

December 2022

# Water company performance report 2021-22

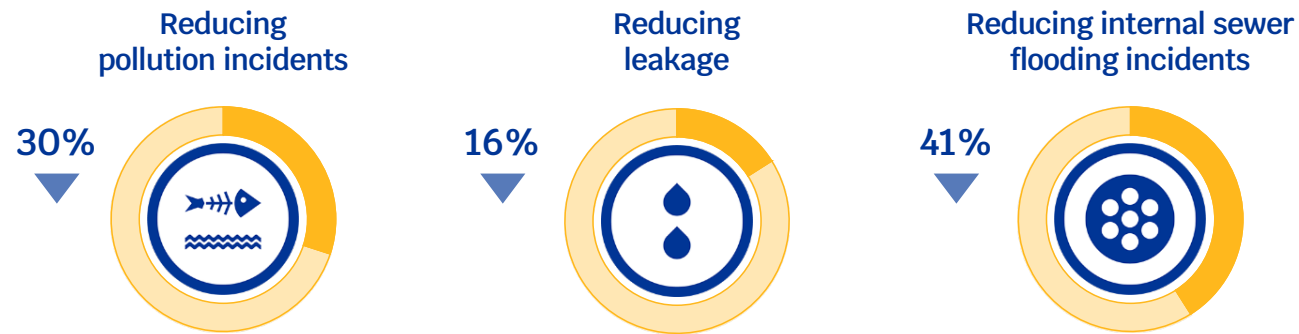
**ofwat**

# 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 companies stretching performance commitments while also challenging them to improve cost efficiency.

This report looks at the performance of the 17 largest water and wastewater companies in England and Wales for a set of key performance and expenditure metrics. This is based on information and data reported by companies in their annual performance reports (APRs).

**We have high expectations for companies. Over the 2020-25 period companies have committed to:**



This report:

- assesses companies' performance in 2021-22 against performance commitment levels set for that year;
- assesses progress 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:

- an update on the first year of green recovery (page 32);
- company progress on enhancement expenditure (pages 33-34); and
- greenhouse gas emissions (page 35).

We will use this report to focus where we need to take action. Our approach to driving improvements is set out on page 6.



# Contents



Key messages



Our assessment of companies' performance



What we are doing to drive performance improvements



Water & wastewater companies in England & Wales



Overall categorisation



Outcome delivery incentives



Customer satisfaction



Priority services register



Leakage



Per capita consumption



Water supply interruptions



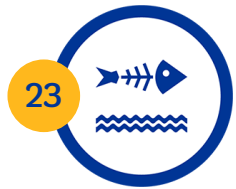
Drinking water compliance



Water asset health



Internal sewer flooding



Pollution incidents



Treatment works compliance



Sewer collapses



Water and wastewater expenditure



Wholesale water expenditure



Wholesale wastewater expenditure



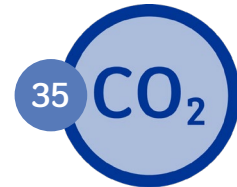
Retail expenditure



Green recovery



Enhancement expenditure



Greenhouse gas emissions



Glossary



In some areas we see companies responding to the challenge set out at the 2019 price review, however, in other areas progress is not being made at the pace required.



## Levels of pollution incidents in the environment and customers' homes remains too high.

In 2021-22 the number of serious pollution incidents increased and there was a deterioration in the compliance of treatment works. Only four companies met the performance level to reduce sewage flooding in customers' homes. In November 2021, we opened live investigations<sup>1</sup> into all water and wastewater companies in England and Wales, with six enforcement cases against companies where we have the greatest concerns.



## Companies only spent 68% of their forecast enhancement cost allowances.

Despite the need to improve performance, companies are not investing to deliver the programmes they set out in their business plans. This is particularly important in the context of current poor performance as companies should be using enhancement expenditure to deliver improvements, for example in wastewater capacity, to reduce sewage discharges and to improve drought resilience.



## Customer satisfaction is falling.

In 2021-22, the majority of companies reported a drop in customer satisfaction. Ensuring that customers receive a good service should always be a key priority for companies. We plan to introduce a customer-focused condition in all companies' licences to increase companies' customer focus and incentivise the very best service for customers.



