.986	827.452	997.438	91.753	640.585	732.338
Residential void properties	000s			8.508			6.783
Total connected residential properties	000s			1,005.946			739.121
Business properties billed	000s	3.028	73.512	76.540	2.120	39.513	41.633
Business void properties	000s			6.034			2.323
Total connected business properties	000s			82.574			43.956
Total connected properties	000s			1,088.520			783.077

Property and meter numbers – at end of year (31 March)	Units	Unmeasured					Measured				
		No meter	Basic meter	AMI Meter (capable)	AMI Meter (active)	Total	Basic meter	AMR meter	AMI Meter (capable)	AMI Meter (active)	Total
											Total
Total new residential properties connected in year	000s	–	–	–	–	–	–	7.671	–	–	7.671
Total new business properties connected in year	000s	–	–	–	–	–	0.027	0.787	0.052	–	0.866
Residential properties billed at year end	000s	148.994	14.060	5.017	0.005	168.076	656.070	–	177.016	0.193	833.279
Residential void properties at year end	000s					5.439					3.155
Total connected residential properties at year end	000s					173.515					836.434
Business properties billed at year end	000s	3.010	–	–	–	3.010	67.100	–	6.598	0.006	73.704
Business void properties at year end	000s					0.825					5.041
Total connected business properties at year end	000s					3.835					78.745
Total connected properties at year end	000s					177.350					915.179

Population data				Units	Water	Wastewater
Resident population				000s	2,279.851	1,660.705
Non-resident population				000s		139.393

Household population data	Units	DPs	Water		Total
			Resident population	Non-resident population	
Household population	000s	3	2,234.922	72.050	2,306.972
Household measured population (water only)	000s	3	1,861.030	59.996	1,921.026
Household unmeasured population (water only)	000s	3	373.892	12.054	385.946

There are no unmeasured new connections in 2022/23. In line with South West Water's policy during the year, all new connections have an AMR or AMI meter installed and as such all new meters are smart meters. In accordance with Ofwat's "IN 23/03 Expectations for monopoly company annual reporting 2022-23", we can confirm our total connected properties do not include cattle troughs in the current reporting year or the previous two years.

Additional regulatory information – service level – SWB continued

Green Recovery

As a result of the additional expenditure allowed by Ofwat following the submission of our Green Recovery plans, three additional tables are required showing expenditure and the impact on RCV arising from Green Recovery. In addition tables 10A and 10D show the associated operational metrics. South West Water has also published an additional document with further commentary on the five individual projects which can be found on our website.

All expenditure related to Green Recovery reflects a timing of spend within the regulatory period and therefore no change in the expected shadow RCV to be added for PR24 is shown on table 4U.

TABLE 4S – Green recovery expenditure – water resources and water network+ for the 12 months ended 31 March 2023

		Expenditure in report year						
		Water network+						
Line description		Units	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total
Green recovery programme								
Upstream Thinking	Capex	£m	3.591	–	–	–	–	3.591
Upstream Thinking	Opex	£m	–	–	–	–	–	–
Upstream Thinking	Totex	£m	3.591	–	–	–	–	3.591
North Devon Water Resources	Capex	£m	–	3.483	–	–	–	3.483
North Devon Water Resources	Opex	£m	–	–	–	–	–	–
North Devon Water Resources	Totex	£m	–	3.483	–	–	–	3.483
Knapp Mill WTW	Capex	£m	–	–	–	1.615	–	1.615
Knapp Mill WTW	Opex	£m	–	–	–	–	–	–
Knapp Mill WTW	Totex	£m	–	–	–	1.615	–	1.615
Smarter Healthier Homes	Capex	£m	–	–	–	–	0.401	0.401
Smarter Healthier Homes	Opex	£m	–	–	–	–	–	–
Smarter Healthier Homes	Totex	£m	–	–	–	–	0.401	0.401
Total green recovery programme capex	Capex	£m	3.591	3.483	–	1.615	0.401	9.090
Total green recovery programme opex	Opex	£m	–	–	–	–	–	–
Total green recovery programme expenditure	Totex	£m	3.591	3.483	–	1.615	0.401	9.090

The expenditure in table 4S represent items allowed under the Green Recovery business plan and align to expenditure within the water enhancement table 4L. There have been no Green Recovery schemes completed within the past 12 months. These projects are due for completion in later years.

TABLE 4T – Green recovery expenditure – wastewater network+ and bioresources
for the 12 months ended 31 March 2023

Expenditure in report year											
					Wastewater network+			Bioresources			
Line description		Units	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total
Green recovery programme											
Storm Overflows	Capex	£m	0.852	0.224	0.045	–	–	–	–	–	1.121
Storm Overflows	Opex	£m	–	–	–	–	–	–	–	–	–
Storm Overflows	Totex	£m	0.852	0.224	0.045	–	–	–	–	–	1.121
Total green recovery programme capex											
	Capex	£m	0.852	0.224	0.045	–	–	–	–	–	1.121
Total green recovery programme opex											
	Opex	£m	–	–	–	–	–	–	–	–	–
Total green recovery programme expenditure											
	Totex	£m	0.852	0.224	0.045	–	–	–	–	–	1.121

The expenditure in table 4T represent items allowed under the Green Recovery business plan and align to expenditure within the water enhancement table 4M.

The installation of Events Duration Monitors (EDMs) was completed in the year, ahead of the original schedule, but were not allowed in the Green Recovery.

Additional regulatory information – service level – SWB continued

TABLE 4U – Impact of Green recovery on RCV

12 months ended 31 March 2023					
	Units	Water resources	Water network+	Wastewater network+	Bioresources
Totex – Green recovery					
Approved bid	£m	2.633	17.302	3.592	–
Actual totex	£m	3.591	5.499	3.494	–
Variance	£m	0.958	(11.803)	(0.098)	–
Variance due to timing of expenditure	£m	0.958	(11.803)	(0.098)	–
Variance due to efficiency	£m	–	–	–	–
Customer cost sharing rate – outperformance	%	90.00%	90.00%	90.00%	–
Customer cost sharing rate – underperformance	%	50.00%	50.00%	50.00%	–
Customer share of totex – outperformance	£m	–	(10.623)	(0.088)	–
Customer share of totex – underperformance	£m	0.479	–	–	–
Company share of totex – outperformance	£m	–	(1.180)	(0.010)	–
Company share of totex – underperformance	£m	0.479	–	–	–
Increase / decrease in shadow RCV	£m	2.154	6.679	3.504	–
In period funding	£m	–	–	–	–
Net increase / decrease in shadow RCV	£m	2.154	6.679	3.504	–

Price control period to date					
	Units	Water resources	Water network+	Wastewater network+	Bioresources
Totex – Green recovery					
Approved bid	£m	3.812	25.055	5.912	–
Actual totex	£m	3.591	5.499	3.494	–
Variance	£m	(0.221)	(19.556)	(2.418)	–
Variance due to timing of expenditure	£m	(0.221)	(19.556)	(2.418)	–
Variance due to efficiency	£m	–	–	–	–
Customer cost sharing rate – outperformance	%	90.00%	90.00%	90.00%	–
Customer cost sharing rate – underperformance	%	50.00%	50.00%	50.00%	–
Customer share of totex – outperformance	£m	(0.199)	(17.600)	(2.176)	–
Customer share of totex – underperformance	£m	–	–	–	–
Company share of totex – outperformance	£m	(0.022)	(1.956)	(0.242)	–
Company share of totex – underperformance	£m	–	–	–	–
Increase/decrease in shadow RCV	£m	3.613	7.455	3.736	–
In period funding	£m	–	–	–	–
Net increase/decrease in shadow RCV	£m	3.613	7.455	3.736	–

TABLE 4V – Mark-to-market of financial derivatives analysed based on payment dates

	Units	Derivatives – Analysed by earliest payment date			Total	Derivatives – Analysed by expected maturity date			Total
		Net settled	Gross Settled outflows	Gross Settled inflows		Net settled	Gross Settled outflows	Gross Settled inflows	
Due within one year	£m	(20.045)	–	–	(20.045)	(20.045)	–	–	(20.045)
Between one and two years	£m	(14.076)	–	–	(14.076)	(14.076)	–	–	(14.076)
Between two and three years	£m	(3.371)	–	–	(3.371)	(3.371)	–	–	(3.371)
Between three and four years	£m	(3.094)	–	–	(3.094)	(3.094)	–	–	(3.094)
Between four and five years	£m	(2.229)	–	–	(2.229)	(2.229)	–	–	(2.229)
After five years	£m	(5.097)	–	–	(5.097)	(5.097)	–	–	(5.097)
Total	£m	(47.912)	–	–	(47.912)	(47.912)	–	–	(47.912)

Table 4V summarises the mark-to-market valuation of all derivatives – not just a specific category of swap – according to when they are settled.

TABLE 4W – Defined Benefit Pension Scheme – Additional Information

	Defined benefit pension schemes	
	Units	Pension scheme 1
Scheme details		
Scheme name	Text	Pennon Group Pension Scheme
Scheme status	Text	Yes & Yes
Scheme valuation under IAS/IFRS/FRS		
Scheme assets	£m	484.346
Scheme liabilities	£m	466.820
Scheme surplus / (deficit) Total	£m	17.526
Scheme surplus / (deficit) Appointed business	£m	16.949
Pension deficit recovery payments	£m	0.000
Scheme valuation under part 3 of Pensions Act 2004		
Scheme funding valuation date	Date	31/03/2022
Assets	£m	693.489
Technical Provisions	£m	686.436
Scheme surplus / (deficit)	£m	7.053
Discount rate assumptions	Text	Pre-retirement discount rate: Gilts + 2.50% p.a. Post-retirement discount rate: Gilts + 0.75% p.a.
Recovery plan (where applicable)		
Recovery Plan Structure	Text	N/A
Recovery plan end date	Date	N/A
Asset Backed Funding (ABF) arrangements	Text	N/A
Responsibility for ABF arrangements	Text	N/A

The appointed company is part of the Pennon Group Pension Scheme (PGPS). The defined benefit scheme closed to new members and the accrual of future defined benefits from 30 June 2021.

The assets and liabilities of the overall scheme are apportioned to South West Water under IAS 19, based on the split of the liabilities determined as part of the result of the triennial funding valuation carried out at 31 March 2022.

A proportion of the assets and liabilities are allocated to the non-appointed business.

The most recent triennial actuarial valuation of the pension scheme participated in by the company was carried out with a valuation date at 31 March 2022 under the requirements of the Pensions Act 2004.

Additional regulatory information – water resources – SWB

TABLE 5A – Water resources asset and volumes data

	Units	Input
Water resources		
Water from impounding reservoirs	MI/d	127.46
Water from pumped storage reservoirs	MI/d	5.69
Water from river abstractions	MI/d	516.77
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	53.90
Water from artificial recharge (AR) water supply schemes	MI/d	–
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	–
Water from saline abstractions	MI/d	0.40
Water from water reuse schemes	MI/d	–
Number of impounding reservoirs ¹	nr	16
Number of pumped storage reservoirs ¹	nr	–
Number of river abstractions	nr	16
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	48
Number of artificial recharge (AR) water supply schemes	nr	–
Number of aquifer storage and recovery (ASR) water supply schemes	nr	–
Number of saline abstraction schemes	nr	5
Number of reuse schemes	nr	–
Total number of sources	nr	85
Total number of water reservoirs ¹	nr	23
Total volumetric capacity of water reservoirs	MI	116,571
Total number of intake and source pumping stations	nr	71
Total installed power capacity of intake and source pumping stations	kW	8,839
Total length of raw water abstraction mains and other conveyors	km	81.09
Average pumping head – raw water abstraction	m.hd	9.19
Energy consumption – raw water abstraction	MWh	6,692.226
Total number of raw water abstraction imports	nr	–
Water imported from third parties' raw water abstraction systems	MI/d	–
Total number of raw water abstraction exports	nr	–
Water exported to third parties' from raw water abstraction systems	MI/d	–
Water resources capacity (measured using water resources yield)	MI/d	749.89
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	23

1. In addition to South West Water's impounding reservoirs, the total number of water reservoirs also includes a number of reservoirs where water is mixed with river water prior to treatment. These are excluded under the Regulatory Accounting Guidelines under a change in definition for this regulatory period, but are included within the 'total number of water reservoirs'. Two reservoirs previously included within the total number of water reservoirs are now shown as 'balancing reservoirs' in table 6A.

TABLE 5B – Water resources operating cost analysis

	Impounding reservoir £m	Pumped storage £m	River abstractions £m	Groundwater, excluding MAR water supply £m	Artificial Recharge (AR) water supply schemes £m	Aquifer Storage and Recovery (ASR) water supply schemes £m	Other £m	Total £m
Power	1.604	0.480	6.266	0.776	–	–	–	9.126
Income treated as negative expenditure	(0.197)	(0.009)	(0.768)	(0.095)	–	–	–	(1.069)
Abstraction charges/ discharge consents	1.288	0.056	3.532	0.623	–	–	–	5.499
Bulk supply	–	–	–	–	–	–	–	–
Other operating expenditure								
Renewals expensed in year (Infrastructure)	–	–	–	–	–	–	–	–
Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–	–
Other operating expenditure excluding renewals	1.640	0.071	7.907	0.793	–	–	–	10.411
Local authority and Cumulo rates	0.405	0.018	1.581	0.196	–	–	–	2.200
Total operating expenditure (excluding third party)	4.740	0.616	18.518	2.293	–	–	–	26.167

This table provides a detailed breakdown of water resources related operating expenditure shown within table 4D. Costs are allocated to activity types using proportion of distribution in volumes.

Additional regulatory information – water network plus – SWB

TABLE 6A – Raw water transport, raw water storage and water treatment data

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	2
Total volumetric capacity of balancing reservoirs	MI	1,011
Total number of raw water transport stations	nr	25
Total installed power capacity of raw water transport pumping stations	kW	16,481
Total length of raw water transport mains and other conveyors	km	239.68
Average pumping head – raw water transport	m.hd	41.24
Energy consumption – raw water transport	mWh	45,989
Total number of raw water transport imports	nr	–
Water imported from third parties' raw water transport systems	MI/d	–
Total number of raw water transport exports	nr	–
Water exported to third parties' raw water transport systems	MI/d	–
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	–

	Surface water		Ground water	
	Water treated MI/d	Number of works	Water treated MI/d	Number of works
Water treatment – treatment type analysis				
All simple disinfection works	–	–	17.65	3
W1 works	–	–	–	–
W2 works	–	–	–	1
W3 works	168.38	11	–	–
W4 works	–	–	22.31	5
W5 works	435.01	13	11.21	8
W6 works	0.50	1	–	–

	% of total DI	Number of works
Water treatment – works size		
WTWs in size band 1	0.2	9
WTWs in size band 2	0.7	4
WTWs in size band 3	0.3	2
WTWs in size band 4	14.4	12
WTWs in size band 5	18.9	7
WTWs in size band 6	16.7	3
WTWs in size band 7	48.8	5
WTWs in size band 8	–	–

	Units	Input
Water treatment – other information		
Peak week production capacity	MI/d	897.11
Peak week production capacity having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	440.80
Peak week production capacity having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	681.00
Total water treated at more than one type of works	MI/d	–
Number of treatment works requiring remedial action because of raw water deterioration	nr	–
Zonal population receiving water treated with orthophosphate	000's	1,429.946
Average pumping head – water treatment	m.hd	7.45
Energy consumption – water treatment	mWh	117,295
Total number of water treatment imports	nr	–
Water imported from third parties' water treatment works	MI/d	–
Total number of water treatment exports	nr	–
Water exported to third parties' water treatment works	MI/d	–

TABLE 6B – Treated water distribution – assets and operations
for the 12 months ended 31 March 2023

	Units	Input
Assets and operations		
Total installed power capacity of potable water pumping stations	kW	29,883
Total volumetric capacity of service reservoirs	MI	1,171.0
Total volumetric capacity of water towers	MI	8.5
Water delivered (non-potable)	MI/d	–
Water delivered (potable)	MI/d	557.04
Water delivered (billed measured residential properties)	MI/d	250.44
Water delivered (billed measured businesses)	MI/d	157.73
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.181
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.008
Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.734
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.077
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.001
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	250
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	8
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	17
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	225
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	–
Total number of service reservoirs	nr	327
Number of water towers	nr	12
Energy consumption – treated water distribution (MWh)	MWh	27,267
Average pumping head – treated water distribution	m.hd	93.81
Total number of treated water distribution imports	nr	2
Water imported from 3rd parties to treated water distribution systems	MI/d	0.23
Total number of treated water distribution exports	nr	5
Water exported to 3rd parties from treated water distribution systems	MI/d	0.22
Peak 7 day rolling average distribution input	MI/d	737.29
Peak 7 day rolling average distribution input / annual average distribution input	%	113.13%
Water balance – company level		
Measured household consumption (excluding supply pipe leakage)	MI/d	232.37
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	119.62
Measured non-household consumption (excluding supply pipe leakage)	MI/d	155.70
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	3.09
Total annual leakage	MI/d	112.19
Distribution system operational use	MI/d	5.20
Water taken unbilled	MI/d	19.42
Distribution input	MI/d	647.59
Distribution input (pre-MLE)	MI/d	651.75

Additional regulatory information – water network plus – SWB continued

TABLE 6B – Treated water distribution – assets and operations continued
for the 12 months ended 31 March 2023

	Units	Input
Water balance – region 1		
Measured household consumption (excluding supply pipe leakage)	MI/d	183.10
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	86.15
Measured non-household consumption (excluding supply pipe leakage)	MI/d	96.02
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	1.77
Total annual leakage	MI/d	101.55
Distribution system operational use	MI/d	4.00
Water taken unbilled	MI/d	19.13
Distribution input	MI/d	491.72
Distribution input (pre-MLE)	MI/d	496.22
Water balance – region 2		
Measured household consumption (excluding supply pipe leakage)	MI/d	49.27
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	33.47
Measured non-household consumption (excluding supply pipe leakage)	MI/d	59.68
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	1.32
Total annual leakage	MI/d	10.64
Distribution system operational use	MI/d	1.20
Water taken unbilled	MI/d	0.29
Distribution input	MI/d	155.87
Distribution input (pre-MLE)	MI/d	155.53
Components of total leakage (post MLE) – company level		
Leakage upstream of DMA	MI/day	20.47
Distribution main losses	MI/day	64.88
Customer supply pipe losses – measured households excluding void properties	MI/day	18.07
Customer supply pipe losses – unmeasured households excluding void properties	MI/day	5.90
Customer supply pipe losses – measured non-households excluding void properties	MI/day	2.04
Customer supply pipe losses – unmeasured non-households excluding void properties	MI/day	0.15
Customer supply pipe losses – void measured households	MI/day	0.47
Customer supply pipe losses – void unmeasured households	MI/day	0.15
Customer supply pipe losses – void measured non-households	MI/day	0.05
Customer supply pipe losses – void unmeasured non-households	MI/day	–

TABLE 6B – Treated water distribution – assets and operations continued
for the 12 months ended 31 March 2023

	Units	Input
Components of total leakage (post MLE) – region 1		
Leakage upstream of DMA	MI/day	20.28
Distribution main losses	MI/day	58.01
Customer supply pipe losses – measured households excluding void properties	MI/day	15.77
Customer supply pipe losses – unmeasured households excluding void properties	MI/day	4.81
Customer supply pipe losses – measured non-households excluding void properties	MI/day	1.89
Customer supply pipe losses – unmeasured non-households excluding void properties	MI/day	0.14
Customer supply pipe losses – void measured households	MI/day	0.45
Customer supply pipe losses – void unmeasured households	MI/day	0.15
Customer supply pipe losses – void measured non-households	MI/day	0.05
Customer supply pipe losses – void unmeasured non-households	MI/day	–
Components of total leakage (post MLE) – region 2		
Leakage upstream of DMA	MI/day	0.19
Distribution main losses	MI/day	6.87
Customer supply pipe losses – measured households excluding void properties	MI/day	2.30
Customer supply pipe losses – unmeasured households excluding void properties	MI/day	1.09
Customer supply pipe losses – measured non-households excluding void properties	MI/day	0.15
Customer supply pipe losses – unmeasured non-households excluding void properties	MI/day	0.01
Customer supply pipe losses – void measured households	MI/day	0.02
Customer supply pipe losses – void unmeasured households	MI/day	0.01
Customer supply pipe losses – void measured non-households	MI/day	–
Customer supply pipe losses – void unmeasured non-households	MI/day	–

This table provides details of assets and operations for the 2022/23 year. Data in this table including distribution input, water delivered, distribution losses and leakage relates solely to 2022/23. Our leakage performance commitment is shown in table 3A on page 119 with associated commentary on page 131 is based on a three year average position and position relative to the three year baseline position at the start of the regulatory reporting period.

Additional regulatory information – water network plus – SWB continued

TABLE 6C – Water network+ – Mains, communication pipes and other data
for the 12 months ended 31 March 2023

	Units	Input
Treated water distribution – mains analysis		
Total length of potable mains as at 31 March	km	18,545.9
Total length of potable mains relined	km	–
Total length of potable mains renewed	km	10.1
Total length of new potable mains	km	48.6
Total length of potable water mains (< ≤320mm)	km	17,469.9
Total length of potable water mains >320mm and ≤450mm	km	578.9
Total length of potable water mains >450mm and ≤610mm	km	377.4
Total length of potable water mains > 610mm	km	119.7
Treated water distribution – mains age profile		
Total length of potable mains laid or structurally refurbished pre-1880	km	37.9
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	206.8
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	428.8
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1,567.3
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	3,963.4
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	5,297.8
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	4,291.2
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	2,592.5
Total length of potable mains laid or structurally refurbished post 2021	km	160.2
Communication pipes		
Number of lead communication pipes	nr	79,971
Number of galvanised iron communication pipes	nr	121,737
Number of other communication pipes	nr	819,035
Number of lead communication pipes replaced or relined for water quality	nr	139
Other		
Company area	km ²	11,357
Compliance Risk Index	nr	2.39
Event Risk Index	nr	587
Properties below reference level at end of year	nr	2

TABLE 6D – Demand management – Metering and leakage activities
for the 12 months ended 31 March 2023

	Units	Basic meter	AMR Meter	AMI meter
Metering activities – Totex expenditure				
New optant meter installation for existing customers	£m	–	2.487	–
New selective meter installation for existing customers	£m	–	–	–
New business meter installation for existing customers	£m	–	0.019	–
Residential meters renewed	£m	–	1.402	–
Business meters renewed	£m	–	0.199	–
Metering activities – Explanatory variables				
New optant meters installed for existing customers	000s	–	4.109	–
New selective meters installed for existing customers	000s	–	–	–
New business meters installed for existing customers	000s	–	0.036	–
Residential meters renewed	000s	–	3.851	–
Business meters renewed	000s	–	0.707	–
Replacement of basic meters with smart meters for household customers	000s		3.851	–
Replacement of AMR meter with AMI meters for household customers	000s			–
Replacement of basic meters with smart meters for business customers	000s		0.707	–
Replacement of AMR meter with AMI meters for business customers	000s			–
New residential meters installed for existing customers – supply–demand balance benefit	MI/d	–	0.28	–
New business meters installed for existing customers – supply–demand balance benefit	MI/d	–	0.01	–
Replacement of basic meter with smart meters for household customers – supply–demand balance benefit	MI/d		0.264	–
Replacement of AMR meter with AMI meter for household customers – supply–demand balance benefit	MI/d			–
Replacement of basic meter with smart meters for business customers – supply–demand balance benefit	MI/d		0.123	–
Replacement of AMR meter with AMI meter for business customers – supply–demand balance benefit	MI/d			–
Residential properties – meter penetration	%	–	–	–
Leakage activities – Totex expenditure				
	Units	Maintaining leakage	Reducing leakage	Total
Total leakage activity	£m	23.182	4.885	28.067
Leakage improvements delivering benefits in 2020–25	MI/d			(21.63)
Per capita consumption (excluding supply pipe leakage)				
Per capita consumption (measured)	l/h/d	120.96		
Per capita consumption (unmeasured)	l/h/d	309.95		

We have taken a consistent approach in allocating leakage expenditure between maintaining and reducing leakage levels. Total leakage activity has increased year on year as we targeted leakage reductions particularly focused on the Colliford region during the drought experienced in 2022/23, including offering free customer leak repairs. However, the impact of the extreme weather over the winter also required significant additional investment to reduce leakage caused by increased burst activity (which we have assumed was an underlying peak in the natural rate of rise and therefore classified as maintaining leakage.)

TABLE 6F – WRMP annual reporting on delivery – non-leakage activities

Not included in the APR due to its size, but it is included within the APR tables on our website.

Additional regulatory information – wastewater network plus – SWB

TABLE 7A – Wastewater network+ – Functional expenditure

	£'000
Costs of STWs in size bands 1 to 5	
Direct costs of STWs in size band 1	3,707.765
Direct costs of STWs in size band 2	3,599.992
Direct costs of STWs in size band 3	7,661.792
Direct costs of STWs in size band 4	10,722.476
Direct costs of STWs in size band 5	8,131.707
General & support costs of STWs in size bands 1 to 5	5,320.738
Functional expenditure of STWs in size bands 1 to 5	39,144.470
Costs of STWs in size band 6	
Service charges for STWs in size band 6	367.000
Estimated terminal pumping costs size band 6 works	2,233.000
Other direct costs of STWs in size band 6	22,723.000
Direct costs of STWs in size band 6	25,323.000
General & support costs of STWs in size band 6	3,984.000
Functional expenditure of STWs in size band 6	29,307.000
Total Functional expenditure for Sewage treatment	68,451.470

Functional expenditure for sewage treatment works bands 1-6 has increased year on year by £20.352m. This has been driven by an increase in power and chemical prices, continued investment in our people and support from our external partners offset by the inclusion of the recharge to Bioresources by network+ for costs of handling and treating bioresources liquors, table 8C.17 - £4.553m. This is based on the guidance of improving cost allocation between the sewage and bioresources units.

TABLE 7B – Wastewater network+ – Large sewage treatment works

	Units	Barnstaple (Ashford)	Newton Abbot (Buckland)	Torbay (Brokenbury Quarry)	Camborne	Bideford (Cornborough)	Exeter (Countess Wear)
Sewage treatment works – Explanatory variables							
Classification of treatment works	text	Tertiary A2	Secondary Activated Sludge	Tertiary A2	Secondary Activated Sludge	Tertiary A2	Tertiary A2
Population equivalent of total load received	000	46.75	86.14	157.92	63.34	46.03	165.15
Suspended solids consent	mg/l	45	60	60	250	60	25
BOD ₅ consent	mg/l	25	25	25	25	25	15
Ammonia consent	mg/l	20	–	–	–	–	10
Phosphorus consent ²	mg/l	–	–	–	–	–	–
UV consent	mW/s/cm ²	27	–	24	–	16	30
Load received by STW	kgBOD ₅ /d	2,805	5,168	9,475	3,800	2,762	9,909
Flow passed to full treatment	m ³ /d	14,629	25,044	47,812	17,751	15,039	45,071
Sewage treatment works – Functional expenditure							
Service charges	£000	17	18	30	30	16	32
Estimated terminal pumping expenditure	£000	–	–	1,123	188	–	–
Other direct expenditure	£000	1,907	1,174	3,024	621	370	2,473
Total direct expenditure	£000	1,924	1,192	4,177	839	386	2,505
General and support expenditure	£000	303	188	657	132	61	394
Functional expenditure	£000	2,227	1,380	4,834	971	447	2,899

1. TA2 – Tertiary A2, SAS – Secondary Activated Sludge, SB – Secondary Biological, TB2 – Tertiary B2.

2. All of South West's large sewage treatment works discharge to either sea or estuary so do not have a phosphorous permit.

	Wastewater Treatment Plant											Total
	Aerobic						Anaerobic					
	Plymouth (Camels Head)	Exmouth (Maer Lane)	Plymouth (Central)	Falmouth	Hayle	Plymouth (Ernesettle)	Plympton (Marsh Mills)	Truro (Newham)	Plymouth (Roadford)	Newquay	St Austell	
Secondary Activated Sludge	Tertiary A2	Tertiary A2	Tertiary A2	Tertiary A2	Secondary Biological	Tertiary B2	Tertiary A2	Tertiary A2	Sludge	Tertiary A2	Tertiary B2	
	51.60	52.46	108.28	43.94	65.26	61.92	59.99	31.47	26.38	38.91	28.24	-
	30	60	60	15	150	60	20	30	30	60	60	-
	20	25	25	20	25	25	10	20	20	25	25	-
	-	-	-	-	-	35	5	20	10	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	30	43	54	42	-	33	-	33	-	24	-	-
	3,096	3,148	6,497	2,636	3,916	3,715	3,599	1,888	1,583	2,335	1,694	-
	14,914	13,703	37,316	10,512	32,959	17,962	19,359	10,698	5,584	9,455	10,149	-
	19	17	31	18	32	19	18	17	19	16	18	367
	139	-	783	-	-	-	-	-	-	-	-	2,233
	1,078	703	4,191	1,084	1,554	877	919	736	381	1,031	600	22,723
	1,236	720	5,005	1,102	1,586	896	937	753	400	1,047	618	25,323
	194	113	788	173	249	141	147	118	63	165	98	3,984
	1,430	833	5,793	1,275	1,835	1,037	1,084	871	463	1,212	716	29,307

Additional regulatory information – wastewater network plus – SWB continued

TABLE 7B – Wastewater network+ – Large sewage treatment works Commentary

Functional expenditure for sewage treatment works bands 6 has increased year on year by £11.700m. This has been driven by an increase in power and chemical prices, continued investment in our people and support from our external partners offset by the inclusion of the recharge to Bioresources by network+ for costs of handling and treating bioresources liquors, table 8C.17 – £4.553m. The total value of £4.533m has been allocated across the bandings, based on spend, £1.950m has been allocated to band 6 sites. This is based on the guidance of improving cost allocation between the sewage and bioresources units.

