

September 2023

Water company performance report 2022-23

of **w**at

Introduction

Water companies provide essential services; we want these to be the very best for customers and communities and to protect the environment. The 2019 price review set, and companies accepted, stretching performance commitments from 2020 to 2025 to improve service to customers and better protect the environment.

This report looks at the performance of the seventeen largest water and wastewater companies in England and Wales for a set of key performance and expenditure metrics. **It is based on information and data reported by companies in their annual performance reports (APRs).**

This report:

- assesses companies' performance in 2022-23 against performance commitment levels set for that year;
- looks at trends in performance for the first three years of the 2020-25 period and assesses the progress that has been made towards meeting performance commitment levels for the end of the price control period; and
- categorises companies' performance on the extent to which they are delivering services.

In the annex of this year's report we have provided information on some other key areas of company performance:

- company progress on enhancement expenditure (pages 32-33)
- an update on the second year of green recovery (page 34);
- an update on greenhouse gas emissions (page 35);
- company progress on open data (page 36); and
- monitoring of 2021-22 lagging behind companies' action plans (page 37).

This report highlights the areas where we will take action. Our approach to driving performance improvements is set out on page 7.

We set stretching performance commitments for companies at the 2019 price review.

Over the 2020-25 period companies have overall committed to:

Reducing
pollution
incidents



30%



Reducing
leakage



16%



Reducing
internal
sewer
flooding
incidents



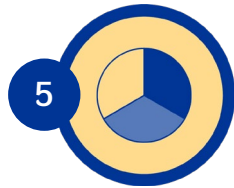
41%



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Key
messages



Overall
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Our assessment of
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Driving
improvements



Water companies
in England and Wales



Customer
satisfaction



Priority services
register



Leakage



Per capita
consumption



Water supply
interruptions



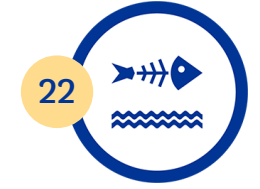
Drinking water
compliance



Water asset
health



Internal
sewer flooding



Pollution
incidents



Treatment works
compliance



Sewer
collapses



Outcome delivery
incentives



Water and wastewater
expenditure



Wholesale water
expenditure



Wholesale wastewater
expenditure



Retail
expenditure



Enhancement
expenditure



Green
recovery



Greenhouse gas
emissions



Open
data



Monitoring lagging
behind companies



Glossary



We set companies stretching performance commitments at the 2019 price review. Three years into the period, we see some areas where companies are responding to the challenge, but in many areas progress is not being made at the pace required to meet the performance commitment levels. There are no companies in our 'leading' category this year and some companies remain in the 'lagging behind' category for the third consecutive year.



Companies need to accelerate actions to reduce pollution incidents in order to meet the 30% reduction that they committed to over the 2020-25 period.

While there has been a 15% reduction in the number of pollution incidents in the first three years of the 2020-25 period, companies are not on track to meet the 2024-25 target. In 2022 less than half of companies met the performance commitment level that they committed to. We remain concerned about the number of serious pollution incidents.



While many companies have made progress in reducing leakage, more improvement will be needed if the sector is to meet the 16% reduction that it committed to in the 2020-25 period.

Reducing losses through leakage is an important part of maintaining secure supplies of water for customers. Since the start of the 2020-25 period we have seen some of the fastest rates of leakage reduction in the past decade. However, in 2022-23 most companies reported an increase in annual leakage.



Water companies have overspent their total water and wastewater allowances. However, many companies have not spent their enhancement allowances.

Over 2020-23, twelve companies underspent their water enhancement allowances and nine underspent their wastewater enhancement allowances. The underspend means companies are behind on their investment programmes. We expect companies to get their enhancement programmes on track and deliver the funded improvements.



Customer satisfaction continues to fall. Improving this should be a key priority for all companies.

In 2022-23, customer satisfaction fell for most companies, and it is now worse than it was in 2020-21 for all companies. We are, however, pleased to see that all companies report a further increase in the number of customers recorded on their priority services registers.



The number of internal sewer flooding incidents in customers' homes has reduced by 27% since 2019-20. The sector must continue to drive performance improvements if it is to meet its target of 41% reduction by 2024-25.

Almost all companies reduced the number of sewer flooding incidents in customers' homes in 2022-23.



The sector has not delivered the improvements in water supply interruptions anticipated three years into the five-year period and must take action to address this.

We expect companies to monitor and manage their risks to supply effectively to ensure continuity of service for customers.



We remain concerned about the progress from a number of companies in delivering their water resources management plans.

We expect these companies to step up their activities to deliver the resilience levels and protect the natural environment as set out in their water resources management plans and funded at the 2019 price review.

We are taking action to drive performance improvements, particularly for the poorest performing companies. Our approach is outlined on page 7.

Overall categorisation

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Company	Customer satisfaction ¹	Priority services	Leakage ¹	Per capita consumption ¹	Supply interruptions ¹	Drinking water quality ²	Mains repairs	Unplanned outage	Internal sewer flooding ¹	Pollution incidents (category 1-3) ¹	Sewer collapses	Treatment works compliance ²
Leading												
Average												
Hafren Dyfrdwy												
Northumbrian Water									●	●		
Severn Trent Water										●		
South West Water									●			
United Utilities										●		
Wessex Water					●							
Affinity Water									-	-	-	-
Portsmouth Water					●				-	-	-	-
South Staffs Water					●							
SES Water					●				-	-	-	-
Lagging behind												
Anglian Water												
Dŵr Cymru									●			
Southern Water												
Thames Water												
Yorkshire Water												
Bristol Water									-	-	-	-
South East Water									-	-	-	-

Categorisation of performance	
●	Top performer
	At or better than performance commitment level
	Poorer than performance commitment level
-	N/A for water only companies

¹ For these performance commitments we consider that comparative assessment can drive improvements among the best performers. We therefore identify 'top performers' relative to the sector where applicable. See individual performance commitment pages for top performer criteria.

² For these performance commitments we assess performance relative to the performance commitment deadband within which companies do not incur underperformance payments.



Our assessment of companies' performance

▲ Contents

We have grouped companies into three categories relative to each other (leading, average and lagging behind) based on how they have performed against the performance commitment levels. This year we have not identified any companies as 'leading'.

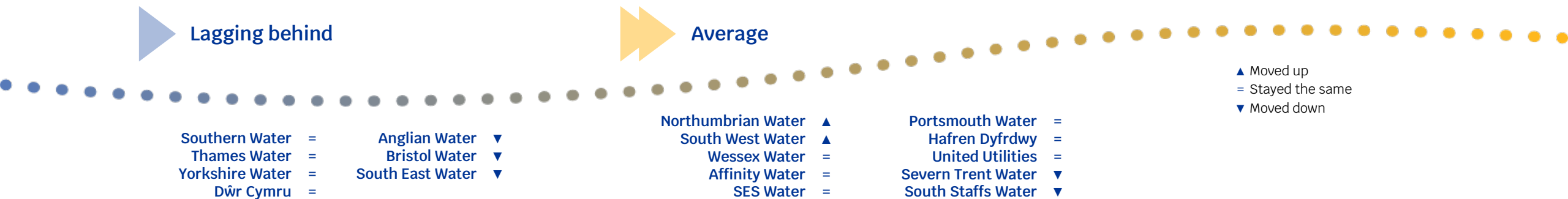
We are currently investigating all eleven water and wastewater companies and we have live enforcement cases with six companies for potential failures at sewage treatment works that may have led to sewage discharges into the environment. These companies are: **Anglian Water, Northumbrian Water, South West Water, Thames Water, Wessex Water and Yorkshire Water**. We also have a live enforcement case into **Dŵr Cymru** in relation to the accuracy of its reporting of its leakage and per capita consumption performance. Enforcement cases are a matter of significant concern and as a result, we consider that a company cannot be in the 'leading' category if they are subject to a live enforcement case. This does not mean that we have, or will find, these companies in breach of their obligations because these cases are not yet completed.

There are ten companies in the average category and seven in the lagging behind category this year. Performance across all companies shows a mixed picture:

Leading category – no companies have been identified in this category.

Average category – **Northumbrian Water** and **South West Water** have both reported improved performance, to move into this category from the lagging behind category in 2021-22. **Wessex Water** met the majority of its performance commitments. However, it is not included in the leading category because it is subject to a live enforcement case. **Affinity Water, SES Water, Portsmouth Water, Hafren Dyfrdwy and United Utilities** all remain in the average category from 2021-22. **Severn Trent Water** and **South Staffs Water** have seen a fall in performance, resulting in them entering the average category in 2022-23 from leading in 2021-22.

Lagging behind – several companies remain in this category from 2021-22 – **Southern Water, Thames Water, Yorkshire Water**, and **Dŵr Cymru**. **Bristol Water** reported a deterioration in performance against its performance commitments in 2022-23, which resulted in it entering the lagging behind category from leading in 2021-22¹. **Anglian Water** and **South East Water** have also seen a fall in performance from the average category in 2021-22 to the lagging behind category in 2022-23. We set out on page 7 the actions we are taking to drive performance improvements.



¹ 2022-23 was the first full year of Penmon Group's ownership of Bristol Water which it acquired in June 2021 (Penmon is the parent company of South West Water). Bristol Water's regulated business was transferred to South West Water Limited on 1 February 2023, but the company will still report separately on performance in the pre-existing South West Water and Bristol Water areas against their performance commitments for the remainder of the 2020-25 price control period. This report also separates Bristol Water performance and South West Water performance.

Companies incur underperformance adjustments which reduce customer bills where they do not meet committed levels of service. We will also take actions to drive performance improvements, particularly for the poorest performing companies.

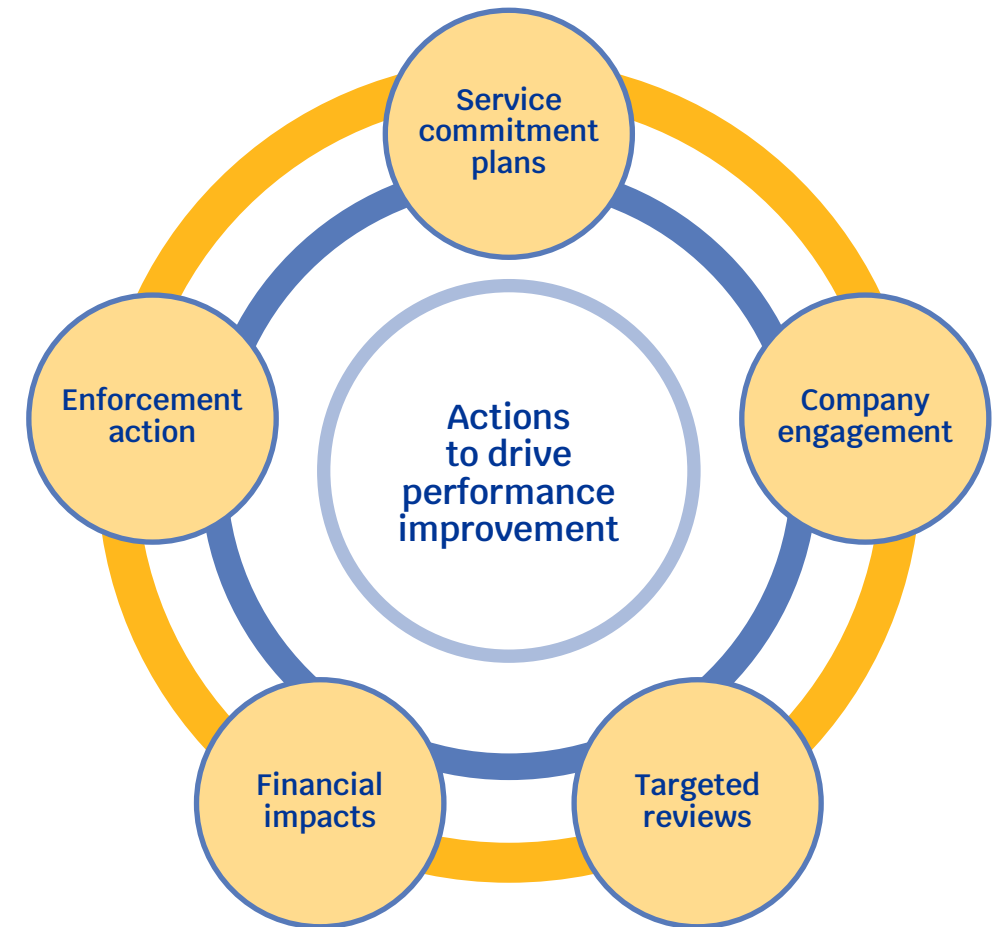
We will require companies in the lagging behind category to **publish service commitment plans**, outlining when and how customers will receive the service they expect. We will require these plans to be accessible, realistic, targeted and to deliver meaningful impact. We will engage with each company to challenge them to deliver progress against these plans.

We will continue to **engage with companies** and collaborate with other regulators to derive further insights. We will target our action with companies and challenge them to deliver service improvements where necessary. We will hold companies and their Boards to account where performance does not meet expectations

In 2022-23 we undertook a targeted review of the freeze-thaw event in December 2022. That review identified improvements that some companies needed to make, including South East Water and Southern Water, to improve their response to such events. We will carry out further **targeted reviews** across the sector where we identify particular needs, to drive company performance to deliver for customers. We will highlight good practice and encourage companies to share innovative approaches to drive forward performance.

The **financial incentives** in the regulatory regime mean that companies incur **underperformance adjustments** where they do not meet the levels of service committed to customers and are incentivised to deliver levels of performance that stretch beyond the performance commitment levels. Our work on **performance related executive pay** means that performance bonuses will not be paid for by customers where stretching levels of performance are not delivered. And our recent amendment to company licences means that companies must reflect the level of performance delivered for customers and the environment in their decisions on the level of **dividend payments**.

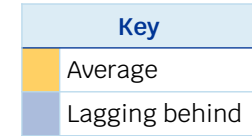
We will consider **enforcement action** where there is a breach of legal obligations, and we have the power to enforce.



Anglian Water	ANH ¹
Dŵr Cymru	WSH
Hafren Dyfrdwy	HDD ²
Northumbrian Water	NES ³
Severn Trent Water	SVE ⁴
Southern Water	SRN
South West Water ⁵	SWB ⁶
Thames Water	TMS
United Utilities	UWU
Wessex Water	WSX
Yorkshire Water	YKY

Affinity Water	AFW	(ANH/TMS/SRN)
Bristol Water ⁵	BRL	(WSX)
Portsmouth Water	PRT	(SRN)
South East Water	SEW	(TMS/SRN)
South Staffs Water	SSC ⁷	(SVE/ANH)
SES Water	SES	(TMS/SRN)

⁷Water services provided under the Cambridge Water name.