## Companies met targets for key water asset health measures.

Companies need to manage their networks effectively and ensure that their assets are in a good condition to deliver the best service for customers and the environment. All companies met water asset health performance commitments (mains repairs and unplanned outage) in 2021-22. For wastewater networks, there was a reduction in the number of sewer collapses since 2020-21.



## Companies need to continue to take action to protect the availability of water. Reducing demand needs to be a priority, as well as continuing to reduce leakage.

We are encouraged to see the progress towards long-term reduction targets on leakage but there is still a long way to go. Despite this progress nearly all companies failed to meet their performance level on reducing demand. The hot, dry summer of 2022 has highlighted how precious our water resources are and the need for companies to make real progress in these areas.

## We are taking action to ensure that the poorest performing companies are making the improvements needed.

Six companies are in the 'lagging behind' category in 2021-22. We will be requiring them to present action plans to ensure they are making improvements for their customers and the environment. We will also require targeted improvement plans from companies where there are specific areas of poor performance.

<sup>1</sup> We presently have an investigation into all water and wastewater companies in England and Wales about how they manage their wastewater treatment works to meet their environmental permits. This currently includes live enforcement cases against six companies. Ofwat, '[PN 10/22: Five water companies targeted in next phase of Ofwat wastewater treatment work investigation](#)', March 2022; Ofwat, '[PN 24/22: South West Water latest company targeted in Ofwat investigation due to environmental performance](#)', June 2022.



# Our assessment of companies' performance

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 and expenditure allowance for 2021-22. As these are relative, and not absolute judgements, we are clear that even the leading companies have areas where we need to see real improvements.

Where companies have not met the performance commitment level, we have considered the scale of underperformance and whether this is concentrated in a particular service area. We are currently investigating all water and wastewater companies and have live enforcement cases for 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**. This is a matter of significant concern for us. 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 as these cases are not yet completed.

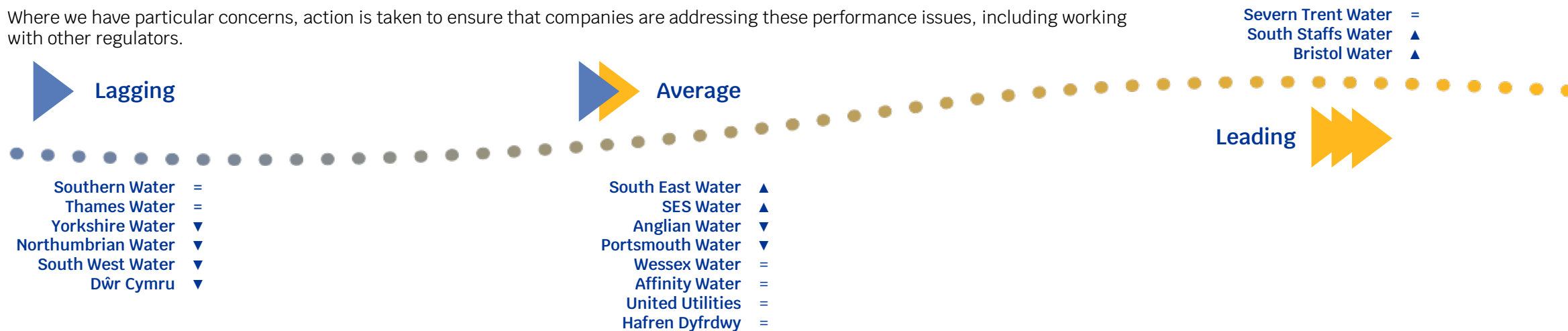
There are three companies in the leading category again this year and six in the lagging behind category. Performance across all companies shows a mixed picture:

**Leading category** – **Severn Trent Water** remains in this category for the second year in a row. **South Staffs Water** has improved performance and moved up from the average category. **Bristol Water** has also improved performance and moved up from the lagging category.

**Average category** – **South East Water** and **SES Water** have both improved performance to move into this category from the lagging category last year. There has been a disappointing fall in the performance level of **Anglian Water** and **Portsmouth Water**, who were both in the leading category last year. **Wessex Water** met the majority of its performance commitments. It is not included in the leading category as it is subject to a live enforcement case. **Affinity Water, Hafren Dyfrdwy and United Utilities** all remain in the average category from last year.