TABLE 7C – Wastewater network+ – Sewer and volume data

	Units	Input
Connectable properties served by s101A schemes completed in the report year	nr	–
Number of s101A schemes completed in the report year	nr	–
Total pumping station capacity	kW	39,444
Number of network pumping stations	nr	1,223
Total number of sewer blockages	nr	7,149
Total number of gravity sewer collapses	nr	162
Total number of sewer rising main bursts	nr	29
Number of combined sewer overflows	nr	1,189
Number of emergency overflows	nr	226
Number of settled storm overflows	nr	163
Sewer age profile (constructed post 2001)	km	1,299
Volume of trade effluent	MI/yr	2,273.21
Volume of wastewater receiving treatment at sewage treatment works	MI/yr	214,751.79
Length of gravity sewers rehabilitated	km	18
Length of rising mains replaced or structurally refurbished	km	9
Length of foul (only) public sewers	km	2,128
Length of surface water (only) public sewers	km	2,552
Length of combined public sewers	km	5,879
Length of rising mains	km	644
Length of other wastewater network pipework	km	183
Total length of “legacy” public sewers as at 31 March	km	11,386
Length of formerly private sewers and lateral drains (s105A sewers)	km	11,642

South West Water has updated its ‘Length of formerly private sewers and lateral drains (s105A sewers)’ in line with an improved analysis and detailed third-party expert review. This was reflected in table 7C in our republished 2021/22 Annual Performance Report.



Additional regulatory information – wastewater network plus – SWB continued

TABLE 7D – Wastewater network+ – Sewage treatment works data

	Units	Treatment categories							Total
		Secondary			Tertiary				
		Primary	Activated sludge	Biological	A1	A2	B1	B2	
Load received at sewage treatment works									
Load received by STWs in size band 1	kg BOD ₅ /day	149	306	999	73	14	425	27	1,993
Load received by STWs in size band 2	kg BOD ₅ /day	–	295	788	138	97	343	168	1,829
Load received by STWs in size band 3	kg BOD ₅ /day	165	1,052	1,836	1,065	1,258	1,078	972	7,426
Load received by STWs in size band 4	kg BOD ₅ /day	–	2,785	1,697	1,193	5,709	1,654	3,856	16,894
Load received by STWs in size band 5	kg BOD ₅ /day	–	909	–	–	8,041	814	5,701	15,465
Load received by STWs above size band 5	kg BOD ₅ /day	–	10,551	3,916	–	48,150	–	5,409	68,026
Total load received	kg BOD ₅ /day	314	15,898	9,236	2,469	63,269	4,314	16,133	111,633
Load received from trade effluent customers at treatment works	kg BOD ₅ /day								2931
Number of sewage treatment works									
STWs in size band 1	nr	88	41	187	8	1	51	3	379
STWs in size band 2	nr	–	13	33	6	3	15	7	77
STWs in size band 3	nr	2	15	32	15	10	19	14	107
STWs in size band 4	nr	–	9	8	5	17	8	11	58
STWs in size band 5	nr	–	1	–	–	9	1	6	17
STWs above size band 5	nr	–	3	1	–	11	–	2	17
Total number of works	nr	90	82	261	34	51	94	43	655

1 South West Water has four Fine Screening Plants (Preliminary Treatment Works) which have this year been included within the primary treatment column.

	Units	2022/23
Population equivalent		
Current population equivalent served by STWs	000s	1,739.144
Current population equivalent served by STWs with tightened/new P consents	000s	0.997
Current population equivalent served by STWs with tightened/new N consents	000s	–
Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	–
Current population equivalent served by STWs with tightened/new UV consents	000s	–
Population equivalent treatment capacity enhancement	000s	5.013
Current population equivalent served by STWs with tightened/new consents for chemical	000s	8.436

Total number of wastewater treatment works has increased to 655 following the adoption of two small works during the year.

Treatment works consents

Phosphorus					BOD ₅					Ammonia						
<=0.5mg/l	>0.5 to ≤1mg/l	>1mg/l	No permit	Total	<=7mg/l	>7 to ≤10mg/l	>10 to ≤20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to ≤3mg/l	>3 to ≤10mg/l	>10mg/l	No permit	Total
–	–	–	1,995	1,995	–	7	116	285	1,587	1,995	–	–	146	128	1,721	1,995
–	–	25	1,805	1,830	17	26	576	997	214	1,830	–	20	715	385	709	1,829
–	239	201	6,986	7,426	322	651	2,596	3,553	303	7,425	109	637	2,122	1,105	3,453	7,426
605	2,042	286	13,960	16,893	–	752	5,493	10,649	–	16,894	–	306	5,258	3,776	7,553	16,893
–	4,226	4,402	6,835	15,463	–	1,582	9,307	4,576	–	15,465	–	1,371	8,768	1,421	3,904	15,464
–	–	–	68,027	68,027	–	3,600	19,112	45,315	–	68,027	–	–	15,091	8,408	44,527	68,026
605	6,507	4,914	99,608	111,634	339	6,618	37,200	65,375	2,104	111,636	109	2,334	32,100	15,223	61,867	111,633
–	–	–	379	379	–	1	11	25	342	379	–	–	12	14	353	379
–	–	1	76	77	1	1	24	41	10	77	–	1	30	16	30	77
–	3	3	101	107	4	8	40	52	3	107	1	8	37	14	47	107
1	5	2	50	58	–	2	19	37	–	58	–	2	17	15	24	58
–	5	4	8	17	–	2	10	5	–	17	–	1	11	1	4	17
–	–	–	17	17	–	1	5	11	–	17	–	–	3	3	11	17
1	13	10	631	655	5	15	109	171	355	655	1	12	110	63	469	655

Additional regulatory information – wastewater network plus – SWB continued

TABLE 7E – Wastewater network+ – Other data including energy consumption and scheme delivery
for the 12 months ended 31 March 2023

	Units	Input
Other		
Total sewerage catchment area	km ²	860
Designated coastal bathing waters	nr	150
Number of intermittent discharge sites with event duration monitoring	nr	345
Number of monitors for flow monitoring at STWs	nr	3
Number of odour related complaints	nr	154
Energy consumption		
Energy consumption – sewage collection	MWh	53,538
Energy consumption – sewage treatment	MWh	109,762
Energy consumption – wastewater network+	MWh	163,300
Scheme delivery		
Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	l/s	25,900
Number of sites with an increase in sewage treatment works capacity delivered to address a shortfall in FFT	nr	6
Additional storm tank capacity provided at STWs (grey infrastructure)	m ³	1,711,000
Additional effective storm storage capacity at sewage treatment work (delivered through green infrastructure)	m ³	–
Additional volume of network storage at CSOs etc to reduce spill frequency (grey infrastructure)	m ³	173,000
Additional effective storage in the network delivered through green infrastructure	m ³	–
Total number of sewage treatment works sites where additional storage has been delivered (grey infrastructure)	nr	20
Number of sewage treatment works sites where additional storage has been delivered with pumping (grey infrastructure)	nr	19
Number of sewage treatment works benefitting from green infrastructure replacing the need for storm tank storage	nr	–
Number of sites delivering additional network storage (grey infrastructure)	nr	8
Number of sites delivering additional network storage including pumping (grey infrastructure)	nr	6
Number of sites delivering additional network storage through green infrastructure	nr	–
Surface water separation drainage area removed	m ²	2,200
Number of schemes delivered to meet tightened or new sanitary consents	nr	–
Number of installations requiring civils for flow monitoring at sewage treatment works	nr	–
Number of installations requiring civils for event duration monitoring at intermittent discharges	nr	–
Number of storm overflows where improvements have been made to reduce harm or reduce spill frequencies	nr	42

TABLE 7F – Wastewater network+ – WINEP phosphorus removal scheme costs and cost drivers

Not included in the APR due to its size, but it is included within the APR tables on our website.



Additional regulatory information – bioresources – SWB

TABLE 8A – Bioresources sludge data

	Units	Totals
Total sewage sludge produced, treated by incumbents	ttds/year	43.8
Total sewage sludge produced, treated by third party sludge service provider	ttds/year	0.4
Total sewage sludge produced	ttds/year	44.2
Total sewage sludge produced from non-appointed liquid waste treatment	ttds/year	1.2
Percentage of sludge produced and treated at a site of STW and STC co-location	%	67.69
Total sewage sludge disposed by incumbents	ttds/year	43.6
Total sewage sludge disposed by third party sludge service provider	ttds/year	2.0
Total sewage sludge disposed	ttds/year	45.6
Total measure of intersiting 'work' done by pipeline	ttds*km/year	1
Total measure of intersiting 'work' done by tanker	ttds*km/year	421
Total measure of intersiting 'work' done by truck	ttds*km/year	252
Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/year	674
Total measure of intersiting 'work' done by tanker (by volume transported)	m ³ *km/yr	19,927,595
Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	–
Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	–
Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	1,851
Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/year	1,851
Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m ³ *km/yr	–
Chemical P sludge as % of sludge produced at STWs	%	15.02

TABLE 8B – Bioresources operating expenditure analysis

Sludge transport method	Pipeline £m	Tanker £m	Truck £m	Total £m
Power	–	–	–	–
Income treated as negative expenditure	–	–	–	–
Discharge consents	–	–	–	–
Bulk discharge	–	–	–	–
Other operating expenditure				
Renewals expensed in year (Infrastructure)	–	–	–	–
Renewals expensed in year (Non-Infrastructure)	–	–	–	–
Other operating expenditure excluding renewals	–	4.919	–	4.919
Total functional expenditure	–	4.919	–	4.919
Local authority and Cumulo rates	–	–	–	–
Total operating expenditure (excluding third party)	–	4.919	–	4.919

Sludge treatment type	Untreated Sludge £m	Raw Sludge liming £m	Conventional AD £m	Incineration of raw sludge £m	Photo- conditioning/ composting £m	Advanced Anaerobic Digestion £m	Other £m	Total £m
Power	–	2.905	1.030	–	0.114	–	0.004	4.053
Income treated as negative expenditure	–	(0.315)	(0.111)	–	(0.012)	–	–	(0.438)
Discharge consents	–	–	–	–	–	–	–	–
Bulk discharge	–	–	–	–	–	–	–	–
Other operating expenditure								
Renewals expensed in year (Infrastructure)	–	–	–	–	–	–	–	–
Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–	–
Other operating expenditure excluding renewals	–	6.771	2.399	–	0.265	–	0.010	9.445
Total functional expenditure	–	9.361	3.318	–	0.367	–	0.014	13.060
Local authority and Cumulo rates	–	1.240	0.439	–	0.048	–	0.001	1.728
Total operating expenditure (excluding third party)	–	10.601	3.757	–	0.415	–	0.015	14.788

Sludge disposal route	Landfill, raw £m	Landfill, partly treated £m	Land restoration/ reclamation £m	Sludge recycled to farmland £m	Incineration of digested Sludge	Other £m	Total £m
Power	–	–	–	0.005	–	–	0.005
Income treated as negative expenditure	–	–	–	–	–	–	–
Discharge consents	–	–	–	–	–	–	–
Bulk discharge	–	–	–	–	–	–	–
Other operating expenditure							
Renewals expensed in year (Infrastructure)	–	–	–	–	–	–	–
Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–
Other operating expenditure excluding renewals	–	–	0.050	5.025	–	0.005	5.080
Total functional expenditure	–	–	0.050	5.030	–	0.005	5.085
Local authority and Cumulo rates	–	–	–	0.005	–	–	0.005
Total operating expenditure (excluding third party)	–	–	0.050	5.035	–	0.005	5.090

Bioresources operating expenditure has increased year on year by £9.569m. In part this has been driven by the inclusion of the recharge to Bioresources by network+ for costs of handling and treating bioresources liquors, table 8C.17 – £4.553m. This is based on the guidance of improving cost allocation between the sewage and bioresources units. The remainder has been driven by an increase in power and chemical prices and support from our external partners on additional tankering and recycling sludge to farmland.

Additional regulatory information – bioresources – SWB continued

TABLE 8C – Bioresources energy and liquors analysis

	Electricity MWh	Heat MWh	Biomethane MWh	Total MWh	Electricity £m	Heat £m	Biomethane £m	Total £m
Energy								
Energy consumption – bioresources				12,900⁽¹⁾				3.303
Energy generated by and used in bioresources control	2,231	7,141	–	9,372	0.602	–	–	0.602
Energy generated by bioresources and used in network plus control	3,720	–	–	3,720	1.004	–	–	1.004
Energy generated by bioresources and exported to the grid or third party	–	–	–	–	–	–	–	–
Energy generated by bioresources that is unused	–	4,761	4,937	9,698				
Energy bought from grid or third party and used in bioresources control	9,394	–	–	9,394	2.535	–	–	2.535

	Unit	Value
Income from renewable energy subsidies		
Income claimed from Renewable Energy Certificates (ROCs)	£m	0.203
Income claimed from Renewable Heat Incentives (RHIs)	£m	–
Total income claimed from renewable energy subsidies	£m	0.203
% of total number of renewable energy subsidies due to expire in the next two financial years	%	–
This year's value of renewable energy subsidies due to expire in the next two financial years	£m	–

Note: Companies to input specific subsidy which is being referenced in lines 8C.8 – 8C.10.

	Units	Value
Bioresources liquors treated by network+		
BOD load of liquor or partially treated liquor returned from bioresources to network plus	kg/d	4,464
Ammonia load of liquor or partially treated liquor returned from bioresources to network plus	kg Amm–N/d	336
Recharge to Bioresources by network plus for costs of handling and treating bioresources liquors	£m	4.553

	Electricity MWh	Heat MWh	Biomethane MWh	Total MWh	Electricity £m	Heat £m	Biomethane £m	Total £m
Energy (AMP 7 shadow reported values)								
Energy consumption – bioresources				12,900				3.303
Energy generated by and used in bioresources control	2,231	7,141	–	9,372	0.602	–	–	0.602
Energy generated by bioresources and used in network plus control	3,720	–	–	3,720	1.004	–	–	1.004
Energy generated by bioresources and exported to the grid or third party	–	–	–	–	–	–	–	–
Energy generated by bioresources that is unused	–	4,761	4,937	9,698				
Energy bought from grid or third party and used in bioresources control	9,394	–	–	9,394	2.535	–	–	2.535

Percentage of bioresources energy consumption that is metered: 66.792%

(1): This value was not requested as part of the 2021/22 Annual Performance Report

TABLE 8D – Bioresources sludge treatment and disposal data
for the 12 months ended 31 March 2023

	Units	By incumbent	By 3 rd party sludge service providers
Sludge treatment process			
% Sludge – untreated	%	1.9%	–
% Sludge treatment process – raw sludge liming	%	64.2%	–
% Sludge treatment process – conventional AD	%	33.0%	–
% Sludge treatment process – advanced AD	%	–	–
% Sludge treatment process – incineration of raw sludge	%	–	0.9%
% Sludge treatment process – other (specify)	%	–	–
% Sludge treatment process – Total	%	99.1%	0.9%
(Un-incinerated) sludge disposal and recycling route			
% Sludge disposal route – landfill, raw	%	–	–
% Sludge disposal route – landfill, partly treated	%	–	–
% Sludge disposal route – land restoration/ reclamation	%	–	3.7%
% Sludge disposal route – sludge recycled to farmland	%	96.3%	–
% Sludge disposal route – other (specify)	%	–	–
% Sludge disposal route – Total	%	96.3%	3.7%

Additional regulatory information – innovation competition – SWB

TABLE 9A – Innovation competition

		Current year £m
Allowed		
Allocated innovation competition fund price control revenue	£m	2.078
Revenue collected for the purposes of the innovation competition		
Innovation fund income from customers	£m	2.078
Income from customers to fund innovation projects the company is leading on	£m	–
Income from customers as part of the inflation top-up mechanism	£m	–
Income from other water companies to fund innovation projects the company is leading on	£m	–
Income from customers that is transferred to other companies as part of the innovation fund	£m	2.625
Non-price control revenue (e.g. royalties)	£m	–
Administration		
Administration charge for innovation partner	£m	0.079

	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)
Units	£m	£m	£m	£m
Innovation project 1	–	–	–	–
Total	–	–	–	–

Our allocated revenue for the 2022/23 year is £2.078m. Where revenue figures are inflated from the 17/18 price base quoted in PR19 Business Plans, this has been done so using November 2021 CPIH value.

The administration charge for innovation partners is £0.079m. At the end of the financial year the net cash balance related to the innovation fund amounts to £2.949m, reflecting £5.835m received from customers over 2020-2023, less £0.166m contribution to the innovation fund administration costs and £2.720m transferred to the innovation fund winning projects.

The net cash balance is reflective of the timing difference between when revenue is recognised from customers compared to contributions to the innovation fund for winning projects and the timing of lead project expenditure.

By 31 March 2023, SWB had not had any successful lead project awards and as such had not incurred any lead project expenditure for the financial periods 2020-2023 to date, but expects to incur lead project expenditure from 2023/24 onwards following successful awards. Additionally, c.£2.0m of transfers to the winning projects fund have been paid since the financial year end.

	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects	In year expenditure on innovation projects funded by shareholders	Cumulative expenditure on innovation projects funded by shareholders
	£m	£m	£m	£m	£m	£m	£m
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

Additional regulatory information – Green Recovery – SWB

Our Green Recovery plan includes investments of c.£82m (in 2017/18 prices) to deliver five schemes:

- Advancement of Knapp Mill – advancement of treatment works near Christchurch
- Water resource grid enhancement – increasing water supply by supporting water transfers
- Smarter, healthier homes – trialling ways to help customers save water, protect customers from the cost of supply pipe failures and reducing health risks from lead pipes.
- Storm overflows – reducing harm from storm overflows and improving river water quality
- Catchment management – using nature-based solutions to reduce flood risk and enhance natural habitats.

Expenditure to date is behind allowance

Further detail can be found in our separate Green Recovery Appendix and found on our website at www.southwestwater.co.uk/report2023.

TABLE 10A – Green Recovery data capture additional items
for the 12 months ended 31 March 2023

Section 1: Water resources and water network+

				RAG 4 reference	Main table reference
From Table 6C					
Other	Unit	Input			
Total length of new potable mains	km	–		10A.1	6C.4
Number of lead communication pipes replaced for water quality	nr	–		10A.2	6C.21
From Table 6D					
	Units	Basic meter	AMR meter	AMI meter	
Metering activities – Totex expenditure					
New optant meter installation	£m			–	10A.3 6D.2
New business meter installation	£m			–	10A.4 6D.3
Residential meters renewed	£m			0.401	10A.5 6D.4
Business meters renewed	£m			–	10A.6 6D.5
Metering activities – Explanatory variables					
	Units				
New selective meters installed for existing customers	000s			–	10A.7 6D.7
New business meters installed for existing customers	000s			–	10A.8 6D.8
Residential meters renewed	000s			–	10A.9 6D.9
Business meters renewed	000s			–	10A.10 6D.10
Replacement of basic meters with smart meters for residential customers	000s		–	0.930	10A.11 6D.11
Replacement of AMR meter with AMI meters for residential customers	000s			–	10A.12 6D.12
Replacement of basic meters with smart meters for business customers	000s		–	–	10A.13 6D.13
Replacement of AMR meter with AMI meters for business customers	000s			–	10A.14 6D.14
New residential meters installed for existing customers – supply–demand balance benefit	MI/d			–	10.15 6D.15
New business meters installed for existing customers – supply–demand balance benefit	MI/d			–	10.16 6D.16
Replacement of basic meter with smart meters for residential customers – supply–demand balance benefit	MI/d		–	–	10.17 6D.17
Replacement of AMR meter with AMI meter for residential customers– supply–demand balance benefit	MI/d			–	10.18 6D.18
Replacement of basic meter with smart meters for business customers – supply–demand balance benefit			–	–	10.19 6D.19
Replacement of AMR meter with AMI meter for business customers– supply–demand balance benefit				–	10.20 6D.20
Leakage activities					
	Units				
Leakage improvements delivering benefits in 2020–25	MI/d			–	10A.21 6D.23

Table 10A values are not included in tables 6D and 4L as the South West Water Green Recovery investments have been reported as a single line item in table 4L.

TABLE 10A – Green Recovery data capture additional items continued**Section 2: Wastewater network+ and bioresources**

From Table 7D

	Units			
Additional storm tank capacity provided at STWs	m ³	–	10A.22	7E.11
Additional volume of network storage at CSOs etc to reduce spill frequency	m ³	–	10A.23	7E.12
Additional volume of network storage at CSOs etc to reduce spill frequency (grey infrastructure)	m ³	–	10A.24	7E.13
Additional effective storage in the network delivered through green infrastructure	m ³	–	10A.25	7E.14

TABLE 10B – Green recovery data capture outcome performance for the 12 months ended 31 March 2023**Water common performance commitments relevant to green recovery reporting**

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual impacts of green recovery investment element only (current reporting year)	Performance level – actual impacts of green recovery investment element only calculated (i.e. standardised)
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Performance commitments set in standardised units – Water

Per capita consumption (PCC)	lpd	Total household population	2306.97	0.03	0.01
Line description	Unit	"Performance level – actual (2020-21)"	"Performance level – actual (2021-22)"		

Performance commitments measured against a calculated baseline

Leakage – actual including impacts of green recovery investment	MI/d	136	90.6		
Leakage – actual impacts of green recovery investment element only	MI/d	-	-		
Per capita consumption (PCC) – actual impacts of green recovery investment element only	lpd	0.01	0.03		

Additional regulatory information – green recovery – SWB continued

TABLE 10C – Green recovery data capture outcome performance for the 12 months ended 31 March 2023

Table 10C is not applicable to SWB for 2022/23.

TABLE 10D – Green Recovery data capture additional items – Bespoke performance commitments relevant to Green Recovery reporting for the 12 months ended 31 March 2022

	Unit	Performance level – impacts of Green Recovery			Main table reference (to be completed by Company)
		Previous reporting year	Current reporting year	RAG 4 reference	
Biodiversity – Enhancement	Ha	336	3,414	10D.1	3A.12

The majority of delivery of our Green Recovery Initiative is scheduled for the forthcoming two years, and there are further performance commitments that are relevant to Green Recovery reporting in future years.

A summary of our performance in respect of each of our projects forming part of our Green Recovery Initiative is provided in our Green Recovery Annual Report www.southwestwater.co.uk/report2023. All projects remain on track to be completed by the planned completion date, delivering the benefits forecasted.

TABLE 10E – Green recovery data capture reconciliation model input
for the 12 months ended 31 March 2023

Scheme 1					Total allowance, £m	
Catchment management					9.000	
					2022-23	
	Name	Allowance (£m)	Unit	Component level at completion	Component level to date	Percentage complete
Component 1	Number of hectares of intensive peatland restoration delivered	6.300	ha	1,000	336	33.6%
Component 2	Number of hectares of catchment management delivered	2.700	ha	9,000	3,414	38.3%
					Total allowance, £m	
Scheme 2					24.877	
					2022-23	
	Name	Allowance (£m)	Unit	Component level at completion	Component level to date	Percentage complete
Component 1	Progress against agreed milestones such as completion of detailed design, civil and M&E construction, commissioning and handover.	24.877	%	100%	1%	1.0%
					Total allowance, £m	
Scheme 3					17.401	
					2022-23	
	Name	Allowance (£m)	Unit	Component level at completion	Component level to date	Percentage complete
Component 1	Number of upgraded new smart meter installations	1.053	000s	44.800	0.930	2.1%
Component 2	Number of basic meters replaced by or upgraded to smart meters	5.048	000s	76.072	0.443	0.6%
Component 3	Number of external lead supply pipes replaced to the property building boundary wall.	7.273	000s	5.100	0.024	0.5%
Component 4	Number of internal lead supply pipes replaced from property building boundary wall to the compliance point (kitchen tap).	2.612	000s	1.913	-	-
Component 5	Number of supply pipes replaced by 31 March 2025.	0.571	000s	0.752	0.020	2.7%
Component 6	Number of supply pipes repaired by 31 March 2025.	0.844	000s	1.324	0.086	6.5%

Additional regulatory information – green recovery – SWB continued

TABLE 10E – Green recovery data capture reconciliation model input continued

					Total allowance, £m	
Scheme 4						
Storm overflows					7.642	
					2022–23	
	Name	Allowance (£m)	Unit	Component level at completion	Component level to date	Percentage complete
Component 1	Stage one SOAF investigations	0.575	Nr	248	37	14.9%
Component 2	Stage two SOAF investigations	0.477	Nr	163	81	49.7%
Component 3	Stage three SOAF investigations	0.495	Nr	100	–	–
Component 4	Stage four SOAF investigations	0.325	Nr	100	–	–
Component 5	"Develop a programme of sampling and modelling (in consultation with the Environment Agency) to understand the river bathing water performance of the two proposed river stretches, and to identify and quantify sources of pollutants"	0.350	%	100%	0.5	50.0%
Component 6	SOAF studies across the two river catchments	0.250	Nr	25	10	40.0%
Component 7	Installation and testing of enhanced storm overflow and environmental monitors to determine how they may enhance environmental studies and improve impact assessment	0.500	Nr	100%	0.5	50.0%
Component 8	Development of partnerships, stakeholder and customer engagement– to support the pilot studies and test the benefits of different approaches	0.750	%	100%	75%	75.0%
Component 9	Delivery of 'quick win' asset enhancements (such as overflow screening) that have been identified through the pilot studies	2.000	%	100%	–	–
Component 10	Surface water separation trial	1.920	ha	11.5	–	–
					Total allowance, £m	
Scheme 5						
Water resource grid enablement					22.702	
					2022–23	
	Name	Allowance (£m)	Unit	Component level at completion	Component level to date	Percentage complete
Component 1	Roadford reservoir	12.818	%	100%	9%	9.0%
Component 2	Prewley and Northcombe WTW mains	9.884	%	100%	8%	8.0%

TABLE 11A – Pro forma – Greenhouse gas emissions reporting
for the 12 months ended 31 March 2023

Unit	Operational emissions		
	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
Scope one emissions			
Burning of fossil fuels (location-based)	2,790.675	959.049	3,749.724
Burning of fossil fuels (market-based)	2,790.675	959.049	3,749.724
Process and fugitive emissions	9.883	15,378.832	15,388.715
Vehicle transport	2,089.157	2,089.157	4,178.314
Emissions from land	–	–	–
Total scope one emissions (location-based)	4,889.715	18,427.038	23,316.753
Total scope one emissions (market-based)	4,889.715	18,427.038	23,316.753
Scope one emissions; GHG type CO ₂	4,817.741	3,002.938	7,820.679
Scope one emissions; GHG type CH ₄	3.400	5,934.806	5,938.206
Scope one emissions; GHG type N ₂ O	58.691	9,476.643	9,535.334
Scope one emissions: GHG other types	9.883	9.883	19.766
Scope two emissions			
Purchased electricity (location-based)	33,468.116	29,417.857	62,885.973
Purchased electricity (market-based)	13.591	34.143	47.734
Purchased heat	–	–	–
Electric vehicles	–	–	–
Removal of electricity to charge electric vehicles at site	–	–	–
Total scope two emissions (location-based)	33,468.116	29,417.857	62,885.973
Total scope two emissions (market-based)	13.591	34.143	47.734
Scope two emissions; GHG type CO ₂	33,092.556	29,087.747	62,180.303
Scope two emissions; GHG type CH ₄	138.455	121.700	260.155
Scope two emissions; GHG type N ₂ O	237.105	208.411	445.516
Scope two emissions: GHG other types	–	–	–
Scope three emissions			
Business travel	240.363	240.363	480.726
Outsourced activities	5,914.827	6,189.330	12,104.157
Purchased electricity; extraction, production, transmission and distribution (location-based)	11,798.122	10,370.332	22,168.454
Purchased electricity; extraction, production, transmission and distribution (market-based)	11,798.122	10,370.332	22,168.454
Purchased heat; extraction, production, transmission and distribution	–	–	–
Purchased fuels; extraction, production, transmission and distribution	2,484.735	2,060.460	4,545.195
Use of chemicals	9,305.159	8,159.889	17,465.048
Disposal and treatment of waste	916.187	8,387.210	9,303.397
Total scope three emissions (location-based)	30,659.393	35,407.584	66,066.977
Total scope three emissions (market-based)	30,659.393	35,407.584	66,066.977
Scope three emissions; GHG type CO ₂	–	–	–
Scope three emissions; GHG type CH ₄	–	–	–
Scope three emissions; GHG type N ₂ O	–	–	–
Scope three emissions: GHG other types	–	–	–

Additional regulatory information – green recovery – SWB continued

TABLE 11A – Pro forma – Greenhouse gas emissions reporting continued
for the 12 months ended 31 March 2023

Unit	Operational emissions		
	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
Gross operational emissions (Scopes 1, 2 and 3)			
Gross operational emissions (location-based)	69,017.224	83,252.479	152,269.703
Gross operational emissions (market-based)	35,562.699	53,868.765	89,431.464
Emissions reductions			
Exported renewables	–	–	–
Exported biomethane	–	–	–
Insets	–	–	–
Other emissions reductions	–	–	–
Total emissions reductions	–	–	–
Net annual emissions			
Net annual emissions (location-based)	69,017.224	83,252.479	152,269.703
Net annual emissions (market-based)	35,562.699	53,868.765	89,431.464
GHG intensity ratios			
Emissions per MI of treated water	291.893		
Emissions per MI of sewage treated		388.987	
Other			
Green tariff electricity	–	–	–
Capital projects			
Total capital projects (cradle-to-gate)	18,471.785	13,590.062	32,061.847
Total capital projects (cradle-to-build)	28,861.273	35,178.675	64,039.948
Purchased goods and services			
Purchased goods and services (please specify)	32,944.425	33,943.676	66,888.101
Embedded emissions			
Capital projects			
Total capital projects (cradle-to-gate)	18,471.785	13,590.062	32,061.847
Total capital projects (cradle-to-build)	28,861.273	35,178.675	64,039.948
Purchased goods and services			
Purchased goods and services (please specify)	32,944.425	33,943.676	66,888.101

Additional regulatory information – energy – SWB

Reporting annual 2022/23 emissions

We report our greenhouse gas emissions using the water industry's collaboratively developed Carbon Accounting Workbook, now in its seventeenth annual edition the latest version of the Carbon Accounting Workbook version seventeen has been used to estimate GHG emissions for both South West (including the emissions from our Bournemouth Water region) and Bristol. We have kept our emissions accounting for South West and Bristol separate for 2022/23, using a Carbon Accounting Workbook for each company, to enable us to specifically report on emissions from the separate business units.