Company	Score	
Anglian Water	78.77	
Dŵr Cymru	82.92	
Hafren Dyfrdwy	80.03	
Northumbrian Water	83.74	
Severn Trent Water	79.08	
South West Water	76.45	
Southern Water	69.77	
Thames Water	67.06	
United Utilities	81.26	
Wessex Water	82.99	
Yorkshire Water	78.25	
Affinity Water	74.59	
Bristol Water	80.68	
Portsmouth Water	83.17	
South East Water	73.47	
South Staffs Water	79.87	
SES Water	76.03	
Median	79.08	

Categorisation of performance	
●	Top performer ¹
	At or better than median
	Poorer than median

In 2022-23 there was a fall in customer satisfaction across most companies. This follows a decline in scores in 2021-22, and customer satisfaction is now currently lower for all companies than it was in 2020-21. Companies should be taking steps to improve immediately, learning from other sectors to resolve customer issues quickly and accurately.

The C-MeX score comprises of two surveys ²; the Customer satisfaction survey (CSS) and Customer experience survey (CES) – CSS targets customers who have had recent contact with a water company, CES targets a random sample of customers and aims to measure overall experience of the water company. Several companies report that operational issues, for example supply interruptions, have had an impact on customers' perceptions, resulting in a decline in CES scores.

The industry average scores from both the CSS (down from 79.39 in 2020-21 to 76.34 in 2022-23) and CES (going from 83.85 in 2020-21 to 79.94 in 2022-23) elements of the C-MeX score also dropped over the period².

For the CSS, in 2022-23, customers who report that their matter was fully resolved were much more likely to report good satisfaction scores (85.48) than those who reported the matter wasn't fully resolved (48.82) ².

Hafren Dyfrdwy is the only company which has seen an improvement in its customer satisfaction score in 2022-23. No companies met the criteria to be a top performer in 2022-23 ¹.

Northumbrian Water, **Wessex Water** and **Portsmouth Water** remain in the top three places for the third consecutive year. Companies performing comparatively well report that a focus on keeping customers informed, ease of contact and speed of resolution help improve their relative standing.

The largest decline in scores were for **South Staffs Water**, **South East Water**, **Southern Water** and **Yorkshire Water**. **Southern Water** and **Thames Water** remain the worst performers for the third year in a row.

We are progressing proposals to introduce a customer focused condition³ into companies' licences, to provide a clear regulatory basis in relation to how companies treat their customers, including customers in vulnerable circumstances.

In partnership with CCW, we are conducting research into customers' experiences of water and wastewater incidents, including supply interruptions ⁵. This will allow us to understand more about customer needs and how companies are responding in practice.

¹ Companies that achieved higher performance payments in 2022-23.

² Further detail can be found in the annual C-MeX report published by Accent. [C-MeX and D-MeX final report](#), September 2022.

³ [A customer focused licence condition](#), Ofwat, July 2023.

⁴ [Customer insights: when things go wrong](#).

Company	Performance		
	Actual	Commitment	
	PSR reach %		
Anglian Water	11.4	6.1	
Dŵr Cymru	10.4	5.6	
Hafren Dyfrdwy	5.6	4.0	
Northumbrian Water	8.8	8.8	
Severn Trent Water	7.7	7.3	
South West Water	7.8	3.5	
Southern Water	8.3	4.3	
Thames Water	6.2	5.0	
United Utilities	9.1	5.5	
Wessex Water	6.1	4.9	
Yorkshire Water	4.8	7.5	
Affinity Water	8.3	4.5	
Bristol Water	6.5	5.1	
Portsmouth Water	10.5	5.5	
South East Water	8.0	7.0	
South Staffs Water	10.6	7.1	
SES Water	6.8	5.3	
Sector	8.0		

Categorisation of performance

	At or better than performance commitment level
	Poorer than performance commitment level

All companies report a further increase in the number of customers recorded on their priority services registers. In 2022-23 the majority of companies met the performance commitment level and the percentage of households on registers across the sector increased from 5.7% in 2021-22 to 8% in 2022-23.

The priority services register identifies those customers who would benefit from additional services or support for a variety of identified characteristics. The performance commitment level measures three factors, all of which must be met for the company to meet the level. They are the percentage reach (shown in the table), the percentage of actual contacts with households and the percentage of attempted contacts with households. Achievement of the performance commitment level is shown in the last column of the table.

Southern Water failed to achieve one of the three elements (actual contacts) of this performance commitment. **Yorkshire Water** and **South Staffs Water** failed to achieve two elements (reach and actual contacts; and attempted and actual contacts respectively) of the performance commitment.

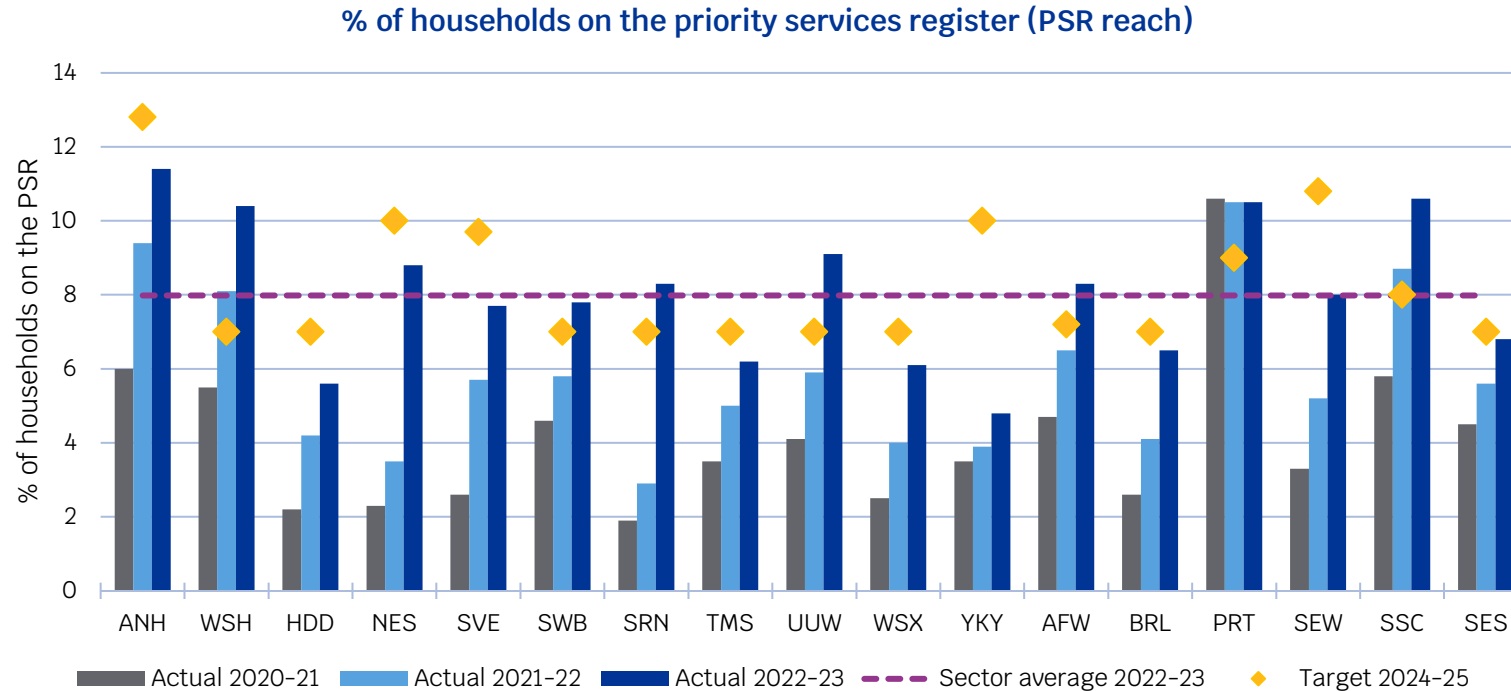
Several companies have reported that providing customer-facing staff with additional training to identify vulnerabilities has helped to grow their registers. **Anglian Water** report working with the Money Advice Trust and **South West Water** report that their customer-facing staff training has been supported by external partners such as the mental health charity MIND and Dementia Friends. Several companies have also reported that data sharing arrangements with other organisations, including other utility companies, have enabled them to identify more customers who need additional support in relation to their water and wastewater services. It is also important that companies keep the data on the priority services register up to date.

Companies report using a wide variety of media tools to promote awareness of the priority services register in their regions, ranging from social media, targeted publications and local radio stations. Despite this, CCW's Water Matters¹ survey shows that less than half of customers in England and Wales are aware of priority services.

In July 2023 we published our consultation on our draft vulnerability guidance², which sets out our proposed expectations around companies' treatment of customers who need extra help, including through priority services registers. Our consultation will remain open until 18 October 2023 and we welcome responses from stakeholders on our draft guidance.

¹ CCW, [Water Matters – Household customers' views on their water and sewerage services 2022](#), April 2023.

² Ofwat, [Service for all – Ofwat's draft vulnerability guidance for water companies supporting customers who need extra help](#), July 2023.



Most companies have made consistent progress towards the 2024-25 performance commitment level marked on the graph. To date, seven companies have already achieved the level they committed to by the end of the period.

Southern Water and **Northumbrian Water** have made the biggest improvements in 2022-23.

Having failed to meet its performance commitment in 2022-23, **Yorkshire Water** is the furthest from its 2024-25 performance commitment level.

We want to see water companies make continued progress in improving the quality and reach of their priority services registers. In our draft vulnerability guidance¹, we propose to set water companies an objective to 'Identify customers who need extra help' and 'Record their needs'. We also propose to publish separate standards for how companies will operate their priority services registers.

¹ Ofwat, [Service for all – Ofwat's draft vulnerability guidance for water companies supporting customers who need extra help](#), July 2023.

Company	Performance (three-year average)		
	Actual	Commitment	
	% Reduction from baseline		
Anglian Water	-7.5	-8.5	
Dŵr Cymru ⁴	11.5 ⁴	-7.3	
Hafren Dyfrdwy	-4.4	-6.4	
Northumbrian Water ²	-3.7; -7.5	-6.0; -7.2	
Severn Trent Water	-9.3	-5.7	
South West Water ⁴	-9.1	-9.0	
Southern Water	-0.2	-9.0	
Thames Water	-10.7	-14.1	
United Utilities	-5.9	-3.7	
Wessex Water	-9.3	-6.9	
Yorkshire Water	-9.5	-9.4	
Affinity Water	-15.8	-14.0	
Bristol Water	-9.3	-15.8	
Portsmouth Water	-2.8	-9.2	
South East Water	-0.6	-2.0	
South Staffs Water ²	-9.4; -16.7	-7.8; -8.0	
SES Water	-8.7	-6.2	
Sector	-7.2		

Categorisation of performance

●	Top performer ¹
■	At or better than performance commitment level
■	Poorer than performance commitment level

Almost half of companies achieved their leakage performance commitment levels in 2022-23 (based on a three-year average reduction)³. However, companies reported a challenging year in 2022-23, with most seeing an increase in leakage compared to 2021-22. This means that the sector will need to deliver consistent, sustained reductions in the next two years to achieve the 2024-25 performance commitment levels.

Reducing losses through leakage is an important part of maintaining secure supplies of water for customers now and in the future. Lower leakage also means more water can be retained in the environment and less energy is used in treatment and distribution. This can enhance the natural environment, reduce operational greenhouse gas emissions and provide increased resilience to droughts.

The leakage performance commitment level is measured as a three-year average reduction from a baseline in 2019-20. At a sector level, companies have delivered a 7.2% reduction in leakage in the first three years of the 2020-25 period, meaning companies across the sector will need to step up their performance on leakage if they are to meet the 2024-25 commitment levels.

Most companies saw an increase in annual leakage in 2022-23. For some companies, this increase has been large enough to impact their three-year average trend – for example, [Dŵr Cymru](#), [Southern Water](#), [Wessex Water](#), [Portsmouth Water](#), [Bristol Water](#) and [South East Water](#) have all reported a deterioration in the three-year average performance this year. Only eight companies have met their performance commitment level in 2022-23, compared to twelve in 2021-22.

As well as the performance commitment level for 2024-25, companies have also committed to delivering a 50% reduction in annual leakage from the 2017-18 level by 2050. Based on annual leakage reported in 2022-23, the sector has delivered a 7% reduction to date.

¹ Companies that achieve their performance commitment level and are within the top 25% of companies when leakage is normalised by both kilometres of water main and connected properties.

² Northumbrian Water and South Staffs Water have two performance commitments, one for each operating region. Northumbrian Water's performance in its Northern and Essex and Suffolk regions respectively is separated by a semi-colon, as is performance in South Staffs' South Staffordshire and Cambridge regions. Where both regions have met the performance commitment level the company is marked as being 'at or better than performance commitment level'.

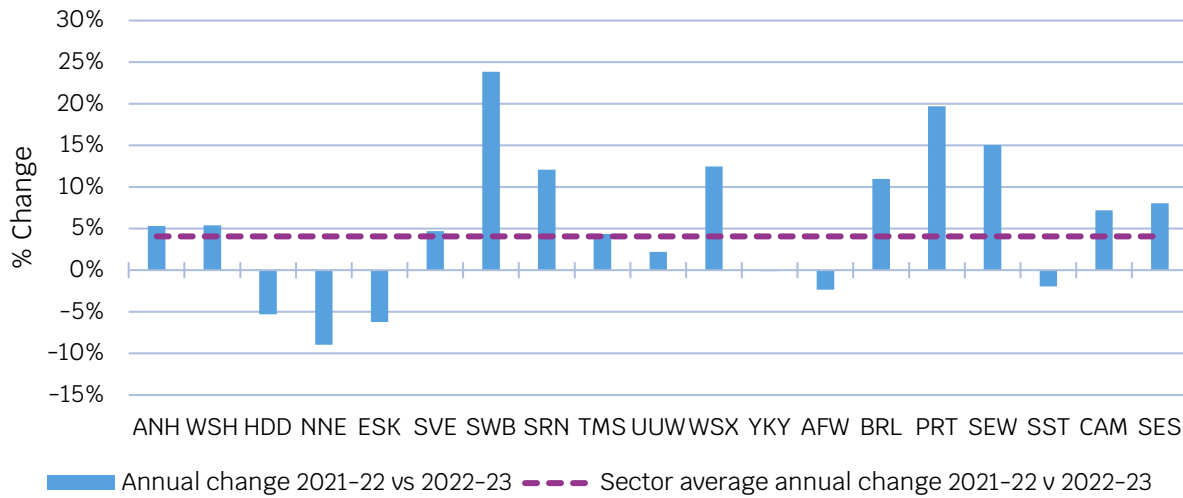
³ Several companies have reported non-compliance with some elements of the leakage reporting methodology. We are working with companies to understand the materiality of these and check restated data where companies report updates to the assumptions underpinning their leakage reporting. As such, these figures – reported by companies – may change following our in-period determinations, as may the payments included in next year's charges.

⁴ In May 2023, we opened enforcement cases into Dŵr Cymru and South West Water about the accuracy of their reported leakage and per capita consumption performance. The outcome of these investigations may result in changes to the figures reported here.