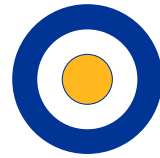
**Lagging behind** – this is the second year that both **Southern Water** and **Thames Water** are in the bottom category. **Yorkshire Water, Northumbrian Water, South West Water** and **Dŵr Cymru** have also fallen into this category. We will push companies that are lagging behind to take appropriate action to improve performance.

Where we have particular concerns, action is taken to ensure that companies are addressing these performance issues, including working with other regulators.





The six companies lagging behind will now have to develop a clear **action plan** to address their poor performance, and we will monitor their progress against delivering these improvement plans.



We will be requiring **more targeted improvement plans** where companies have specific areas of performance failure.



As part of this process, we will consider whether poor performance is indicative of any wider compliance issues and whether **enforcement** action, with the potential for remedial and financial measures, is warranted.



For 11 of the 12 performance commitments in this report, performance payments can apply. These include payments back to customers where companies did not meet their performance commitment levels and outperformance payments for performance that is better than the performance commitment level. We determine these each year through our in-period determination process. Final decisions for this year were published in November in our [‘Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22’](#) document.

## Water and wastewater companies

Anglian Water	ANH <sup>1</sup>
Dŵr Cymru	WSH
Hafren Dyfrdwy	HDD <sup>5</sup>
Northumbrian Water	NES <sup>3</sup>
Severn Trent Water	SVE <sup>6</sup>
South West Water <sup>7</sup>	SWB <sup>4</sup>
Southern Water	SRN
Thames Water	TMS
United Utilities	UUW
Wessex Water	WSX
Yorkshire Water	YKY

Key	
●	Leading
■	Average
■	Lagging behind

## Water only companies (wastewater provider/s)

Affinity Water	AFW (ANH/TMS/SRN)
Bristol Water	BRL (WSX) <sup>7</sup>
Portsmouth Water	PRT (SRN)
South East Water	SEW (TMS/SRN)
South Staffs Water	SSC (SVE/ANH) <sup>2</sup>
SES Water	SES (TMS/SRN)

<sup>1</sup> Water services provided under the Hartlepool Water name.

<sup>2</sup> Water services provided under the Cambridge Water name.

<sup>3</sup> Water services provided under the Essex & Suffolk Water name.

<sup>4</sup> Water services provided under the Bournemouth Water name.

<sup>5</sup> Hafren Dyfrdwy provides water services only in this area.

<sup>6</sup> Severn Trent Water provides water services only in the area.

<sup>7</sup> On 3 June 2021, Pennon Group plc (the parent undertaking of South West Water Limited) acquired 100% of the share capital of Bristol Water Holdings UK Limited (the parent undertaking of Bristol Water Limited). As part of the merger, Pennon Group plc committed to report separately on South West Water's and Bristol Water's performance against their performance commitments for the remainder of the 2020-25 price control period. This report also separates Bristol Water's performance and South West Water's performance for the 2021-22 charging year.