Our accounting practice follows the principles of the international GHG Protocol Corporate Standard and the guidance and emissions factors we use are those jointly published by the UK Government Department of Energy Security and Net Zero (DESNZ) and the Department of Business, Energy and Industrial Strategy (BEIS), using the emissions factors published in June 2022. Where the equivalent Government factors are not included in the published data we use the bespoke water industry emissions factors that are embedded within the Carbon Accounting Workbook, these bespoke emissions are reviewed annually and updated by the Carbon Accounting Workbook producers where appropriate.

We use the 'Financial Control' reporting boundary to define the scope of direct and indirect operational emissions and report on our Scope 1, 2 and selected 3 emissions from the 'appointed business' in line with the organisational boundary as defined by Ofwat.

We calculate Scope 3 emissions from our Capital projects and our purchased goods and services outside of the Carbon Accounting Workbook. For estimating these emissions we use our annual financial records to split the Capital projects by the proportion of spend related to cradle to gate and cradle to build activities in the water and wastewater parts of the business. We use an expert external consultancy to apply the appropriate emissions factors to the categories of Capital spend to determine emissions attributable to our Capital goods and to our purchased goods and services.

The assumptions, methods and procedures that are followed in the development of the reported data have been tested and independently verified for accuracy and consistency by Jacobs, our external auditors.

Breakdown of emissions of greenhouse gases by type and emissions scopes

We report operational emissions as tonnes of carbon dioxide equivalent (tCO₂e) for the sources of categories of Scope 1, 2 and 3 emissions included within the reporting boundary. We also report on the breakdown of individual greenhouse gases for Scope 1, 2 and 3 emissions within the reporting boundary, here we report on emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and the small volume of other types of greenhouse gas including hydrofluorocarbons (HFCs) from fugitive emissions from air conditioning and refrigeration equipment.

Emissions are reported as either Scope 1, 2 or 3 emissions where Scope 1 emissions are those released directly into the atmosphere from the use of our owned and controlled assets. Scope 2 are those indirect emissions from the electricity we import from

the UK electricity grid and Scope 3 emissions are those that arise from as a consequence of our actions but which occur from sources that we do not own or control, for example from activities carried out by third parties contractors on our behalf.

Gross and net emissions

We report both 'gross' and 'net' emissions position where gross emissions in this case are a measure of our total operational emissions volume excluding any 'emissions removals', i.e. without the impact of any renewable energy backed by renewable energy certificates that we have exported to the grid. For 2022/23, as part of our new 100% renewable electricity supply contract, we have chosen to sell the renewable electricity certificates from our renewable electricity exports to our electricity supplier and this means there are no emissions removals reportable under our net emissions measure.

We have not engaged in any purchase of carbon offsets to date. We anticipate using carbon offsetting to fulfil our Net Zero Commitment in 2030 for any residual emissions that we have been unable to abate at that time. Had we engaged in any permissible carbon offsetting we would also account for this as an emission removal and in our net emissions position.

Market and location-based emissions

In accordance with the GHG Protocol accounting principles we account for both market-based and location-based emissions. Where indicated in Table 11A we have reported either a market-based or a location-based position and reported both overall values for total gross and total net emissions.

Reporting market-based emissions in this way allows us to track progress towards our Net Zero Commitment by 2030 which includes the emissions benefit of our choice to engage in contractual arrangements to purchase renewable electricity from third party electricity suppliers where the electricity purchased is backed by renewable electricity certificates, in this case backed by Renewable Electricity Guarantees of Origin (REGOs).

We retire these REGOs so they cannot be sold to others and this allows us to report a reduced emissions value under the market-based accounting measure.

Location-based emissions accounting ignores the emissions impact of any special contractual arrangements for renewable electricity and instead uses the Government published emissions factor for UK average grid electricity.

Emissions intensity

Table 11A also includes our emissions intensity metrics which for the water related parts of the business is a the value of net location-based emissions for water divided by the annual megalitres of water delivered into our water supply network and for the wastewater part of the business is the value of net location-based emissions for wastewater divided by the annual measured full flow of wastewater entering our wastewater treatment works.

Commentary of 2022/23 Emissions (South West Water)

Water UK Net Zero Commitment by 2030

South West Water continue to make good progress towards our 2030 Net Zero Commitment, reducing from a total net market-based operational carbon emissions volume of 94,931 tCO₂e in 2021/22 to just 41,702 tCO₂e in 2022/23.

This significant reduction in emissions in 2022/23 compared to 2021/22 was largely a result of the first full-year of our contract to purchase 100% renewable electricity from the grid from sources backed by renewable electricity certificates. This has resulted in SWW's market-based Scope 2 emissions falling from 57,736 tCO₂e in 2021/22 to just 48 tCO₂e in 2022/23, representing SWW's largest ever single reduction in annual emissions recorded in any year since we began reporting our emissions. The residual 48 tCO₂e remaining in SWW's scope 2 emissions are the result of a small number of operational sites that remain outside of our main renewable electricity supply contract.

Elsewhere under our Net Zero Commitment emissions boundary our direct (Scope 1) emissions from our vehicle fleet and fugitive emissions of non-CO₂ greenhouse gases from our processes marginally increased due to additional travel and population growth, whilst emissions from our direct burning of fossil fuels marginally decreased. Resulting in SWW's Scope 1 emissions increasing from 20,102 tCO₂e in 2021/22 to 23,314 tCO₂e in 2022/23.

Our indirect (Scope 3) emissions within the Net Zero Commitment boundary also marginally increased in 2022/23 compared to 2021/22 with emissions from our business travel and outsourced activities marginally increasing whilst emissions from the transmission and distribution of our grid electricity decreased marginally. Overall SWW's Scope 3 emissions increased to 18,338 tCO₂e from 17,198 tCO₂e.

Emissions removals reduced to zero in 2022/23 as part of our contract conditions require us to sell the renewable electricity certificates associated with our renewable electricity export.

Ofwat Reporting, market-based and Location-Based reporting

For 2022/23 Ofwat have asked us to report both location-based and market-based greenhouse gas emissions within a new extended boundary that includes for the first time emissions from our use of chemicals and granular activated carbon (GAC), as well as emissions from the disposal and recycling of wastes and the 'well to tank' emissions associated with the extraction and processing of fuels used directly by us as well as those related to the fuels that are used to generate the electricity we have purchased through the grid.

This has resulted in net location-based emissions for South West Water of 152,270 tCO₂e, and net market-based emissions of 89,431 tCO₂e.

The extended emissions boundary for the Ofwat reporting for 2022/23 includes Scope 3 emissions from chemicals, for which we recorded a total 17,465 tCO₂e, emissions from the disposal of waste 9,303 tCO₂e and well to tank emissions along with emissions from the transmission and distribution of electricity for which we recorded emissions of 22,168 tCO₂e.

Additional regulatory information – energy – SWB continued

Embedded Emissions

We currently use a 'spend analysis' approach to estimate our embedded (or embodied) emissions resulting from our construction activities as part of our Capital Programme, as well as from our purchase of goods and services.

For 2022/23 Ofwat have asked us to split the reporting of emissions from our construction activities, what we refer to as 'Capital carbon', into emissions from the cradle to the gate (emissions from the manufacture of the materials and products used and their transport to site) and cradle to build (cradle to gate plus those emissions from construction of assets and the offsite disposal of waste).

We have, with the help of expert consultants, produced a bespoke embedded carbon emissions estimation tool which we intend to embed within our internal systems to move away from using 'spend analysis' towards using more accurate primary activity data. Whilst we undertake this transition to using primary activity data we expect to continue to rely to some extent on spend analysis data until the transition is fully complete. We therefore expect to improve the accuracy of our reporting of embedded carbon over time as well as providing the opportunity to properly account for the lower carbon options that we intend to promote over the traditional methods of developing and constructing solutions to meet our needs.

In 2022/23 we recorded emissions cradle to gate emissions from our water related capital projects of 18,472 tCO₂e and 13,590 tCO₂e from our wastewater capital projects. Under the cradle to build measure we recorded 28,861 tCO₂e from our water related capital projects and 35,179 tCO₂e from our wastewater capital projects.

We also recorded the embedded emissions from our purchased goods and services which for 2022/23 were 32,944 tCO₂e for our water related activities and 33,944 tCO₂e for our wastewater related activities. We were able to refine our approach to estimating emissions from our purchased goods and services for 2022/23 by excluding our spend for services where there are no physical emissions resulting from our purchase such as those related to the financial services we engage with.

Estimate of embedded emissions (tCO₂e)

	Water	Wastewater
Capital projects (cradle to gate)	18,472	13,590
Capital projects (cradle to build)	28,861	35,179
Purchased goods and services	32,944	33,944

Renewable Energy

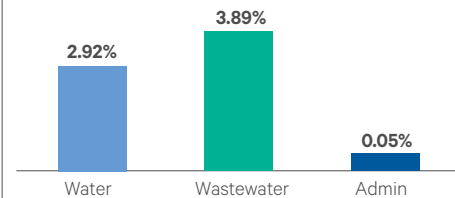
The following charts show how our continued investment in our own embedded renewable energy generation, as well as our purchase of REGO backed renewable energy from third party suppliers is impacting on our renewable energy as a percentage of our total energy usage. We report our generation of renewable electricity from our hydro-electric power, solar PV and wind installations, as well including the renewable electricity and renewable heat from our combined heat and power plants.

During 2022/23 we added to our portfolio of solar PV installations with new onsite schemes constructed on our Ashford (North Devon), Falmouth, Sidmouth and Tiverton wastewater treatment works.

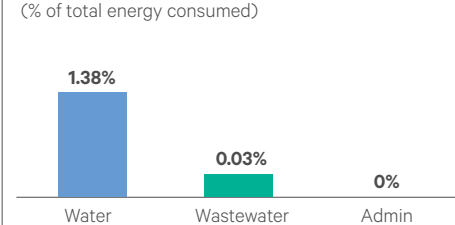
Our total renewable electricity generation was adversely impacted in 2022/23 by the very dry summer, where we experienced very high summer temperatures and significantly reduced rainfall, impacting on the volumes of water we had available to generate from our hydro-electric power turbines that provide a significant proportion of our renewable electricity generation. Despite this total electricity generation from our renewable energy installations increased to 22.9 GWh in 2022/23, a marginal uplift from the previous year's renewable electricity total of 22.6 GWh. In addition to this we generated and used 7.1 GWh of renewable heat from our own biogas fuelled combined heat and power plants, an increase from the previous year's renewable heat recorded of 5.8 GWh.

Percentage of renewable and low carbon energy sourced

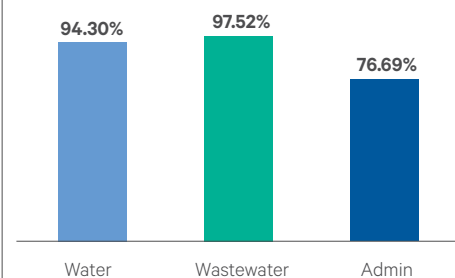
Self-generated renewable Energy consumed (% of total energy consumed)



Purchase of REGO-backed electricity via private wire and grid (% of total energy consumed)



Total renewable energy sourced (including purchased REGO-backed electricity) % of total energy



Strengths, weaknesses, opportunities and threats

'Operational' Carbon

Strengths

In estimating our operational emissions we use a carbon accounting methodology aligned with the Greenhouse Gas Protocol. Emissions are calculated using the water industry's common accounting tool known as the 'Carbon Accounting Workbook' now in its seventeenth annual edition having been consistently updated and used by the industry since 2006.

The majority of data assessed is reliably metered primarily activity data such as half-hourly metered electricity and fuel purchases.

Changing our electricity supplier from 1st April 2022 has given us the opportunity to contract for the supply of 100% renewable electricity backed by renewable electricity certificates, allowing us to remove almost all of our Scope 2 market-based emissions, although our Scope 2 location-based emissions continue to be accounted for at the Government published average grid electricity emissions factor.

We added to our portfolio of embedded renewable energy schemes on our own sites in 2022/23 by installing additional Solar PV generation which has reduced our dependence on purchasing electricity through the grid.

Opportunities

To collect the appropriate operational emissions from our outsourced activities we have further engaged with our supply chain to request data from our suppliers split by operational activities and activities associated with our Capital projects.

This avoids any double counting in our reporting of operational carbon from outsourced activities, since the proportion associated with our Capital projects is reported separately under our embedded carbon emissions. To facilitate this we have developed new tools to collect data from our suppliers in 2022/23 split by operational outsourced activity and activity in support of our Capital projects. 2022/23 is the first time we have used this data split approach it has provided us with useful further engagement with our value chain, however we note our operational outsourced activities emissions increased in 2022/23 compared to the previous year reflecting increased outsourced activity.

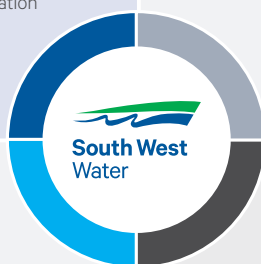
We are also establishing new relationships with our tree planting partners to deliver additional future tree planting schemes which will be registered under the Woodland Carbon Code enabling us to claim our first carbon emissions removals through sequestration.

Weaknesses

We have identified our Scope 1 'process and fugitive emissions' of non-CO₂ greenhouse gases, specifically the emissions of nitrous oxide (N₂O) and methane (CH₄), as the most significant area of uncertainty in our current emissions accounting and reporting process. We have therefore embarked on a new programme of the direct monitoring of nitrous oxide (N₂O) emissions from our wastewater treatment processes since these emissions are currently estimated using generic, and historic, emissions factors that are thought to be underestimating actual emissions. By gaining better understanding of the actual volume of these emissions by direct measurement we can begin to implement our plans to mitigate these emissions by optimising our processes to avoid the formation of these emissions. Where we cannot remove these emissions entirely from our processes we have longer-term plans to purchase carbon offsets to deliver on our Net Zero Commitment by 2030.

Threats

Our overall energy usage for our drinking water parts of our business increased in 22/23 compared with the previous year as a direct result of the exceptionally dry summer in 2022, which resulted in additional pumping to meet customer demand. Our market-based carbon emissions were largely unaffected since we receive a 100% renewable electricity zero carbon supply, however our location-based emissions increased due to our additional energy usage. We are implementing our plans to make our business resilient to the continuing climatic changes we are all likely to experience in the future and the summer of 2022 is a reminder that extremes of weather tend to have an adverse impact on our carbon emissions position.



Additional regulatory information – energy – SWB continued

Strengths, weaknesses, opportunities and threats

'Embedded' Carbon

Strengths

We have used our annual recorded financial spend data from our Procurement systems to determine embedded carbon emissions for Scope 3 Category 1 – Purchased goods and services and for Scope 3 Category 2 – Capital goods. This approach ensures all the relevant spend in the year is included within the analysis. We have engaged an expert third-party carbon consultancy to take our spend data and use this to calculate the Scope 3 emissions associated with our purchase of goods and services and in delivering our Capital programme.

Weaknesses

Weaknesses

Our approach to embedded carbon currently uses financial spend data as the primary data source for determining emissions. We recognise the shortcomings of this approach and we are committed to transitioning away from using spend data towards using actual activity data over the next few years. The principal weakness in using this financial spend approach to accounting for emissions is that greater economic activity typically results in greater embedded emissions regardless of whether the additional economic activity is low carbon or not. In response to this the Pennon Group have developed the 'Pennon Carbon Tool' which we intend to embed within our internal systems over the next two years to capture actual activity-based emissions data.

We also recognise that our current internal systems can be improved to split Capital goods data into cradle-to-gate from cradle-to-build and for 2022/23 reporting we have had to use a methodology that includes some degree of approximation.

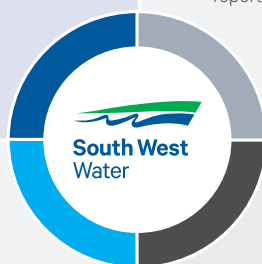
Opportunities

Given our current reliance on the spend analysis approach to embedded carbon accounting there is an obvious opportunity to improve our accounting accuracy by using a more granular accounting approach, for example recording emissions from the use of specific products by using the suppliers' EPD's (Environmental Product Declarations), or by using actual activity data provided by our contractors. To this end we have already embarked on this transitional journey by adding specific requirements on contractors in our new framework contracts. Under the NEC4 X29 Climate Change Clause we have requested that suppliers provide embedded carbon data aligned with the principles set out in PAS2080. We are currently trialling our new 'Capital Carbon Assessment Tool' and expect it to take another two years before it is fully embedded into our systems and recording emissions data for all our Capital projects.

We also intend our Energy and Carbon, Finance and Engineering Teams to work together over the coming year to implement a more robust system for determining the split between cradle-to-gate and cradle-to-build emissions in estimating our Capital goods emissions.

Threats

We are aware that the current approach to reporting embedded carbon on an annualised basis, i.e. only recording emissions based on spend or activity within the year being reported on, will likely mean we experience a wide range of resultant embedded emissions from year to year. This will make performance tracking a challenge since our economic activity will understandably fluctuate from year to year. Overall trends in emissions reductions may not reveal themselves until several years have elapsed requiring the reported dataset to be performance reviewed over a longer period to produce any meaningful results. Nevertheless, we believe starting to report these emissions now on a reasonably consistent basis, with some limited scope to improve our approach over time, will help us to develop and hone our methodology. This will allow us the time to embed new ways of calculating and capturing emissions reporting data within our existing systems, making the reporting of embedded emissions routine for the business.



Regulatory financial reporting – BRL



TABLE 1A – Income statement
For the year ended 31 March 2023

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Adjustments Total adjustments £m	Total appointed activities £m
Revenue	131.226	1.375	1.150	0.225	131.451
Operating costs	(105.326)	0.520	(0.872)	1.392	(103.934)
Other operating income	-	(0.059)	-	(0.059)	(0.059)
Operating profit	25.900	1.836	0.278	1.558	27.458
Other income	-	4.923	-	4.923	4.923
Interest income	1.815	-	-	-	1.815
Interest expense	(52.852)	(1.071)	-	(1.071)	(53.923)
Other interest expense	0.300	-	-	-	0.300
Profit before tax and fair value movements	(24.837)	5.688	0.278	5.410	(19.427)
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	(24.837)	5.688	0.278	5.410	(19.427)
UK Corporation tax	(0.201)	(1.311)	(0.069)	(1.242)	(1.443)
Deferred tax	4.949	0.303	-	0.303	5.252
Profit for the year	(20.089)	4.680	0.209	4.471	(15.618)
Dividends	(64.349)	-	(0.209)	0.209	(64.140)
Tax analysis					
Current year	0.307	1.311	0.069	1.242	1.549
Adjustments in respect of prior years	(0.106)	-	-	-	(0.106)
UK Corporation tax	0.201	1.311	0.069	1.242	1.443
					Non-appointed £m
Analysis of non-appointed revenue					
Imported sludge					-
Tankered waste					-
Other non-appointed revenue					1.150
Revenue					1.150

Revenue

Statutory revenue includes an amount of £6.635m relating to the WaterShare+ rebate which is outside of scope of price control and regulated activities and has therefore been adjusted for through the 'Differences between statutory and RAG definitions'.

On 17 October 2022 the Company gave notice of redemption of the £40m bonds due to be repaid in March 2041. The bonds were redeemed as part of the statutory transfer of the Company's business to South West Water. Associated legal costs of £0.997m and additional settlement interest of £13.141m were incurred in relation to the bond redemption. The redemption of the bonds is non-recurring and of a material value, hence these costs were treated as non-underlying operating costs and interest expense respectively in the statutory accounts.

The Company also incurred non underlying operating expenses of £0.163m relating to the integration and statutory transfer of the Company's trade, assets and obligations to South West Water.

Narrative on statutory financial performance can be found in the financial review on page 32.

Regulatory financial reporting – BRL continued

TABLE 1A – Income statement continued

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Net Interest expense £m	Current tax £m	Deferred tax £m	Profit for the year £m
Capitalised expenses of new supplies	-	(0.313)	-	-	-	-	-	(0.313)
Classification of property maintenance	-	0.148	-	-	-	-	-	0.148
Capitalisation of S185 Revenue/costs	(0.203)	0.203	-	0.004	-	-	0.303	0.307
Classification of rental income	(0.434)	-	-	0.286	-	-	-	(0.148)
Profit on disposal of fixed assets	-	0.059	(0.059)	-	-	-	-	-
Depreciation and tax impacts	-	0.157	-	0.010	-	-	-	0.167
Innovation fund costs/revenue	-	0.266	-	-	-	(1.311)	-	(1.045)
WaterShare+ rebate outside scope of price control and regulatory activities	6.635	-	-	-	-	-	-	6.635
Classification of grants and contributions income	(4.623)	-	-	4.623	-	-	-	-
Derecognised capitalised borrowing costs	-	-	-	-	(1.071)	-	-	(1.071)
Net adjustments	1.375	0.520	(0.059)	4.923	(1.071)	(1.311)	0.303	4.680

Interest analysis

1Ai Interest

£m

Interest charged on external borrowings, excluding those relating to DPC arrangements	(51.056)
Interest payable on intra-group borrowings	(1.240)
Interest charges in relation to DPC arrangements under IFRS16	-
Interest payable in relation to other leases under IFRS16	(0.082)
Amortisation of debt issuance costs	(0.733)
Amortisation of any debt premiums/discounts	0.329
Interest paid in relation to pension scheme liabilities	-
Preference share dividends	(0.915)
Any other financing costs/ interest charges	(0.225)
	(53.924)

1A.7 Interest expense

Interest received in relation to defined benefit pension scheme assets	0.300
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1A.8 Other interest expense

0.300

Table 1A Reconciliation

Following the license transfer on 1 February 2023, two months of trading from Bristol Water are included in the statutory results of South West Water Limited. To maintain comparability, tables 1A for both South West Water and Bristol Water in this report adjust the impact of two months trading and in Bristol Water only activity no longer in the regulatory ringfence is removed so that the Statutory column in tables 1A show 12 months of relevant activity for BRW. This reconciliation shows how the signed statutory accounts reconcile to table 1A.

Table 1A Reconciliation continued

		Adjustments			BRL Statutory for 1A
		BRL Statutory Accounts	2 months trading reported in SWB statutory accounts	2 months trading in BRL stat accounts not in regulatory ringfence	12 months BRL trading
1A.1	Revenue	109.034	22.192	-	131.226
1A.2	Operating costs	(89.295)	(16.227)	0.196	(105.326)
1A.3	Other operating income	-	-	-	-
1A.4	Operating profit	19.739	5.965	0.196	25.900
1A.5	Other income	-	-	-	-
1A.6	Interest income	2.422	-	(0.607)	1.815
1A.7	Interest expense	(47.174)	(5.902)	0.224	(52.852)
1A.8	Other interest expense	0.340	-	(0.040)	0.300
1A.9	Profit before tax and fair value movements	(24.673)	0.063	(0.227)	(24.837)
1A.10	Fair value gains/(losses) on financial instruments	-	-	-	-
1A.11	Profit before tax	(24.673)	0.063	(0.227)	(24.837)
1A.12	UK Corporation tax	(0.307)	-	0.106	(0.201)
1A.13	Deferred tax	4.896	0.053	-	4.949
1A.14	Profit for the year	(20.084)	0.116	(0.121)	(20.089)
1A.15	Dividends	(64.349)	-	-	(64.349)
Tax analysis					
1A.16	Current year	0.413	-	(0.106)	0.307
1A.17	Adjustments in respect of prior years	(0.106)	-	-	(0.106)
1A.18	UK Corporation tax	0.307	-	(0.106)	0.201

TABLE 1B – Statement of comprehensive income

Adjustments					Total appointed activities £m
Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m		
Profit for the year	(20.089)	4.680	0.209	4.471	(15.618)
Actuarial gains/(losses) on post employment plans	0.043	-	-	-	0.043
Other comprehensive income	(0.004)	-	-	-	(0.004)
Total comprehensive income for the year	(20.050)	4.680	0.209	4.471	(15.579)

Pension arrangements for employees were historically provided partly through our membership in the Water Companies' Pension Scheme ("WCPS"), which provides defined benefits based on final pensionable pay. There is a separate section within the WCPS for the regulated water business; the section was closed to new employees some years ago.

On 1 February 2023 substantially all of the trade, assets and liabilities of Bristol Water plc transferred to South West Water Limited. The defined benefit pension scheme was not transferred and is therefore no longer a part of the regulated business. The figures disclosed in table 1B relate to the period 1 April 2022- 31 January 2023 only.

The net pension surplus at 31 January 2023 was £8.018m (31 March 2022: £8.064m). As the scheme is closed to future accrual the surplus cannot be recovered through on-going contribution payments. The pension asset is shown net of a 35% income tax rate which would be applicable if the funds were repaid to Bristol Water from the pension scheme. The movement in this tax liability is shown in other comprehensive income.

Regulatory financial reporting – BRL continued

TABLE 1C – Statement of financial position
Reflects Balance Sheet as at 31 March 2023

Following the license merger between South West Water Ltd and Bristol Water PLC, the regulatory trade and assets were combined from 1 February 2023. Therefore only a single balance sheet exists and the combined table is shown within the South West Water section.

TABLE 1D – Statement of cash flows

	Adjustments				
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Operating activities					
Operating profit	25.900	1.836	0.278	1.558	27.458
Other income	-	4.923	-	4.923	4.923
Depreciation	29.084	(0.157)	0.083	(0.240)	28.844
Amortisation – G&Cs	(4.623)	4.623	-	4.623	-
Changes in working capital	7.126	(11.741)	(0.083)	(11.658)	(4.532)
Pension contributions	0.414	-	-	-	0.414
Movement in provisions	0.130	-	-	-	0.130
Profit on sale of fixed assets	0.059	-	-	-	0.059
Cash generated from operations	58.090	(0.516)	0.278	(0.794)	57.296
Net interest paid	(28.286)	-	-	-	(28.286)
Tax paid	(1.555)	-	(0.069)	0.069	(1.486)
Net cash generated from operating activities	28.249	(0.516)	0.209	(0.725)	27.524
Investing activities					
Capital expenditure	(49.642)	0.313	-	0.313	(49.329)
Grants & contributions	3.202	0.203	-	0.203	3.405
Disposal of fixed assets	0.008	-	-	-	0.008
Other	-	-	-	-	-
Net cash used in investing activities	(46.432)	0.516	-	0.516	(45.916)
Net cash generated before financing activities	(18.183)	-	0.209	(0.209)	(18.392)
Cash flows from financing activities					
Equity dividends paid	(64.349)	-	(0.209)	0.209	(64.140)
Net loans received	66.028	-	-	-	66.028
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	1.679	-	(0.209)	0.209	1.888
Increase/(decrease) in net cash	(16.504)	-	-	-	(16.504)

Commentary for the adjustments within the statement of cash flows to reconcile from the statutory financial statements to Regulatory Reporting has been noted within the income statement.

TABLE 1E – Net debt analysis (appointed activities)

	Fixed rate £m	Floating rate £m	Index linked		Total £m
			RPI £m	CPI/CPIH £m	
Interest rate risk profile					
Borrowings (excluding preference shares)	97.695	173.221	169.653	-	440.569
Preference share capital	-				-
Total borrowings	97.695	173.221	169.653	-	440.569
Cash					4.520
Short-term deposits					-
Net debt					445.089
Gearing					
Gearing					69.039%
Adjusted gearing					69.039%
Interest					
Full year equivalent nominal interest cost	5.266	5.564	29.510	-	40.340
Full year equivalent cash interest payment	5.266	5.564	6.083	-	16.913
Indicative interest rates					
Indicative weighted average nominal interest rate	5.390%	3.212%	17.394%	-	9.156%
Indicative weighted average cash interest rate	5.390%	3.212%	3.586%	-	3.839%
Time to maturity					
Weighted average years to maturity	11.713	2.155	11.000	-	7.682

South West Water (Bristol area) has preference share capital held in financing subsidiary Bristol Water plc, as this is not in the appointed business it is included in Fixed rate Borrowings above.

The table above reflects the position of the appointed business. RCV at 31 March 2023 was £644.7m resulting in a gearing ratio of 69.039% for the appointed business. This gearing does not need adjustment.

Fixed and floating debt costs and interest rates are equivalent to the cash interest payments. Only index-linked debt has a differential between the interest charges and cash interest payments, where RPI or CPI is accreted into the loan balance.

	Total
Table 1E total borrowings	
Derivative balance	440.569
Unamortised debt issuance costs/premia	(0.039)
Rounding	(0.051)
Table 4B gross debt	440.479

Regulatory financial reporting – BRL continued

TABLE 1F – Financial flows for the 12 months ended 31 March 2023

	12 months ended 31 March 2023					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Return on regulatory equity						
Regulatory equity	212.650	212.650	173.306			
Return on regulatory equity	4.47%	3.64%	4.47%	9.505	7.747	7.747
Financing						
Gearing		0.83%	0.45%		1.759	0.781
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		0.82%	1.00%		1.734	1.734
Group relief		–	–		–	–
Cost of debt		3.69%	5.15%		7.845	8.922
Hedging instruments		–	–		–	–
Return on regulatory equity including Financing adjustments	4.47%	8.97%	11.07%	9.505	19.084	19.184
Operational performance						
Totex out / (under) performance		(1.66%)	(2.04%)		(3.535)	(3.535)
ODI out / (under) performance		(1.54%)	(1.89%)		(3.281)	(3.281)
C-Mex out / (under) performance		0.16%	0.20%		0.345	0.345
D-Mex out / (under) performance		–	–		–	–
Retail out / (under) performance		(0.24%)	(0.29%)		(0.509)	(0.509)
Other exceptional items		(0.55%)	(0.67%)		(1.164)	(1.164)
Operational performance total		(3.83%)	(4.70%)		(8.144)	(8.144)
RoRE (Return on regulatory equity)	4.47%	5.14%	6.37%	9.505	10.940	11.040
RCV growth						
RCV growth	10.74%	10.74%	10.74%	22.839	22.839	18.613
Voluntary sharing arrangements		–	–		–	–
Total shareholder return	15.21%	15.88%	17.11%	32.344	33.779	29.653
Dividends						
Gross dividend	3.18%	25.55%	31.35%	6.762	54.327	54.327
Interest received on intercompany loans		(0.72%)	(0.89%)		(1.537)	(1.537)
Retained value	12.03%	(8.94%)	(13.35%)	25.582	(19.011)	(23.137)
Cash impact of 2015-20 performance adjustments						
Totex out / under performance		(0.23%)	(0.29%)		(0.495)	(0.495)
ODI out / under performance		(0.71%)	(0.87%)		(1.506)	(1.506)
Total out / under performance		(0.94%)	(1.15%)		(2.001)	(2.001)

The RCV balance used, is inclusive of the IFRS16 lease adjustment, this is in line with the letter published 18 May 2020 by David Black.