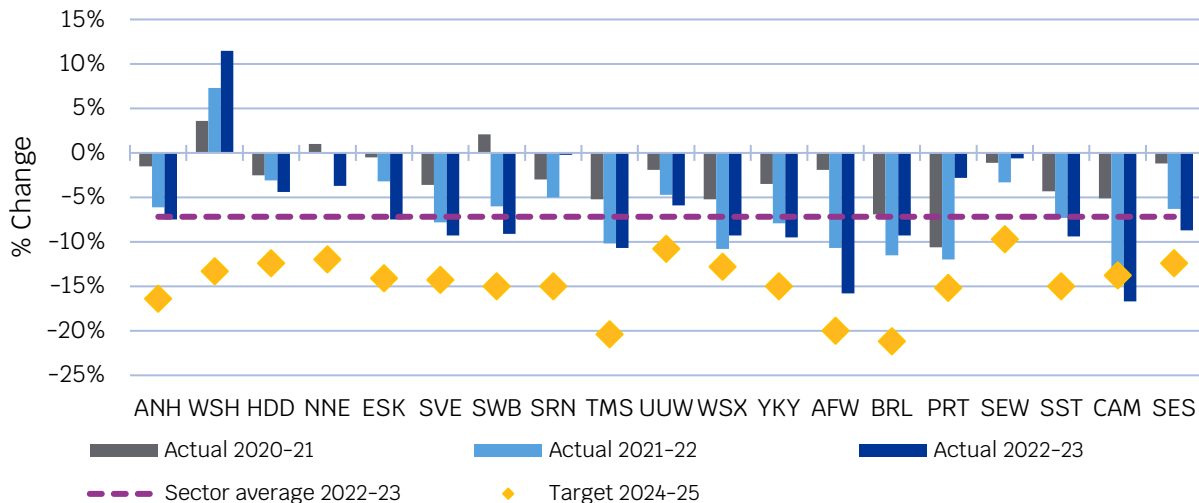
Progress towards 2024-25 leakage performance commitment levels

▲ Contents

% Change in annual leakage



% Change in three year average leakage from baseline



At the 2019 price review we set stretching performance commitments for the sector to reduce leakage by 16% by 2025. Since the start of the 2020-25 period we have seen some of the fastest rates of leakage reduction in the past decade. However, in 2022-23 companies stated that weather conditions brought several challenges and most companies reported an increase in annual leakage.

The top graph shows the change in annual leakage from 2021-22 to 2022-23. **Hafren Dyfrdwy**, **Northumbrian Water** (both regions), **Yorkshire Water**, **Affinity Water** and the **South Staffordshire** region of **South Staffs Water** are the only companies reporting lower leakage in 2022-23 compared to 2021-22. In 2022-23 several companies reported that they were seeing leakage benefits from pressure management and targeted network surveys.

Most companies reported higher levels of bursts resulting from a hot, dry summer in 2022. Companies also reported that the freeze-thaw, which occurred in December 2022, impacted the number of bursts and leaks on the network. **United Utilities** and **South Staffs Water** reported increasing leakage reduction activities (for example, leak detection) to mitigate the impact of these and deliver reductions to meet their performance commitments levels.

The variation in performance across the sector may indicate that companies have differing capabilities to manage the effects of weather on their network. We expect that all companies should manage and mitigate risks for a range of weather scenarios.

The lower graph shows the impact of 2022-23 performance on the three-year average performance. The **Cambridge** region of **South Staffs Water** has delivered the required leakage reduction for the period. Some companies will need to deliver large improvements over the next two years if they are to achieve their performance commitment levels in 2024-25.



Company	Performance (three-year average) ³		
	Actual	Commitment	
	Litres/Head/Day		
Anglian Water	138.1	129.8	
Dŵr Cymru ⁴	154.8	141.3	
Hafren Dyfrdwy	145.7	129.0	
Northumbrian Water	159.1	146.2	
Severn Trent Water ²	137.6	130.9	
South West Water	144.9	140.7	
Southern Water ²	133.7	122.4	
Thames Water ²	146.0	141.0	
United Utilities	144.7	138.4	
Wessex Water	145.2	137.4	
Yorkshire Water	132.2	118.7	
Affinity Water	160.6	142.8	
Bristol Water	154.8	143.1	
Portsmouth Water	161.0	143.6	
South East Water	158.3	137.4	
South Staffs Water ²	147.6; 142.4	127.6; 129.8	
SES Water	155.2	143.3	
Sector	145.5		

Categorisation of performance

●	Top performer ¹
■	At or better than performance commitment level
■	Poorer than performance commitment level

In 2022-23 on an annual basis, most companies continue to report a reduction in water use from the observed peak in 2020-21. However, no companies are meeting their performance commitment level for per capita consumption which is based on a three-year average reduction.

For the second year in a row almost all companies reported an annual reduction in per capita consumption. While some companies report per capita consumption at a level comparable to pre-covid levels, this is not the case at a sector level. The scale of reduction also varies between companies, with five companies – **Anglian Water**, **Severn Trent Water**, **Thames Water**, **United Utilities** and **Yorkshire Water** – having a 2022-23 annual level lower than the minimum observed in the 2017-20 period. **South West Water** is the only company to report that its per capita consumption level (three-year average) is currently lower than its three-year 2019-20 level⁴.

Several companies have attributed reductions in per capita consumption to the benefits of smart metering, which they report enables them to identify customer-side leaks more efficiently and helps make customers more aware of their water use. **Anglian Water** has stated its lowest annual per capita consumption performance to date, which it largely attributes to the benefits from its smart metering programme.

The summer of 2022 was hot and dry in many parts of the country and several companies reported increased water usage, particularly outdoor usage. Several companies launched media and education campaigns to raise awareness of water efficiency and promote free water-saving devices. Several companies needed to impose temporary use restrictions to manage demand.

When we make decisions on performance payments at the end of the 2020-25 period we will consider the specific steps taken by companies to manage demand for water. We expect companies to demonstrate an understanding of the drivers of changes in consumption since the onset of the pandemic, and take action to reduce household consumption, share learning and collaborate to improve water efficiency.

¹ Companies that achieve their performance commitment level and are within the top 25% of companies.

² South Staffs Water have two performance commitments, one for each operating region. South Staffs Water's performance in its South Staffordshire and Cambridge regions, respectively is separated by a semi-colon. Where both regions have met the performance commitment level the company is marked as being 'at or better than performance commitment level'.

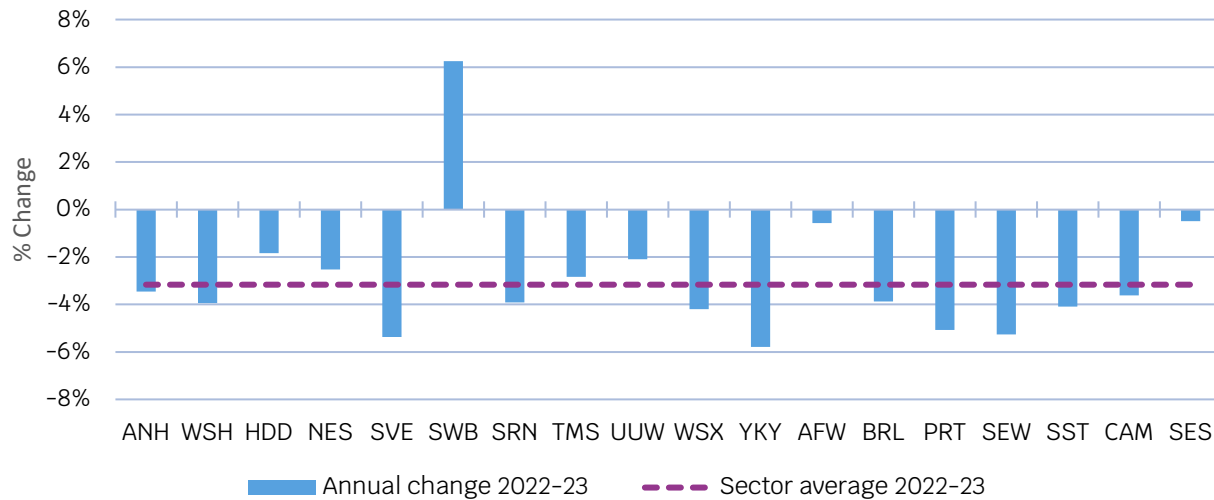
³ Several companies have reported non-compliance with some elements of the per capita consumption methodology. We are working with companies to understand the materiality of these and check restated data where companies report updates to the assumptions underpinning their per capita consumption reporting. As such, these figures – reported by companies – may change following our in-period determinations, as may the payments included in next year's charges.

⁴ In May 2023, we opened enforcement cases into Dŵr Cymru and South West Water about the accuracy of their reported leakage and per capita consumption performance. The outcome of these investigations may result in changes to the figures reported here.

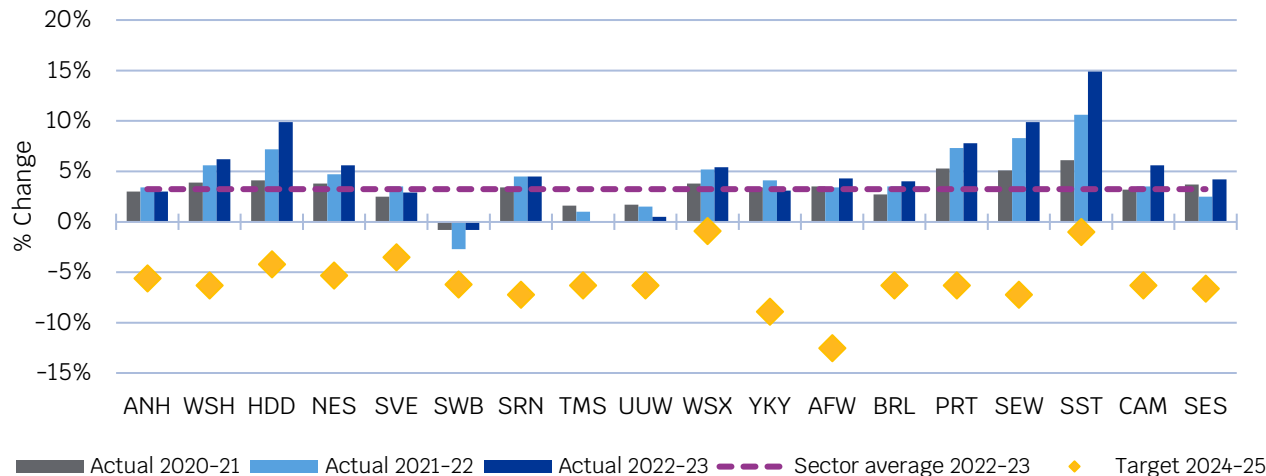
Progress towards 2024-25 per capita consumption performance commitment levels

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% Change in annual per capita consumption



% Change in three year average per capita consumption from baseline



Annual per capita consumption

The top graph shows the change in annual per capita consumption from 2021-22 to 2022-23. At a sector level the average per capita consumption in 2022-23 is similar to that in 2018-19, however, there is variability between companies. From 2021-22 to 2022-23 **Severn Trent Water**, **Yorkshire Water**, **Portsmouth Water** and **South East Water** saw the largest decreases in per capita consumption.

Three-year average per capita consumption

The bottom graph shows the three-year average per capita consumption and the gap between current performance and the 2024-25 performance commitment level. Despite some annual reductions, current per capita consumption levels are greater than those in 2019-20. The impact of water-use changes associated with the pandemic may vary across regions, and we expect companies to provide evidence to fully explain the impact in their regions and the steps they have taken to mitigate this.

Hafren Dyfrdwy, **Affinity Water**, **Portsmouth Water**, **South East Water**, and the **Staffordshire region** of **South Staffs Water** now have the greatest difference between their current level and the 2024-25 performance commitment level.

Water resources management plan (WRMP) 2022-23 annual review

Companies set out in their WRMPs how they will manage and develop water resources in their region for the next 25 years. This includes reducing demand for water (consumption and leakage) and increasing supplies. Progress in delivering the WRMPs is reviewed annually and we, along with the Environment Agency, Defra, Natural Resources Wales and Welsh Government, follow up with those companies that are not delivering in line with their plans.

We expect companies to achieve their WRMP19 commitments on demand reduction and supply side delivery as funded at PR19.

Seven companies have reported supply demand balance deficits and some others report smaller surpluses than originally forecast. Four companies are a concern in terms of underperforming on WRMP delivery for a third year in a row, with Southern Water in particular also showing signs of underperformance in cross cutting areas in this WCP. Companies' underperformance against WRMP19 has been primarily driven by higher per capita consumption or leakage levels, but also due to late or non-delivery of options to increase supply. Underperformance is concerning as companies are underspending on supply-side options and lower delivery numbers in areas such as metering (which will impact per capita consumption performance).



Company	Performance		
	Actual	Commitment	
	Average minutes per property		
Anglian Water	00:14:35	00:05:45	
Dŵr Cymru	00:44:31	00:05:45	
Hafren Dyfrdwy	00:16:39	00:05:45	
Northumbrian Water	00:08:17	00:05:45	
Severn Trent Water	00:09:10	00:05:45	
South West Water	00:08:42	00:05:45	
Southern Water	01:28:00	00:05:45	
Thames Water	00:19:54	00:05:45	
United Utilities	00:38:45	00:05:45	
Wessex Water	00:04:10	00:05:45	●
Yorkshire Water	00:09:27	00:05:45	
Affinity Water	00:12:53	00:05:45	
Bristol Water	00:08:03	00:05:45	
Portsmouth Water	00:02:21	00:05:45	●
South East Water	03:02:21	00:05:45	
South Staffs Water	00:04:29	00:05:45	●
SES Water	00:03:51	00:05:45	●

Categorisation of performance	
●	Top performer ²
	At or better than performance commitment level
	Poorer than performance commitment level

Four companies met the water supply interruptions performance commitment level in 2022-23 and ten companies saw an increase in the average number of minutes of interrupted supply. Several companies have a long way to go to deliver the improvements needed by 2024-25.

Reducing the number and duration of water supply interruptions improves the reliability of customers' supply. This performance commitment measures the duration of interruptions greater than three hours. In 2022-23 all companies reported that weather conditions in 2022 posed a challenge to meeting their supply interruptions performance commitment level. Despite this, **Wessex Water**, **Portsmouth Water**, **South Staffs Water** and **SES Water** still achieved the performance commitment level of 5 mins 45 seconds. **Wessex Water**, **Portsmouth Water** and **South Staffs Water** have achieved this for the third year in a row, providing customers with a resilient and reliable service. All companies must manage the impacts of weather events on supply to customers, and companies performing well in this area report that this is due to continuous review, learning and improvement of procedures and response to events.