# Overall categorisation

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

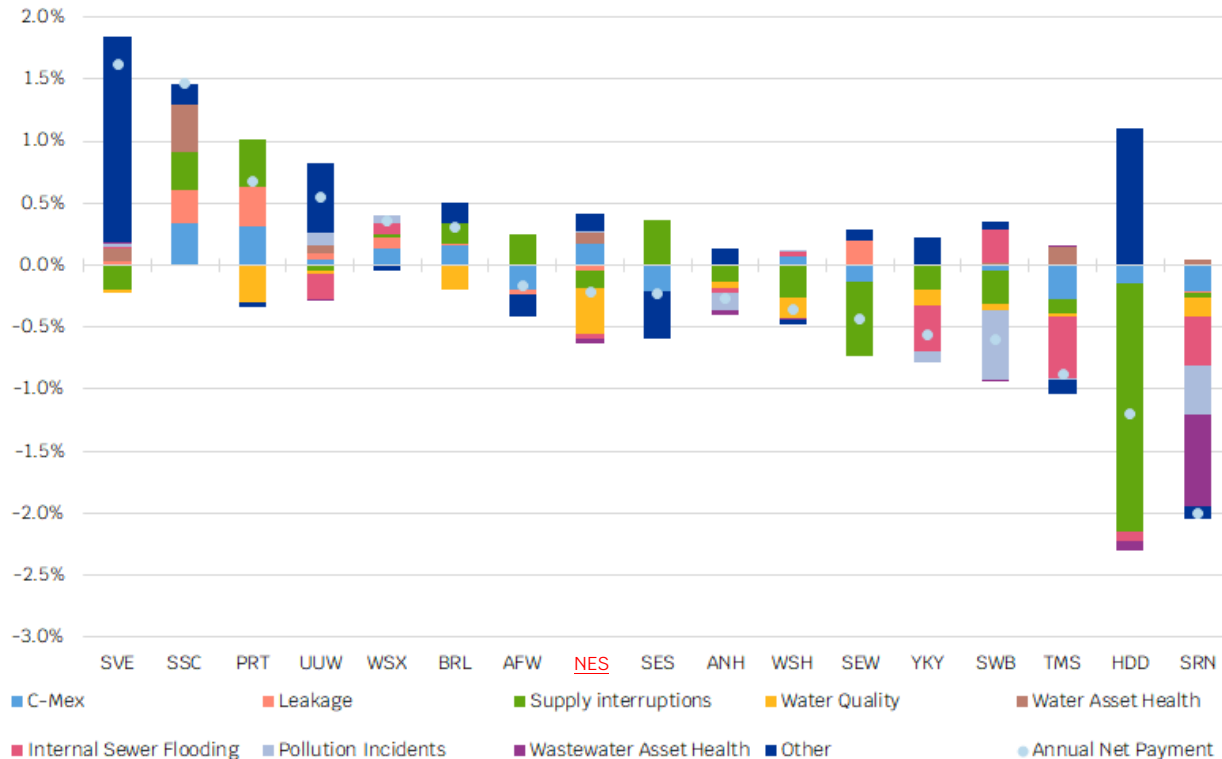
Categorisation of performance	
●	Top performer
●	At or better than performance commitment level
●	Poorer than performance commitment level
-	N/A for water only companies

<sup>1</sup> For these metrics we consider that comparative assessment can drive improvements among the very best performers. We therefore identify 'top performers' where applicable. See individual metric pages for top performer criteria.

<sup>2</sup> For these metrics we assess performance relative to the performance commitment deadband within which companies do not incur underperformance payments.



Outcome delivery incentive payments by key performance commitments in 2021-22 as a % of regulated equity



In 2021-22 the sector incurred much larger total net underperformance payments<sup>1</sup> than in the previous year (£47m compared to £19m in 2020-21).

The graph shows the outcome delivery incentive payments as a percentage of regulated equity associated with companies' performance commitments<sup>2</sup>. There are a range of factors that affect the size of performance payments<sup>3</sup>. As such, the net payment that applies to a company may not always be indicative of their performance.

Companies are shown in the graph from biggest net outperformance payment to biggest net underperformance payment, with **Severn Trent Water** receiving the biggest outperformance payment and **Southern Water** incurring the biggest underperformance payment. The annual net payment is also shown.

Six companies – **Severn Trent Water**, **South Staffs Water**, **Portsmouth Water**, **United Utilities**, **Wessex Water** and **Bristol Water** – achieved net outperformance payments in 2021-22. A large proportion of these outperformance payments for **Severn Trent Water** and **United Utilities** was for bespoke performance commitments aimed at reducing sewer blockages and minimising the risk of internal sewer flooding, respectively.

The common performance areas that generated the largest net underperformance payments this year were supply interruptions, internal sewer flooding and drinking water quality compliance. The only two common performance areas to generate net outperformance payments were leakage and water asset health.

<sup>1</sup> Figure includes both payments made in-period and those accrued to be applied at end of 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](#)', November 2021, and our in-period determinations '[Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22](#)', November 2022, p8.

<sup>2</sup> The payments shown in the graph are shown as a percentage of regulatory equity to account for companies' size.

<sup>3</sup> 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.



We updated this document on 15 March 2023. The amendments are shown in red and underlined.

Company	Score	
Anglian Water	80.43	
Dŵr Cymru	82.93	
Hafren Dyfrdwy	78.78	
Northumbrian Water	84.46	
Severn Trent Water	80.61	
South West Water	78.48	
Southern Water	72.00	
Thames Water	68.86	
United Utilities	82.01	
Wessex Water	84.82	
Yorkshire Water	80.41	
Affinity Water	76.57	
Bristol Water	82.86	
Portsmouth Water	83.76	
South East Water	76.59	
South Staffs Water	83.38	
SES Water	76.35	
<b>Median</b>	<b>80.43</b>	

### Categorisation of performance

●	Top performer <sup>1</sup>
■	At or better than median
■	Poorer than median

In 2021-22 there was a disappointing fall in customer satisfaction, with only one company improving its C-Mex<sup>2</sup> score from the previous year. Companies should be taking steps to improve immediately, learning from other sectors to resolve customer issues quickly and accurately.