A dividend was paid by Bristol Water in the period from 1 April 2022 to 31 January 2023, just prior to the statutory transfer, of £33m of regulated dividend given RORE performance of 5.1%, prorated for the ten month period to the statutory transfer.

In addition a £61.0m dividend in specie was declared on 31 January 2023, from brought forward statutory reserves, which satisfied in full the intercompany loan receivable from Bristol Water UK Holdings, ensuring that there were no outstanding balances from Bristol Water's structures once it transferred to South West Water. This transfer did not result in any cash impact on the Company.

Price review and other segmental reporting – BRL


TABLE 1F – Financial flows for the AMP to date (2017-18 financial year average CPIH) continued

	Average 2020-25					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Return on regulatory equity						
Regulatory equity	210.943	210.943	161.099			
Return on regulatory equity	4.45%	3.40%	4.45%	9.387	7.169	7.169
Financing						
Gearing		1.05%	0.53%		2.218	0.916
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		0.31%	0.38%		0.650	0.650
Group relief		–	–		–	–
Cost of debt		1.00%	1.38%		2.119	2.387
Hedging instruments		–	–		–	–
Return on regulatory equity including Financing adjustments	4.45%	5.75%	6.73%	9.387	12.156	11.122
Operational performance						
Totex out / (under) performance		0.24%	0.30%		0.515	0.515
ODI out / (under) performance		(0.79%)	(0.97%)		(1.686)	(1.686)
C-Mex out / (under) performance		0.08%	0.10%		0.169	0.169
D-Mex out / (under) performance		0.01%	0.01%		0.018	0.018
Retail out / (under) performance		(0.41%)	(0.50%)		(0.868)	(0.868)
Other exceptional items		(0.19%)	(0.23%)		(0.402)	(0.402)
Operational performance total		(1.06%)	(1.30%)		(2.254)	(2.254)
RoRE (return on regulatory equity)	4.45%	4.69%	5.43%	9.387	9.902	8.868
RCV growth	6.31%	6.31%	6.31%	13.311	13.311	10.165
Voluntary sharing arrangements		–	–		–	–
Total shareholder return	10.76%	11.00%	11.74%	22.697	23.212	19.033
Dividends						
Gross dividend	3.18%	10.59%	13.87%	6.708	22.345	22.345
Interest received on intercompany loans		(1.25%)	(1.64%)		(2.644)	(2.644)
Retained value	7.58%	1.66%	(0.49%)	15.989	3.511	(0.668)
Cash impact of 2015-20 performance adjustments						
Totex out / under performance		(0.22%)	(0.29%)		(0.474)	(0.474)
ODI out / under performance		(0.68%)	(0.90%)		(1.442)	(1.442)
Total out / under performance		(0.91%)	(1.19%)		(1.916)	(1.916)

South West Water's dividend policy is included on page 90.

Price review and other segmental reporting – BRL continued

TABLE 2A – Segmental income statement

	Retail Household £m	Retail Non-household £m	Water resources £m	Water Network+ £m	Total £m
Revenue – price control	11.672	–	22.986	93.920	128.578
Revenue – non price control	–	–	0.565	2.308	2.873
Operating expenditure – excluding PU recharge impact	(10.134)	–	(12.959)	(51.997)	(75.090)
PU opex recharge	(0.468)	–	0.033	0.435	–
Operating expenditure – including PU recharge impact	(10.602)	–	(12.926)	(51.562)	(75.090)
Depreciation – tangible fixed assets	(0.128)	–	(2.079)	(23.195)	(25.402)
Amortisation – intangible fixed assets	(0.067)	–	(0.247)	(3.128)	(3.442)
Other operating income	–	–	(0.003)	(0.056)	(0.059)
Operating profit	0.875	–	8.296	18.287	27.458
Surface water drainage rebates					
Surface water drainage rebates					–

Allowed Revenue Reconciliation

	Water Resources £m	Water Network+ £m	Total Revenue for RF	Total £m
Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	22.525	97.235	119.760	119.760
Customer Demand and Profile	0.461	0.150	0.611	0.611
New Connections / Diversions / Requisitions	–	0.433	0.433	0.433
Actual Outturn (Table 2M)	22.986	97.818	120.804	120.804
Variance to Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	0.461	0.583	1.044	1.044
Variance as % for RFI	2.05%	0.60%	0.87%	0.87%

Bristol Water exited the non-household retail market on 1 April 2017, therefore the retail non-household revenue is £nil. Operating expenses are still incurred in this sector under the regulatory accounting guidelines, an analysis of which is shown in 2C.

Price control revenue is allocated between controls in accordance with the allowances set in the PR19 determination. Non-price control revenue is allocated in line with the proportion used in our PR19 business plan.

TABLE 2B – Totex analysis – wholesale

	Water resources £m	Water Network+ £m	Total £m
Base operating expenditure			
Power	2.907	9.138	12.045
Income treated as negative expenditure	(0.036)	(0.116)	(0.152)
Service charges/discharge consents	2.208	0.103	2.311
Bulk supply/Bulk discharge	0.013	0.098	0.111
Renewals expensed in year (Infrastructure)	0.032	1.743	1.775
Renewals expensed in year (Non-Infrastructure)	–	–	–
Other operating expenditure	6.115	34.937	41.052
Local authority and Cumulo rates	1.307	3.785	5.092
Total base operating expenditure	12.546	49.688	62.234
Other operating expenditure			
Enhancement operating expenditure	–	0.466	0.466
Developer services operating expenditure	–	–	–
Total operating expenditure excluding third party services	12.546	50.154	62.700
Third party services	0.380	1.408	1.788
Total operating expenditure	12.926	51.562	64.488
Grants and contributions			
Grants and contributions – operating expenditure	–	4.306	4.306
Capital expenditure			
Base capital expenditure	1.497	27.347	28.844
Enhancement capital expenditure	1.516	12.297	13.813
Developer services capital expenditure	–	8.062	8.062
Total gross capital expenditure (excluding third party)	3.013	47.706	50.719
Third party services	–	0.115	0.115
Total gross capital expenditure	3.013	47.821	50.834
Grants and contributions			
Grants and contributions – capital expenditure	–	(0.205)	(0.205)
Net Totex	15.939	95.282	111.221
Cash			
Pension deficit recovery payments	–	–	–
Other cash items	–	–	–
Totex including cash items	15.939	95.282	111.221

Price review and other segmental reporting – BRL continued

TABLE 2C – Operating cost analysis – retail

	Household – total £m	Non-household – total £m	Total £m
Operating expenditure			
Customer services	2.755	–	2.755
Debt management	0.606	–	0.606
Doubtful debts	3.611	–	3.611
Meter reading	0.352	–	0.352
Services to developers	–	–	–
Other operating expenditure	2.807	–	2.807
Local authority and Cumulo rates	0.003	–	0.003
Total operating expenditure excluding third party services	10.134	–	10.134
Depreciation			
Depreciation on tangible fixed assets existing at 31 March 2015	0.001	–	0.001
Depreciation on tangible fixed assets acquired after 1 April 2015	0.127	–	0.127
Amortisation on intangible fixed assets existing at 31 March 2015	–	–	–
Amortisation on intangible fixed assets acquired after 1 April 2015	0.067	–	0.067
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.032	–	0.032
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	0.436	–	0.436
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–	–
Net recharges costs	0.468	–	0.468
Total retail costs excluding third party and pension deficit repair costs	10.797	–	10.797
Third party services operating expenditure	–	–	–
Pension deficit repair costs	–	–	–
Total retail costs including third party and pension deficit repair costs	10.797	–	10.797
Debt written off			
Debt written off	3.530	–	3.530
Capital expenditure			
Capital expenditure	1.480	–	1.480
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
Demand-side water efficiency – gross expenditure			–
Demand-side water efficiency – expenditure funded by wholesale			–
Demand-side water efficiency – net retail expenditure			–
Customer-side leak repairs – gross expenditure			0.056
Customer-side leak repairs – expenditure funded by wholesale			0.056
Customer-side leak repairs – net retail expenditure			–
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end			32.698
Cumulative allowed expenditure to reporting year end			30.041
Total allowed expenditure 2020-25			50.816

Household Retail operating costs were £10.1m, £0.4m higher than the allowance of 9.7m and largely in line.

Measured and unmeasured customer numbers are both lower than assumed in calculating the allowance (household customers are 513,093, compared with 519,486 assumed in the allowance, of which 326,603 are metered customers, compared with 364,017 assumed in the allowance). There are no material one off or atypical items of expenditure.

TABLE 2D – Historic cost analysis of tangible fixed assets

	Retail Household £m	Retail Non-household £m	Water Resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2021	1.757	–	66.012	952.796	1,020.565
Disposals	–	–	(0.094)	(1.768)	(1.862)
Additions	0.055	–	2.787	44.377	47.219
Adjustments	–	–	(0.186)	0.186	–
Assets adopted at nil cost	–	–	–	0.605	0.605
At 31 March 2023	1.812	–	68.519	996.196	1,066.527
Depreciation					
At 1 April 2021	(1.227)	–	(23.833)	(308.523)	(333.583)
Disposals	–	–	0.094	1.748	1.842
Adjustments	–	–	0.052	(0.052)	–
Charge for the year	(0.128)	–	(2.079)	(23.195)	(25.402)
At 31 March 2023	(1.355)	–	(25.766)	(330.022)	(357.143)
Net book amount at 31 March 2023	0.457	–	42.753	666.174	709.384
Net book amount at 1 April 2021	0.530	–	42.179	644.273	686.982
Depreciation charge for year					
Principal services	(0.128)	–	(2.079)	(23.195)	(25.402)
Third party services	–	–	–	–	–
Total	(0.128)	–	(2.079)	(23.195)	(25.402)

The net book value includes £23.397m in respect of assets in the course of construction.

The fixed assets have been allocated based on their principal use. Assets used across business units such as general and support assets have been allocated to wholesale as their principal use. Further details can be found in the accounting separation methodology statement published on our website.

We have no assets dedicated as third party service activities. Therefore the depreciation charge for the year on assets used for principal and third party services is reported in the principal services line as per RAG 4.11 guidance.

The intangibles analysis can be found in table 2O.

Price review and other segmental reporting – BRL continued

TABLE 2E – Analysis of ‘grants and contributions’ – water resources, water 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)	–	–	–	–
Price control grants and contributions	–	–	–	–
Diversions – NRSWA	–	–	–	–
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	–	–	–	–
Total	–	–	–	–
Value of adopted assets	–	–	–	–
Grants and contributions – water network+				
Connection charges	2.608	–	–	2.608
Infrastructure charge receipts	1.584	–	–	1.584
Requisitioned mains	–	0.759	–	0.759
Diversions – s185	–	0.203	–	0.203
Other contributions (price control)	–	0.178	–	0.178
Price control grants and contributions before deduction of income offset	4.192	1.140	–	5.332
Income offset	–	1.434	–	1.434
Price control grants and contributions after deduction of income offset	4.192	(0.294)	–	3.898
Diversions – NRSWA	0.114	–	–	0.114
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	–	0.089	–	0.089
Total	4.306	(0.205)	–	4.101
Value of adopted assets	–	0.605	–	0.605

This table covers grants and contributions received for Developer Services activities and covers construction of mains and services including installation of assets for Self Lay Providers.

There was a 78% increase in grants and contributions received from 2021/22 which includes the deduction of Income Offset reflecting the change from properties connected under the old rules to the new charging mechanism.

	Water resources £m	Water network+ £m	Total £m
Movements in capitalised grants and contributions			
Brought forward	–	18.522	18.522
Capitalised in year	–	(0.205)	(0.205)
Amortisation (in income statement)	–	(0.445)	(0.445)
Carried forward	–	17.872	17.872

As a result of the acquisition of the Company by Penmon Group Plc on 3 June 2021, BRLs statutory accounting policies were aligned with those of Penmon Group Plc. Where a performance obligation relates solely to a connection to the network, grants and contributions received are now recognised in the income statement at the point of connection when the customer is deemed to obtain control. Previously these contributions were held on the balance sheet and amortised over a period of 60 years. Additional income of £63.744m was recognised in retained earnings as at 1 April 2022 with £2.965m reclassified to trade and other payables reducing the brought forward capitalised grants and contributions figure by £66.709m.

TABLE 2F – Residential retail

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale charges	90.113		
Retail revenue	11.672		
Total residential revenue	101.785		
Retail revenue			
Revenue Recovered ("RR")	11.672		
Revenue sacrifice	–		
Actual revenue (net)	11.672		
Customer information			
Actual customers ("AC")		513.065	
Reforecast customers		514.558	
Adjustment			
Allowed revenue ("R")	11.618		
Net adjustment	(0.054)		
Other residential information			
Average residential retail revenue per customer			22.750

Wholesale revenue

There has been an increase in wholesale revenue in 2022/23 of £4.676m.

Retail revenue

In the current year the retail revenue has over recovered by £0.054m (2F.10).

Retail revenue per customer was £22.75, compared to an FD allowance of £22.60. This is due to the cross subsidy for social tariffs being slightly lower than was assumed when we set our tariffs.

TABLE 2G – Non-household water – revenues by tariff type and TABLE 2H – Non-household wastewater – revenues by tariff type

Tables 2G and 2H are applicable to Welsh companies only.

Price review and other segmental reporting – BRL continued

TABLE 2I – Revenue analysis

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water						
Unmeasured	38.018	0.349	38.367	7.544	30.823	38.367
Measured	52.095	26.271	78.366	15.408	62.958	78.366
Third party revenue	-	0.173	0.173	0.034	0.139	0.173
Total wholesale water revenue	90.113	26.793	116.906	22.986	93.920	116.906
				Household £m	Non-household £m	Total £m
Retail revenue						
Unmeasured				4.304	-	4.304
Measured				7.368	-	7.368
Other third party revenue				-	-	-
Retail total				11.672	-	11.672
Third party revenue – non-price control						
Bulk supplies – water						1.589
Other third party revenue						1.284
Principal services – non-price control						
Other appointed revenue						-
Total appointed revenue						131.451

Wholesale revenue was £116.9m. A comparison of this figure to the PR19 allowance is provided in the commentary to table 2M.

We are required to allocate wholesale revenue between Water Resources and Water Network, in line with the separation of price controls established at PR19. This revenue is allocated in proportion to the split of the revenue allowance set by Ofwat in its PR19 final determination.

Retail revenue was £11.7m. A comparison of this figure to the PR19 allowance is provided in the commentary to table 2F.

Third party revenue was £2.9m. This includes £1.6m for bulk supplies to Wessex Water and two NAV providers, IWNL and Leep Utilities. £1.3m relates to income from standpipes and rechargeable income.

TABLE 2J – Infrastructure network reinforcement costs

	Network reinforcement capex £m	On site/site specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	1.178	–
Pumping and storage facilities	0.012	–
Other	–	–
Total	1.190	–

Total Network Reinforcement during reporting year was £1.19 million an increase from £0.499 million in 21/22, with major expenditure for a 250mm diameter main to serve to large developments in West of Bristol.

TABLE 2K – Infrastructure charges reconciliation
For the 12 months ended 31 March 2023

	Water £m	Total £m
Impact of infrastructure charge discounts		
Infrastructure charges	1.584	1.584
Discounts applied to infrastructure charges	–	–
Gross infrastructure charges	1.584	1.584
Comparison of revenue and costs		
Variance brought forward	(0.082)	(0.082)
Revenue	1.584	1.584
Costs	(1.190)	(1.190)
Variance carried forward	0.312	0.312

Income from Infrastructure charges increased from 2022/23 as well as costs. The net total resulted in a surplus of £312k carried for to 2023/24.

TABLE 2L – Analysis of land sales
For the 12 months ended 31 March 2023

	Water resources £m	Water network+ £m	Total £m
Proceeds from disposals of protected land	–	–	–

During the year there have been no land sales.

Price review and other segmental reporting – BRL continued

TABLE 2M – Revenue reconciliation – wholesale
For the 12 months ended 31 March 2023

	Water resources £m	Water network+ £m	Total £m
Revenue recognised			
Wholesale revenue governed by price control	22.986	93.920	116.906
Grants and contributions (price control)	–	3.898	3.898
Total revenue governed by wholesale price control	22.986	97.818	120.804
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	21.773	93.384	115.157
Allowed grants and contributions before adjustments (or modified by CMA)	–	3.465	3.465
Revenue adjustment	0.752	0.386	1.138
Other adjustments	–	–	–
Revenue cap	22.525	97.235	119.760
Calculation of the revenue imbalance			
Revenue cap	22.525	97.235	119.760
Revenue recovered	22.986	97.818	120.804
Revenue imbalance	(0.461)	(0.583)	(1.044)

The total wholesale revenue assumed in the Ofwat Final Determination for 2020/21 was £106.052m in 2019/20 prices. After applying K factors including the 4.0% for water network plus and 10.61% for water resources for 2022/23 (which reflects the CMA Final Determination and incorporated Ofwat's in-period ODI determination in 2021), this totalled £111.510m. Inflating this figure by November 2022 CPI (H) of 4.6%, November 2021 CPI(H) of 0.6% and November 2020 CPI(H) of 1.5% (a total inflation of 6.7% to 2022/23 tariff year prices) produced a calculated revenue expectation of £119.759m. Wholesale revenue reported in table 2I and 2M is allocated between Water Resources and Water Network in proportion to the allowances made at PR19.

The CMA determination (with inflation as described above) provided for an increase of £94m (8.5%) on the wholesale revenue allowance, and an increase of £0.2m (1.4%) on the retail revenue allowance compared to 2021/22. These movements were forecast to translate into a 9.2% increase in the average household bill for 2022/23 at the point we set tariffs in January 2022, but after considering movements in the revenue base, the average household bill increase was 6.9% on the reforecast outturn for 2021/22. This reflects both COVID-19 and weather patterns.

Bristol Water asked Ofwat to refer our PR19 determination to the Competition and Markets Authority (CMA). The CMA final decision was published in March 2021. This has taken effect on revenue allowances from 2022/23 – 2024/25. This will be further adjusted from 2023/24 to remove the impact of the small company premium on the cost of debt that the CMA allowed, as part of the undertakings Pennon provided to the CMA following the acquisition of Bristol Water in June 2021.

Wholesale Revenue received in 2022/23 as per table 2M is £120.804m, a difference of £1.045m (0.87%) additional revenue against the allowed revenue from the FD. The variance against the FD is within the 2% tolerance of the revenue forecasting incentive reconciliation mechanism meaning that no penalty is payable.

Non-household revenue, has seen further recovery; £4.1m (18.1%) higher than the previous year. Recovery of non-household demand resulted in a £1.9m increase, with tariff changes resulting in a £2.2m change.

Household demand has decreased this year, although metered household revenue overall was £4.2m (7.5%) higher than the previous year. Meter switching and new connections (which are all metered) add to the metered customer base, we calculate that they added £2.7m to metered household revenue for 22/23 as well as the impact of tariff increase, £4.0m, with demand reduction being the balance.

There were 11,184 customers switching from unmetered to metered tariffs during the year, either through choice or as part of our selective metering programme when there is a change of occupancy at a property. Metering activity increased this year through the introduction of the Active Manager program for the operational team as well as the 'Cheaper with a Meter campaign' which focuses on improving customers' confidence to sign up for a water meter, with a strong call to action by supporting the financial saving that could be achieved through having a water meter.

There were 4,461 household new connections during the year. This was lower than the 5,691 we had forecast at PR19, and the 5,841 we forecast when setting tariffs. This was due to the slowdown in the housing market as a result of material price increases and higher interest rates which increased pressure on the market.

Unmetered household revenue has increased; £1.4m (3.4%) from 2021/22. We calculate a revenue reduction of £2.5m due to customers switching to metered tariffs, offsetting a £4.5m due to the increase in tariffs, with the remainder due to social tariffs and changes in voids.

The impact of COVID-19 appears to be minimal, with some remaining home working increasing household consumption and little remaining impact on non-household consumption evident. Our non-appointed revenues including fishing and recreational income has seen improvement after the initial disruption brought about by lockdowns.

Grants and contributions from developers at £3.9m (net of income offset payments) were higher than the £3.5m assumed when setting tariffs, due to timing of charges being due, which was lower than expected during 2022/23.

The number of billed household customers increased by 0.9% due to new connections.

The number of non-household customers increased by 0.9%. The smaller increase compared to 2% last year may be indicative of economic pressures on businesses but is not outside of historical norms.

The number of metered households increased by 14,746 (4.7%) due to our selective change of occupier metering programme, as well as meter optants and new connections.

Operational Performance Standards (OPS) payments were £3,945 and Market Performance Standards (MPS) capped payments were £4,850 to the non-household market operator Market Operator Services Ltd (MOSL) for 2022/23.

TABLE 2N – Residential retail – social tariffs

	Revenue £m	Number of customers 000s	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs		21.901	
Residential dual service social tariffs		–	
Number of residential customers not on social tariffs			
Residential water only no social tariffs		491.193	
Residential dual service no social tariffs		–	
Social tariff discount			
Average discount per water only social tariffs customer			86.982
Average discount per dual service social tariffs customer			–
Social tariff cross-subsidy – residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	1.905		
Total customer funded cross-subsidies for dual service social tariffs customers	–		
Average customer funded cross-subsidy per water only social tariffs customer			3.713
Average customer funded cross-subsidy per dual service social tariffs customer			–
Social tariff cross-subsidy – company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	–		
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	–		
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			–
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			–
Social tariff support – willingness to pay			
Level of support for social tariff customers reflected in business plan			2.497
Maximum contribution to social tariffs supported by customer engagement			7.335

We offer three discounted tariffs to make sure we can help customers who find it hard to pay their water charges, with 22,723 customers receiving assistance through these measures, an increase of 7% over last year. During 2022 due to the pressures on the debt sector we made our 'Assist' tariff more accessible to our customers from their first contact. This involved a new customer journey with the intention to reduce the customer effort needed to get financial help.

Customers who qualify for Assist can now have an initial 50% bill reduction before they seek independent debt advice, this can now be done at the first point of asking us. Customers have up to 12 months to get this advice. We still encourage customers to get debt advice as soon as possible as we could give greater discounts if eligible.

Our work with our debt advice partners continues to be key to promoting the help available, alongside marketing and key messages on the bill. We are committed to keeping the message of help as easy as possible for all who need it.

January 2022 saw our first financial data share with South Gloucestershire Council. We have since expanded this and now have a dual data share with North Somerset Council from March 2023. We are looking how we can expand data shares further by looking at blue badge holders, those in receipt of free school meals and vulnerable cohorts, such as those leaving the care system. In time we hope to expand data sharing across all councils in our supply area.

Price review and other segmental reporting – BRL continued

TABLE 20 – Historic cost analysis of intangible fixed assets

	Retail Residential £m	Retail Business £m	Water Resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2022	10.636	–	3.984	32.796	47.416
Disposals	–	–	(0.153)	(1.754)	(1.907)
Additions	1.425	–	0.226	2.839	4.490
Adjustments	–	–	(1.202)	1.202	–
Assets adopted at nil cost	–	–	–	–	–
At 31 March 2023	12.061	-	2.855	35.083	49.999
Amortisation					
At 1 April 2022	(6.718)	–	(2.943)	(25.038)	(34.699)
Disposals	–	–	0.149	1.711	1.860
Adjustments	–	–	0.800	(0.800)	–
Charge for year	(0.067)	–	(0.247)	(3.128)	(3.442)
At 31 March 2023	(6.785)	-	(2.241)	(27.255)	(36.281)
Net book amount at 31 March 2023	5.276	-	0.614	7.828	13.718
Net book amount at 1 April 2022	3.918	-	1.041	7.758	12.717
Amortisation for year					
Principal services	(0.067)	–	(0.247)	(3.128)	(3.442)
Third party services	–	–	–	–	–
Total	(0.067)	-	(0.247)	(3.128)	(3.442)

The net book value includes £6.641 in respect of assets in the course of construction.

The fixed assets have been allocated based on their principal use. Assets used across business units such as general and support assets have been allocated to wholesale as their principal use. Further details can be found in the accounting separation methodology statement published on our website.

There are no third party intangibles assets therefore the depreciation charge for the year is principal services only.

Performance summary – BRL


TABLE 3A – Outcome performance – Water common performance commitments

	Unit	Performance level Actual	PCL met?	Outperformance or underperformance payment £m	See page
Financial					
Water quality compliance (CRI)	nr	4.60	No	(0.592)	214
Water supply interruptions	hh:mm:ss	00:08:03	No	(0.219)	214
Leakage	%	9.3	No	(0.681)	214
Per capita consumption	%	(4.0)	No	-	215
Mains repairs	nr	170.8	No	(1.048)	215
Unplanned outage	%	6.21	No	(0.712)	216
Total				(3.253)	
Bespoke PCs – Water and Retail (Financial)					
Customer contacts about water quality – appearance	nr	0.94	No	(0.054)	216
Customer contacts about water quality – taste and smell	nr	0.27	Yes	0.011	216
Properties at risk of receiving low pressure	nr	2	Yes	0.202	216
Turbidity performance at treatment works	nr	-	Yes	-	217
Unplanned maintenance – non-infrastructure	nr	3,077	Yes	-	217
Void properties	%	1.79	Yes	0.004	217
Meter penetration	%	64.89	No	-	217
Raw Water Quality of Sources	nr	394	Yes	0.013	218
Biodiversity Index	nr	17,693	Yes	0.001	218
Waste disposal compliance	%	98	No	-	219
Water Industry National Environment Programme Compliance	%	100	Yes	-	219
Local community satisfaction	%	92	Yes	0.146	220
Abstraction Incentive Mechanism (AIM)	nr	N/A	Yes	-	220
Glastonbury Street Network Resilience	nr	-	Yes	-	221
Total				0.323	

A summary of penalties and rewards reflected in the period and those recognised at the end of the period is shown below. Forecasts for the remaining years have not been included.

We can confirm that we are compliant with all components of the reporting guidelines for all of the common performance commitments with R/A/G compliance checklists.

Commentary relating to performance in respect of each performance commitment can be found further in this section.

Summary of penalties and rewards to be reflected in the period and to be recognised at the end of the period

	In Period (-/+)	End of Period (-/+)	Total
3A	(2.930)	-	(2.930)
Per capita consumption		(0.351)	(0.351)
3C	0.214	-	0.214
3D	0.121	-	0.121
TOTAL	(2.595)	(0.351)	(2.946)

Key*

Water	Service	Community
Wastewater	Environment	
Customer	Resilience	

* Calendar year incentive.

Performance summary – BRL continued

3A.1 Water quality compliance (CRI)

The compliance risk index (CRI) is a water quality performance metric defined by the Drinking Water Inspectorate (DWI) to illustrate the risk of treated water compliance failures. CRI is reported for each calendar year. The company's CRI performance deteriorated slightly from 4.19 in 2021 to 4.60 in 2022. This is above the ODI target of 0 and the ODI deadband.

Bristol Water's performance in 2022 was adversely impacted by an unusual number of failures at treatment works and service reservoirs. During the 2022 drought, Bristol Water was able to utilise its investment in a strategic pipeline linking the Northern and Southern Bristol Water supply regions to maintain supplies to all customers. The elevated temperatures, long dry period and the effect of moving water further contributed to the increased number of failures in 2022. Our learnings from this experience have identified additional measures that we can implement to reduce the risk of future failures and informed our proposed water quality enhancement programme for the 2025-2030 period.

The 2022 CRI was also impacted by a failure at a treatment works where planned improvement work was being delivered. These works are nearing completion and therefore the risk at this site will be reduced.

We are also setting out an action plan for improvements and rolling out the 'Quality First' programme for Bristol.

3A.2 Water supply interruptions

Customers value a resilient and reliable water supply. So, when supply interruptions do happen, they want their water back as soon as possible. We measure this as the total number of minutes customers have been without water longer than three hours and divide this by the average total number of properties in the year.

This year the impact of two events has led to us exceeding the target. These events contributed the following amounts in our overall result:

- 1 minute 49 seconds – Evercreech, a 25cm main burst affecting c. 1,500 properties for over 12 hours.
- 1 minute 38 seconds – Chilcompton, a 20cm main burst affecting c. 1,400 properties for over 10 hours.

We have made fundamental changes in our approach over the past four years to ensure that we perform better in this area and we are pleased with the impact these changes have had, with a significant out-performance of our target last year and an underlying good performance this year (which would have achieved target without the two events mentioned above), despite two severe weather events (a heatwave and a winter freeze-thaw event).

The improvements we have implemented include:

- Investment in our smart network and increased the coverage of pressure loggers to allow us to proactively recognise when incidents may be about to occur
- Development of mapping tools to include pressure and flow information
- Use of quick response 'grab-packs' for high-risk sections of the network
- Development of alternative ways to ensure customers still get water, even when an operational incident arises. These continuous water supply techniques include on-demand bowzers, infusion tankering, rezoning and over-land connections; and
- Creation of additional roles, including dedicated incident managers, to support these changes with a 24hr monitoring and support service to our operational and maintenance teams.

We continue to invest in replacing old pipes to ensure that the risk of incidents is reduced. Our severe weather taskforce continues to plan to minimise the impact of weather events on customers supplies. This year these have included a summer heatwave and a winter freeze-thaw event. Our proactive planning has maintained supplies to customers during both planned and unplanned events with the use of rezones, infusion tankering and the huge dedication of our operational teams.

In the unfortunate situations when Bristol Water cannot achieve these high standards, whilst supply interruption solutions are being sought Alternative Water Supply options are in place, for example using tankers or delivering bottled water. These activities help protect the vulnerable and provide an interim solution for the community.

In accordance with Ofwat's "IN 23/03 Expectations for monopoly company annual reporting 2022-23", we can confirm our supply interruptions data includes interruptions that are greater than or equal to three hours in duration for the current reporting period and the previous two reporting years.