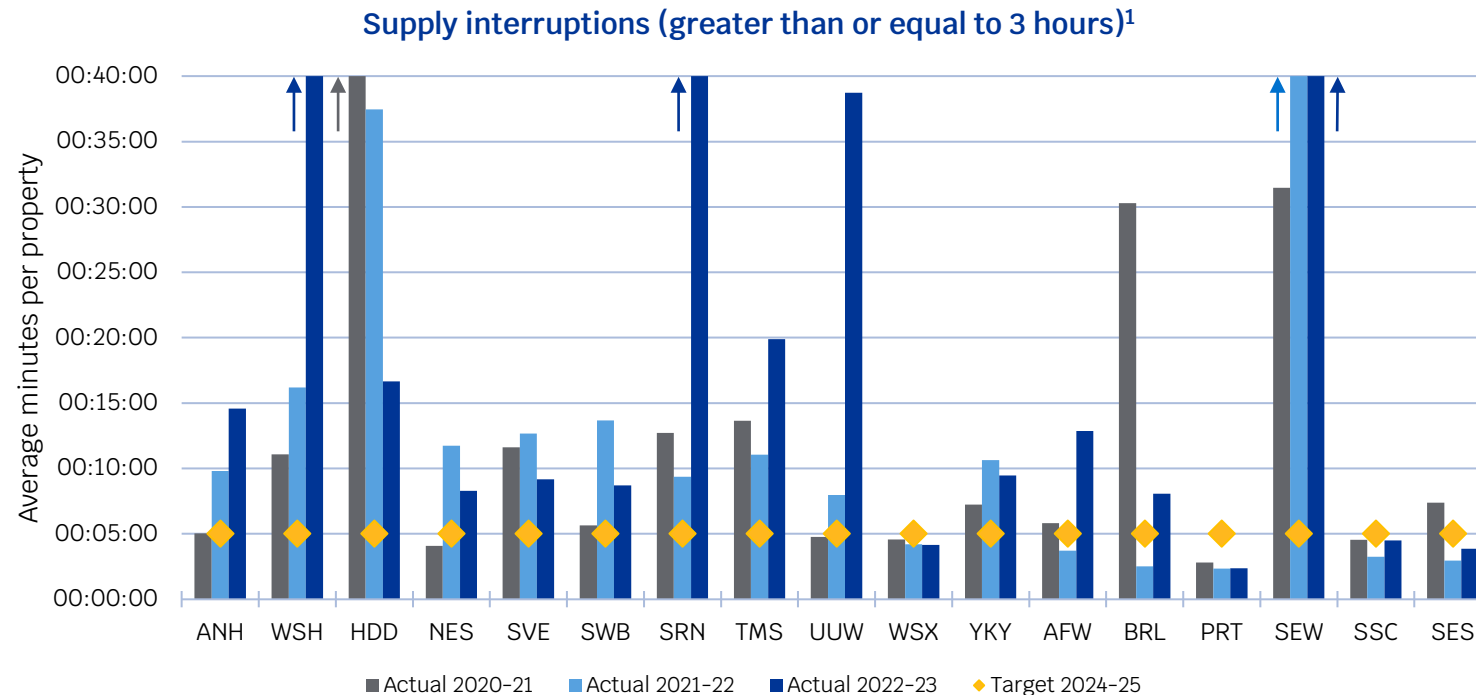
South East Water, **Southern Water**, **Dŵr Cymru** and **United Utilities** all saw a large increase in the number of minutes of interrupted supply compared to 2021-22. Several events experienced by these companies resulted in some customers being without running water for days. We expect companies to provide resilient services for customers today and over the long term and to understand and manage risks to their supply systems.

Several companies identified that ground movement, caused by a dry summer, led to higher rates of mains bursts than normal which impacted their ability to maintain supplies. The freeze-thaw experienced in December 2022 was also cited by many companies as having resulted in an increased number of bursts and leaks (see also leakage (page 12) and mains repairs (page 19)).

We know that such events can pose a risk to the integrity of companies' water supply assets, but all companies should have robust plans in place to mitigate the risks these events pose. We conducted a review of companies' preparation and response to the December 2022 freeze-thaw.¹ Overall, we saw most companies had learned some key lessons from the 2018 freeze-thaw event and had taken action to improve their response to incidents. However, our review also highlighted where improvements could be made, including companies ensuring communications to customers are proactive and across multiple channels and ensuring that the most vulnerable customers are properly supported.

¹ [Prepare Better, Perform Better – Cold Weather Events – Ofwat](#), May 2023.

² Companies that achieve their performance commitment level and are within the top 25% of companies.



The graph compares performance over the past three years to the 2024-25 performance commitment level. In 2022-23 **Wessex Water**, **Portsmouth Water**, **South Staffs Water**, and **SES Water** have already met the five-minute performance commitment level for the second year in a row. **Northumbrian Water**, **United Utilities**, **Affinity Water** and **Bristol Water** have all achieved performance below 5 minutes within the past three years, however, these companies have been unable to maintain this performance level.

In 2022-23 we see a diverging trend of performance across the sector. 2022-23 saw periods of weather that can be more challenging for reducing supply interruptions. The variation in performance across the sector may indicate that companies have differing capabilities to manage such challenges. We consider that all companies should manage and mitigate risks for a range of weather scenarios.

We expect poorer performing companies to be using opportunities to identify and implement good practice, collaborating with other companies and seeking to deliver the best service for their customers. We comment on the performance of **South East Water**, **Southern Water**, **Dŵr Cymru** and **United Utilities** on the previous page. Following an incident in the summer of 2023 we required the **South East Water** board to report to us on what had gone wrong and what it is doing to improve service to customers². We are considering its response and whether there is further action Ofwat needs to take, including potential enforcement action.



¹ The y-axis on the graph has been truncated to enable us to show the distance between companies' current performance and the 2024-25 performance commitment level. The actual performance in 2020-21 of Hafren Dyfrdwy was 01:08:43. The actual performance of South East Water in 2021-22 was 01:12:33. The actual performance of South East Water, Southern Water, and Dŵr Cymru in 2022-23 was 03:02:21, 01:28:00 and 00:44:31, respectively.

² [Letter to South East Water regarding water supply issues](#), Ofwat, June 2023

Company	Performance		
	Actual	Deadband ¹	
	Score		
Anglian Water	2.92	1.50	
Dŵr Cymru	5.40	2.00	
Hafren Dyfrdwy	0.56	2.00	
Northumbrian Water	7.62	1.50	
Severn Trent Water	5.65	2.00	
South West Water	2.39	2.00	
Southern Water	6.38	2.00	
Thames Water	10.96	2.00	
United Utilities	3.67	2.00	
Wessex Water	1.04	2.00	
Yorkshire Water	4.61	1.50	
Affinity Water	1.09	2.00	
Bristol Water	4.60	1.50	
Portsmouth Water	0.90	2.00	
South East Water	1.49	2.00	
South Staffs Water	1.39	2.00	
SES Water	0.01	2.00	
Sector	3.57		

Categorisation of performance

	At or better than deadband ¹
	Poorer than deadband

The Compliance Risk Index (CRI) measures the risk to consumers of companies not meeting the requirements of drinking water quality regulations and is compiled by the Drinking Water Inspectorate (DWI). The sector has seen a small deterioration in CRI in 2022. However, there have been some encouraging improvements by some companies. In 2022-23 seven companies have achieved performance within the deadband¹, meaning that they will not incur underperformance payments.

The CRI score represents an aggregated assessment of risk across the distribution network, service reservoirs and water treatment works. Companies must respond and take corrective action for each failure experienced. These failures are assessed by the DWI on an on-going basis and where appropriate specific enforcement action is taken.

The DWI's Chief Inspector's reports for 2022² in England and Wales show that the largest contribution (47%) to the CRI score in England is from bacteriological failures at water treatment works and for Wales (44%) is due to iron failures. **Severn Trent Water** and **Thames Water** reported higher incidents of bacteriological failures at water treatment works compared to 2021, which has driven a large deterioration in their CRI scores. **Northumbrian Water** reported a small deterioration in performance and is much higher than the deadband. However, it is currently part way through a targeted drinking water quality focussed transformation programme to address specific underlying issues, of which the benefits will continue to be realised going forward. **Portsmouth Water** and **Dŵr Cymru** have made improvements between 2021 and 2022, although **Dŵr Cymru** reported performance continues to be poorer than the deadband.

Hafren Dyfrdwy, **Wessex Water**, **Affinity Water** and **South Staffs Water** have achieved a performance level within the deadband for the third year of the 2020-25 period. These companies report a continuous learning and improvement programme to maintain good performance.

Several companies also reported a focus on tank inspection and cleaning to work towards a more frequent cleaning cycle. This follows the DWI's continued work to achieve a risk-based inspection frequency for tanks, with a maximum gap between inspections of ten years, across the industry. Companies are expected to understand their assets through monitoring and maintenance activities to effectively manage risks to drinking water quality.

We continue to work closely with the DWI to monitor companies' performance and progress.

¹ The deadband is the performance limit within which companies do not incur underperformance payments. The performance commitment level for CRI is 0.

² Drinking Water Inspectorate, [Drinking Water 2022 – England](#), [Drinking Water 2022 – Wales](#), July 2023

Water asset health: mains repairs and unplanned outage in 2022-23

▲ Contents

Company	Performance		
	Actual	Commitment	
	Repairs per 1,000 km of main		
Anglian Water	173.2	136.2	
Dŵr Cymru	156.2	135.1	
Hafren Dyfrdwy	132.5	116.7	
Northumbrian Water	154.9	132.4	
Severn Trent Water	128.9	120.1	
South West Water	141.1	141.8	
Southern Water	152.8	107.7	
Thames Water	316.8	258.5	
United Utilities	111.6	116.6	
Wessex Water	163.5	156.9	
Yorkshire Water	219.3	181.0	
Affinity Water	169.6	146.5	
Bristol Water	170.8	134.6	
Portsmouth Water	83.3	71.2	
South East Water	170.3	169.1	
South Staffs Water	150.8	126.0	
SES Water	101.5	62.7	
Sector	168.6		

Categorisation of performance

At or better than performance commitment level
Poorer than performance commitment level

It is critical that water companies have assets that are well maintained and operate as intended so that they meet the requirements of their statutory obligations and the needs of customers, the environment and wider society.

Most companies have failed to achieve the mains repairs performance commitment level in 2022-23. This is in contrast to 2021-22, when all companies met the performance commitment level. Companies report that the weather conditions in 2022-23 – a hot, dry summer and freeze-thaw in winter – led to higher numbers of mains bursts than normal. All companies should have robust plans in place to mitigate the risks these type of events pose. **Thames Water**, **South Staffs Water** and **SES Water** all reference mains renewals in helping reduce the number of mains repairs, but between 2020-23 companies have only delivered 34% of the renewals that they proposed in their PR19 plans. We are concerned that current water mains renewal rates (0.1%) are unsustainably low and that companies are not undertaking enough renewals to keep up with deterioration. At PR19 companies were funded on the basis of plans to renew an average of 0.4% of water mains per year.

All but one company achieved the performance commitment level for unplanned outage in 2022-23. For most companies this is the third year in a row that the performance commitment level has been met. The only company that has seen deterioration to the point of failing to achieve the performance commitment level in 2022-23 is **Bristol Water**. The company reports that this was due to pump failures at its largest water treatment works. This highlights the importance of asset resilience and of companies understanding the criticality of their asset base. We continue to expect companies to monitor and proactively manage risks relating to assets to ensure good health and resilient supplies.

Asset health is the ability of an asset to perform its function. Mains repairs and unplanned outage are two common performance commitments we use, alongside other information, to monitor the health of water company assets. It is important for companies to maintain assets to ensure compliance with legal obligations and continuity of service for customers now and into the future.

Company	Performance		
	Actual	Commitment	
	Outage % of peak week production capacity		
Anglian Water	1.91	2.34	
Dŵr Cymru	1.07	2.34	
Hafren Dyfrdwy	0.83	2.34	
Northumbrian Water	3.51	4.36	
Severn Trent Water	1.15	2.34	
South West Water	0.70	2.34	
Southern Water	6.44	7.33	
Thames Water	2.65	4.17	
United Utilities	1.73	2.95	
Wessex Water	0.76	2.34	
Yorkshire Water	3.26	3.73	
Affinity Water	2.09	2.34	
Bristol Water	6.21	2.34	
Portsmouth Water	1.04	2.34	
South East Water	2.71	3.28	
South Staffs Water	1.47	2.34	
SES Water	0.93	2.34	
Sector	2.28		



Company	Performance		
	Actual	Commitment	
	Incidents per 10,000 sewer connections		
Anglian Water	1.69	1.58	
Dŵr Cymru	1.14	1.58	●
Hafren Dyfrdwy	1.38	1.58	
Northumbrian Water	1.21	1.58	●
Severn Trent Water	1.65	1.58	
South West Water	0.63	1.58	●
Southern Water	2.25	1.58	
Thames Water	1.91	1.58	
United Utilities	2.32	1.58	
Wessex Water	1.31	1.58	
Yorkshire Water	2.67	1.58	
Sector	1.81		

Categorisation of performance

●	Top performer ¹
■	At or better than performance commitment level
■	Poorer than performance commitment level

Almost all companies reported fewer internal sewer flooding incidents in 2022-23 and since 2019-20 the sector has delivered a 27% improvement. The sector must continue to drive performance improvements if it is to meet its target of 41% reduction by 2024-25.

Internal sewer flooding is one of the most distressing service failures that customers can experience. Companies should be working to reduce the number of incidents in addition to ensuring adequate customer support is in place for when it is needed.

Five companies achieved the performance commitment level in 2022-23, compared to four in 2021-22 – **Dŵr Cymru**, **Hafren Dyfrdwy**, **Northumbrian Water**, **South West Water** and **Wessex Water**. We identify **Dŵr Cymru**, **Northumbrian Water** and **South West Water** as top performers. The good performing companies report a multi-faceted approach to driving improvements, including accurate root cause analysis, effective monitoring, proactive works and a focus on customer education on sewer use.

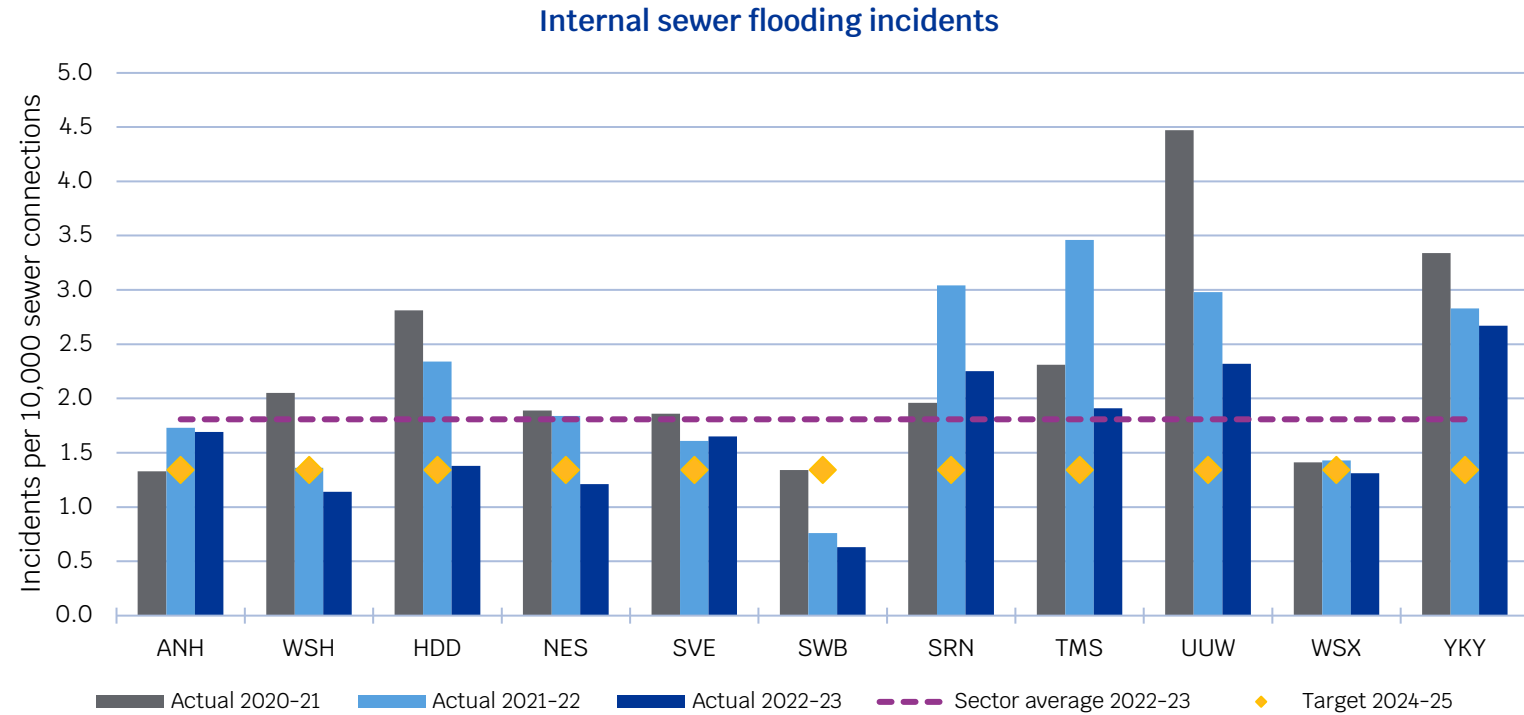
Severn Trent Water is the only company to report a deterioration in performance from 2021-22. It has reported a range of activities it will be taking in response to this, including expanding relevant teams, making better use of data and targeted investment in 'at risk' areas.