**South Staffs Water** was the only company that improved on its score from 2020-21. The overall ranking of companies has not changed substantially – the bottom seven companies and the top three companies remain the same<sup>3</sup>.

**Wessex Water**, **Northumbrian Water** and **Portsmouth Water** remain at the top of the table, despite all experiencing a drop in their C-MeX score since 2020-21. In 2021-22 these companies identified their success in this measure as being due to ‘getting it right first time’ and providing a reliable service.

**Thames Water** and **Southern Water** are still the worst performers and have incurred underperformance payments of £16 million and £4.2 million, respectively.

Customer satisfaction in the water sector is also monitored by the UK Customer Satisfaction Index (UKCSI)<sup>4</sup>. In July 2022 the UK Power Networks topped the rankings for the UKCSI<sup>5</sup>, indicating what can be achieved by a monopoly utility. Research carried out earlier in the year on customer experiences of sewer flooding<sup>6</sup> highlighted several shortcomings in the support that companies offered to customers, with many experiencing difficulties and delays. Companies need to redouble efforts to compete with the highest performing sectors on customer service.

In 2022 we launched our work with the sector to develop a customer-focused licence condition. The aim of this new licence condition is to increase companies’ customer focus and incentivise the very best service for customers. To support the sector’s transformation, licences need to provide a clear regulatory basis in relation to how companies treat their customers, including those in vulnerable circumstances. You can find out more about the [customer-focused licence condition](#) on our website.

<sup>1</sup> Companies that achieved higher performance payments in 2021-22.

<sup>2</sup> Further detail can be found in the annual C-MeX report published by Accent, [C-MeX and D-MeX Final Report](#), September 2022.



<sup>3</sup> The C-MeX scores for 2021-22 can be found on the [C-MeX and D-MeX – 2021-22 results](#) page of the Ofwat website.

<sup>4</sup> The UK Customer Satisfaction Index (UKCSI) is a bi-annual measure of customer satisfaction. Using a representative sample of the UK population, it asks customers about their experience over the previous 3 months and gives each company an average score.

<sup>5</sup> The Institute of Customer Service, [UK Customer Satisfaction Index: The state of customer satisfaction in the UK](#), July 2022.

<sup>6</sup> The Consumer Council for Water, Ofwat, [Customer experiences of sewer flooding: A joint report by CCW and Ofwat](#), May 2022.

Company	Performance		
	Actual	Commitment	
	PSR Reach %		
Anglian Water	9.4	3.6	
Dŵr Cymru	8.1	5.0	
Hafren Dyfrdwy	4.2	2.5	
Northumbrian Water	3.5	8.2	
Severn Trent Water	5.7	5.2	
South West Water	5.8	3.0	
Southern Water	2.9	3.0	
Thames Water	5.0	4.0	
United Utilities	5.9	4.8	
Wessex Water	4.0	3.9	
Yorkshire Water	3.9	5.8	
Affinity Water	6.5	3.3	
Bristol Water	4.1	4.1	
Portsmouth Water	10.5	3.7	
South East Water	5.2	5.0	
South Staffs Water	8.7	6.6	
SES Water	5.6	4.4	
<b>Sector</b>	<b>5.7</b>		

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

There has been an increase in the number of customers recorded on companies' priority services registers. This means that more customers can be prioritised to receive extra help or services when they need them. However, research shows that customer awareness of additional services remains disappointingly low.

The table shows the percentage of households on each company's register and categorises the companies' performance on whether they have achieved all elements of the performance commitment.

Thirteen companies achieved all components of the performance commitment in 2021-22, compared to ten companies in 2020-21. Across the sector, the percentage of households on each company's register has increased from 3.8% to 5.7%.

In 2021-22 both **Yorkshire Water** and **Southern Water** failed to meet all elements of the performance commitment. **Portsmouth Water** and **Northumbrian Water** failed to meet one element of the performance commitment. **Northumbrian Water**, **Southern Water** and **Yorkshire Water** failed to achieve the required percentage of customers registered in both 2020-21 and 2021-22.