3A.3 Leakage

Despite a good start to the year, 2022/23 was very challenging from a leakage perspective. Exceptional summer heat led to an increased number of bursts which then continued through the rest of the year. In particular we experienced a major burst outbreak in December when a deep freeze and subsequent thaw put a strain on the water network similar to the outbreak of 2017/18 in terms of its peak. However, this leak outbreak was more prolonged in its effect for Bristol Water with a marked increase in supply pipe leakage.

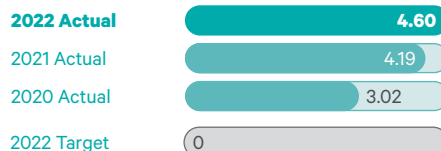
The result is that annual leakage increased compared to last year by 12% and we missed our target to reduce leakage as measured by the three-year average compared to baseline. We achieved a 9.3% reduction compared to a target of 15.8%.

The water balance calculation this year had a gap which is higher than previous years. After analysis, we have concluded that the most likely source of this is the timing of the winter leak outbreak. As the leak outbreak included an increase in supply pipe leakage, a proportion of this will have been on un-read metered properties, and hence will not be reflected in the metered consumption (inc supply pipe leakage) which is used in the water balance.

4.60



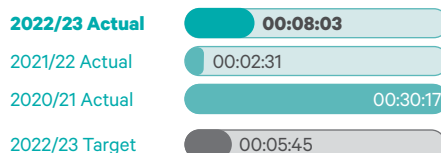
Water quality compliance (CRI)
Number



00:08:03



Water supply interruptions
hh:mm:ss

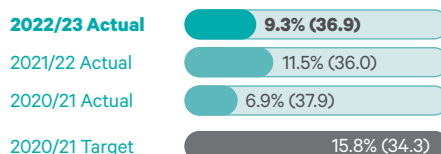


9.3% (36.9)



Leakage levels

Reduction from baseline (% and MI/d)



3A.3 Leakage continued

New initiatives have been implemented during the year including the development of a fixed acoustic network in Bristol which has aided location time including the problematic winter period. We have increased the number of leakage inspectors working in active leakage control, delivered the planned pressure reduction programme, trialled “lift and shift” acoustic loggers and worked with local councils to reduce permit issue times to speed up repairs. We have also increased customer side repairs (Leakstop) to include every supply pipe leak >500l/h, continued with the free leak assistance service for those in need and continued to provide a £100 subsidy payment if a customer repairs the leak or replaces the leaky pipe within 21 days (this is capped to one payment per leaky pipe).

Our plan for recovering leakage in the remainder of the 2020-25 period includes further roll-out of fixed and semi-fixed acoustic networks, increases in the number of leakage inspectors, optimisation of pressure reducing valves, an effort to reduce repair times and further analysis of flow data in localised ‘district metered areas (DMAs)’ to enable us to direct our detection resources to the most productive areas.

3A.4 Per capita consumption

Overall per capita consumption (PCC) has continued its reduction since the peak to be 148.7 l/h/d, for the 2022/23 year, 7.7% lower than at the 2020/21 peak.

It is, however still above target with the three year performance commitment target, which was for a 3.9% reduction from baseline by this point. Due to the three years now comprising the current performance being the three years impacted by Covid, the average shows a 4.0% increase compared to the pre-Covid baseline.

The year-on-year recovery towards normal levels post covid is centred on metered customers. We believe there are multiple reasons behind the fall in consumption including a gradual return to the workplace but also this year an effect from increased cost of living, especially from customers actively reducing their energy consumption to reduce bills including reducing water use in baths and showers.

The hot summer saw a particular increase in per capita consumption, particularly for non-metered customers. In order to manage customer demand over this period, we issued a series of media communications, on our website, in local media (Bristol News and Somerset Live) and on BBC Radio Bristol, to appeal to customers to not use their hosepipes during the short heatwave period so as to reduce the peak demands. As part of our demand management strategy, we will continue to respond to Met Office extreme heat warnings in order to maintain awareness with customers around high water demand in hot weather.

Using Bristol Water’s on-line customer panel as a recruiting source for participants, the Resource West pilot project ran over the winter of 2022-23 to prove the benefit of combined energy and water saving advice and to measure its impact. The members of the partnership are Wales & West Utilities, National Grid, Bristol Water and University of the West of England.

Although the scale of the project was limited, encouraging results were achieved. In summary water usage (PCC) was down by 7.6% for the period of the project. There were also encouraging reductions in gas, electricity usage and consequential financial savings for participants over the trial period. This demonstrated a relatively economic way to provide effective water efficiency advice to customers as part of a coordinated communications programme.

For the remainder of the 2020-25 regulatory period, we will continue with our strategy to reduce consumption. This will include: continue to offer water efficiency fittings (we sent out 9,819 free kits in 2022/23), further development of the Resource West partnership, development of the West Country Water Resources water efficiency partnership and utilising the reporting and monitoring of PCC in ‘real time’ to enable targeted social media campaigns during hot weather where peak demand occurs. We will also continue to promote metering.

3A.5 Mains repairs

When our mains get damaged or fail, it is vitally important that these are repaired to ensure that we do not waste valuable water and that customers are kept in supply. We measure the number of mains that we have reactively repaired in the year and divide it by the total length of mains to indicate the performance of our mains network.

We minimise the likelihood of mains bursts by replacing targeted sections or whole areas of poorly performing pipes. We minimise high pressure risks where we can and monitor the network for ‘transient’ pressure spikes that can lead to mains failures. Alongside this, our network teams employ calm network operational techniques.

This year, these interventions were not enough to counteract two extreme weather events (summer heatwave and winter freeze-thaw) and we have missed the challenging target set for the year.

The drought conditions of the August and September resulted in unseasonal soil moisture deficits and ground movement and almost double the 10 year average of mains repairs (c.110 actual pcm. 10 year average c.60 pcm). This may have been recoverable if winter had been mild, instead, cold weather and a freeze-thaw event resulted in a threefold increase over the 10 year average in December (336 actual. 10 year average: 99).

The majority of the main-repairs were associated with bursts that we had detected, rather than ones that had been reported by customers. Proactively identifying leaks means that we can begin to address issues before the public are aware and finding and fixing leaks quickly minimises the impact on leakage.

Despite testing weather conditions and a freeze-thaw event leading to higher volumes of main repairs and difficult onsite conditions, our Supply Interruption target was only exceeded as a result of 2x large diameter main burst events.

4.0% (154.8)

Per capita consumption

Reduction from baseline (Litres / person / day)



170.8

Mains repairs Number



Performance summary – BRL continued

3A.6 Unplanned outage

The performance commitment for unplanned outage is 2.34%. Unplanned Outage has increased in 2022/23 to 6.21%. The figure is above target level primarily because of unplanned outages at Purton treatment works which account for 5.57% of the unplanned outage in the year.

We expect these outages at Purton to continue to impact the unplanned outage figure in 2023/24 because the resolution of the asset issues is complex.

Planned outage for 2022/23 is also higher than previous years due to continued progress on improvements to process at a single treatment works, the inclusion of a planned outage to upgrade a minor groundwater treatment works and the planned maintenance of another site.

However, despite outages during an exceptionally dry year, Bristol Water did not initiate their drought plan and restrictions were not required to maintain a resilient water resource position.

6.21



Unplanned outage %



3A.7 Customer contacts about water quality – appearance

The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the appearance of their water. It is measured as the number of times we are contacted by consumers regarding the appearance of their tap water, reported per 1,000 population. The calculation is the number of contacts for appearance multiplied by 1,000, divided by the resident water supplied population as reported to the Drinking Water Inspectorate (DWI). This performance commitment is reported in calendar years.

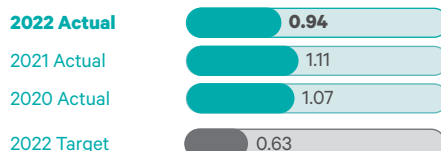
The consumer contact rate for appearance contacts improved from 1.11 in 2021 to 0.94 in 2022. A contact rate of 0.94 is the company's lowest number of appearance contacts per 1,000 population recorded. This improvement was not enough to achieve the challenging performance commitment level target of 0.63.

The largest contributor to appearance contacts relate to discoloured water (black/brown/orange), which can primarily be caused by the disturbance of iron sediments in the mains network. We are continuing our work with the Fire Service and other external organisations to reduce the risk of customers experiencing discoloured water when they operate fire hydrants on our network. We will continue our systematic flushing programme to reduce the risk of discoloured water and in 2023 we are trialling different methods of flushing to make this process more sustainable.

0.94



Appearance contacts Number



3A.8 Customer contacts about water quality – taste and smell

The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the taste and odour of their tap water. The calculation is the number of contacts for taste and odour multiplied by 1,000, divided by the resident water supplied population as reported to the Drinking Water Inspectorate (DWI).

This performance commitment is reported in calendar years.

The consumer contact rate for taste and odour contacts improved from 0.28 in 2021 to 0.27 in 2022, meeting our ODI target of 0.32.

A large proportion of taste and odour contacts are associated with internal plumbing systems within customers' homes. We continue to improve information available for customers on our website to allow customers to self-serve and resolve taste and odour problems as quickly and conveniently as possible.

0.27



Taste & Smell contacts Number



3A.9 Properties at risk of receiving low pressure

Water pressure determines the water flow from customer taps. This is measured as the total number of properties in our area of water supply which, at the end of the year, have received, and are likely to continue to receive, a pressure or flow below the reference level. Our standard of service for mains water pressure is ten metres head (1 bar) at the property boundary of a home or business.

This normally means that in our customers' home or business, water pressure should be strong enough to fill a 4.5 litre (one gallon) container in 30 seconds from a ground floor tap. This is the minimum level of pressure we expect each house or business to receive, although pressure can be higher.

This year we have continued with our determined effort to minimise the properties at risk of receiving low pressure and commissioned additional targeted interventions to improve our customers' experience and remove a further nine properties from the Low Pressure Register.

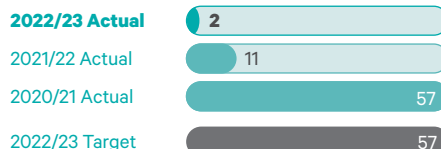
The two remaining properties at risk of receiving low pressure are gravity fed from a nearby water tower. We are looking to change how these are supplied before March 2025 in order to complete our plan to have removed all properties from risk of low pressure.

During the year we have continued to support properties in Stratton-on-the-Fosse, that were previously at risk of low pressure, with locally installed on-demand Arlington tanks. We will continue to do this until on-going investigations to identify the underlying cause of potential pressure-loss in the area have been resolved.

2



Properties at risk of receiving low pressure



3A.10 Turbidity performance at treatment works

Reducing turbidity at treatment works improves the efficiency of the disinfection process and improves the appearance of drinking water. Turbidity performance at treatment works is measured as the number of operational water treatment works where the 95th percentile of all regulatory final water samples does not equal or exceed 0.5 Nephelometric Turbidity Units (NTUs).

In 2022, all works performed better than the threshold and therefore, the company met the performance commitment target. This now means we have met our target in all three years of the regulatory period so far, with no treatment works equalling or exceeding the NTU target. Based on our historical performance to date, we are forecasting continual achievement of this target for turbidity at water treatment works in the next two years.

3A.11 Unplanned maintenance – non-infrastructure

Unplanned events mean potential interruptions to the treatment and supply of clean and wholesome water. The more we can reduce the occurrence of unplanned events on our treatment works the more reliable the supply of water; this results in reduced asset downtime and increased reliability of supply for our customers.

The aim of this performance commitment is to ensure that the health of all water non-infrastructure assets is appropriately maintained and improved. It is measured as the total number of unplanned non-infrastructure maintenance jobs, required as a result of equipment failure or reduced asset performance. It typically relates to jobs identified at our treatment works, pumping stations and service reservoirs.

The target for this measure for 2022/23 was 3,272 and our actual year-end value was 3,077. This means that the performance target was achieved in 2022/23.

3A.12 Void properties

The percentage of properties that are registered as void has reduced slightly and remains below the targeted level. The monthly performance has continued to follow an expected pattern, with a normal trend of higher voids in the summer months where we normally see higher volumes of moves due to the changes of student rental properties.

As a business we have focused resource when necessary throughout the year to ensure we keep the number of void properties to a minimum. This has resulted in the stable result.

3A.13 Meter penetration

Metering is generally regarded as being the fairest and most accurate way to pay for water. However, our customers have consistently told us through consultations and surveys that they do not wish to see full compulsory metering for all our domestic customers. Therefore, we are reliant upon customer demand, meter installations upon change of ownership and effective, persuasive marketing.

In June 2022 we launched our “Cheaper with a Meter” campaign to support our money back guarantee. The campaign focuses on improving customer confidence to sign up for a water meter, with a strong call to action by supporting the financial saving that could be achieved through having a water meter and putting our customers in control of their bill. Campaign research found nine out of ten customers achieved a saving, with the average annual saving being in the region of £94, by switching to a water meter demonstrating it can be #CheaperwithaMeter.

Additionally, our customers have the assurance that if they sign up for a meter through our free meter option scheme, and they do pay more than their rateable value after 2 years, we will refund the difference. By supporting customers on our metering journey with water saving devices, tips and information on support measures such as our priority services register, we are confident customers will be able to make an informed decision to remain metered beyond the initial 2 year period.

Optant activity continued positively throughout the year with an overall 20% increase on 2021/22 but at the same time we have experienced an 8% decrease in the Change of Occupiers, caused by the variations in the domestic property market.

With the introduction of the Active Manager program the operational team have achieved the target of 80% of all Free Meter Option and 50% of Change of Occupier scheme, with 81% Free Meter Option and 51% Change of Occupier rates observed by the financial year-end.

Our recovery plan operationally is currently targeting a ramped approach in 2023/24 and 2024/25 although this will be largely dependent on the demand. As the housing market has cooled, due to economic factors outside of our control, we are focused on improving the free Meter option uptake. To do this we have introduced a team targeted on the promotion of Metering, this team will be underpinned and supported by the “Cheaper with a Meter” Campaign and is driven by customer engagement, increasing the opportunity to meet and discuss challenges such as private side leakage and home efficiency as well as signing up for a water meter.

0



Turbidity

2022 Actual

0

2021 Actual

0

2020 Actual

0

2022 Target

0

3,077



Unplanned Maintenance non-infrastructure

2022/23 Actual

3,077

2021/22 Actual

3,026

2020/21 Actual

3,134

2022/23 Target

3,272

1.79



Void properties %

2022/23 Actual

1.79

2021/22 Actual

1.80

2020/21 Actual

1.80

2022/23 Target

1.80

64.89



Meter Penetration %

2022/23 Actual

64.89

2021/22 Actual

62.41

2020/21 Actual

60.26

2022/23 Target

71.3

Performance summary – BRL continued

3A.13 Meter penetration continued

Supported by our operational teams, who are empowered to discuss the benefits of Metering, equipped to provide our customer information, take the meter application and to fit a meter at the earliest opportunity where appropriate, some of our customers have benefited from having their meter fitted at the very point of application and an improved customer journey.

We continue to believe that it remains in customers' financial interests to switch to a meter, so this remains a key area of focus for us, and also for our customers.

3A.14 Raw Water Quality of Sources

In line with our work with farmers in our water supply catchments over the course of the last three years, the annual loss of phosphorus from the land into the water environment will now be reduced by 394kg. This has been achieved by providing advice to farms, for example around soil and nutrient management, and by supporting farms to improve their infrastructure where this will reduce pollution risk, for example by improving slurry storage capacity.

Over the past three years we have delivered the following support and interventions: Nutrient management plans and/or associated soil and manure analysis on 34 farms (including in some cases spreading risk maps), a constructed wetland on two farms, watercourse fencing on ten farms, yard improvements (roofing/concreting) on seven farms, new slurry stores on three farms, new dirty water stores on two farms, and a slurry/solid separator on one farm.

In addition to the above, we have provided advice and support around nutrient and soil management to many farms across the catchments.

Our catchment management efforts contribute to maintaining raw water quality in our sources, meaning water is easier and less expensive to treat to a potable standard. They also help to maintain our SSSIs in favourable conservation status and surrounding waterbodies in good ecological status or potential under the Water Framework Directive. This benefits local communities, improves the environment and enhances natural capital.

In line with both specific final determination procedures required for this metric and our programme of external assurance for all performance commitment measures, this measure was audited by Jacobs. All previous actions were addressed, and no material issues were identified.

3A.15 Biodiversity Index

The 2022/23 Biodiversity Index target has been achieved. This continues the trend of meeting the target each year of the 2020-25 period so far.

Throughout the reporting year of 2022/23, Bristol Water has used investment and resource to ensure asset maintenance, safety, and condition. This work has prevented the deterioration of habitat conditions and ensured natural assets continue to provide multiple ecosystem services such as biodiversity, recreation, and water quality. Ongoing activities delivered by the Company includes hay cuts that are scheduled to support the growth of wildflowers and wild grasses, amending grass cutting schedules where possible in consultation with colleagues, and the routine treatment of invasive plant species. These actions mitigate the potential for negative changes in the biodiversity value.

Over the reporting year of 2022/23 there has been habitat management and intervention work that has resulted in a net gain of 15.32 Biodiversity Index points. Enhancement has been achieved through the planting of hedgerows in locations either to fill or restore existing hedgerows, unite discrete sections to form a continuous linear habitat, or create new stretches of hedgerows to replace habitat that had existed in the past.

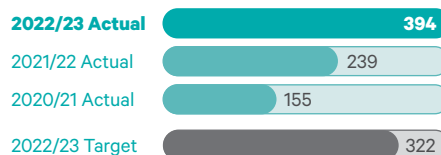
There has been activity to mitigate degradation due to capital delivery projects and the impact of invasive plant species. These include planting to offset tree removal due to ash dieback works, and removal of Himalayan balsam.

Other work has taken the form of strategic planning in terms of invasive species and a proactive programme of habitat maintenance, including a review of grass mowing requirements to balance the need for reservoir safety with the desire to promote grass and flower species diversity at certain sites.

394



Raw Water Quality of Sources
kg of phosphorous saved from loss to environment



17,693



Biodiversity Index Score



3A.15 Biodiversity Index continued

Site	Loss/Gain/Maintain	Net BI change	Project information
Chew Valley Lake: Reedbed	Maintain	0	Wetland assets requiring intervention and maintenance: vegetation management at a number of locations including willow coppicing, reedbed cutting and scything, and creation of habitat piles.
Chew Valley Lake: Littoral zone¹	Maintain	0	Management of invasive species: removal of Himalayan balsam plants at numerous locations to control and reduce its presence and prevent spread.
Blagdon Lake: Littoral zone¹	Maintain	0	Management of invasive species: removal of Himalayan balsam plants at two locations to control and reduce its presence and prevent spread.
Purton: Grassland	Maintain	0	Management of injurious weed: removal of ragwort to control and reduce its presence and prevent spread.
Grassland assets: numerous sites	Maintain	0	Continuing the delivery of a reduced cutting regime at agreed sites, plus removal of cuttings.
Woodland assets: Management of Ash Dieback disease at different sites	Maintain	0	Woodland management to remove risk to human health and safety, and limit deterioration of habitat condition arising from an overburden of dead wood. Diseased ash trees felled and removed from site. Some dead wood has been left on site for habitat, as logs and also standing trees to provide valuable habitat. This maintenance ensured that a loss of BI was prevented from asset deterioration.
Chew Valley Lake: Littoral zone¹	Gain	+ 15.32	Creation of new hedgerows, and also infilling gaps in existing hedgerows at three locations: Herons Green, Villice Bay, and by the public Picnic Area.

1. The littoral zone or nearshore of a lake is the area close to the shore.

3A.16 Waste disposal compliance

There have been nine compliance failures reported in 2022, compared to six failures in 2021. The end of year figure is 98%, consistent with previous years. Six of the nine compliance failures in 2022 were from Blagdon Fisheries. This site continues as our most challenging compliance point and in most instances the failure has been attributed to a deterioration in raw water quality rather than adverse operation of the fisheries.

We continue to investigate each sample failure to ascertain root cause and we have made many improvements across our sites over the years by understanding the risks to compliance and in turn fine tuning the processes associated with waste water disposal.

The number of samples taken has increased significantly from 352 samples in 2021 to 506 samples in 2022. The significant improvement in the number of samples collected has followed a focus on resourcing for the area of the business.

98



Waste Disposal Compliance %



3A.17 Water Industry National Environment Programme Compliance

Work to deliver our WINEP obligations and projects has progressed well throughout the three years to date of the 2020-25 period. As a result, Bristol Water achieved 100% compliance against WINEP during 2022/23 as it had done in the first two years of the period.

Projects we have completed and had signed off to date include abstraction sustainability investigations at seven sites, catchment water quality investigations at Barrow WTW and at Forum Springs WTW, 18 invasive species and biosecurity investigations, and MCERTS accreditation and certification at three sites.

Ongoing projects include one further abstraction sustainability investigation at our Chelvey Wells site, catchment management across the River Axe catchment and the Egford boreholes catchment, adaptive management of river flows downstream of Blagdon and Chew Valley Reservoirs, installation of biosecurity signage at a number of sites, MCERTS flow monitoring assessment and certification, feasibility assessment of the effectiveness of reedbeds and wetlands and installation of elver passage at Chew Valley Reservoir.

The WINEP Strategic Natural Asset Plan (SNAP) is progressing with the creation of Natural Asset Plans and Strategic Woodland Management Plan. Planning of the Biodiversity Index enhancements are underway for delivery during the 2020-25 period and align with the recently developed Natural Asset Plans and GIS based Natural Asset Register. All of these projects are progressing and are on track for delivery as required under the programme.

100



WINEP Compliance %



Performance summary – BRL continued

3A.18 Local community satisfaction

Our local community satisfaction target recognises the importance of working together with local stakeholders to tackle jointly the issues which the city faces. For us this means challenging ourselves on the way that we work to deliver a safe and reliable supply to customers, so that we can maximise additional economic, environmental and social value. This approach is underpinned by our social contract, which provides the framework and governance process for the delivery of this wider public value. The process is overseen by the Board and is independently challenged through designated quarterly meetings with our stakeholder panel, known as the Bristol Water Challenge Panel.

In the 2022/23 survey, 92% of the social contract stakeholders who completed the survey were either fairly or very satisfied with Bristol Water's contribution to the communities. This is compared to the committed performance level of 85% and last year's result of 93%

Following the results of the Local Community Satisfaction survey 2020/21, we implemented certain measures in 2021/22 to ensure both a sufficient number of responses and the satisfaction target are achieved. This resulted in a significant increase in the number of responses, which has been sustained into 2022/23.

Our stakeholders' high satisfaction for this year is based on the positive contribution to the communities that we serve, which our social contract programmes and initiatives aim to achieve. In order to demonstrate to our stakeholders that we have improved our contributions to our local communities, we undertake a range of social contract programmes, with specified objectives for the year.

A particular highlight of the year has been, Resource West - We are taking a community leadership role for broader issues of resource efficiency and have created partnerships with the University of the West of England, Wales and West Utilities, Western Power Distribution and Bristol Pay CIC. We've kicked off a three-year project starting with a planned series of trials across our supply area. During 2022/23, a trial to reduce consumption during Winter, in the trial area resulted in a 7% reduction in PCC, and other reductions in gas and electricity consumption as well as customer bills.

Bristol also has ongoing commitments to support vulnerable customers, seeing an increase in households on our Priority Services Register again in 2022/23 (see page 224).

A range of community partnerships as well as community experiences and our lakes and reservoirs have continued. The Chew Valley Recreational Trail was opened in May 2022 providing a key delivery against this objective.

The survey and the report was conducted by the independent third-party research provider that complies with the Market Research Society Code of Conduct. Jacobs has provided assurance on the survey as part of their ODI assurance work.

92



Local community satisfaction
%



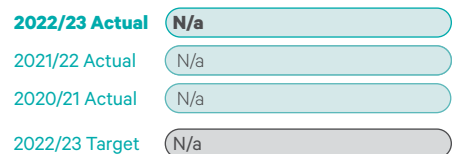
3A.19 Abstraction Incentive Mechanism (AIM)

In the Bristol region we do not have any abstractions which have been identified as candidates for the Abstraction Incentive Mechanism, but in order to provide additional protection to the environment we have created our own measure for the area which operates on the same principles. At one of our abstraction sites in the Cotswolds, we monitor the groundwater conditions and if groundwater levels drop below our target value at the start of the year we then reduce our target abstraction level for the rest of the year. The threshold was not triggered in 2022, hence this was not an "AIM year" and we do not have a quantified reduction to report for the year.

N/A



Abstraction Incentive Mechanism (AIM)
Score



3A.20 Glastonbury Street Network Resilience

This performance commitment relates to our investment plans to introduce a new 8.4 km length of 450 mm diameter main that would connect Wells to Glastonbury and Street in Somerset.

Reliability of water supply is a top priority for our customers. The Glastonbury and Street zones are supplied from Cheddar TW via a considerable length of “Critical Main” for which there is no redundancy. This project will ensure that a population of approximately 28,000 have resilience of supply by providing an additional route of supply to Windmill Hill Reservoir, maintaining the supply of water to Glastonbury and Street in the event that the main supply route is lost or compromised. It also ensures that those customers in Glastonbury and Street would be at a significantly less risk of experiencing water supply interruptions of over 24 hours.

The scheme was delivered by March 2023. In line with both specific final determination procedures required for this metric and our programme of external assurance for all performance commitment measures, this measure was audited by Jacobs. In line with the final determination for 2020-25, we will submit a third party assurance report as part of the PR24 price review process.

TABLE 3C – Customer measure of experience (C-MeX) table

Item	Unit	Value
Annual customer satisfaction score for the customer service survey	nr	81.84
Annual customer satisfaction score for the customer experience survey	nr	79.51
Annual C-MeX score	nr	80.68
Annual net promoter score	nr	29.50
Total household complaints	nr	1,256
Total connected household properties	nr	524,791
Total household complaints per 10,000 connections	nr	23.933
Confirmation of communication channels offered	TRUE or FALSE	TRUE

See page below for further commentary in respect of our C-MeX performance and commentary on other metrics in this section for further details of our performance in respect of customer service in the round.

C-MeX

In the industry’s customer measure of experience (C-MEX) we have remained 6th for the third year in succession. Whilst we have ambitions to further improve upon our performance, we are pleased that we have maintained performance above the industry median.

C-MeX is split into a customer service survey and a perception survey. Our service survey rank was 4th, which we maintained from the previous year. Our perception score has dropped to 10th in 2022/23, it was dominated by an exceptionally low score in the second quarter, which has improved in the following quarters.

As a result we have not achieved our ambitious aim of 5th for the year as laid out in our Social Contract. For 2023/24 and 2024/25 we aim to achieve 3rd place in the C-MeX measure.

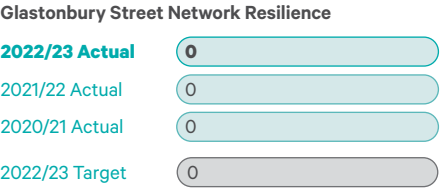
We have further work to do to improve the customer satisfaction of those customers who have not interacted with us. We will continue to work to share our positive impact in the community and with customers via a range of communication channels and partnership working through our Social Contract.

We have continued a number of community projects such as the drinking water fountains. We have also continued to manage a variety of projects to achieve our performance in this area.

We can confirm that we have offered at least five communication channels for receiving customer contacts and complaints and at least three online channels throughout the reporting year. For completeness, the communication channels are:

- Letter
- Telephone
- Email
- Social media (multiple platforms)
- Webform
- Live chat
- Customer visits (if requested).

Zero (on track)



Above median (80.68)



Performance summary – BRL continued

TABLE 3D – Developer services measure of experience (D-MeX) table

Item	Unit	Value
Qualitative component annual results	nr	80.25
Quantitative component annual results	nr	99.74
D-MeX score	nr	89.99
Developer services revenue (water)	£m	5.332

See page 223 for further commentary in respect of our D-MeX performance

Calculating the D-MeX quantitative component

Water UK performance metric	Unit	Second reporting period (1 October to 31 March)	Quantitative score (annual)
W1.1 Pre-development enquiry - reports issued	%	100.00%	
W3.1 s45 quotations	%	98.84%	
W4.1 s45 service pipe connections	%	97.64%	
W6.1 Mains design <500 plots - quotations	%	100.00%	
W8.1 Mains construction	%	98.57%	
W17.1 Mains diversions (without constraints) - quotations	%	100.00%	
W18.1 Mains diversions - construction/commissioning	%	100.00%	
W26.1	%	100.00%	
W27.1 Self-lay permanent water supply - provided	%	100.00%	
W30.1 Self lay references and costing details - issued	%	100.00%	
S1.1 Pre-development enquiry - reports issued	%	100.00%	
WN2.2 % Bulk supply offer letters issued to applicant within target period	%	100.00%	
WN4.1 % of main laying schemes constructed/commissioned within target	%	100.00%	
SLPM - S1/2 Review PoC proposal	%	100.00%	
SLPM - S2/2a Provide Design	%	100.00%	
SLPM - S2/2b - Water Company to provide design acceptance	%	100.00%	
SLPM - S3 review/revise Water Adoption agreement	%	100.00%	
SLPM - S4/1 Source of Water Delivery Date	%	100.00%	
SLPM - S7/1 Validate notification and provide consent to progress with connection	%	100.00%	
D-MeX quantitative score (for the reporting period)	%	99.74%	
D-MeX quantitative score (annual)	nr		1.00

D-MeX

In 2022/23, we delivered a level of service above the upper quartile for the industry.

This performance commitment aims to drive improvements in developer services for Developers, Self Lay Providers and NAV's. OFWAT publish the results as a League Table at the end of the reporting year and our customers can clearly see how we perform against other Water Companies in all areas of Developer Services.

We have further improved our score with better customer satisfaction scores in the survey and with closer management of target dates we will deliver on the priorities of our customers who ask for better communication and timescales for completed work.

We continue to invite our customers to Market Engagement Events, this year we held two virtual events, in September and November. We invited our customers to discuss our Charges Scheme applicable from 1 April 2023, Adoption Codes, Fixed Price quoting and infrastructure reduction for water efficient new builds. This will give the customers a platform to speak directly to the team.