Southern Water, **Yorkshire Water** and **United Utilities** have all identified areas of investment to drive further improvements to performance. These areas of investment include additional digital monitors in the network, additional reactive repair and maintenance activities and investment in dynamic management systems to respond more effectively to issues in the network.

Following the publication of findings from our joint research with CCW on customer experiences of sewer flooding last year, we note that companies have recognised that their service to customers should improve². Every company has carried out a review of the service they were providing and have made changes in areas that could be improved quickly or have committed to improving aspects of their service and support during 2023-24. We expect this to have an impact for customers in 2023-24 and will follow up with further customer research in 2024 in partnership with CCW to assess this.

¹ Companies that achieve their performance commitment level and are in the top 25% of performers.

² CCW, [End sewer flooding misery](#).



Companies have a duty to provide and maintain a sewerage system and should plan against future pressures such as population growth and climate change. They have a common performance commitment level to reduce internal sewer flooding to 1.34 incidents per 10,000 sewer connections by 2024-25. The graph compares performance in 2020-21, 2021-22 and 2022-23 to that performance commitment level.

In 2022-23 **South West Water**, **Dŵr Cymru**, **Northumbrian Water** and **Wessex Water** achieved the 2024-25 performance commitment level. While **United Utilities** and **Yorkshire Water** have made year-on-year improvements, they still have the furthest to go to meet the 2024-25 performance commitment level (42% and 50% respectively).

In 2021-22 **Southern Water** and **Thames Water** reported a large deterioration in performance. While both companies have reported improvements in 2022-23, (26% and 45%, respectively), a further 40% and 30% reduction is needed to achieve the 2024-25 performance commitment level.

Pollution incidents performance in 2022

▲ Contents

Company	Performance		
	Actual	Commitment	
	Incidents per 10,000 km of sewer		
Anglian Water	33.36	23.00	
Dŵr Cymru	24.55	23.00	
Hafren Dyfrdwy ¹	39.84	117.00	
Northumbrian Water	19.98	23.00	●
Severn Trent Water	20.64	23.00	●
South West Water	61.93	23.00	
Southern Water	90.11	23.00	
Thames Water	30.37	23.00	
United Utilities	16.29	23.00	●
Wessex Water	31.48	23.00	
Yorkshire Water	22.39	23.00	
Sector	30.82		

Categorisation of performance

●	Top performer ²
	At or better than performance commitment level
	Poorer than performance commitment level

The sector has delivered a small reduction (15%) in category 1–3 pollution incidents since 2019 and less than half of companies achieved their performance commitment level in 2022, which is unacceptable. We expect companies to step up this improvement and demonstrate that the reduction they achieved was not solely due to a drier than average year, resulting in fewer spills and storm overflow events. We remain concerned that the sector is at risk of falling behind on its commitments to improve river water quality.

Only five companies have achieved the performance commitment level for pollution incidents in 2022. **Dŵr Cymru**, **Thames Water** and **Wessex Water** have reported a deterioration in performance, with the number of reported incidents increasing by 7%, 22% and 53%, respectively. **Thames Water** and **Dŵr Cymru** have also reported an increase in the number of serious pollution incidents^{3,4} (category 1–2).

South West Water has continued to improve its performance, further reducing the number of pollution incidents by 28% in 2022, however, it requires further improvement to meet its performance commitment level. **Yorkshire Water** and **Northumbrian Water** have both improved performance by more than 10% and achieved the performance commitment level.

The Environment Agency (EA) has reported a 29% reduction in the total number of serious pollution incidents. Only **Hafren Dyfrdwy**, **Northumbrian Water** and **United Utilities** reported zero serious pollution incidents in 2022^{3,4}.

Environmental Performance Assessment (EPA)

An annual assessment of water and wastewater companies in England is carried out by the Environment Agency (EA) in its Environmental Performance Assessment (EPA)³ and in Wales by Natural Resources Wales (NRW) in its Annual Environmental Performance Report⁴. The EA report minor improvements in EPA star ratings for the sector in 2022 compared to 2021. This was also set against tighter standards from the previous year to drive improvements across the sector. However, the EA is not seeing sustained progress towards its performance expectations and remains concerned about the number of pollution incidents. Natural Resources Wales (NRW) reported a decline in environmental performance, highlighting an increase in pollution incidents and a decrease in compliance with environmental permits for sewage discharge.

¹ At PR19 we considered it inappropriate to set Hafren Dyfrdwy the common performance commitment level because this would require the company to have very low numbers of category 3 incidents in absolute terms due to the small size of its sewerage system.

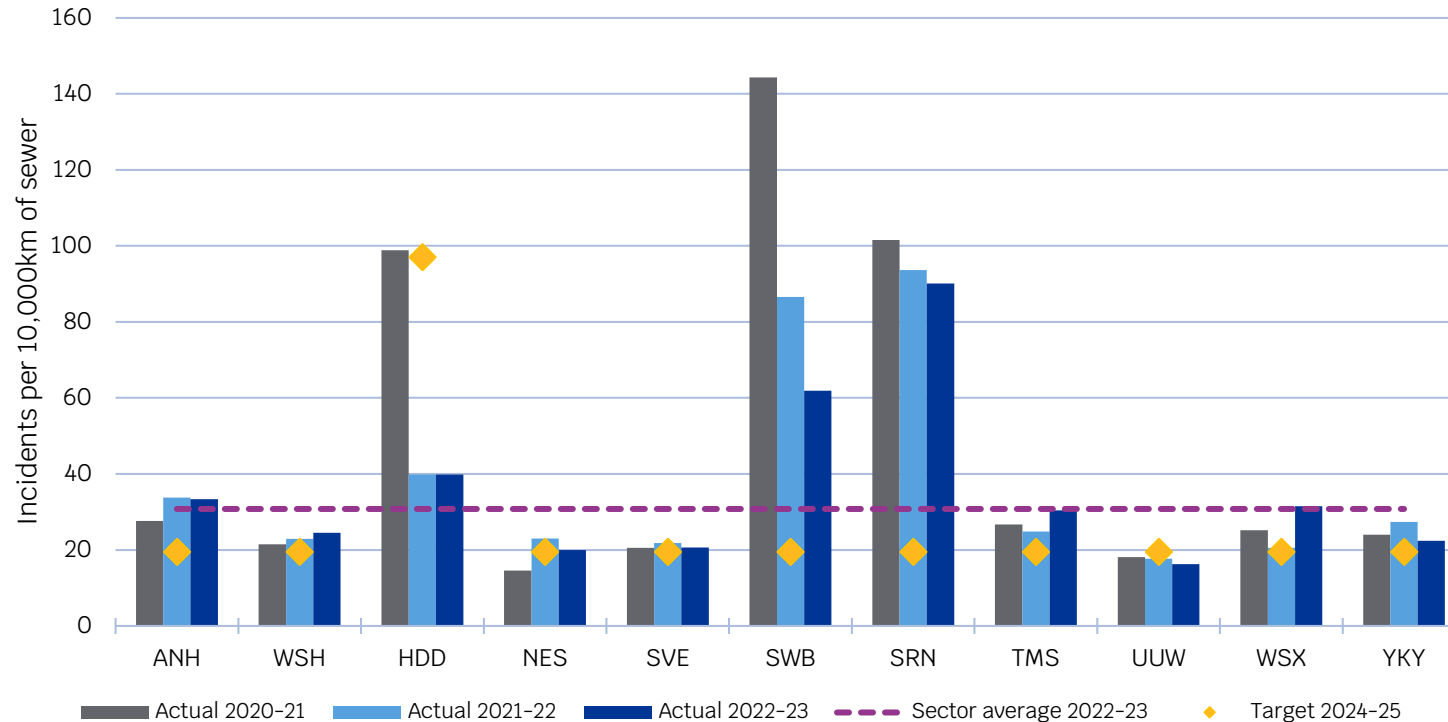
² Companies that achieve their performance commitment level, are amongst the top 25% of performers, and are not graded as significantly below target on total pollution incidents or serious pollution incidents in the Environmental Agency's³ or Natural Resources Wales⁴ performance assessments.

³ Environment Agency's [Environmental performance Assessment 2022](#), July 2023.

⁴ Natural Resources Wales, Annual environmental performance reports for [Dŵr Cymru](#) and [Hafren Dyfrdwy](#) 2022, July 2023.



Pollution incidents (category 1-3)



The graph shows companies progress towards meeting the 2024-25 performance commitment level. We are disappointed that companies have not made more progress in reducing pollution incidents, especially the most serious category 1 and 2 incidents.

The two poorest performing companies at the start of the 2020-25 period – **South West Water** and **Southern Water** – have made sustained progress in driving improvements, but more is required. **Anglian Water**, **Dŵr Cymru**, **Thames Water** and **Wessex Water** all of whom reported more pollution incidents in 2022 than in 2020, now need to deliver a greater improvement in the next two years, than they needed to at the start of the period, to meet the 2024-25 performance target.

Improving river water quality

In 2022, companies made commitments for improving river water quality, reducing storm overflows and eliminating reasons for not achieving good ecological status. In March 2023, we wrote to companies asking them to provide detailed updates on their progress towards meeting these commitments. We were concerned with the limited levels of detail some companies were able to provide on how they are making progress. We have taken this matter forward with companies who will need to present comprehensive updates to us and ensure these are accessible to stakeholders by the end of April 2024.

We will work closely with Environmental Regulators as they continue to keep under review how best to use emerging and existing environmental data more effectively to drive measurable improvements in water quality in England and Wales. Work is also underway to better align the efforts of the regulatory bodies and optimise the way information is shared and used for holding water companies to account. In PR24 we will be introducing new performance commitments on serious pollution incidents, storm overflows, water quality and biodiversity. Event Duration Monitor (EDM) data will be used to help assess that storm overflows are being operated in accordance with legal requirements.

Company	Performance		
	Actual	Deadband ¹	
	% Compliance		
Anglian Water	98.57	99.00	
Dŵr Cymru	98.50	99.00	
Hafren Dyfrdwy ²	97.83	97.90	
Northumbrian Water	98.52	99.00	
Severn Trent Water	99.33	99.00	
South West Water	99.40	99.00	
Southern Water	98.22	99.00	
Thames Water	99.48	99.00	
United Utilities	98.45	99.00	
Wessex Water	99.35	99.00	
Yorkshire Water	99.68	99.00	
Sector	98.91		

Categorisation of performance	
	At or better than deadband ¹
	Poorer than deadband

Just under half of companies have achieved their treatment works compliance performance commitment in 2022. This represents an improvement from 2021, although compliance has not returned to the peak it saw in 2020, when 10 of the 11 companies met the deadband¹.

This performance commitment measures the proportion of wastewater and water treatment works where companies have discharged water which was non-compliant with certain permit conditions. Permit conditions are set by the Environment Agency to control the impact that licensed and permitted activities are allowed to have, based on the nature and sensitivity of the receiving environment. Companies should ensure that their treatment works are operating as expected to ensure 100% permit compliance with their legal obligations.

In 2022-23 five companies have achieved the performance commitment level deadband¹. This is two more companies than in 2021-22. **Severn Trent Water**, **Wessex Water** and **Yorkshire Water** are the only companies to have maintained greater than 99.0% compliance each year throughout the 2020-25 period. **South West Water** and **Thames Water** have improved performance to achieve greater than 99.0% compliance in 2022-23.

In response to failures, some companies have reported putting in place process improvements based on results from root cause analysis to prevent repeat failures. Some companies also report addressing performance through a wider change in approach which includes new operating procedures and tools which will help maintain and restore compliance.

¹ The performance commitment level is 100% which reflects statutory requirements to comply with discharge permits at water and wastewater treatment works. We use the performance commitment deadband to allow for some fluctuation in performance within which companies do not incur underperformance payments.

² The deadband for Hafren Dyfrdwy is set at 97.9% in recognition of the fact that, as a small company, a deadband of 99% would be disproportionate in comparison with other companies.

Asset health is the ability of an asset to perform its function. Sewer collapses and treatment works compliance are two common performance commitments we use, alongside other information, to monitor the health of water company assets. It is important for companies to maintain assets to ensure compliance with legal obligations and continuity of service for customers now and into the future.

Company	Performance		
	Actual	Commitment	
	Collapses per 1,000 km of sewer		
Anglian Water	5.19	5.50	
Dŵr Cymru	6.68	7.20	
Hafren Dyfrdwy	12.12	5.37	
Northumbrian Water	9.29	9.43	
Severn Trent Water	7.18	8.00	
South West Water	8.29	15.54	
Southern Water	6.18	5.59	
Thames Water	3.55	4.00	
United Utilities	14.13	14.29	
Wessex Water	5.22	6.33	
Yorkshire Water	10.96	16.83	
Sector	7.46		

Categorisation of performance

	At or better than performance commitment level
	Poorer than performance commitment level

The sector has continued to see an improving trend in sewer collapses with nine companies achieving the performance commitment level in 2022-23.

Hafren Dyfrdwy and **Southern Water** are the only two companies to fail the performance commitment level in 2022-23. Neither company has achieved the performance commitment level since the start of the 2020-25 period, however, both companies have reported improvements in 2022-23 compared to 2021-22.

Those companies which have met the performance commitment level attribute improvements to carrying out proactive investigations to identify and repair sewers before they become failures and have an impact on customers or the environment. Some companies highlight the use of CCTV surveys to identify and prioritise work, and others are exploring innovative uses of data to improve analysis.