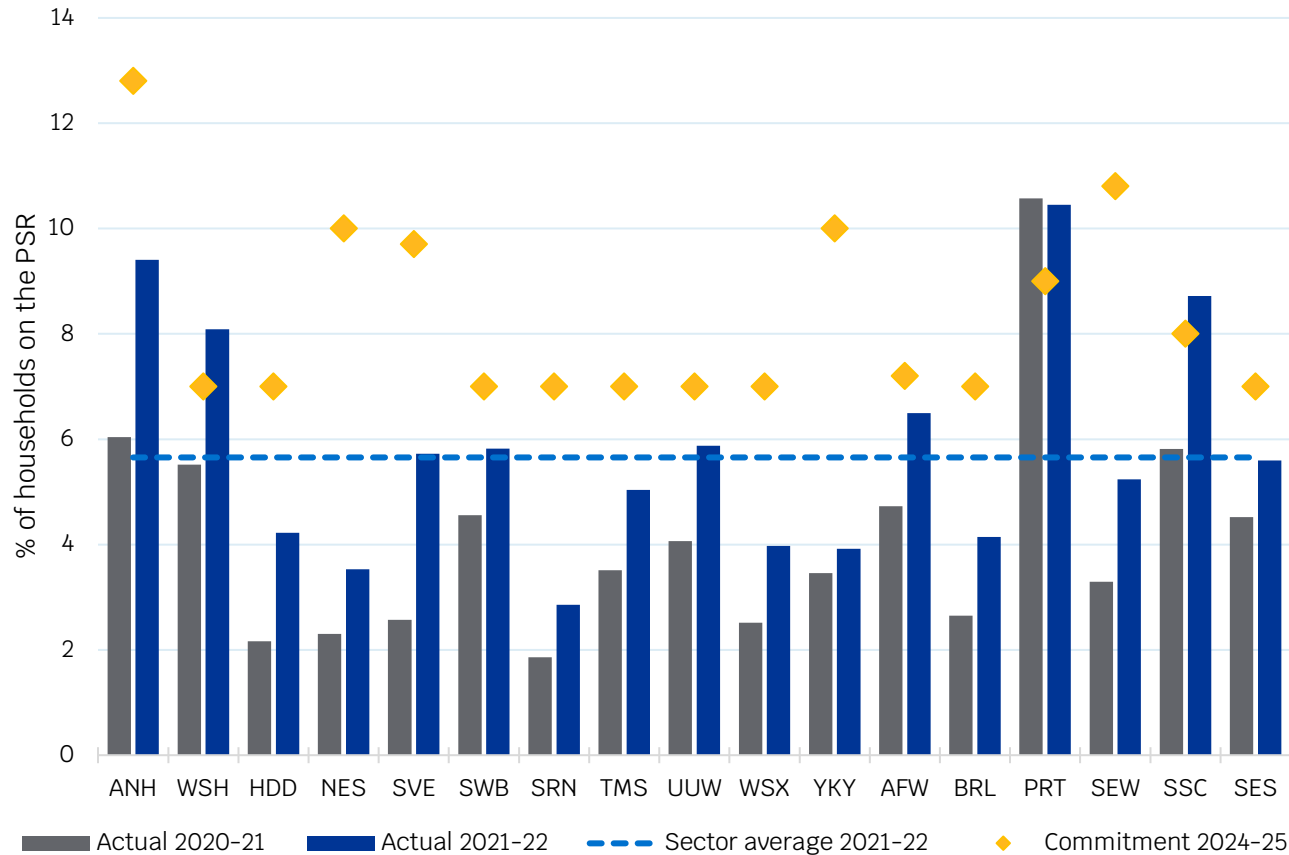
CCW's Water Mark 2021-22 assessment, released in October, highlights that customer awareness of additional services remains disappointingly low<sup>1</sup>. Companies should be working towards increased awareness to ensure that support services are visible to all customers and that those on the priority services register are getting the extra support needed.

Data sharing (for example: with energy companies, or local authorities) is playing an increasingly important role in companies' efforts to identify customers requiring extra support. We welcome companies' progress in this area. We encourage the sector to consider how data sharing can further improve customer support in the future, while also taking into account customer views around data protection and privacy (as evidenced in our 2022 Data Sharing Research Findings<sup>2</sup>).