We are sending regular Newsletters by email to keep our customers who cannot attend the events informed and have invited Self Lay Providers and NAV customers to quarterly account meetings to further discuss Developer Services topics.

Above median 

89.99

D-MeX score



TABLE 3E – Outcome performance – Non financial performance commitments

		Performance level		
	Unit	Actual	PCL met?	See page
Common				
Risk of severe restrictions in a drought	%	60.9	No	224
Priority services for customers in vulnerable circumstances – PSR reach	%	6.5	Yes	224
Priority services for customers in vulnerable circumstances – Attempted contacts	%	91.1	Yes	224
Priority services for customers in vulnerable circumstances – Actual contacts	%	53.1	Yes	224
Bespoke PCs				
Percentage of customers in water poverty	%	-	Yes	225
Value for money	%	68	No	226
Percentage of satisfied vulnerable customers	%	88	Yes	226
WINEP Delivery	text	Met	Yes	226
Total customer complaints	nr	23.9	Yes	226

Performance summary – BRL continued

3E.1 Risk of severe restrictions in a drought

The 25 year average customers at risk in the Bristol area was assessed in 2022/23 as 60.9% of the 25 year average total population at risk.

This has increased for reasons including increases in the outage allowance for reasons discussed in commentary to 3A.6 Unplanned Outage and increases to demand. 2022/23 was assessed as a 'dry year' using the summer rainfall and temperature data from June to August. It must be noted that although this metric shows a proportion of customers at risk of severe drought restrictions, this did not occur during the drought year of 2023 and the Bristol system continued to operate in business as usual mode with no restrictions to customers of any kind.

3E.2 Priority services for customers in vulnerable circumstances - PSR reach &

3E.3 Priority services for customers in vulnerable circumstances - Attempted contacts &

3E.4 Priority services for customers in vulnerable circumstances - Actual contacts

We have registered an additional 12,597 households on the PSR in 2022/23, taking the number registered from 21,167 to 33,764. We have successfully completed the required cleanse and check of the accuracy of the data this year.

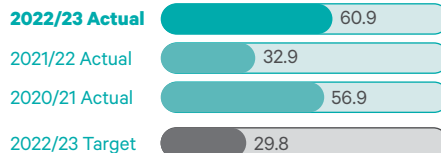
We have built on the projects and plans we had the previous year this has covered a range of activities. We now have a two-way data share in place with National Grid (NGED) and Scottish and Southern Energy Network (SSEN). We have also onboarded several external stakeholders this year who support us in identifying those in vulnerable circumstances and registering for our priority services. We continue with our work with our vulnerability heroes supporting the training needs across the business. We will also see a more accessible corporate website by summer 2023.

60.9



Risk of severe restrictions in a drought

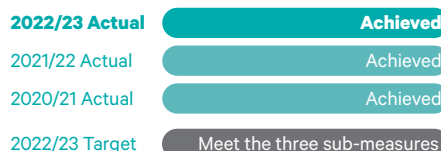
% of the population that would experience severe supply restrictions in a 1 in 200 year drought



Achieved



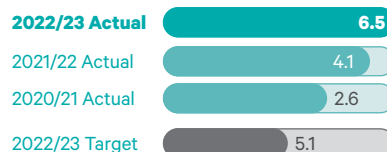
Priority services register



6.5



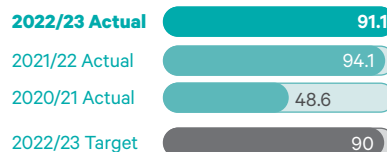
PSR - Reach



91.1



PSR - Attempted contacts



53.1



PSR - Actual contacts



3E.6 Percentage of customers in water poverty

The performance commitment Percentage of Customers in Water Poverty ensures we help those customers on the lowest incomes and experiencing the most serious financial difficulties. To do this we track the percentage of customers in 'water poverty'. Water poverty is defined as the percentage of customers within the Company's supply area for whom their water bill represents more than 2% of their disposable income (defined as gross income less income tax).

We offer three discounted tariffs to make sure we can help customers who find it hard to pay their water charges, with 22,723 customers receiving assistance through these measures, an increase of 7% over last year. In addition to the social tariff schemes, 3,759 households are currently benefiting from our 'Restart' scheme to help clear their water bill debt. During 2022 due to the pressures on the debt sector we made our 'Assist' tariff more accessible to our customers from their first contact. This involved a new customer journey with the intention to reduce the customer effort needed to get financial help.

Customers who qualify for Assist can now have an initial 50% bill reduction before they seek independent debt advice, this can now be done at the first point of asking us. Customers have up to 12 months to get this advice. We still encourage customers to get debt advice as soon as possible as we could give greater discounts if eligible.

Our work with our debt advice partners continues to be key to promoting the help available, alongside marketing and key messages on the bill. We are committed to keeping the message of help as easy as possible for all who need it.

January 2022 saw our first financial data share with South Gloucestershire Council. We have since expanded this and now have a dual data share with North Somerset Council from March 2023. We are looking how we can expand data shares further by looking at blue badge holders, those in receipt of free school meals and vulnerable cohorts, such as those leaving the care system. In time we hope to expand data sharing across all councils in our supply area.

We also offer metering and water efficiency support to help reduce customers' bills and flexible payment plans to customers who may also need support paying but do not need as much assistance as a social tariff. In particular, the money back guarantee which gives customers the option to try a meter 'risk free' for two years. If they choose to revert after the two years, any extra cost will be refunded.

Understanding how our customers rate the service we provide in terms of the value for money helps us to see if the balance of the cost of the service meets the customers' expectations. 1,000 household customers are surveyed once a year, for 2022-23 we have seen a reduction in the satisfaction of this measure to 68% from 72% the previous year. The insights from this survey tell us that 'Affordable bills' were identified as a priority, as well as 'providing a regular and reliable supply of water', 'provides water that tastes good, has no smell and looks good' and 'responds quickly in emergencies'.

11% of those surveyed had been concerned about paying their bill in the last year, a drop of 4% from the previous year and 25% were aware of low tariffs for customers who struggle to pay, this compares to 20% the previous year.

This is reassuring that those in financial difficulty are finding the help they need, we need to ensure as well as providing a good water service to our customers we are explaining clearly what their bill covers to increase this satisfaction score.

The customer strategy we have in place identifies the need to communicate more about the benefits of Bristol Water in the community and to provide a more efficient service through digitalising further the customer journey. These are priority areas for 2023/24 which are designed to help improve this result.

Our reporting approach for 2020-25 is in line with the final determination for the period expectation, to include customers on social tariffs within our analysis, which had contributed in the previous two years to the slightly higher reported figure above the zero baseline. We are pleased to now have achieved our 0% target in line with the regulatory target, to 0 decimal places (i.e less than 0.5%). We continue to take the measures listed above to further reduced this percentage and ensure water bills remain as low as possible for all customers.

Our analysis tool was built and is maintained by CACI Inc.

3E.7 Customer satisfaction with value for money

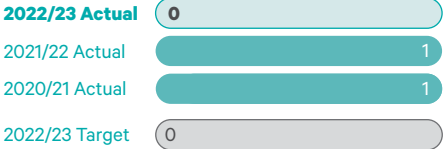
The aim of this performance commitment is to deliver a service that represents value for money for our customers. It is measured via an annual household customer tracking survey of 1,000 customers; the percentage of customers surveyed who consider that we provide good value for money is determined by customers either responding 'very good' or 'good' to the question: "Thinking about value for money, overall how would you rate Bristol Water in relation to the services they provide?"

Customers are selected through random digit dialling (RDD) - a method for selecting customers for involvement in telephone surveys by generating telephone numbers at random. Random digit dialling has the advantage that it includes unlisted numbers that would be missed if the numbers were selected from a phone book.

0



Customers in Water Poverty %



68



Customer satisfaction with value for money %



Performance summary – BRL continued

3E.8 Percentage of satisfied vulnerable customers

The aim of this performance commitment is to ensure that those customers that are registered for our Priority Services Register (PSR) are satisfied with the services they receive through the PSR. It is measured via an annual survey undertaken by an external third party market researcher in line with the Market Research Society's code of conduct using a sample size selected to give a reasonable statistical significance. The sample comprises representative percentages of customers aligned to the vulnerability needs of customers as at the end of the previous reporting year.

500 of our customers registered on the PSR were surveyed in 2022/23 and asked to rate the service we have provided as a result of being on the register. 88% of our vulnerable customers rated the service they receive through the PSR as either very satisfied or satisfied compared to the 2022/23 target of 85%. This is a decrease of 1% from the previous year, but remains above our target.

88



Percentage of satisfied vulnerable customers %



3E.9 WINEP Delivery

Four schemes were scheduled to be completed in 2022/2023 and all these schemes were completed.

The Environment Agency (EA) Water Industry National Environment Programme (WINEP) tracker spreadsheet has been reviewed by both the EA and Bristol Water to confirm that the delivery of the WINEP schemes are on track as at 31 March 2023 (a total of four WINEP schemes have been signed off as complete), building on the position of the programme being met in the previous years. We remain on track to deliver all 50 schemes over the 2020-25 period.

Met



WINEP delivery



3E.10 Total customer complaints

We are delighted with our complaints performance which was significantly under our targeted level at 23.9 complaints per 10,000 customers, which we believe will result in an upper quartile position. Complaint resolution and handling is a key focus of our customer experience strategy; every complaint is handled by our Customer Care Team where a designated member of staff ensures that the complaint is resolved on a timely and complete basis. The team provide root cause information which feeds into our learnings and future improvements to prevent repeat complaints. This in turn ensures we are industry leading and reducing the chance of causing customers to complain.

The target is based on the revised CCW definition for total household complaints, with reference to the upper quartile of the previous year of 28.4 complaints per 10,000 customers.

23.9



Total customer complaints Number

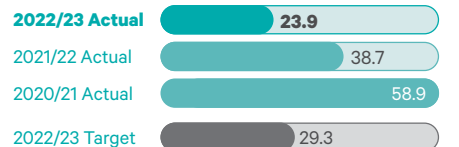


TABLE 3F – Underlying calculations for common performance commitments – water and retail

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)			
Performance commitments set in standardised units – Water								
Mains repairs – Reactive		Mains repairs per 1000 km	Mains length in km	6,955.92	510	73.32		
Mains repairs – Proactive		Mains repairs per 1000 km	Mains length in km	6,955.92	678	97.47		
Mains repairs		Mains repairs per 1000 km	Mains length in km	6,955.92	1,188	170.79		
Per capita consumption (PCC)		lpd	Population	1,194.659	177.69	148.70		
	Unit	Performance level – actual (2019-20)	Performance level – actual (2020-21)	Performance level – actual (2021-22)	Baseline	Performance level – actual (2022-23)	Performance level 3 year average	Calculated performance level to compare against PCLs
Performance commitments measured against a calculated baseline								
Leakage	MI/d	37.0	35.5	35.6	40.7	39.5	36.9	9.3
Per capita consumption (PCC)	lpd	146.4	161.1	154.7	148.9	148.7	154.8	(4.0)
		Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual number of minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions								
Water supply interruptions		Average number of minutes lost per property per year	Number of properties	557.79	4,493,963	10,508	00:08:03	
					Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %	
Unplanned or planned outage								
Unplanned outage					522.30	32.43	6.21%	
	Total Residential properties	PSR household	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts	Attempted contacts %	Number of actual contacts	Actual contacts %
Priority services for customers in vulnerable circumstances								
Priority services for customers in vulnerable circumstances	516.38	33,764	6.5%	13,636	12,418	91.1%	7,238	53.1%

Performance summary – BRL continued

TABLE 3H – Summary information on outcome delivery incentive payments

	Initial calculation of performance payments (excluding CMEX and DMEX) £m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	0.02
Water network+	(3.14)
Residential retail	–
Business retail	–
Initial calculation of end of period revenue adjustment by price control	
Water resources	–
Water network+	(3.08)
Residential retail	(0.18)
Business retail	–
Initial calculation of end of period RCV adjustment by price control	
Water resources	–
Water network+	–
Residential retail	–
Business retail	–

TABLE 3I – Supplementary outcomes information

				Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %
Unplanned or planned outage						
Planned outage				522.30	21.16	4.05%
	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk
Risk of severe restrictions in drought						
Risk of severe restrictions in drought ¹	327.61	55.19	277.00	18.05	1,365,369.00	831,690.00

Additional regulatory information – BRL



TABLE 4A – Water bulk supply information

	Volume MI	Operating costs £m	Revenue £m
Bulk supply exports			
Wessex – Newton Meadows	2,518.730	1.229	1.282
Wessex – Marshfield	11.190	0.014	0.016
Wessex – Ashcott	91.840	0.114	–
Leep – Emersons Green Inset	253.420	0.229	0.308
IWNL – Locking Parklands Inset	28.921	0.026	0.035
Total bulk supply exports	2,904.101	1.612	1.641
	Volume MI	Operating costs £m	
Bulk supply imports			
Wessex – West Lydford	13.669	0.001	
Wessex – Corsley	35.336	0.058	
Wessex – Standerwick	–	–	
Wessex – Chapmanslade	29.977	0.052	
Wessex – Compton Dundon (Ivythorn)	65.156	–	
Wessex – Shipton Moyne Essex	11.350	–	
Total bulk supply imports	155.488	0.111	

Bulk supplies are large non-household supplies to/from neighbouring water companies or companies to which large non-household wholesale supplies are made outside but inset to the BW supply region. BW has five exports, three of which are to Wessex Water and two of which is to an inset retail customer. BW also has agreements in place for the import of bulk supplies from Wessex Water at six locations, one of which is not used.

Operating costs for exports with exclusion of Newton Meadows are derived using the ratio of total wholesale operating cost vs wholesale revenue from the previous year – in 2021/22 the ratio of wholesale operating cost to revenue was 84.1%. Operating costs for individual bulk exports were then factored from revenue using this ratio. For inset exports deductions were also made to account for avoided costs – for Household tariffs in 2022/23 this was £117.4/MI, applied to the inset supplies at Emersons Green and Locking Parklands. Operating costs for Newton Meadows are taken from bills issues to WW from BW finance. Derivation of these operating cost are specific to the supply agreement here. All operating costs include capital costs due to asset depreciation.

4B – Analysis of Debt

In accordance with RAG 3.14, point 2.7, table 4B is not required to be included as part of the APR due to its size, but it is included within the APR tables on our website.

Additional regulatory information – service level – BRL

TABLE 4C – Impact of price control performance to date on RCV

	12 months ended 31 March 2023		Water resources £m	Water network+ £m
	Water resources £m	Water network+ £m		
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed Totex (net of business rates, abstraction licence fees and grants and contributions)	17.966	68.442	43.495	200.391
Actual Totex (net of business rates, abstraction licence fees and grants and contributions)	12.044	88.193	31.793	230.669
Transition expenditure	–	–	–	–
Disallowable costs	–	–	–	–
Total actual Totex (net of business rates, abstraction licence fees and grants and contributions)	12.044	88.193	31.793	230.669
Variance	(5.922)	19.751	(11.702)	30.278
Variance due to timing of expenditure	–	–	(3.698)	0.022
Variance due to efficiency	(5.922)	19.751	(8.004)	30.256
Customer cost sharing rate (outperformance)	55.00%	55.00%	55.00%	55.00%
Customer cost sharing rate (underperformance)	45.00%	45.00%	45.00%	45.00%
Customer share of Totex overspend	–	8.888	–	13.615
Customer share of Totex underspend	(3.257)	–	(4.402)	–
Company share of Totex overspend	–	10.863	–	16.641
Company share of Totex underspend	(2.665)	–	(3.602)	–
Totex – business rates and abstraction licence fees				
Final determination allowed Totex – business rates and abstraction licence fees	4.923	4.207	13.814	11.805
Actual Totex – business rates and abstraction licence fees	3.515	3.888	11.581	11.667
Variance – business rates and abstraction licence fees	(1.408)	(0.319)	(2.233)	(0.138)
Customer cost sharing rate – business rates	77.02%	89.09%	76.90%	86.58%
Customer cost sharing rate – Abstraction licence fees	77.02%	89.09%	76.90%	86.58%
Customer share of Totex over/underspend – business rates and abstraction licence fees	(1.084)	(0.284)	(1.717)	(0.119)
Company share of Totex over/underspend – business rates and abstraction licence fees	(0.324)	(0.035)	(0.516)	(0.019)
Totex not subject to cost sharing				
Final determination allowed Totex – not subject to cost sharing	0.583	6.981	1.370	19.389
Actual Totex – not subject to cost sharing	0.380	3.518	1.223	7.280
Variance – 100% company allocation	(0.203)	(3.463)	(0.147)	(12.109)
Total company share of Totex over/under spend	(4.342)	8.604	(6.119)	13.496
RCV				
Total Customer share of Totex over/under spend	(4.342)	8.604	(6.119)	13.496
PAYG rate	67.24%	76.23%	81.45%	73.23%
RCV element of Totex over/underspend	(1.422)	2.045	(1.135)	3.613
Adjustment for ODI outperformance payment or underperformance payment			–	–
Green recovery			–	–
RCV determined at FD at 31 March			150.875	493.815
Projected 'shadow' RCV			149.740	497.428

Table 4C Commentary

Table 4C summary	Water £m	Total Wholesale £m
Final determination allowance excluding business rates, abstraction licences and grants and contributions	86.4	86.4
FD allowance business rates and abstraction licences	9.1	9.1
	95.5	95.5
Actual excluding business rates, abstraction licences and grants and contributions	100.2	100.2
Actual business rates and abstraction licence	7.4	7.4
Total	107.6	107.6

Additional regulatory information – service level – BRL continued

TABLE 4D – Totex analysis – water resources and water network+

	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Network+ Treated water distribution £m	Total £m
Operating expenditure						
Base operating expenditure	12.546	1.047	–	18.734	29.907	62.234
Enhancement operating expenditure	–	–	–	–	0.466	0.466
Developer services operating expenditure	–	–	–	–	–	–
Total operating expenditure excluding third party services	12.546	1.047	–	18.734	30.373	62.700
Third party services	0.380	0.003	–	0.719	0.686	1.788
Total operating expenditure	12.926	1.050	–	19.453	31.059	64.488
Grants and contributions						
Grants and contributions – operating expenditure	–	–	–	–	4.306	4.306
Capital expenditure						
Base capital expenditure	1.497	0.029	0.062	5.303	21.953	28.844
Enhancement capital expenditure	1.516	–	–	0.115	12.182	13.813
Developer services capital expenditure	–	–	–	–	8.062	8.062
Total gross capital expenditure (excluding third party)	3.013	0.029	0.062	5.418	42.197	50.719
Third party services	–	–	–	0.095	0.020	0.115
Total gross capital expenditure	3.013	0.029	0.062	5.513	42.217	50.834
Grants and contributions						
Grants and contributions – capital expenditure	–	–	–	–	(0.205)	(0.205)
Net Totex	15.939	1.079	0.062	24.966	69.175	111.221
Cash expenditure						
Pension deficit recovery payments	–	–	–	–	–	–
Other cash items	–	–	–	–	–	–
Totex including cash items	15.939	1.079	0.062	24.966	69.175	111.221
	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Network+ Treated water distribution £m	Total £m
Atypical expenditure						
Pennon Integration	0.033	–	0.008	0.101	0.290	0.432
Early Bond Repayment Legal Fees	0.178	–	0.014	0.246	0.377	0.815
Total atypical expenditure	0.211	–	0.022	0.347	0.667	1.247

Overall wholesale operating expenditure at £64.3m is £2.7m higher than the allowance of £61.6m.

The key drivers of this are the high levels of inflation (especially in power) and the increased costs relating to weather (both additional power costs to maintain resources in the summer months and the reactive costs relating to the freeze thaw event). Power was slightly higher than allowance by around £4m despite high levels of hedging throughout the year.

Infrastructure renewals expense was £1.9m favourable to allowance, as a result of the mix of renewals jobs between those which are capital in nature versus those which are operating expenditure; Higher other operating expenditure than allowance (£3.8m) as a result inflationary drivers including chemicals driven by power costs and supply issues in the market.

Wholesale base capital expenditure at £28.8m is £0.5m higher than the CMA FD19 allowance of £28.3m. Expenditure on infrastructure was £16.4m against a CMA FD19 allowance of £13.0m, which reflects additional expenditure on mains renewals reflecting focus on job types of a capital rather than operating nature. Non infrastructure maintenance at £12.4m against £15.4m allowance reflects efficient base maintenance and timing of schemes.

TABLE 4F – Major project expenditure for wholesale water by purpose

Line description	Units	Dps	Expenditure in report year £m					Cumulative expenditure on incurred on schemes in £m						
			Water network+					Total	Water network+					Total
			Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution		Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	
Major project capital expenditure by purpose														
Regional Strategic Schemes: West Country North Sources (Gate 2)	£m	3	0.083	0.000	0.000	0.000	0.249	0.332	0.144	0.000	0.000	0.000	0.431	0.575
Total major project capital expenditure	£m	3	0.083	0.000	0.000	0.000	0.249	0.332	0.144	0.000	0.000	0.000	0.431	0.575

TABLE 4H – Financial metrics as at 31 March 2023

	Current year £m	AMP to date
Financial indicators		
Net debt	445.089	
Regulatory equity	199.601	
Regulatory gearing	69.04%	
Post tax return on regulatory equity	(10.10%)	
RORE (return on regulatory equity)	5.14%	4.69%
Dividend yield	32.13%	
Retail profit margin – Household	0.87%	
Retail profit margin – Non household	-	
Credit rating – Fitch	N/A	
Credit rating – Moody's	N/A	
Credit rating – Standard & Poor's	N/A	
Return on RCV	5.88%	
Dividend cover	(0.24)	
Funds from operations (FFO)	32.056	
Interest cover (cash)	2.06	
Adjusted interest cover (cash)	1.06	
FFO/Net debt	0.07	
Effective tax rate	(7.97%)	
RCF	(32.084)	
RCF/Net debt	(0.07)	
Borrowings		
Proportion of borrowings which are fixed rate	22.17%	
Proportion of borrowings which are floating rate	39.32%	
Proportion of borrowings which are index linked	38.51%	
Proportion of borrowings due within 1 year or less	28.03%	
Proportion of borrowings due in more than 1 year but no more than 2 years	-	
Proportion of borrowings due in more than 2 years but no more than 5 years	11.38%	
Proportion of borrowings due in more than 5 years but no more than 20 years	57.39%	
Proportion of borrowings due in more than 20 years	3.20%	

Bristol Water does not have a credit rating as this is not a licence requirement.

Additional regulatory information – service level – BRL continued

Table 4H Commentary

Regulatory Capital Value (RCV)

RCV is the financial base used by Ofwat to allow a rate of return and set prices at each Periodic Review. At 31 March 2023 RCV equalled £644.7m with CPIH at the year end of 8.84%. Year-end RCV at 31 March 2022 was £586.0m.

Regulated Gearing

The regulated gearing of 60.7% including IFRS 16 has been calculated as year end net debt as a proportion of RCV with Ofwat's notional regulated gearing for the regulatory period 2020–25 set at 60.0%.

Post tax return on regulated equity

The post-tax return on regulated equity of (10.10%) has been calculated as profit after current tax for the appointed business as a percentage of year average regulated equity of £192.3m.

Dividend Yield

The dividend yield of 32.19% is calculated as the total appointed dividend for the year of £64.1m on the year end regulated equity of £199.3m.

Dividend Cover

The dividend is covered (–0.24) times and has been calculated as the profits of the appointed business for the year before dividends divided by total appointed dividend for the year.

Interest Cover

Reported interest cover of 2.1 times for 2022/23 is lower than prior year.

Adjusted Interest Cover

Adjusted interest cover of 1.1 times for 2022/23 is lower than prior year. This adjusted interest cover deducts regulatory depreciation (which is defined in the Final Determination) from the funds from operations calculated as covering interest.

Return on regulated equity

Bristol Water's strong financial performance has contributed to a RORE of 5.1%.

Financing

Our efficient financing strategy continues to drive outperformance with Bristol Water's effective interest rate at 8.9% in nominal terms (2021/22 3.4%), lower than Ofwat's nominal cost of debt of 11.6% (based on a real rate of 2.58% for 2022/23). The cost of debt allowed for Bristol is slightly higher than the SWW cost of debt allowance following the PR19 CMA decision.

TABLE 4I – Financial derivatives

Bristol Water does not have any derivatives.

TABLE 4J – Base expenditure analysis – water resources and water network+

	Water resources £m	Raw water distribution £m	Raw water storage £m	Water treatment £m	Water network+ Treated water distribution £m	Total £m
Operating expenditure						
Power	2.907	0.248	–	3.380	5.510	12.045
Income treated as negative expenditure	(0.036)	(0.003)	–	(0.046)	(0.067)	(0.152)
Bulk supply	0.013	–	–	0.032	0.066	0.111
Renewals expensed in year (infrastructure)	0.032	0.022	–	0.054	1.667	1.775
Renewals expensed in year (non-infrastructure)	–	–	–	–	–	–
Other operating expenditure	6.115	0.604	–	14.925	19.202	40.846
Local authority and Cumulo rates	1.307	0.170	–	0.293	3.322	5.092
Service charges						
Canal & River Trust abstraction charges/discharge consents	0.830	–	–	–	–	0.830
Environment Agency/NRW abstraction charges/discharge consents	1.378	–	–	–	–	1.378
Other abstraction charges/discharge consent	–	0.006	–	0.096	0.001	0.103
Other operating expenditure						
Costs associated with Traffic Management Act	–	–	–	–	0.206	0.206
Costs associated with lane rental schemes	–	–	–	–	–	–
Statutory water softening	–	–	–	–	–	–
Total base operating expenditure	12.546	1.047	–	18.734	29.907	62.234
Capital expenditure						
Maintaining the long term capability of the assets – infra	0.170	–	0.023	–	16.237	16.430
Maintaining the long term capability of the assets – non-infra	1.327	0.029	0.039	5.303	5.716	12.414
Total base capital expenditure	1.497	0.029	0.062	5.303	21.953	28.844
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act	0	0	0	0	13989	13989

This table represents a calculation of the base wholesale operating expenditure, and is summarised in total in table 4D. A further comparison of these costs in relation to the wholesale allowance are outlined in the commentary associated with table 4D.

Additional regulatory information – service level – BRL continued

4L – Enhancement expenditure for the 12 months ended 31 March 2023 – water resources and water network+

In accordance with RAG 3.14, point 2.7, table 4L is not required to be included as part of the APR due to its size.

A summarised version of this table, showing totex, is produced below showing the comparison between cumulative actual spend and cumulative allowed spend in 2022/23 prices.

Line description	Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020-25
	Total	Total	Total
EA/NRW environmental programme (WINEP/NEP)			
Ecological improvements at abstractions	0.182	2.239	3.563
Eels Regulations (measures at intakes)	1.703	0.289	0.460
Invasive Non Native Species	0.339	0.381	0.607
Drinking Water Protected Areas (schemes)	0.210	1.043	1.660
Water Framework Directive measures	–	0.164	0.261
Investigations	0.676	0.334	0.531
Total environmental programme expenditure	3.110	4.450	7.082
Supply-demand balance			
Supply-side improvements delivering benefits in 2020–2025	–	–	–
Demand-side improvements delivering benefits in 2020–2025 (excl leakage and metering)	0.24	–	–
Leakage improvements delivering benefits in 2020–2025	7.265	3.481	5.542
Internal interconnectors delivering benefits in 2020–2025	–	–	–
Supply demand balance improvements delivering benefits starting from 2026	0.119	–	–
Strategic regional water resources	0.556	2.279	2.373
Total supply demand expenditure	8.180	5.760	7.915
Metering			
Total metering expenditure	8.972	6.784	10.800
Other enhancement			
Improvements to taste, odour and colour	–	–	–
Addressing raw water deterioration (grey solutions)	0.912	1.075	1.711
Addressing raw water deterioration (green solutions)	–	–	–
Addressing raw water deterioration (total)	0.912	1.075	1.711
Improvements to river flow	–	–	–
Enhancing resilience to low probability high consequence events	6.586	5.849	9.313
Conditioning water to reduce plumbosolvency	–	–	–
Lead communication pipes replaced or relined for water quality	2.009	0.235	0.374
Other lead reduction related activity	–	–	–
Meeting lead standards (total)	2.009	0.235	0.374
Security – SEMD	–	0.087	0.138
Security – Non-SEMD	–	–	–
Total other enhancement expenditure	9.507	7.246	11.536
Total enhancement			
Total enhancement expenditure	29.769	24.240	37.333

Leakage

To hit our KPI and Ofwat targets, our Leakage Year 3 target saw us aiming to hit 31.6MI/d which is over a 10% drop on the 35.6MI/d which we saw in Year 2.

Due to this target, a number of proposals were put in place for year 3 such as increasing our ALC detection team, which included increased weekend working and overtime as well as specific projects around the introduction of new network monitoring and loggers to understand areas of high leakage (please see methodology for the list of projects).

Due to the increased ALC activity, an additional 1,169 detected repairs were made on our network. As the repairs were above the asset modelled figure to maintain, all these additional repairs were classed as an enhancement

Leakage

There has been an in period increase of 125% to £4.009m.

To hit our KPI and Ofwat targets, our Leakage Year 3 target saw us aiming to hit 31.6ML/d which is over a 10% drop on the 35.6ML/d which we saw in Year 2

Due to this target, a number of proposals were put in place for year 3 such as increasing our ALC detection team, which included increased weekend working and overtime as well as specific projects around the introduction of new network monitoring and loggers to understand areas of high leakage (please see methodology for the list of projects).

Metering

There has been an in period increase of 21% to £3.662m.

In June 2022 we launched our “Cheaper with a Meter” campaign to support our money back guarantee. The campaign focuses on improving customer confidence to sign up for a water meter, with a strong call to action by supporting the financial saving that could be achieved through having a water meter and putting our customers in control of their bill. Campaign research found 9 out of 10 customers achieved a saving, with the average annual saving being in the region of £94, by switching to a water meter demonstrating it can be #CheaperwithaMeter.

Additionally, our customers have the assurance that if they sign up for a meter through our free meter option scheme, and they do pay more than their rateable value after 2 years, we will refund the difference.