In September 2021 we highlighted the importance of companies taking care of their assets and published our asset management maturity assessment¹. This detailed a number of recommendations that we expected companies to consider and act on. For example, improving their approaches to risk management and long-term planning, and developing a strategic approach to data and information management.

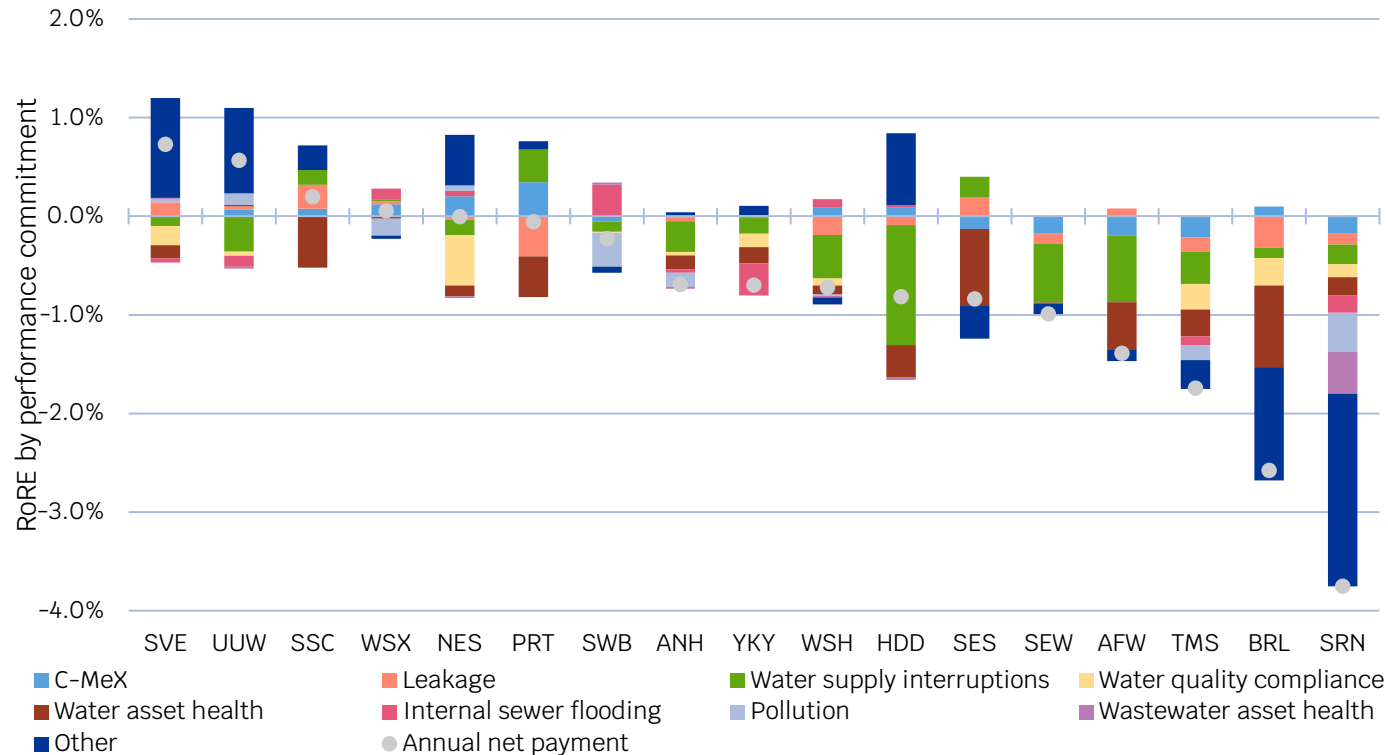
Asset health – further insights

The sewer collapses measure provides an indication of the health of a company's wastewater network. To further inform our understanding of the condition of the sewer network, at PR24 we will collect additional data that will supplement the information currently reported on sewer collapses. This information will aim to improve our understanding of the condition of the sewer network by providing more information on potential asset health risks or trends on subsets of assets (eg by sewer age, material, etc).

Asset health is the ability of an asset to perform its function. Sewer collapses and treatment works compliance are two common performance commitments we use, alongside other information, to monitor the health of water company assets. It is important for companies to maintain assets to ensure compliance with legal obligations and continuity of service for customers now and into the future.

¹ [Asset management maturity assessment – insights and recommendations](#), Ofwat, September 2021.

2022-23 Return on Regulatory Equity (RoRE) by Performance Commitment



We set financial incentives on performance so that returns to investors are directly impacted by performance delivered to customers and the environment. The incentive payments for 2022-23 will be determined as part of our in-period determinations and we will, if necessary, challenge reported performance as part of that process.

The PR19 final determinations set the performance commitment levels for companies to deliver in the 2020-25 period. Delivery of, and in some instances beyond, their commitments is encouraged through outcome delivery incentives (ODIs). If companies exceed the performance commitment level (target) for some performance commitments they can earn outperformance payments, but if they fall short, they incur underperformance payments.

The graph shows the reported¹ outcome delivery incentive payments as a percentage of regulated equity associated with companies' performance commitments^{2,3}. There are a range of factors that affect the size of performance payments⁴.

Companies are ordered in the graph from the biggest net percentage outperformance payment to the biggest net percentage underperformance payment. **Severn Trent Water, United Utilities, South Staffs Water** and **Wessex Water** are the only companies reporting a net outperformance payment in 2022-23, driven largely by outperformance against bespoke performance commitments (denoted on the graph by 'Other'). **Bristol Water** and **Southern Water** report the largest percentage net underperformance impacts in RoRE terms in 2022-23.

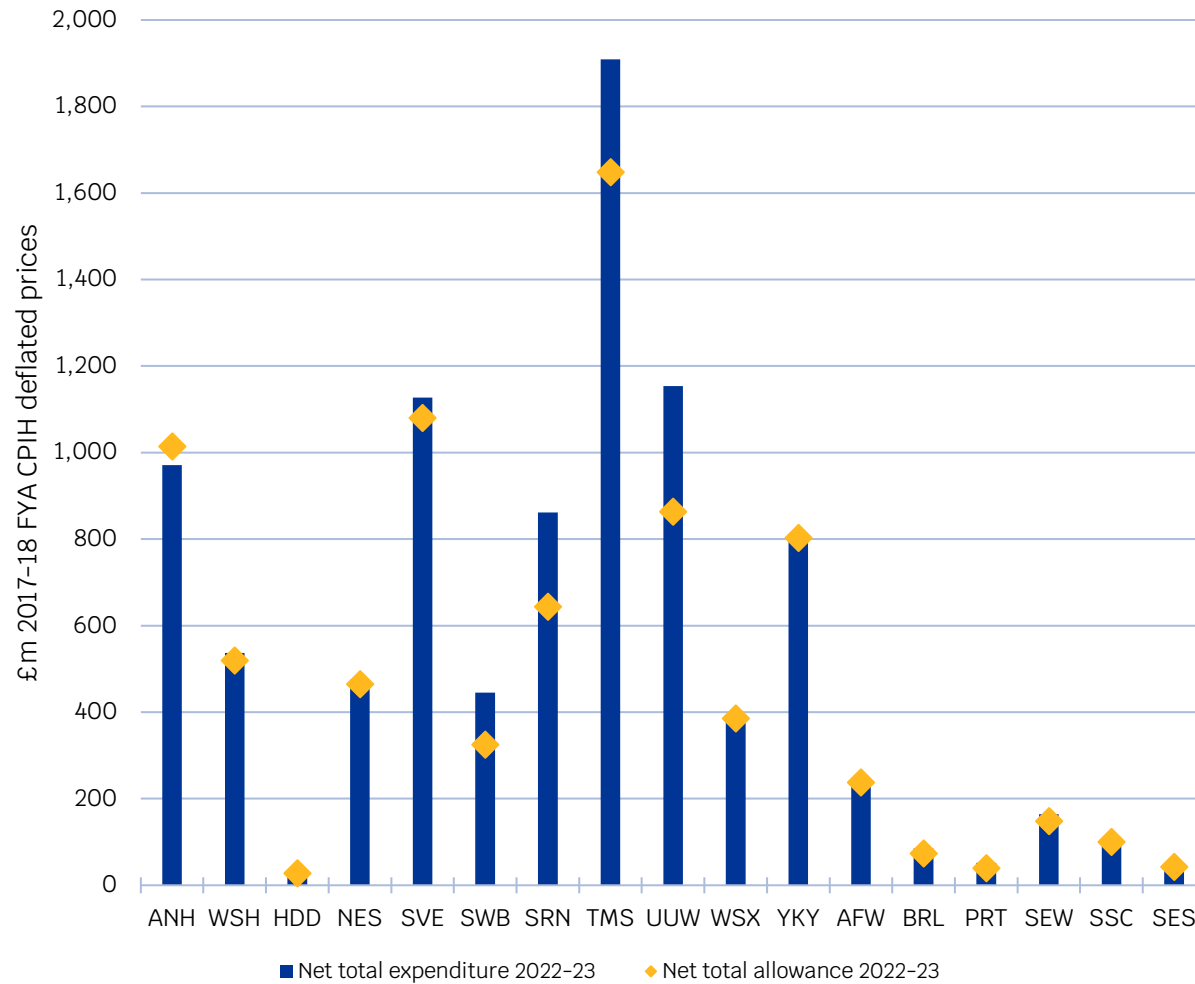
¹ Figures presented in the graph are as reported by companies in 2022-23 annual performance reports. Our final determination of the in-period ODI adjustments will be published on 15 November 2023, following responses to our draft decisions.

² Figure includes both payments made in-period and those accrued to be applied at the end of the period for both common and bespoke performance commitments. The graph does not include payments for per capita consumption (PCC). The value of PCC payments will be determined at the end of the price control as set out in our consultation document '[Consultation on changes to per capita consumption performance commitments](#)' – our decision on reporting performance and ODI timing and our in-period determinations '[Sector overview: Final determinations of in period outcome delivery incentives for 2021-22](#)', November 2022, p8.

³ The payments in the graph are shown as a percentage of regulatory equity to show the impact of out and underperformance adjustments on equity investors' returns. This is calculated as the value of the ODI performance adjustment divided by the value of notional regulatory equity for 2022-23.

⁴ To protect customers from funding significant outperformance payments and to protect companies from extreme underperformance payments, we use caps and collars as well as an aggregate sharing mechanism. These put a limit on the payments companies can incur from out and underperformance.

Variances from wholesale total cost allowances
(before timing adjustments)



In 2022-23, 16 companies overspent on their combined water and wastewater allowances, compared to eight companies in 2021-22¹.

At the start of each five-year price review period, we set companies' cost allowances. These allowances reflect the efficient costs we considered the company would incur to deliver its performance commitments and its wider legal obligations. In practice, expenditure incurred by companies each year of the 2020-25 period will be different to the cost allowances set in our determinations, as companies may bring some investments forward, while others may be delayed.

Cost allowances are made up of **base costs** and **enhancement costs**. Base cost allowances cover routine, year-on-year costs, which companies incur in the normal running of their businesses. Enhancement cost allowances are generally where there is a permanent increase or step change in the current level of service to a new 'base' level and/or the provision to new customers of the current service. Enhancement funding can be for environmental improvements required to meet new statutory obligations, improving service quality and resilience, and providing new solutions for water provision in drought conditions.

In 2022-23 most companies have overspent their originally profiled allowances. This is almost entirely due to an overspend on base costs. Companies reference increases in input costs (energy, chemicals, materials, labour), and increases in expenditure to address performance issues (eg leakage and supply interruptions).

In contrast, companies have mostly underspent their enhancement cost allowances (see page 32). Although progress has been made compared to last year, companies should continue to work to ensure that their enhancement programmes are delivered in full by March 2025. We also expect companies to improve their delivery capabilities so that they are in the best position possible to deliver their PR24 enhancement programme, which is likely to require a big step-up in investment compared to PR19.

¹ Before timing adjustments.

Wholesale water total expenditure in 2022-23

▲ Contents

Company	Performance		Variance		
	Expenditure	Allowance	Total	Excluding timing of expenditure	
	£m (2017-18 FYA CPIH deflated prices)				
	Annual 2022-23				Cumulative 2020-23
Anglian Water	461	456	1%	58%	24%
Dŵr Cymru	283	249	13%	16%	9%
Hafren Dyfrdwy	29	22	35%	39%	24%
Northumbrian Water	298	263	13%	20%	8%
Severn Trent Water	591	479	23%	23%	19%
South West Water	224	160	40%	40%	13%
Southern Water	289	165	76%	103%	48%
Thames Water	949	745	27%	11% ²	3% ²
United Utilities	520	399	30%	8%	5%
Wessex Water	121	116	5%	45%	15%
Yorkshire Water	403	325	24%	31%	14%
Affinity Water	238	237	0%	19%	9%
Bristol Water	85	73	16%	16%	9%
Portsmouth Water	52	39	32%	-9%	-7%
South East Water	164	148	11%	26%	12%
South Staffs Water	109	100	10%	4%	1%
SES Water	50	42	19%	19%	10%
Total	4,866	4,016	21%	27% ²	12% ²

Categorisation of performance

Expenditure at or below allowance Expenditure greater than allowance

The sector's expenditure on wholesale water¹ exceeded cost allowances by 27%² in 2022-23. The sector has overspent its cumulative wholesale water cost allowances¹ by 12%² in the first three years of the 2020-25 period.

The table shows companies' expenditure in wholesale water in 2022-23 against cost allowances. Negative variances indicate a company has spent less than its allowance. Positive variances indicate a company has spent in excess of its allowance. The variance is shown with and without accounting for the timing of expenditure. If the variance increases when excluding the timing of expenditure, this indicates that companies have deferred spending to later in the 2020-25 period. We have categorised companies' performance after excluding the impact of any expenditure brought forward from, or pushed back to, later years of the 2020-25 period.

The overspend in the water price controls is mainly due to increases in base costs. The main reasons given by companies were:

- increases in input prices (e.g. energy, chemicals, and materials)
- expenditure to improve leakage performance;
- expenditure associated with maintaining customer water supplies during the hot, dry summer (e.g. more pumping of water and responding to supply interruptions); and
- expenditure to repair mains as a result of the freeze-thaw in winter.

Southern Water reported that the main factor driving its overspend was additional capital maintenance to address water quality risks. It emphasised its Board's commitment to a significant level of investment in excess of the final determination.

Portsmouth Water is the only company that has spent less than its wholesale water expenditure allowance. Over the first three years of the 2020-25 period, Portsmouth Water is also the only company to have cumulatively spent below allowance¹. This may reflect that Portsmouth Water was classified as the most efficient water company on wholesale water base costs at PR19.

¹ Excluding timing of expenditure.

² This table is based on data reported by companies in their APRs, but an error has been identified for Thames Water which means that their variances, excluding timing for expenditure for both 2022-23 and the cumulative period 2020-23 should be 0%. This error will also affect the totals for the sector.