Optant activity continued positively throughout the year with an overall 20% increase on 21/22 but at the same time we have experienced an 8% decrease in the Change of Occupiers, caused by the variations in the domestic property market.

With the introduction of the Active Manager program the operational team have achieved the target of 80% of all Free Meter Option and 50% of Change of Occupier scheme, with 81% Free Meter Option and 51% Change of Occupier rates observed by the financial year-end.

We continue to believe that it remains in customers' financial interests to switch to a meter, so this remains a key area of focus for us, and also for our customers

Resilience

There has been an in period increase of 141% to £4.45m.

Spend during 2022-23 relates to the Wells to Glastonbury resilience scheme. This was to install 8.3km of new mains onto the network to improve our resilience in case of an outage. This main became operation in early 2023 with only small remedial work and additional PRV and testing work still occurring on the scheme

TABLE 4N – Developer services expenditure – water resources and water network+

	Treated water distribution		
	CAPEX £m	OPEX £m	TOTEX £m
New connections	3.828	–	3.828
Requisition mains	2.237	–	2.237
Infrastructure network reinforcement	1.190	–	1.190
s185 diversions	0.203	–	0.203
Other price controlled activities	–	–	–
Total developer services expenditure	7.458	–	7.458

Developer Services

Total Expenditure increased by 16% with New Connections and Network Reinforcement accounting for the majority of the spend.

TABLE 4P – Expenditure on non-price control diversions

	Water resources £m	Water network+ £m	Total £m
Non-price control diversions			
Costs associated with NSWRA diversions	–	0.114	0.114
Costs associated with other non-price control diversions	–	–	–
Other developer services non-price control totex	–	0.089	0.089
Developer services non-price control totex	–	0.203	0.203

Additional regulatory information – water resources – BRL

TABLE 4Q – Developer services – Non financial information

	Water nr	Total nr
Connections volume data		
New connections (residential – excluding NAVs)	1,980	1,980
New connections (business – excluding NAVs)	98	98
Total new connections served by incumbent	2,078	2,078
New connections – SLPs	2,141	
Properties volume data		
New properties (residential – excluding NAVs)	4,461	4,461
New properties (business – excluding NAVs)	110	110
Total new properties served by incumbent	4,571	4,571
New residential properties served by NAVs	670	670
New business properties served by NAVs	3	3
Total new properties served by NAVs	673	673
Total new properties	5,244	5,244
New properties – SLP connections	2201	
New water mains data		
Length of new mains (km) – requisitions	8	
Length of new mains (km) – SLPs	11	

TABLE 4R – Connected properties, customers and population

	Units	Unmeasured	Measured	Total	Voids
Customer numbers – average during the year					
Residential water only customers	000s	186.462	326.603	513.065	9.398
Total residential customers	000s	186.462	326.603	513.065	9.398
Business water only customers	000s	1.048	30.117	31.165	2.229
Total business customers	000s	1.048	30.117	31.165	2.229
Total customers	000s	187.510	356.720	544.230	11.627

	Units	Unmeasured	Measured	Total	Water
Property numbers – average during the year					
Residential properties billed	000s	186.462	326.603	513.065	
Residential void properties	000s			9.398	
Total connected residential properties	000s			522.463	
Business properties billed	000s	1.048	30.117	31.165	
Business void properties	000s			2.229	
Total connected business properties	000s			33.394	
Total connected properties	000s			555.857	

	Units	Unmeasured					Measured					Water
Property and meter numbers – at end of year (31 March)		No meter	Basic meter	AMI Meter (capable)	AMI Meter (active)	Total	Basic meter	AMR meter	AMI Meter (capable)	AMI Meter (active)	Total	Total
Total new residential properties connected in year	000s	–	–	–	–	–	3.480	0.981	–	–	4.461	4.461
Total new business properties connected in year	000s	–	–	–	–	–	0.108	0.002	–	–	0.110	0.110
Residential properties billed at year end	000s	180.689	0.502	–	–	181.191	301.876	32.977	–	–	334.853	516.044
Residential void properties at year end	000s					3.238					5.174	8.412
Total connected residential properties at year end	000s					184.429					340.027	524.456
Business properties billed at year end	000s	1.032	0.013	–	–	1.045	27.635	2.440	–	–	30.075	31.120

Business void properties at year end	000s	0.403				1.814	2.217
Total connected business properties at year end	000s	1.448				31.889	33.337
Total connected properties at year end	000s	185.877				371.916	557.793
Population data						Units	Water
Resident population						000s	1245.929
Non-resident population						000s	N/A
							Water
Household population data		Units	DPs	Resident population	Non-resident population		Total
Household population		000s	3	1194.659	–		1194.659
Household measured population (water only)		000s	3	685.866	–		685.866
Household unmeasured population (water only)		000s	3	508.793	–		508.793

Metering is generally regarded as being the fairest and most accurate way to pay for water. However, our customers have consistently told us through consultations and surveys that they do not wish to see full compulsory metering for all our domestic customers. Therefore, we are reliant upon customer demand, meter installations upon change of ownership and effective, persuasive marketing.

In June 2022 we launched our “Cheaper with a Meter” campaign to support our money back guarantee. The campaign focuses on improving customer confidence to sign up for a water meter, with a strong call to action by supporting the financial saving that could be achieved through having a water meter and putting our customers in control of their bill. Campaign research found 9 out of 10 customers achieved a saving, with the average annual saving being in the region of £94, by switching to a water meter demonstrating it can be #CheaperwithaMeter.

Additionally, our customers have the assurance that if they sign up for a meter through our free meter option scheme, and they do pay more than their rateable value after 2 years, we will refund the difference.

The “Cheaper with a Meter” campaign continues to educate and engage with our customers looking to save money on their bills and reduce the amount of water they use. We have been able to share real customer endorsements of their experience of having a meter and providing those customers with information on how they can maximise the opportunity to reduce their water impact. By supporting customers on our metering journey with water saving devices, tips and information on support measures such as our priority services register, we are confident customers will be able to make an informed decision to remain metered beyond the initial 2 year period.

Optant activity continued positively throughout the year with an overall 20% increase on 21/22 but at the same time we have experienced an 8% decrease in the Change of Occupiers, caused by the variations in the domestic property market.

Operationally, the team installed or brought onto charge 11,554 meters in the year, which is a 21% increase on the previous year. This was achieved with an increase in our operational resource in the second half of the year across all functions, including our Construction, Surveying, Plumbing and Administration teams. This increase has allowed for a higher capacity, but due to a challenging recruitment market we did not start to benefit from the recruitment drive until the final quarter.

We have also focused on improving the conversion rates of applications and unmeasured moves.

With the introduction of the Active Manager program the operational team have achieved the target of 80% of all Free Meter Option and 50% of Change of Occupier scheme, with 81% Free Meter Option and 51% Change of Occupier rates observed by the financial year–end.

Our recovery plan operationally is currently targeting a ramped approach in years 4 and 5 although this will be largely dependent on the demand. As the housing market has cooled, due to economic factors outside of our control, we are focused on improving the free Meter option uptake. To do this we have introduced a team targeted on the promotion of Metering, this team will be underpinned and supported by the “Cheaper with a Meter” Campaign and is driven by customer engagement, increasing the opportunity to meet and discuss challenges such as private side leakage and home efficiency as well as signing up for a water meter. Supported by our operational teams, who are empowered to discuss the benefits of Metering, equipped to provide our customer information, take the meter application and to fit a meter at the earliest opportunity where appropriate, some of our customers have benefited from having their meter fitted at the very point of application and an improved customer journey.

We continue to believe that it remains in customers’ financial interests to switch to a meter, so this remains a key area of focus for us, and also for our customers.

Business Voids

Business void properties are covered by lines 4R5–9 and 4R13–14. Total business property numbers continue to remain relatively static. However, we have observed a decrease in the numbers of vacant business properties, as the economy has now largely recovered from the worst impacts of the Covid pandemic. It is unclear if this increase in occupancy rates will continue into the future. It was noted in the previous financial years that the number of non-domestic void properties had significantly increased due to the prevailing Covid situation, but financial year 2021–22 saw a reduction in the number of vacant non-domestic properties as the economy re-opened, and this trend continued into financial year 2022–23.

Population

Population is covered by lines 4R28–32. The total population is calculated with reference to external data acquired from the CACI analytical company, based on the Bristol Water supply area, as an average between the total population in April 2022 and the total population in April 2023. The resulting average is then corrected for the estimate of population using a private supply, as opposed to being supplied by the company. There are no significant changes to the methodology or the results compared with previous years.

In accordance with Ofwat’s “IN 23/03 Expectations for monopoly company annual reporting 2022–23”, we can confirm our total connected properties do not include cattle troughs in the current reporting year or the previous two years.

TABLE 4V – Mark-to-market of financial derivatives analysed based on payment dates

Bristol does not have any derivatives.

TABLE 4W – Defined Benefit Pension Scheme – Additional Information

Bristol does not have any defined benefit pension schemes.

Additional regulatory information – water network plus – BRL

TABLE 5A – Water resources asset and volumes data

	Units	Input
Water resources		
Water from impounding reservoirs	MI/d	61.69
Water from pumped storage reservoirs	MI/d	180.10
Water from river abstractions	MI/d	–
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	42.48
Water from artificial recharge (AR) water supply schemes	MI/d	–
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	–
Water from saline abstractions	MI/d	–
Water from water reuse schemes	MI/d	–
Number of impounding reservoirs ¹	nr	3
Number of pumped storage reservoirs ¹	nr	8
Number of river abstractions	nr	–
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	14
Number of artificial recharge (AR) water supply schemes	nr	–
Number of aquifer storage and recovery (ASR) water supply schemes	nr	–
Number of saline abstraction schemes	nr	–
Number of reuse schemes	nr	–
Total number of sources	nr	25
Total number of water reservoirs ¹	nr	11
Total volumetric capacity of water reservoirs	MI	38,604
Total number of intake and source pumping stations	nr	15
Total installed power capacity of intake and source pumping stations	kW	6,798
Total length of raw water abstraction mains and other conveyors	km	42.11
Average pumping head – raw water abstraction	m.hd	36.12
Energy consumption – raw water abstraction	MWh	12,486.643
Total number of raw water abstraction imports	nr	–
Water imported from third parties' raw water abstraction systems	MI/d	–
Total number of raw water abstraction exports	nr	–
Water exported to third parties' from raw water abstraction systems	MI/d	–
Water resources capacity (measured using water resources yield)	MI/d	327.61
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	30.00

Total number of sources (Line 5A.17), broken down by category, (Lines 5A.9-16) have remained unchanged since 2011. During year 2022/23 Bristol Water had four source sites (Clevedon TW, Shipton Moyne TW, Charterhouse TW & Sherborne TW) whereby no water was abstracted for operational reasons, these sites are still officially operational sites. Based on the definition provided by OFWAT in RAG 4.11 (A source is defined as an independent raw water supply that directly supplies a treatment works, such as impounding reservoirs, river abstractions and groundwater works. Standby or mothballed sources from which no water has been obtained in the year should not be included.)

BW has interpreted these exclusion parameters as:

- Standby sites from which no water has been obtained
- Mothballed sites from which no water has been obtained.

Therefore, due to these 4 sources still holding full continuous abstraction licences and being neither standby, nor mothballed officially, have been included in the count with a 0.0MI abstraction value reported in lines 5A.1-8.

Bristol Water's interpretation of the OFWAT definition would deem mothballed sites to be sources for which an abstraction licence was no longer held; and standby sites to be specifically designed as an 'on-call' source, of which Bristol Water has none.

Number and Capacity of Water Reservoirs (Lines 5A.18-19) remain unchanged from 2021/22 reported figures. Bristol Water has 11 raw water reservoirs with a combined capacity of 38,604 MI.

Number of Intake and Source Pumping Stations (Line 5A.20) and their installed power capacity (Line 5A.21) remains unchanged from 2020/21 reported figures.

The confidence grading for all lines (5A.9-21) is A1 due to consistent and repeatable results.

TABLE 5B – Water resources operating cost analysis

	Impounding reservoir £m	Pumped storage £m	River abstractions £m	Groundwater, excluding MAR water supply £m	Artificial Recharge (AR) water supply schemes £m	Aquifer Storage and Recovery (ASR) water supply schemes £m	Other £m	Total £m
Power	1.372	1.055	–	0.477	–	–	0.003	2.907
Income treated as negative expenditure	(0.017)	(0.013)	–	(0.006)	–	–	–	(0.036)
Abstraction charges/ discharge consents	0.735	0.830	–	0.644	–	–	–	2.209
Bulk supply	0.003	–	–	0.009	–	–	–	0.012
Other operating expenditure								
Renewals expensed in year (Infrastructure)	0.014	0.014	–	0.005	–	–	–	0.033
Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–	–
Other operating expenditure excluding renewals	2.072	3.498	–	0.544	–	–	–	6.114
Local authority and Cumulo rates	1.043	0.173	–	0.091	–	–	–	1.307
Total operating expenditure (excluding third party)	5.222	5.557	–	1.764	–	–	0.003	12.546

Table 5B presents a breakdown of Bristol Water's total water resources operating costs for 2022/23 by the following categories: Impounding Reservoirs, Pumped Storage, River Abstractions, Groundwater, excluding MAR water supply schemes, Artificial Recharge (AR) water supply schemes, Aquifer Storage and Recovery (ASR) water supply schemes and Other. For 2022/23 Bristol Water has not reported any expenditure against River Abstractions, Artificial Recharge (AR) water supply schemes or Aquifer Storage and Recovery (ASR) water supply schemes.

The total operating expenditure (excluding third party) in Table 5B must reconcile to the Water resources total operating expenditure excluding third party services in Table 4J.

Additional regulatory information – water network plus – BRL continued

TABLE 6A – Raw water transport, raw water storage and water treatment data

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	4
Total volumetric capacity of balancing reservoirs	MI	688
Total number of raw water transport stations	nr	8
Total installed power capacity of raw water transport pumping stations	kW	3,584
Total length of raw water transport mains and other conveyors	km	99.75
Average pumping head – raw water transport	m.hd	40.36
Energy consumption – raw water transport	mWh	4,117.666
Total number of raw water transport imports	nr	1
Water imported from third parties' raw water transport systems	MI/d	0.03
Total number of raw water transport exports	nr	1
Water exported to third parties' raw water transport systems	MI/d	0.34
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	0.33

	Surface water		Ground water	
	Water treated MI/d	Number of works	Water treated MI/d	Number of works
Water treatment – treatment type analysis				
All simple disinfection works	–	–	1.71	2
W1 works	–	–	–	–
W2 works	–	–	–	–
W3 works	–	–	–	–
W4 works	21.89	1	32.11	8
W5 works	235.58	5	–	–
W6 works	–	–	–	–

	% of total DI	Number of works
Water treatment – works size		
WTWs in size band 1	–	–
WTWs in size band 2	0.8	3
WTWs in size band 3	2.2	3
WTWs in size band 4	5.9	3
WTWs in size band 5	14.3	3
WTWs in size band 6	17.6	2
WTWs in size band 7	22.6	1
WTWs in size band 8	36.6	1

	Units	Input
Water treatment – other information		
Peak week production capacity	MI/d	539.50
Peak week production capacity having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	–
Peak week production capacity having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	–
Total water treated at more than one type of works	MI/d	3.23
Number of treatment works requiring remedial action because of raw water deterioration	nr	–
Zonal population receiving water treated with orthophosphate	000's	1,237.673
Average pumping head – water treatment	m.hd	12.62
Energy consumption – water treatment	mWh	27,513.507
Total number of water treatment imports	nr	–
Water imported from third parties' water treatment works	MI/d	–
Total number of water treatment exports	nr	–
Water exported to third parties' water treatment works	MI/d	–

TABLE 6B – Treated water distribution – assets and operations
for the 12 months ended 31 March 2023

	Units	Input
Assets and operations		
Total installed power capacity of potable water pumping stations	kW	24,596
Total volumetric capacity of service reservoirs	MI	512.3
Total volumetric capacity of water towers	MI	3.0
Water delivered (non-potable)	MI/d	0.34
Water delivered (potable)	MI/d	246.54
Water delivered (billed measured residential properties)	MI/d	99.15
Water delivered (billed measured businesses)	MI/d	56.60
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.210
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.646
Proportion of distribution input derived from river abstractions	Propn 0 to 1	–
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.144
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	–
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	111
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	9
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	6
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	96
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	–
Total number of service reservoirs	nr	109
Number of water towers	nr	4
Energy consumption – treated water distribution (MWh)	MWh	57,564.065
Average pumping head – treated water distribution	m.hd	99.30
Total number of treated water distribution imports	nr	5
Water imported from 3rd parties to treated water distribution systems	MI/d	0.4
Total number of treated water distribution exports	nr	5
Water exported to 3rd parties from treated water distribution systems	MI/d	8.44
Peak 7 day rolling average distribution input	MI/d	327.82
Peak 7 day rolling average distribution input / annual average distribution input	%	117.75%
Water balance – company level		
Measured household consumption (excluding supply pipe leakage)	MI/d	92.31
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	85.38
Measured non-household consumption (excluding supply pipe leakage)	MI/d	55.99
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	0.36
Total annual leakage	MI/d	39.49
Distribution system operational use	MI/d	2.95
Water taken unbilled	MI/d	0.51
Distribution input	MI/d	276.99
Distribution input (pre-MLE)	MI/d	278.41
Components of total leakage– company level		
Leakage upstream of DMA	MI/d	3.00
Distribution main losses	MI/d	24.00
Customer supply pipe losses – measured households excluding void properties	MI/d	6.80
Customer supply pipe losses – unmeasured households excluding void properties	MI/d	4.51
Customer supply pipe losses – measured non-households excluding void properties	MI/d	0.62
Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	0.03
Customer supply pipe losses – void measured households	MI/d	0.05
Customer supply pipe losses – void unmeasured households	MI/d	0.01
Customer supply pipe losses – void measured non-households	MI/d	0.16
Customer supply pipe losses – void unmeasured non-households		0.00

Additional regulatory information – water network plus – BRL continued

TABLE 6C – Water network+ – Mains, communication pipes and other data for the 12 months ended 31 March 2023

	Units	Input
Treated water distribution – mains analysis		
Total length of potable mains as at 31 March	km	6,955.9
Total length of potable mains relined	km	–
Total length of potable mains renewed	km	8.3
Total length of new potable mains	km	31.1
Total length of potable water mains (< ≤320mm)	km	6,401.0
Total length of potable water mains >320mm and ≤450mm	km	257.8
Total length of potable water mains >450mm and ≤610mm	km	182.2
Total length of potable water mains > 610mm	km	114.9
Treated water distribution – mains age profile		
Total length of potable mains laid or structurally refurbished pre-1880	km	116.0
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	840.6
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	465.3
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	904.2
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	883.2
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1,265.3
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1,238.8
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	1,152.9
Total length of potable mains laid or structurally refurbished post 2021	km	89.6
Communication pipes		
Number of lead communication pipes	nr	130,915
Number of galvanised iron communication pipes	nr	7,523
Number of other communication pipes	nr	363,223
Number of lead communication pipes replaced or relined for water quality	nr	630
Other		
Company area	km ²	2,362
Compliance Risk Index	nr	4.60
Event Risk Index	nr	144
Properties below reference level at end of year	nr	2

TABLE 6D – Demand management – Metering and leakage activities for the 12 months ended 31 March 2023

	Units	Basic meter	AMR Meter	AMI meter
Metering activities – Totex expenditure				
New optant meter installation for existing customers	£m	1.270	0.186	–
New selective meter installation for existing customers	£m	1.905	0.301	–
New business meter installation for existing customers	£m	–	0.001	–
Residential meters renewed	£m	0.320	0.062	–
Business meters renewed	£m	0.100	–	–
Metering activities – Explanatory variables				
New optant meters installed for existing customers	000s	3.933	0.516	–
New selective meters installed for existing customers	000s	5.901	0.834	–
New business meters installed for existing customers	000s	0.021	0.016	–
Residential meters renewed	000s	2.898	0.452	–
Business meters renewed	000s	0.568	0.060	–
Replacement of basic meters with smart meters for household customers	000s		0.177	–
Replacement of AMR meter with AMI meters for household customers	000s			–
Replacement of basic meters with smart meters for business customers	000s		0.011	–
Replacement of AMR meter with AMI meters for business customers	000s			–
New residential meters installed for existing customers – supply–demand balance benefit	MI/d	1.72	0.23	–
New business meters installed for existing customers – supply–demand balance benefit	MI/d	–	–	–
Replacement of basic meter with smart meters for household customers – supply–demand balance benefit	MI/d		0.001	–
Replacement of AMR meter with AMI meter for household customers – supply–demand balance benefit	MI/d			–
Replacement of basic meter with smart meters for business customers – supply–demand balance benefit	MI/d		–	–
Replacement of AMR meter with AMI meter for business customers – supply–demand balance benefit	MI/d			–
Residential properties – meter penetration	%	58.5	6.4	–
Leakage activities – Totex expenditure				
	Units	Maintaining leakage	Reducing leakage	Total
Total leakage activity	£m	8.240	4.009	12.249
Leakage improvements delivering benefits in 2020–25	MI/d			(3.84)
Per capita consumption (excluding supply pipe leakage)				
Per capita consumption (measured)	l/h/d	134.59		
Per capita consumption (unmeasured)	l/h/d	167.80		

During our work to develop our Water Resource Management Plan 2019, we carried out an assessment of likely population growth in the area we supply. This indicates that the population we serve will grow by 7% by 2025. To meet this potential increase in demand we need to improve water efficiency and help customers reduce their water consumption. Evidence available indicates that customers on a water meter have a lower per capita consumption and our research also shows that customers consider that payment through a metered supply is the fairest way to charge for water as it puts the water bill within the control of the customer.

The preferred approach Bristol Water take when installing a meter is to where possible install a water meter on a company owned asset i.e., outside the boundary of the customer property with a basic meter that requires a visual reading by the meter reader. This allows Bristol water easier access to maintain the asset.

If an external approach is unachievable, then an attempt will be made where possible to install a meter inside the customer property within one metre of the internal stop tap.

When installing inside a customer property a RF (radio frequency) meter will be installed, known as AMR technology (Automated Meter Reading). This allows the meter reader to capture the consumption of water usage at the property, recorded on the meter from outside of the property eliminating the need to enter the customer property.

When installing a meter outside the property there are three forms of installation technique used.

1. Install a meter into an existing asset/stop tap located outside the customer property.
2. Install/replace a customer stop tap to enable the meter to be installed.
3. Install a Melco adapter to an existing crutch head tap to enable the meter installation.

Metering is generally regarded as being the fairest and most accurate way to pay for water. However, our customers have consistently told us through consultations and surveys that they do not wish to see full compulsory metering for all our domestic customers. Therefore, we are reliant upon customer demand, meter installations upon change of ownership and effective, persuasive marketing.

Additional regulatory information – innovation competition – BRL

TABLE 6D – Demand management – Metering and leakage activities commentary continued

In June 2022 we launched our “Cheaper with a Meter” campaign to support our money back guarantee. The campaign focuses on improving customer confidence to sign up for a water meter, with a strong call to action by supporting the financial saving that could be achieved through having a water meter and putting our customers in control of their bill. Campaign research found 9 out of 10 customers achieved a saving, with the average annual saving being in the region of £94, by switching to a water meter demonstrating it can be #CheaperwithaMeter.

Additionally, our customers have the assurance that if they sign up for a meter through our free meter option scheme, and they do pay more than their rateable value after 2 years, we will refund the difference.

Optant activity continued positively throughout the year with an overall 20% increase on 21/22 but at the same time we have experienced an 8% decrease in the Change of Occupiers, caused by the variations in the domestic property market.

With the introduction of the Active Manager program the operational team have achieved the target of 80% of all Free Meter Option and 50% of Change of Occupier scheme, with 81% Free Meter Option and 51% Change of Occupier rates observed by the financial year-end.

We continue to believe that it remains in customers’ financial interests to switch to a meter, so this remains a key area of focus for us, and also for our customers.

TABLE 6F – WRMP annual reporting on delivery – non-leakage activities

Not included in the APR due to its size, but it is included within the APR tables on our website.

Supporting Commentary

Supply-side/ Demand-side Improvements

Report on improvements made to increase the supply of water or decrease the consumption of water to ensure that in the long-term Bristol Water can sustain water supplies to meet demand. There are no supply side schemes within the WRMP19 being delivered between 2020 and 2025. In terms of demand side schemes, we have a programme of water efficiency measures to support our baseline PCC strategy, including social media engagement (water-saving messaging posts are the top-performing posts in our social media platforms), provision of free water efficiency equipment, and ongoing work with other utility partners such as gas and electricity service providers to identify outreach opportunities for shared messaging on resource efficiency.

The summer period in 2022 was hotter and drier than average, with the Met Office issuing its amber extreme heat warning in July. This covered the West Country, including all the Bristol Water supply area. In order to manage customer demand over this period, we issued a series of media communications, on our website, in local media (Bristol News and Somerset Live) and on BBC Radio Bristol, to appeal to customer to not use their hosepipes during the short heatwave period to reduce the peak demands. As part of our demand management strategy, we will continue to respond to Met Office extreme heat warnings in order to maintain awareness with customers on high water demand in hot weather.

We provide quantified assessment of the impact of our provision of free water efficiency equipment, providing a total of 9,819 water efficiency packs to customers in 2022/23 and 6F.2 therefore reports a 0.20Ml/d saving on demand with an associated capital expenditure of £0.060m.

Internal interconnectors

Reports the incremental internal interconnection supply demand balance benefits delivered during the reporting year, and the associated costs. Bristol Water operated as one interconnected water resource zone. Therefore, there are no further benefits being delivered in 2020–2025 through internal interconnectors that could provide supply demand balance benefit via additional transport capacity. For Bristol this is a zero return.

Supply-demand balance

Reports supply-demand balance improvements delivering benefits starting from 2026. We do not have any supply or demand side schemes within the WRMP19 from 2026 onwards other than leakage options (which are excluded from this measure). For Bristol this is a zero return.



Additional regulatory information – water network plus – BRL continued

TABLE 9A – Innovation competition

		Current year £m
Allowed		
Allocated innovation competition fund price control revenue	£m	0.414
Revenue collected for the purposes of the innovation competition		
Innovation fund income from customers	£m	0.414
Income from customers to fund innovation projects the company is leading on	£m	–
Income from customers as part of the inflation top-up mechanism	£m	–
Income from other water companies to fund innovation projects the company is leading on	£m	0.616
Income from customers that is transferred to other companies as part of the innovation fund	£m	0.557
Non-price control revenue (e.g. royalties)	£m	–
Administration		
Administration charge for innovation partner	£m	0.017

	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)
Units	£m	£m	£m	£m
DPs	3	3	3	3
Innovation project 1 – Flexible local water supply schemes pilot	0.622	–	0.404	0.274
Total	0.622	–	0.404	0.274

Our allocated revenue for the 2022/23 year is £0.414m.

£0.006m is income to fund innovation projects we are leading on, as per the Ofwat innovation transfer of funds notification. Income from customers that is transferred as part of the innovation fund is £0.02m, which is our contribution to the Innovation in Water Challenge (IWC) fund paid during the 2021/22 year. Where revenue figures are inflated from the 17/18 price base quoted in PR19 Business Plans, this has been done so using November 2021 CPIH value.

We are leading on one innovation competition project – Flexible Local Supply Schemes. The total amount of funding awarded (excluding the 10% contribution) is £0.622m. £0.006m funded by our customers was reported last year as we had this money when the project was awarded. The remainder of £0.616m received from other customers is reported this year as the transfer took place in May 2022.

Our forecast for the year as per the latest monitoring report is £0.404m. Our actual expenditure was less than this at £0.274m. Our progress against plan was somewhat affected by the delays in receiving the funding, and barriers that the project is exploring in terms of the access framework and availability of abstraction information. Actual expenditure was predominantly associated with plant design and the work undertaken by our project partners. We ran an industry workshop in April 2023 with our indicative findings, and a final conclusion will be published later in 2023, once we have analysed abstraction data and piloted the competitive access application process and explored the practical access pricing issues, testing the Frontier Economics report produced in March 2022.

This is a discrete project with a specific team and the innovation funding does not support any expenditure that would otherwise be incurred by Bristol Water, as there is specifically no financial contribution to Bristol Water staff time or overheads.

The administration charge for innovation partners is £0.017m. MOSL transfer fees have been paid during 2022/23 but less than £0.001m and will be recognised in the cash balance if beyond de minimis amounts.

At the end of the financial year the net cash balance related to the innovation fund amounts to £0.240m, reflecting £1.204m received from customers over 2020–2023, less £0.036m contribution to the innovation fund administration costs, £0.577m transferred to the innovation fund winning projects and £0.350m lead project expenditure.

	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects	In year expenditure on innovation projects funded by shareholders	Cumulative expenditure on innovation projects funded by shareholders
	£m	£m	£m	£m	£m	£m	£m
	3	3	3	3	3	3	3
	(0.130)	0.582	0.350	(0.232)	0.272	–	–
	(0.130)	0.582	0.350	(0.232)	0.272	–	–

Additional regulatory information – water network plus – BRL continued

TABLE 11A – Pro forma – Greenhouse gas emissions reporting for the 12 months ended 31 March 2023

Unit	Operational emissions		
	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
DPs	3	3	3
Scope one emissions			
Burning of fossil fuels (location-based)	4,253.290	–	4,253.290
Burning of fossil fuels (market-based)	4,253.290	–	4,253.290
Process and fugitive emissions	–	–	–
Vehicle transport	1,056.713	–	1,056.713
Emissions from land	–	–	–
Total scope one emissions (location-based)	5,310.003	–	5,310.003
Total scope one emissions (market-based)	5,310.003	–	5,310.003
Scope one emissions; GHG type CO ₂	5,283.142	–	5,283.142
Scope one emissions; GHG type CH ₄	5.885	–	5.885
Scope one emissions; GHG type N ₂ O	20.976	–	20.976
Scope one emissions: GHG other types	–	–	–
Scope two emissions			
Purchased electricity (location-based)	14,330.892	–	14,330.892
Purchased electricity (market-based)	31,273.329	–	31,273.329
Purchased heat	–	–	–
Electric vehicles	–	–	–
Removal of electricity to charge electric vehicles at site	–	–	–
Total scope two emissions (location-based)	14,330.892	–	14,330.892
Total scope two emissions (market-based)	31,273.329	–	31,273.329
Scope two emissions; GHG type CO ₂	14,170.079	–	14,170.079
Scope two emissions; GHG type CH ₄	59.286	–	59.286
Scope two emissions; GHG type N ₂ O	101.527	–	101.527
Scope two emissions: GHG other types	–	–	–
Scope three emissions			
Business travel	16.247	–	16.247
Outsourced activities	845.685	–	845.685
Purchased electricity; extraction, production, transmission and distribution (location-based)	5,051.902	–	5,051.902
Purchased electricity; extraction, production, transmission and distribution (market-based)	5,051.902	–	5,051.902
Purchased heat; extraction, production, transmission and distribution	–	–	–
Purchased fuel; extraction, production, transmission and distribution	1,222.630	–	1,222.630
Use of chemicals	2,499.715	–	2,499.715
Disposal and treatment of waste	178.135	–	178.135
Total scope three emissions (location-based)	9,814.314	–	9,814.314
Total scope three emissions (market-based)	9,814.314	–	9,814.314
Scope three emissions; GHG type CO ₂	–	–	–
Scope three emissions; GHG type CH ₄	–	–	–
Scope three emissions; GHG type N ₂ O	–	–	–
Scope three emissions: GHG other types	–	–	–

TABLE 11A – Pro forma – Greenhouse gas emissions reporting continued
for the 12 months ended 31 March 2023

Unit	Operational emissions		
	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
DPs	3	3	3
Gross operational emissions (Scopes 1, 2 and 3)			
Gross operational emissions (location-based)	29,455.209	–	29,455.209
Gross operational emissions (market-based)	46,397.646	–	46,397.646
Emissions reductions			
Exported renewables	–	–	–
Exported biomethane	–	–	–
Insets	–	–	–
Other emissions reductions	–	–	–
Total emissions reductions	–	–	–
Net annual emissions			
Net annual emissions (location-based)	29,455.209	–	29,455.209
Net annual emissions (market-based)	46,397.646	–	46,397.646
GHG intensity ratios			
Emissions per MI of treated water	272.473		–
Emissions per MI of sewage treated			–
Unit	Embedded emissions		
	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
DPs	3	3	3
Other			
Green tariff electricity	–	–	–
Capital projects			
Total capital projects (cradle-to-gate)	4,590.237	–	4,590.237
Total capital projects (cradle-to-build)	6,298.076	–	6,298.076
Purchased goods and services			
Purchased goods and services (please specify)	15,526.542	–	15,526.542

Additional regulatory information – Energy – BRL

Commentary of 2022/23 Emissions (Bristol Water)

Water UK Net Zero Commitment by 2030

Bristol Water's net market-based emissions under the Net Zero Commitment boundary increased during 2022/23 to a total emissions value of 38,756 tCO₂e from the previous year's net market-based position of 34,277 tCO₂e.

This was largely due to the additional energy use required to maintain a resilient water supply service during a year of exceptional temperatures with an associated lack of rainfall, leading to an increased demand for water. Bristol Water electricity and natural gas usage increased as a result.

Our Bristol Water business is currently contracted for a standard electricity supply product which is not specifically for the delivery of 100% renewable electricity, we therefore use the supplier's standard product 'Fuel Mix Disclosure' emissions factor published by our electricity supplier to account for market-based emissions for our purchased electricity supply. To make significant progress towards the Net Zero Commitment we intend to re-contract for a 100% renewable electricity supply when our Bristol Water electricity contract is next renewed.

Elsewhere under our Net Zero Commitment emissions boundary our direct (Scope 1) emissions from our vehicle fleet also marginally increase from 958 tCO₂e in 2021/22 to 1,057 tCO₂e in 2022/23, reflecting the increased fleet mileage incurred in dealing with exceptional circumstances during the summer of 2022.

Our indirect (Scope 3) emissions within the Net Zero Commitment boundary also increased during 2022/23 compared to 2021/22 largely as a result of increased activity from our contractors carrying out outsourced activities on our behalf. Our Scope 3 emissions with the Net Zero Commitment boundary increased to 2,173 tCO₂e in 2022/23 from the previous year's 1,781 tCO₂e.

Ofwat Reporting, market-based and Location-Based reporting

For 2022/23 Ofwat have asked us to report both location-based and market-based greenhouse gas emissions within a new extended boundary that includes for the first time emissions from our use of chemicals, including granular activated carbon (GAC), along with the 'well to tank' emissions associated with the extraction and processing of fuels used directly by us as well as those related to the fuels that are used to generate the electricity we have purchased through the grid.

This has resulted in net location-based emissions for Bristol Water of 29,455 tCO₂e and net market-based emissions of 46,368 tCO₂e.

The extended emissions boundary for the Ofwat reporting for 2022/23 includes Scope 3 emissions from chemicals, for which we recorded a total 2,500 tCO₂ well to tank emissions along with emissions from the transmission and distribution of electricity for which we recorded emissions of 5,052 tCO₂e.

The extended emissions boundary for the Ofwat reporting for 2022/23 includes Scope 3 emissions from chemicals, for which we recorded a total 2,602 tCO₂e, emissions from waste 178 tCO₂e and well to tank emissions along with emissions from the transmission and distribution of electricity for which we recorded emissions of 2,534 tCO₂e.

Embedded Emissions

We currently use a 'spend analysis' approach to estimate our embedded (or embodied) emissions resulting from our construction activities as part of our Capital Programme, as well as from our purchase of goods and services.

For 2022/23 Ofwat have asked us to split the reporting of emissions from our construction activities, what we refer to as 'Capital carbon', into emissions from the cradle to the gate (emissions from the manufacture of the materials and products used and their transport to site) and cradle to build (cradle to gate plus those emissions from construction of assets and the offsite disposal of waste).

We have, with the help of expert consultants, produced a bespoke embedded carbon emissions estimation tool which we intend to embed within our internal systems to move away from using 'spend analysis' towards using more accurate primary activity data. Whilst we undertake this transition to using primary activity data we expect to continue to rely to some extent on spend analysis data until the transition is fully complete. We therefore expect to improve the accuracy of our reporting of embedded carbon over time as well as providing the opportunity to properly account for the lower carbon options that we intend to promote over the traditional methods of developing and constructing solutions to meet our needs.

In 2022/23 we recorded emissions cradle to gate emissions from our water related capital projects of 4,590 tCO₂e. Under the cradle to build measure we recorded 6,298 tCO₂e from our water related capital projects.

We also recorded the embedded emissions from our purchased goods and services which for 2022/23 were 15,527 tCO₂e for our water related activities. We were able to refine our approach to estimating emissions from our purchased goods and services for 2022/23 by excluding our spend for services where there are no physical emissions resulting from our purchase such as those related to the financial services we engage with.

Estimate of embedded emissions (tCO₂e)

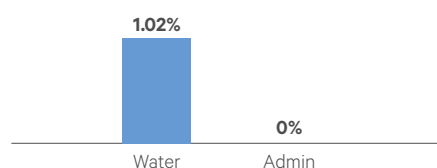
	Water
Capital projects (cradle to gate)	4,590
Capital projects (cradle to build)	6,298
Purchased goods and services	15,527

Renewable Energy

We generate a proportion of our electricity usage from our onsite renewable energy installations. The following charts show how our continued investment in our own embedded renewable energy generation from our solar PV installations embedded on our sites.

During 2022/23 we generated 1,003 MWh from our solar PV installations.

Self-generated and private-wired renewable energy generation as a percentage of total energy consumed



No private wires or REGO purchase

Total renewable energy sourced (including REGO-backed electricity)

Water – No REGO purchase so same as above

Admin – No REGO purchase so same as above

Strengths, weaknesses, opportunities and threats

'Operational' Carbon

Strengths

In estimating our operational emissions we use a carbon accounting methodology aligned with the Greenhouse Gas Protocol. Emissions are calculated using the water industry's common accounting tool known as the 'Carbon Accounting Workbook' now in its seventeenth annual edition having been consistently updated and used by the industry since 2006.

The majority of data assessed is reliably metered primarily activity data such as half-hourly metered electricity and fuel purchases.

For other non-energy related emissions we are improving our collection of the source data used for carbon accounting including using more accurate volumes of chemicals and business travel data.

Opportunities

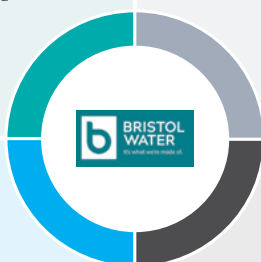
Data collection systems have been improved during 2022/23, including improvements to the reporting outputs from our energy monitoring and targeting system. The consolidation of some raw data sources into South West Water's existing data management systems will help to streamline the collection and processing of data streams for carbon accounting.

Weaknesses

Historically some source data has not routinely been recorded, such as the direct emissions of fugitive gases from air conditioning and refrigeration equipment and emissions from our ozonation processes, estimation of emissions from these sources has therefore been excluded. This is improving and we intend to establish routes to source this data for future accounting.

Threats

We note that c.73% of our net market-based emissions are due to our grid electricity usage for which emissions are accounted for at our electricity supplier's specific 'Fuel Mix Disclosure' emissions factor. For 2022/23 this emissions factor is higher than the UK average grid electricity emissions factor resulting in our operational net market-based emissions being higher than our net location-based emissions. We expect to contract our electricity supply to a 100% renewable electricity supply contract when our current contract comes to an end which will significantly reduce our market-based emissions under the Net Zero Commitment.



'Embedded' Carbon

Strengths

We have used our annual recorded financial spend data from our Procurement systems to determine embedded carbon emissions for Scope 3 Category 1 – Purchased goods and services and for Scope 3 Category 2 – Capital goods. This approach ensures all the relevant spend in the year is included within the analysis. We have engaged an expert third-party carbon consultancy to take our spend data and use this to calculate the Scope 3 emissions associated with our purchase of goods and services and in delivering our Capital programme.

Weaknesses

Our approach to embedded carbon currently uses financial spend data as the primary data source for determining emissions. We recognise the shortcomings of this approach and we are committed to transitioning away from using spend data towards using actual activity data over the next few years. The principal weakness in using this financial spend approach to accounting for emissions is that greater economic activity typically results in greater embedded emissions regardless of whether the additional economic activity is low carbon or not. In response to this the Pennon Group have developed the a Capital Carbon Assessment Tool which we intend to embed within our internal systems over the next two years to capture actual activity-based emissions data.

We also recognise that our current internal systems are not specifically set up to satisfactorily split Capital goods data into cradle-to-gate from cradle-to-build and for 2022/23 reporting we have had to use a methodology that includes some degree of approximation.

Opportunities

Given our current reliance on the spend analysis approach to embedded carbon accounting there is an obvious opportunity to improve our accounting accuracy by using a more granular accounting approach, for example recording emissions from the use of specific products by using the suppliers' EPD's (Environmental Product Declarations), or by using actual activity data provided by our contractors. To this end we have already embarked on this transitional journey by adding specific requirements on contractors in our new framework contracts. Under the NEC4 X29 Climate Change Clause we have requested that suppliers provide embedded carbon data aligned with the principles set out in PAS2080. We are currently trialling our new 'Capital Carbon Assessment Tool' and expect it to take another two years before it is fully embedded into our systems and recording emissions data for all our Capital projects.

We also intend our Energy and Carbon, Finance and Engineering Teams to work together over the coming year to implement a more robust system for determining the split between cradle-to-gate and cradle-to-build emissions in estimating our Capital goods emissions.

Threats

We are aware that the current approach to reporting embedded carbon on an annualised basis, and only recording emissions based on spend or activity within the year being reported, will likely mean we experience a wide range of resultant embedded emissions from year to year. This will make performance tracking a challenge since our economic activity will understandably fluctuate from year to year. Overall trends in emissions reductions may not reveal themselves until several years have elapsed requiring the reported dataset to be performance reviewed over a longer period to produce any meaningful results. Nevertheless, we believe starting to report these emissions now on a reasonably consistent basis, with some limited scope to improve our approach over time, will help us to develop and hone our methodology. This will allow us the time to embed new ways of calculating and capturing emissions reporting data within our existing systems, making the reporting of embedded emissions routine for the business.



Cost allocation and transfer pricing

Transactions with associated companies and the non-appointed business

Under RAG 5.07, water and sewerage appointees have a duty to trade at arm's length and to ensure that there is no cross subsidy with respect to transactions between the appointed business and associated companies.

Following the introduction of binding revenue price controls, appointees are also required to ensure there is no cross-subsidy between price control units.

RAG 3.14 requires disclosures of all transactions (individually and not on an aggregated basis) to be made where any single transaction exceeds 0.5% of the turnover of South West Water's appointed business. South West Water has applied a slightly lower threshold of £2.5m and thus additional disclosures to reflect the transactions with associate companies have been made.

The majority of non-appointed costs are incurred directly with the remainder allocated on a time apportionment basis.

South West Water's associated companies (SWB & BRL)

South West Water is a subsidiary of Pennon Group plc (which is South West Water's immediate and ultimate parent company), a FTSE 250 company. A summary Group structure showing principal trading subsidiaries is shown on page 43. South West Water's subsidiaries are listed in full in South West Water's Annual Report and Financial Statements (note 18, page 219).

Pennon Group Plc

Pennon Group Plc – South West Water's immediate and ultimate parent company, a FTSE 250 company

Subsidiaries

South West Water Customer Services Limited – manages South West Water's billing, collections and customer contact activities.

South West Water Finance Plc – acts as a financing company, raising borrowings for South West Water.

Peninsula Properties (Exeter) Limited – previously advised South West Water on property development opportunities. The Company has now ceased trading.

Bristol Water Plc – previous trading company of Bristol Water.

Associated companies who are subsidiaries of the ultimate parent company Pennon Group Plc

Pennon Water Services Limited ("PWS")

Peninsula Insurance Limited

Bristol Water Holdings UK Limited ("BWHUK")

Bristol Water Holdings Limited ("BWH")

Bristol Water Core Holdings Limited ("BWCH")

Other associated companies

Bristol Wessex Billing Services Limited ("BWBSL") – a joint venture undertaking between Bristol Water Holdings Limited and Wessex Water Services Limited, and provides meter reading, billing, debt recovery and customer contact management services to this company and Wessex Water Services Limited, under a cost sharing arrangement.

Water 2 Business Limited ("W2B") – an associate of Bristol Water Holdings Limited, and provides meter reading, billing, debt recovery and customer contact management services to non-household customers.

Group shared services – A limited number of functions have historically been provided across the Pennon Group as shared services (such as Independent Group Internal Audit, Treasury and Tax Services).

Transfer of assets to or from the appointee

On 1 February 2023, the trade and the significant majority of assets and liabilities of Bristol Water Plc were transferred to South West Water Limited under a statutory transfer mechanism set out in the Water Industry Act. The Bristol Water brand will continue as a trading name of South West Water. A full breakdown of values transferred can be found in South West Water's Annual Report and Financial Statements (note 18, page 219).

In March 2023, Hawks Tor Reservoir was transferred to South West Water Ltd from Peninsula Properties (Exeter) Limited at its net book value (NBV) of £1.1m. At the reporting date, 31 March 2023, South West Water Ltd had an unsettled creditor with Peninsula Properties (Exeter) Limited for the £1.1m sale value.

The non-household retail market

Non-household consumers pay retailers for their supply and they in turn pay wholesalers based upon the retail charging schedules. Pennon Water Services and W2B are non-household water and wastewater retailers. South West Water is paid by Pennon Water Services and W2B for some of its non-household wholesale services.

South West Water also provides meter reading services to Pennon Water Services on commercial terms consistent with those offered to other companies.

South West Water has also contracted with Pennon Water Services to manage a small number of non-regulated activities on its behalf.

Transactions with associated companies and the non-appointed business continued

South West Water Customer Services Limited

Services provided by South West Water and recharged to South West Water Customer Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Group / Management recharges	Information services recharges	16.638	Recharge based upon employee numbers	0.392
	Property	16.638	Recharge of property costs based on floor space	0.348
	Insurance	16.638	Recharge based upon employee numbers	0.239
	Other	16.638	Recharge of cost incurred	0.470

Services received by South West Water recharged from South West Water Customer Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Retail activities	Call centre, billing and collection services, debt collections and performance improvement	16.638	Recharge of cost incurred	16.634

Peninsula Properties (Exeter) Limited

Services provided by South West Water and recharged to Peninsula Properties

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Administrative services	Administration services	0.235	Recharge of cost incurred	0.106

Services received by South West Water recharged from Peninsula Properties

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Administrative services	Administration services	0.235	Recharge of cost incurred	0.235

Cost allocation and transfer pricing continued

Transactions with associated companies and the non-appointed business continued

Pennon Group plc



Services provided by South West Water and recharged to Pennon Group

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF PARENT (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Information Services	Information Services recharges	7.279	Recharge based upon employee numbers	0.125
Property	Floor space	7.279	Recharge of property costs based on floor space	0.234
Other- Communications, HR, Payroll, Facilities	Other internal services provided	7.279	Recharge of salary cost incurred	0.144

Services received by South West Water and recharged from Pennon Group

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF PARENT (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Corporate Overheads	Board and group expenses	7.279	Recharge of cost incurred	1.228
	Investor Relations	7.279	Recharge of cost incurred	0.122
	Legal & Company secretary	7.279	Recharge of cost incurred	1.160
	Group expenses	7.279	Recharge of cost incurred	0.455
Group Finance	Tax, pension & accounting services and internal audit	7.279	Recharge of cost incurred. Internal audit recharged based on timesheets and specific projects	1.021

South West Water Customer Services

Services provided by South West Water and recharged to South West Water Customer Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Group/Management recharges	Information services recharges	11.601	Recharge based upon employee numbers	392
	Property	11.601	Recharge of property cost based on floor space	348
	Insurance	11.601	Recharge based upon employee numbers	240
	Other	11.601	Recharge of cost incurred	470

Services received by South West Water and charged by South West Water Customer Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Retail activities	Call centre, billing and collection services, debt recovery and customer service	11.601	Recharge of cost incurred	16,638

Transactions with associated companies and the non-appointed business continued

Pennon Water Services Limited



Services provided by South West Water and recharged to Pennon Water Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Meter readings	Meter reading for non-household retail customers	218.049	Market testing – Third party evaluation	0.361
Wholesale charges	Supply of water from the wholesale business	218.049	Market testing –Charged at published rates in Non-household Wholesale Charges Scheme and charged via the Market Operator.	93.118
Property	Floor space	218.049	Recharge of property costs based on floor space	0.148

Services received by South West Water and charged by Pennon Water Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Guaranteed Service Standards (GSS) reclaim (customer compensation)	Charges for customer compensation	218.049	Charges in line with published GSS levels	0.034

In addition to the above, the South West Water non-appointed business is also recharged certain costs by Pennon Water Services in respect of management and operation of limited parts of South West Water's non-appointed activity.

Peninsula Insurance Limited

Services received by South West Water and charged by Peninsula Insurance

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Insurance cover	Organisation of insurance cover	0.918	Recharge of insurance premium	0.900

Cost allocation and transfer pricing continued



Borrowings with associated companies

ASSOCIATED COMPANY AND TYPE OF BORROWING	PRINCIPAL AMOUNT (£K)	REPAYMENT DATE	INTEREST RATE (%)
South West Water Finance Plc: Loan notes 2040	135.741	2040	2.60% fixed
South West Water Finance Plc: Index linked bond 2057	357.407	2057	RPI + 1.99%
South West Water Finance Plc: fixed rate loan note	62.600	2039	2.35% fixed
Bristol Water plc fixed rate loan	144.503	2024	Nil rate loan
Bristol Water plc fair value loan	0.037	Perpetual	4.25% fixed
Bristol Water plc fair value loan	1.405	Perpetual	4% fixed
Bristol Water plc fair value loan	0.055	Perpetual	4% fixed
Bristol Water plc fair value loan	0.073	Perpetual	3.5% fixed
Bristol Water plc fair value loan	25.000	Perpetual	6% fixed

Transactions with associated companies and the non-appointed business continued

Bristol Water (BRL)

BWBSL

Services received by South West Water recharged from South West Water Customer Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Retail activities	Meter reading, billing, debt recovery and customer contact management services	17,474	Competitive tender	3,044
	Recharges for cost	17,474	Cost pass through	0.147
	Capital expenditure	17,474	Cost pass through	0.299

Pennon Water Services

Services provided by Bristol Water and recharged to Pennon Water Services

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Wholesale charges	Supply of water from the wholesale business	218,049	Market testing –Charged at published rates in Non-household Wholesale Charges Scheme and charged via the Market Operator.	1,013

W2B

Services provided by Bristol Water and recharged to Water 2 Business

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF SUBSIDIARY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Wholesale charges	Supply of water from the wholesale business	232.9	Market testing –Charged at published rates in Non-household Wholesale Charges Scheme and charged via the Market Operator.	17,892

Cost allocation and transfer pricing continued

Transactions with associated companies and the non-appointed business continued

Pennon Group plc



Services received by South West Water and recharged from Pennon Group

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF PARENT (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Corporate Overheads	Board and group expenses	7.279	Recharge of cost incurred	0.862
	Investor Relations	7.279	Recharge of cost incurred	0.209
	Legal & Company secretary	7.279	Recharge of cost incurred	0.590
	Group expenses	7.279	Recharge of cost incurred	0.647
Group Finance	Tax, pension & accounting services and internal audit	7.279	Recharge of cost incurred. Internal audit recharged based on timesheets and specific projects	0.535

BWHUK

Services received by Bristol Water and recharged from BWHUK

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Management Recharge	Management Recharge	-	No market	0.002

BWH

Services received by Bristol Water and recharged from BWH

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Management Recharge	Management Recharge	-	No market	0.002

BWCH

Services received by Bristol Water and recharged from BWCH

SERVICE PROVIDED	SERVICE DETAIL	TURNOVER OF ASSOCIATED COMPANY (£M)	TERMS OF SUPPLY	VALUE OF SERVICE PROVIDED (£M)
Management Recharge	Management Recharge	-	No market	0.002

Borrowings with associated companies

ASSOCIATED COMPANY AND TYPE OF BORROWING	PRINCIPAL AMOUNT (£M)	REPAYMENT DATE	INTEREST RATE (%)
Pennon Group plc	73.131	2023	BoE Base Rate + 0.75

Transactions with associated companies and the non-appointed business continued

A loan of £47,000m was made to BWHUK, (ultimate parent company of Bristol Water plc, until June 2006) in 2003/04. The unsecured loan was advanced on 12 February 2004, under an agreement dated 4 December 2003, out of the proceeds of the Artesian loans entered into during that year and with a repayment date of 30 September 2033. Interest income of £1423m (2021/22: £2,840m) was received in relation to the loan during 2022/23.

A further loan was made to BWHUK in 2005/06 for £21,500m. The unsecured loan was advanced on 13 July 2005, under an agreement dated 10 June 2005, out of proceeds of the Artesian loan entered into in that year and with a repayment date of 30 September 2032. As at 31 March 2022 the balance remaining was £14,061m. Interest income of £0.391m (£0.780m: 2021/22) was received in relation to the loan in 2021/22.

On 1 February 2023, BWHUK repaid both loans in full following a declaration of a £61,061m dividend in specie by Bristol Water plc. This transaction did not result in any cash impact on the company.

The sum of £0.411m (2020/21: £0.411m) is included within the debtors in respect of amounts advanced to BWBSL, a joint venture company between BWH, a fellow subsidiary of Pennon Group plc, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount has no fixed repayment date.

Corporation tax group relief received by the regulated business

SWB

COMPANY	TURNOVER OF ASSOCIATE (£M)	TERMS OF SUPPLY	VALUE (£M)
Peninsula Insurance Limited	0.918	Cost	0.005
Pennon Water Services Limited	218.049	Cost	0.185
South West Water Customer Services Limited	16.638	Cost	0.033
South West Water Finance Plc	55.528	Cost	0.187

BRL

COMPANY	TURNOVER OF ASSOCIATE (£M)	TERMS OF SUPPLY	VALUE (£M)
Bristol Water Holdings UK Limited	-	Cost	0.622
Pennon Group Plc	7.279	Cost	0.362

Corporation tax group relief surrendered by the regulated business

SWB

COMPANY	TURNOVER OF ASSOCIATE (£M)	TERMS OF SUPPLY	VALUE (£M)
Pennon Group Plc	7.279	Cost	0.219

Glossary

TERM	DEFINITION
Annual Performance Report (APR)	Report produced by the Company for regulatory reporting purposes, known previously as the Regulatory Accounts.
Annual Report and Financial Statements	Report produced by the Company for statutory accounting reporting purposes.
Appointed business	The appointed business comprises the regulated activities of the Company which are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
Arm's-length trading	Arm's-length trading is where the Company treats the associate companies on the same basis as external third parties.
Associate company	Condition A of the Licence defines an associate company to be any group or related company. Condition F of the Licence requires all transactions between the Company and its associated companies to be disclosed subject to specified materiality considerations.
C-MeX (Customer Measure of Experience)	C-MeX is the industry wide measure of customer satisfaction based upon surveys both of customers who have recently contacted their water company and a random sample of members of the public. Following being reported in a trial 'shadow' format last year, this is the first year this measure has been used and it replaces the Service Incentive Mechanism (SIM).
Consumer Price Index including owner occupied housing costs (CPIH)	Compiled and published monthly by the Office of National Statistics. This is a measure of consumer inflation including a measure of the owner occupied housing costs (costs that are associated with owning, maintaining and living in one's home) and council tax.
D-MeX (Developer Services Measure of Experience)	D-MeX measures the quality of services to developers and other third parties. It has two components. The qualitative component is based on interviews with developer services customers that have transacted with a water company in the previous month. The quantitative component is based on the water company's performance against a key set of Water UK metrics which measure the service provided by water companies to their developer services customers.
Environment, Social and Corporate Governance reporting (ESG)	ESG reporting refers to the disclosure of data covering the company's operations in three areas: environmental, social and corporate governance.
Final Determination (FD)	This is the conclusion of discussions on the scale and content of the Asset Management Plan for the forthcoming five-year period. It is accompanied by a determination of the framework allowable charges for the forthcoming five-year period.
Licence	The Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed Anglian Water Services Limited as a water and sewerage undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.
MOSL (Market Operating Services Limited)	MOSL is the not-for-profit company which operates the business water market which opened on 1 April 2017.
Non-appointed business	The non-appointed business activities of the Company are activities for which the Company as a water and sewerage undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the Company (for example, the use of underground assets for cable television).
Ofwat	The name used to refer to the Water Services Regulation Authority (WSRA). The WSRA acts as the economic regulator of the water industry.
Outcome Delivery Incentives (ODIs)	The rewards earned and penalties incurred by companies according to how well they perform against the Performance Commitment Levels.
Performance Commitment Level (PCL)/Performance Commitments (PCs)	In consultation with Ofwat and our customers, we have set measurable targets for each ODI that represent the delivery of our outcomes.
Price Control Units	At the 2019 price review, Ofwat introduced separate price controls for wholesale water resources, wholesale water network+, wholesale wastewater network+, bioresources, retail household and retail non-household.
Regulatory Accounting Guidelines (RAGs)	The accounting guidelines for the APR issued, and amended from time to time, by Ofwat.
Regulatory Capital Value (RCV)	The capital base used in setting price limits and the value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology to recognising the impact of indexation using ONS inflation RPI and CPIH indices.

TERM	DEFINITION
Retail Price Index (RPI)	The RPI is compiled and published monthly by the Office for National Statistics. RPI is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the United Kingdom.
Retail services	The elements of the business responsible for direct contact with customers e.g. the contact centre, billing and reading meters. From April 2017, following the opening of the non-household market, business customers are able to choose their retail supplier. The appointed business exited all non-household market activities.
Totex	Total expenditure comprising operational expenditure (opex) and capital expenditure (capex).
Water and Sewerage Company (WaSC)	A company responsible for the provision of both water and sewerage services.
Wastewater services	Our wastewater services cover the collection, treatment and the return to the environment of sewage produced by households and businesses. In some areas surface water and sewage mix together before being treated at our sewage works.
Wastewater treatment works (WWTW)	We use this term, rather than sewage treatment works, to describe the facilities which return used water to a condition where it can safely be discharged to environmental waters.
Water only company (WOC)	A company responsible for the provision of water services only.
Appointee	A company appointed by Ofwat to provide water/Sewerage services for a specific area.
CREWW	A Pioneering research centre for Resilience in Environment, Water and Waste, in partnership with Exeter University.
CRI	Compliance Risk Index (CRI) is a measure designed to illustrate the risk arising from treated water compliance failures, and it aligns with the current risk based approach to regulation of water supplies used by the Drinking Water Inspectorate (DWI).
Event Duration Monitoring (EDM)	A regulatory requirement to monitor the frequency and duration of releases from storm overflows.
Green Recovery	An initiative to go further on net zero, nature-based solutions and environmental protection.
Net Zero 2030	The plan to decarbonise the water sector by 2030
RISE	An Employee feedback forum "Represent Inspire Share Energise".
TUPE	The Transfer of Undertakings (protection of employment) Regulations 2006 is the law in the UK which protects employees' rights when the part of the business they work in is sold or transfers to another business.
Water treatment works (WTW)	Water Treatment Works means that part of a waterworks that is used to filter or condition water for the purpose of rendering water acceptable for human consumption or hygienic use.
WaterFit	WaterFit is the next stage in the company's environmental strategy, accelerating and expanding plans to protect and enhance South West Water for future generations.
WaterFit Live	Live interactive map, is a way to give you the information you need the next time you want to visit your favourite beach. It allows you to see if any of our storm overflows have been operating at your local beach to an extent that they may have temporarily affected bathing water.
WaterShare+	A scheme which first launched across South West Water and Bournemouth Water in 2020. Following a second issuance, it now covers the Bristol region too. As a result more than one in 16 of our customers are now shareholders as well as customers.
WINEP	Water Industry National Environment Programme is the programme of actions water companies need to take to meet statutory environmental obligations, non-statutory environmental requirements or delivery against a water company's statutory functions.

Notes



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Registered in England
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