Company	Performance		Variance		
	Expenditure	Allowance	Total	Excluding timing of expenditure	
	£m (2017-18 FYA CPIH deflated prices)				
	Annual 2022-23				Cumulative 2020-23
Anglian Water	510	558	-9%	-24%	-12%
Dŵr Cymru	254	270	-6%	3%	4%
Hafren Dyfrdwy	6	5	21%	21%	18%
Northumbrian Water	177	202	-12%	-19%	-6%
Severn Trent Water	537	600	-11%	-10%	-9%
South West Water	221	165	35%	35%	-2%
Southern Water	572	478	20%	45%	24%
Thames Water	960	903	6%	0%	0%
United Utilities	634	464	37%	10%	8%
Wessex Water	265	270	-2%	7%	2%
Yorkshire Water	403	477	-15%	-3%	3%
Total	4,540	4,392	3%	2%	1%

Categorisation of performance

Expenditure at or below allowance
Expenditure greater than allowance

The sector's total expenditure on wholesale wastewater exceeded cost allowances by 2% in 2022-23¹. In total the sector has overspent its cumulative wholesale wastewater cost allowances by 1% in the first three years of the 2020-25 period¹.

The table shows companies' expenditure in wholesale wastewater in 2022-23 against cost allowances. Negative variances indicate a company has spent less than its allowance. Positive variances indicate a company has spent in excess of its allowance. The variance is shown with and without accounting for the timing of expenditure. If the variance increases when excluding the timing of expenditure, this indicates that companies have deferred spending to later in the 2020-25 period. We have categorised companies' performance after excluding the impact of any expenditure brought forward from, or pushed back to, later years of the 2020-25 period.

Six companies report an overspend of allowed costs in 2022-23. This is mostly driven by overspend on base expenditure allowances.

Southern Water report that its large overspend is the result of higher capital maintenance expenditure to improve wastewater treatment works compliance and pumping station performance, higher operating expenditure to deal with issues caused by extreme wet weather, and input price pressures (e.g. energy and chemicals) driving higher operating expenditure.

South West Water report that its large overspend is due to additional spend associated with accelerated costs to reduce storm overflow usage and to support improvements in pollutions reduction. However, the company has reported, overall, an underspend of 2% against their wastewater cost allowance for the first three years of the 2020-25 period¹.

Anglian Water, **Northumbrian Water**, **Severn Trent Water** and **Thames Water** are all reporting expenditure at or below allowance on both an annual basis, in 2022-23, and on a cumulative basis. All companies have improvements to make in wastewater performance commitments to achieve the 2024-25 levels set out in this report. We expect companies to spend efficiently to deliver high levels of service to customers.

¹ Excluding timing of expenditure.

Company	Performance		Variance	
	Expenditure	Allowance		
	£m (2017-18 FYA ¹ CPIH deflated prices)			
	Annual 2022-23			Cumulative 2020-23
Anglian Water	72	67	7%	-3%
Dŵr Cymru	56	35	62%	50%
Hafren Dyfrdwy	2	2	-19%	-19%
Northumbrian Water	48	42	14%	17%
Severn Trent Water	87	83	4%	11%
South West Water	26	24	6%	-1%
Southern Water	48	44	10%	34%
Thames Water	182	128	43%	40%
United Utilities	90	83	8%	10%
Wessex Water	26	24	8%	20%
Yorkshire Water	60	55	10%	24%
Affinity Water	27	24	12%	9%
Bristol Water	9	9	8%	10%
Portsmouth Water	5	4	40%	16%
South East Water	19	15	30%	19%
South Staffs Water	12	10	17%	19%
SES Water	7	5	48%	60%
Total	776	653	19%	20%

The sector overspent on retail expenditure by 19% in 2022-23, which is slightly higher than the 15% overspend reported in 2021-22. In total the sector has overspent its cumulative retail expenditure by 20% in the first three years of the 2020-25 period.

Costs in the retail price control provide for services such as customer service and meter readings to household customers. At PR19, companies were set an efficient allowance per customer and retain all outperformance or incur all underperformance. The table shows company and sector expenditure against these cost allowances for 2022-23.

In 2022-23 the sector reported an overall decrease in retail expenditure of 4%. However, the decrease was insufficient to bring companies' expenditure in-line with their allowances. In 2022-23 only **Hafren Dyfrdwy** has spent less than its allowance, by 19%. The company reports that this is due to efficiencies made in customer services.

Several companies report that higher bad debt costs is driving the overspend. Bad debt costs are made up of bad debt provisions and debt management costs. Bad debt provision should reflect the revenue that the company considers it may not recover from customers. Companies have increased bad debt provisions in recent years due to the impact COVID-19 and more recently the cost-of-living crisis may have on customers' ability to pay their water bill. But so far, we have not seen evidence that COVID-19 or the more recent cost-of-living crisis has had a material impact on companies' cash collection rates (ie proportion of allowed revenue collected from customers).

Thames Water also attributes its reported overspend due to continued investment in service improvements for customers.

On a cumulative basis, since the start of the 2020-25 period, **Anglian Water**, **Hafren Dryfdwy** and **South West Water** are the only companies who have spent less than their allowance.

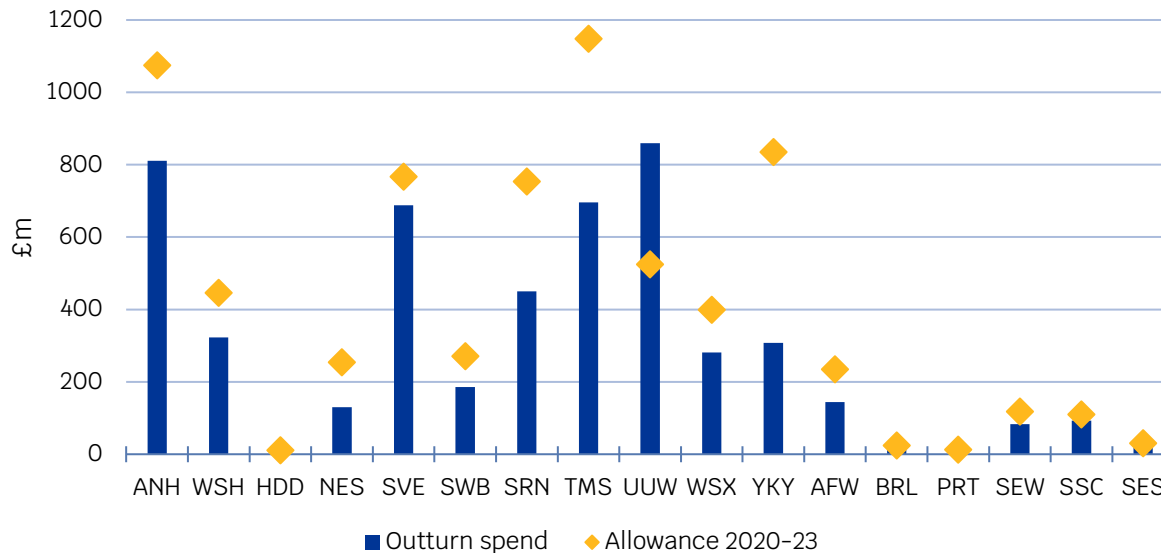
Categorisation of performance

Expenditure at or below allowance
Expenditure greater than allowance



Annex: Thematic areas

Cumulative enhancement expenditure – wholesale water and wastewater (2020-23 period)



Expenditure in **water activities** accounted for 56% of total enhancement expenditure during the 2020-23 period. Main areas of spend were resilience to 'low probability high consequence' events, internal interconnectors for drought resilience, and metering.

Expenditure in **wastewater activities** accounted for 44% of total enhancement expenditure during the same period. Main areas of spend were phosphorus removal, schemes to increase flow to full treatment, schemes to increase storm tank capacity and reduction of sanitary parameters.

During the 2020-2023 period companies generally underspent their forecast allowance on wholesale water and wastewater enhancement activities. At a sector level, water companies **spent 73% of their forecast enhancement allowance**. Out of the seventeen largest water and wastewater companies in England and Wales, thirteen companies underspent their allowance.

In 2022-23 the sector made progress against forecast enhancement allowances, increasing the cumulative spend from 68% of forecast enhancement allowances in 2021-22 to 73% in 2022-23. Compared to 2021-22, thirteen companies increased their cumulative spend relative to forecast enhancement allowances, while four companies decreased it.

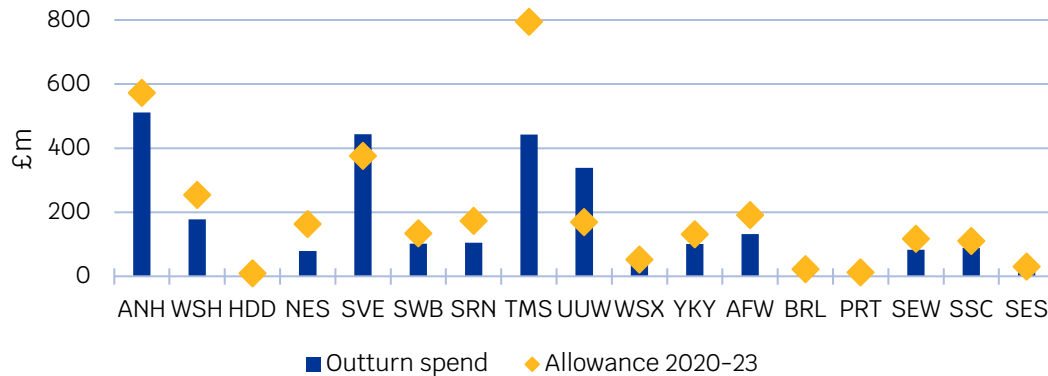
Companies cited several factors causing delays in their programme delivery, including:

- Covid-19 impacts – such as restricted access to customer premises and slower stakeholder engagement;
- cost challenges resulting, for example, from high inflation – companies are reviewing costs, and value engineering to deliver within allowances, which has delayed construction; and
- planning delays associated with investigations taking longer than originally expected and working with third-parties.

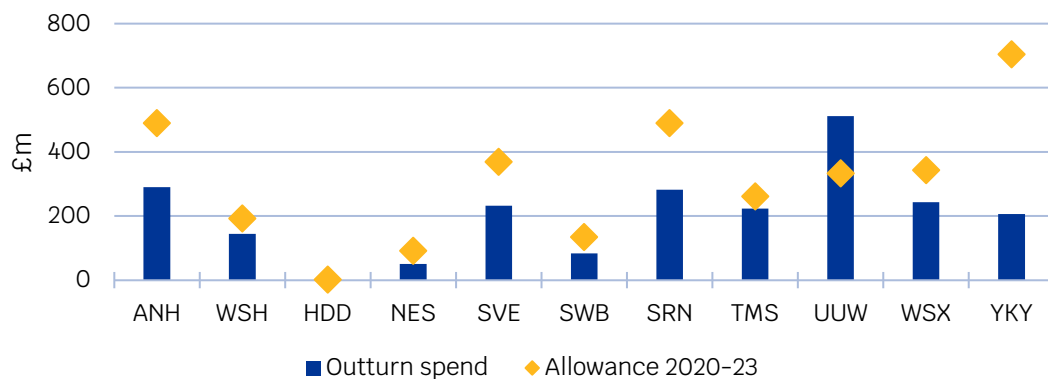
Customers have provided water companies with funding to deliver service improvements. We are concerned that there are companies that are underspending their enhancement allowance while not achieving their performance targets, for example, in relation to water demand and supply activities. We expect water companies to continue to work to ensure that their enhancement programmes are delivered in full by March 2025. Delaying the delivery of these programmes will result in forgone benefits to customers and the environment such as enhanced river water quality, improvements to drought resilience and reduced risks in relation to usage bans and supply interruptions. We will continue to monitor and challenge each company on its progress.

Given the step up in investment that is likely to be required for the 2025-30 period we expect companies to improve their delivery capabilities over the next two years so that they are in the best possible position to deliver their PR24 enhancement programme.

Cumulative enhancement expenditure 2020-23
– wholesale water¹



Cumulative enhancement expenditure 2020-23
– wholesale wastewater



¹ We have removed expenditure and allowances associated with strategic regional water resources as there are arrangements in place to protect customers against any under- or non- delivery for these enhancement activities.

Wholesale water

Across the sector, companies underspent their **water enhancement** forecast allowance by £587 million¹ over the 2020-23 period. Twelve companies underspent their forecast allowances. The companies that had the largest underspends, when normalised by their water regulatory capital value (RCV), were **Southern Water** (£68 million¹ underspend, equivalent to 4.3% of its water RCV) and **Thames Water** (£373 million¹ underspend, equivalent 4.0% of its water RCV).

Main areas of underspend across the sector are supply side improvements delivering drought resilience benefits and water industry national environment programme (WINEP) related expenditure on Water Framework Directive measures. We expect companies to deliver the service improvements they were funded to deliver across all expenditure areas. Given the drought conditions observed in some regions of the country over the past year we are concerned that water companies are underspending on areas that will improve the long-term reliability of their water service.

Wholesale wastewater

Across the sector, companies underspent their **wastewater enhancement** forecast allowance by £1,140 million over the 2020-23 period. Nine companies underspent their forecast allowances. The companies that had the largest underspend, when normalised by their wastewater RCV, were **Yorkshire Water** (£497 million underspend, equivalent to 9.5% of its wastewater RCV) and **Southern Water** (£208 million underspend, equivalent to 4.3% of its wastewater RCV).

The main areas of underspend are phosphorus removal, schemes to increase flow to full treatment and storage schemes to reduce spill frequency. We expect companies to deliver the service improvements they were funded to deliver across all expenditure areas. This is particularly important in the context of performance challenges such as sewer flooding, storm overflow spills and pollution events. Water companies should utilise the available funding to make the sewerage network more resilient to hazards and improve river water quality.

We will require Southern Water, Thames Water and Yorkshire Water to include in their **service commitment plans** details of how they plan to deliver their 2020-25 enhancement programme. We will provide further details to companies of requirements and next steps in due course.

Background

In July 2021, we published our [final decisions](#)¹ to allow five companies to invest **£793 million** to support the country's green economic recovery following Covid-19.

This additional funding programme included schemes to increase water resource resilience, reduce customer demand and improve river water quality. The decision also included £1.9 billion of WINEP schemes brought forward, which had been on hold at PR19 (with an additional seven companies involved).

In 2021-22 we reported limited delivery of the green recovery programme reflecting that the principal focus of the companies was on design work and setting up of contractual arrangements. We noted that even accounting for the programme start-up focus of year one, companies' expenditure was lower than the forecasts included in their green recovery submissions.

2022-23 update

2022-23 has seen an increase in expenditure, £83 million (2017-18 prices), over four times that in 2021-22, £17 million, as supply chain agreements enable a ramp up of scheme delivery. Severn Trent Water's £67 million spend accounts for most of this year's expenditure with South Staffs Water also investing in its schemes progress.

South West Water has a mixed picture of progress across a variety of schemes. United Utilities schemes progress has been slow with limited spend and Thames Water's smart metering scheme continues to present concerns regarding delivery.

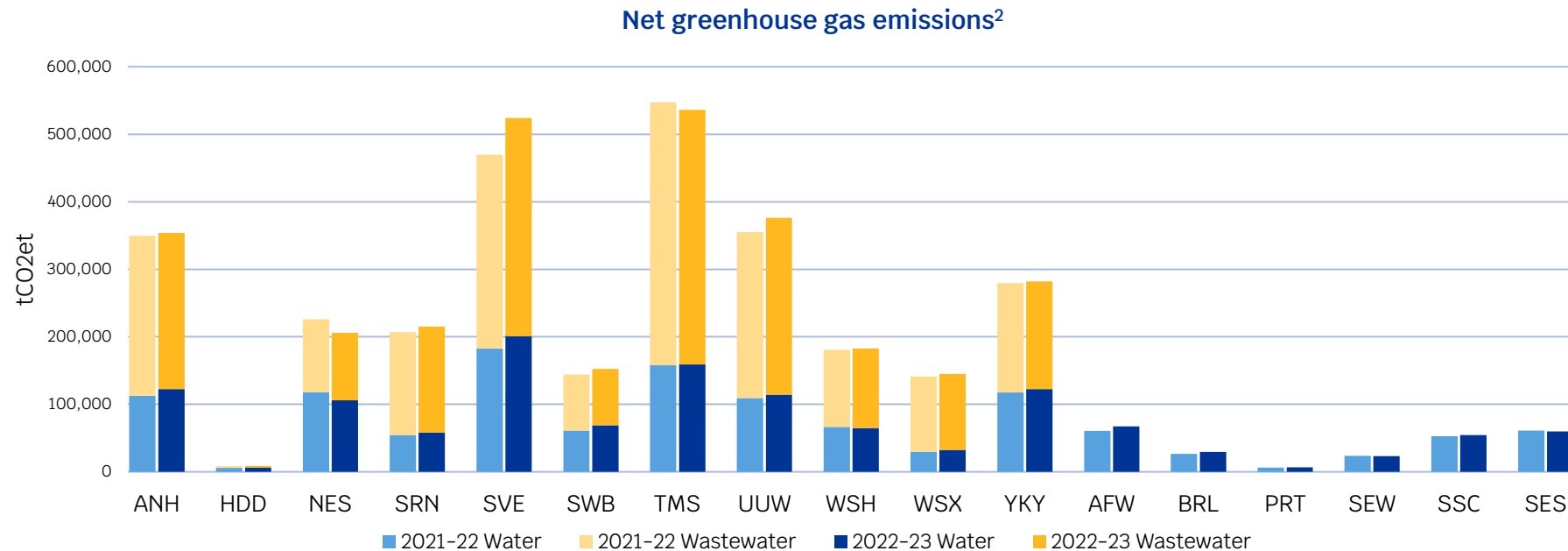
Although increasing, all companies' expenditure to date is lower than their original forecasts. Early engagement with the supply chain, partners and customers (eg for supply pipe replacement) is an emerging theme seen in the mix of delivery progress across schemes.

We expect a significant increase in green recovery activity in 2023-24 and 2024-25 as scheme delivery ramps up through to completion and we will continue to monitor and challenge companies on progress with their scheme delivery. Companies must ensure that learning from the delivery of the green recovery are fed into PR24 delivery plans to ensure they are robust, achievable and can be delivered on time.

Company	2022-23 expenditure	Total allowance	Additional comments
	£m (2017-18 FYA CPIH deflated prices)		
Severn Trent Water	67	566	Some positive developments (additional water resources capacity and smart metering) with likely continuance of higher spend (taking care of supply pipes scheme). Spend and completion activity to date in the remaining environmental schemes is slowly ramping up.
South Staffs Water	4	10 ²	Good performance to date following appointment of new construction partner for the ceramic membrane installation scheme.
South West Water	9	82	A mixed picture with some good progress on catchment management and storm overflows scheme remaining on target.
Thames Water	1	72	Slow progress to date with uncertainties remaining regarding Thames Water’s smart metering delivery.
United Utilities	3	64	Continued focus on commercial arrangements and developing partnership agreements (AMP8 WINEP investment at Bury and accelerating partnerships to deliver natural solution schemes). Tackling storm overflows scheme appears on target.
Totals	83	793	

¹ [Green economic recovery: Final decisions](#), Ofwat, July 2021.

² Hampton Loade water treatment works is a shared resource with Severn Trent Water whose green recovery allowance in the table above includes a £8m contribution to the project. Severn Trent Water's green recovery expenditure (2017-18 FYA CPIH deflated price) in the table above includes £3m related to this scheme.



Background

The Water Supply, Sewerage, Waste Management and Remediation' sector is responsible for about a fifth of the UK waste sector's greenhouse gas (GHG) emissions.¹ As a result, water companies have a significant role to play in decarbonisation.

Ofwat continues to be supportive of the water sector's work on net zero, welcoming Water UK's 2030 commitment as well as individual company net zero plans. However, for long-term national government targets to be achieved, all companies need to accelerate their progress on net zero. In 2021-22, we adopted standardised mandatory reporting for operational GHG emissions and, in 2022-23, we expanded our reporting requirements to include upstream emissions from purchased electricity, heat and fuels, chemicals and waste (limited to biorenewables). We will incentivise future reductions in GHG operational emissions via a common performance commitment at PR24.

2022-23 data

Between 2021-22 and 2022-23, the sector's overall GHG emissions increased by 2.64%. In particular, emissions from water and sewerage companies increased by 2.52%, with emissions from water only companies increasing by 4.19%. This increase was primarily due to an increase in emissions from business travel, electricity consumption and the use of chemicals. Emissions from the direct burning of fossil fuels decreased by 7.60%.

While annual variations can be the result of variations in operating conditions and activities to meet new environmental standards, increases in emissions threaten the achievement of net zero. Therefore, we expect companies to be clear on how they will deliver actual emission reductions in the near and long term.

¹ Climate Change Committee, The Sixth Carbon Budget: Waste, 2020.

² Company GHG emissions are expressed as net emissions, using a net location-based approach, that is inclusive of the emissions reductions achieved through the export of renewables and biomethane. The data is from 2022-23 annual performance reports and the greenhouse gas emissions historical data request (IN23/03).

Company	APR open data characteristics				Open data rationale		
	Machine-readable format	Metadata	Open data licence	Feedback mechanism for data users	Open data rationale provided	Choice of open data characteristics explained	How APR data will inform future open data releases
Affinity Water	No	No	No	No	No	N/A	N/A
Anglian Water	No	No	No	No	No	N/A	N/A
Bristol Water	No	No	No	No	Yes	No	No
Hafren Dyfrdwy	No	No	No	No	Yes	No	No
Northumbrian Water	No	Yes	Yes	Yes	Yes	Yes	No
Portsmouth Water	No	No	No	No	No	N/A	N/A
SES Water	No	No	No	No	No	N/A	N/A
South East Water	No	No	No	No	No	N/A	N/A
Southern Water	No	No	No	No	Yes	No	No
South Staffs	No	No	No	Yes	Yes	Yes	No
Severn Trent	No	No	No	No	Yes	No	No
South West Water	No	No	No	No	Yes	No	No
Thames Water	No	No	No	No	Yes	Yes	No
United Utilities	Yes	No	Yes	Yes	Yes	Yes	No
Welsh Water	Yes	Yes	No	No	Yes	Yes	No
Wessex Water	Yes	No	No	Yes	Yes	No	No
Yorkshire Water	No	No	No	No	Yes	No	No

Open data is data that anyone can freely use, modify, and share¹. It brings benefits to customers, the environment, and the sector by enhancing transparency, innovation, and collaboration. Following our assessment of companies' progress on open data, we stated², among other recommendations, that companies should:

- Adopt a learn-by-doing approach, using releases of open data to inform and accelerate the development of capabilities to support future releases;
- Use machine-readable formats when publishing data;
- Licence the data appropriately so it is legally recognised as Open; and
- Actively engage data users by enabling feedback mechanisms

This year we also asked companies to apply open data characteristics to the presentation of their APR data tables and to publish the rationale for their approach³.

The table summarises our assessment of companies' APR submission against key open data characteristics and shows whether companies published a rationale outlining their approach to the publication of their APR data tables.

We were disappointed to see that only a few companies considered open data characteristics when publishing their APR data tables and that none explained how the APR data publication would inform future open data releases.

While most companies (12 of 17) provided a rationale on their open data approach, only a small number explained why they chose to apply the Open Data characteristics that they did.

We want to see a step-change in progress on open data – companies should be publishing more datasets and applying open data characteristics when they do so. Ofwat is developing a new licence condition to underpin the development of a mature open data ecosystem. We have also asked water companies to publish an industry-level roadmap in October 2023 demonstrating the pathway to greater maturity.

¹ See Open Definition: [The Open Definition – Open Definition – Defining Open in Open Data, Open Content and Open Knowledge](#)

² Ofwat, [Open data in the water industry: making the change](#), June 2023

³ Ofwat, [IN 23/03 Expectations for monopoly company annual performance reporting 2022-23](#), March 2023

Following publication of the 2021-22 WCPR we required 'lagging behind' companies to publish action plans setting out how they would address poor performance. The lagging companies ([Northumbrian Water](#), [South West Water](#), [Southern Water](#), [Thames Water](#), [Welsh Water](#) and [Yorkshire Water](#)) published their action plans in March and April 2023.

We have continued to engage with these companies about their poor performance and to monitor their progress regarding the delivery of their action plans. We have seen [Northumbrian Water](#) and [South West Water](#) moving out of the 'lagging behind' category this year but expect any improvements to be sustained over time.

We have seen examples of good practice in companies' action plans (see box below). However, our review of the action plans found that companies need to provide greater clarity about the specific performance benefit that their actions are expected to deliver and to explain the processes in place to demonstrate that progress against the action plans are monitored and assured.

Action plan good practice examples

- [South West Water](#) published two versions of its plan, one for customers (in a more accessible format and simpler language) and a more detailed version for other stakeholders.
- [Yorkshire Water](#) provided some specific information on how its Board will monitor, review and challenge progress against its action plan and committed to provide regular progress updates to customers and other stakeholders (although the regularity of these has not been specified).

We will require all companies categorised as 'lagging behind' in 2022-23 to prepare [service commitment plans](#), which we intend will improve and replace the action plans required in 2022, and to report to us regularly on their progress against these. We will continue to engage with [Northumbrian Water](#) and [South West Water](#), who have moved into the 'average' category this year, and we will require them to continue to report against their updated plans this year.

We will also require any other companies falling into the 'lagging behind' category in 2022-23 ([Anglian Water](#), [Bristol Water](#) and [South East Water](#)) to comply with these requirements.

We will provide all these companies with more specific guidelines and requirements in due course.

We expect the companies to be transparent about their plans to improve performance and the [service commitment plans](#) to be clear so that customers and stakeholders can easily:

- [Understand the root causes of company underperformance](#) in each area, clearly distinguishing between those within and outside management control.
- [Link these root causes to](#) specific, measurable, achievable, relevant, and time-based [actions proposed in the plan](#).
- [Understand the performance benefit](#) that the company is expected to deliver through each action proposed in the plan.
- Anticipate the [levels of performance that companies are committing to deliver](#) in coming years through clear and measurable performance targets.
- Access [regular updates on the progress](#) that companies have delivered to date [against their plan](#).



Glossary

Term	Definition
Bespoke performance commitments	Bespoke performance commitments are performance commitments that individual companies have, based on their own customers' priorities (see performance commitment).
Common performance commitments	Common performance commitments are performance commitments that all companies have. These have common reporting guidelines to allow us to make direct comparisons across the sector (see performance commitment).
Deadband	Deadbands are a specified range of performance limits where there are no ODI payments.
Outcome delivery incentive	Outcome delivery incentives (ODIs) are the incentives for companies to outperform, and avoid underperformance, of their performance commitments.
Outperformance payment	If companies exceed the performance commitment level they can earn outperformance payments which are recovered from customers.
Performance commitment	Performance commitments are the level of performance that companies commit to deliver for customers.
Regulatory capital value	Regulatory capital value (RCV) presents a measures of the capital base of a company when setting price limits.
Regulatory equity	Regulatory equity is regulatory capital value less net debt.
Total expenditure	Total expenditure is base plus enhancement plus developer services expenditure.
Underperformance payment	If companies do not meet the performance commitment level they can incur underperformance payments which are returned to customers.
Wholesale expenditure	Wholesale expenditure refers to expenditure by water companies that covers the technical services they provide, such as treating water so it is fit to drink.

Performance commitment	Definition
C-MeX	C-MeX is a measure of customer satisfaction based on the Customer Service Survey (CSS) and the Customer Experience Survey (CES). Companies do not have performance commitment levels for C-Mex. Performance payments are determined comparatively based on the median company's score.
Drinking water quality compliance (Compliance Risk Index)	CRI illustrates the risk arising from failures to meet drinking water standards at specified sampling points throughout the supply system, including at customers taps. The index is defined, calculated and reported by the Drinking Water Inspectorate (DWI) and measured over a calendar year. It assigns a value to each failure which considers the health impact, the proportion of the population potentially affected and an assessment of the company's response. The CRI is a tool that focuses the sector on identifying and addressing risks to drinking water quality; it aligns with the DWI risk based approach to regulation.
Internal sewer flooding	Internal sewer flooding occurs when sewage enters a home due to a blockage or a lack of capacity in a sewer due to rainfall or asset failure.
Leakage	Leakage is water that is lost from the distribution system.
Mains repairs	Mains repairs measures the number of mains repairs conducted as a result of a customer reporting, or the company detecting, a leak or burst. Mains repairs is used as an indicator of the asset performance of the underground distribution network.
Per capita consumption (PCC)	PCC measures water use by the household population. It is measured as a 3-year average to smooth the effect of weather events. Lower PCC means that less water is taken from the environment and fewer resources are required to extract, distribute and treat it.
Pollution incidents (category 1-3)	Pollution incidents are a discharge or escape of contaminants such as sewage or chemicals which affect the water environment. During each calendar year companies report incidents to the Environment Agency (in England) or Natural Resources Wales (in Wales) which categorise the impact. A category 1 incident has a serious, extensive or persistent impact. Category 2 incidents have a lesser, yet significant, impact. Category 3 incidents have a minor impact.
Priority services register (PSR)	The PSR is a record of customers who require additional support or services, for example due to a health condition or life circumstance. There are three elements to the PSR performance commitment: the percentage of households on each company's register, the percentage of attempted contacts to engage with a customer in a household on the PSR and the percentage of households which have confirmed that they still require priority services following engagement.
Sewer collapses	Sewer collapses is a measure of performance in underground wastewater assets. It measures failures in the assets, causing an impact on service to customers or the environment that requires replacement or repair to reinstate service. It includes only failures that are not proactively identified by the company.
Treatment works compliance	Treatment works compliance measures companies' compliance with the discharge permit conditions set by the Environment Agency for wastewater and water treatment works.
Unplanned outage	Unplanned outage is a measure of asset performance for above ground assets such as water treatments works. It measures the loss of production capacity at a water treatment works as a result of asset failure or deterioration. This is different to a planned outage, where a water company may close a water treatment works due to activities including cleaning, maintenance and delivery of process improvements.
Water supply interruptions	Water supply interruptions measures the length of disruption to customers supply over 3 hours. Reducing the number and duration of water supply interruptions improves the reliability of customers' supply.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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