<sup>1</sup> CCW, [The Water Mark 2022](#), October 2022.

<sup>2</sup> Ofwat, [Data sharing: research findings](#), July 2022.

% of households on the priority services register (PSR reach)



**Anglian Water** has committed to identifying the largest proportion of its customers in need of additional support by 2024-25 and has achieved around 73% of this at the end of 2021-22. **Affinity Water** has delivered 90% of its 2024-25 performance commitment level and **United Utilities** and **South West Water** have both delivered over 80% of their level.

Having failed to meet its performance commitment this year, **Northumbrian Water** is the furthest from its 2024-25 performance commitment level, with an additional 6.5 percentage point increase in its PSR reach needed. **Yorkshire Water** and **South East Water** need a 6.1 and 5.6 percentage point increase respectively.

**Dŵr Cymru**, **Portsmouth Water** and **South Staffs Water** currently exceed their 2024-25 performance commitment levels. We expect companies to maintain high standards of accuracy in growing and maintaining their registers. Companies should continue to challenge themselves to find the 'hardest to reach' customers who require additional support, as well as putting in place the right systems and processes to ensure that their commitments to customers can be met. For example, in the event of serious incidents and outages we expect companies to use their registers to ensure that any necessary customer support is targeted effectively.

Company	Performance (three-year average)		
	Actual	Commitment	
	% Reduction from baseline		
Anglian Water	-6.1%	-5.6%	●
Dŵr Cymru <sup>3</sup>	-5.2%	-4.2%	
Hafren Dyfrdwy <sup>3</sup>	-8.6%	-3.4%	
Northumbrian Water <sup>2</sup>	-0.1%; -3.2%	-3.0%; -3.7%	
Severn Trent Water <sup>4</sup>	-3.4%	-2.9%	
South West Water <sup>3</sup>	-6.0%	-6.0%	
Southern Water <sup>4</sup>	-5.0%	-6.0%	
Thames Water <sup>4</sup>	-10.2%	-10.2%	
United Utilities	-4.7%	-1.9%	
Wessex Water	-10.8%	-3.9%	
Yorkshire Water	-7.9%	-7.4%	
Affinity Water	-10.5%	-11.1%	
Bristol Water	-11.5%	-11.4%	●
Portsmouth Water	-12.0%	-6.2%	
South East Water	-3.3%	-0.4%	
South Staffs Water <sup>2,4</sup>	-5.8%; -13.5%	-4.2%; -5.1%	
SES Water <sup>3</sup>	-6.3%	-3.3%	
<b>Sector</b>	<b>-6.6%</b>		

We are encouraged to see progress in tackling leakage, with 14 companies meeting their performance commitment level in 2021-22. However, all companies need to do more.

Lower leakage means that more water is retained in the environment and less energy is used in treatment and distribution. With the effects of climate change and changes in demand, it is becoming more challenging to maintain a supply of water. It is therefore increasingly important that companies conserve water by addressing leakage. Water companies have committed to delivering a 50% reduction in leakage from the 2017-18 level by 2050. An 11% reduction has already been achieved and we will continue to monitor progress towards this target.

The leakage performance commitment level is measured as a three-year average reduction from a baseline in 2019-20. Companies also report annual leakage performance. **Anglian Water** and **Bristol Water** have the lowest leakage levels.<sup>4</sup> Whilst most companies met their three-year average performance commitment, some companies reported increases in annual leakage. **Severn Trent Water** and **Portsmouth Water** reported the largest annual increase in leakage of 7.3% and 14.2%, respectively, in 2021-22.

Companies reported that performance had been helped by the mild winter experienced in 2021-22, which led to fewer leaks in the network compared to colder years. This year, many companies are still benefitting from the large reductions delivered in 2019-20 and while the sector is on track to deliver a 16% reduction in leakage by the end of the period, it will be a bigger challenge for some companies than others. Although **Northumbrian Water** has reported an annual reduction in its leakage for 2021-22, one of its regions covering the North East of England<sup>2</sup> remains the furthest from its performance commitment level.

#### Categorisation of performance

●	Top performer <sup>1</sup>
■	At or better than performance commitment level
■	Poorer than performance commitment level

<sup>1</sup> Companies that achieve their performance commitment level and have the lowest leakage when normalised by both kilometres of water main and connected properties.

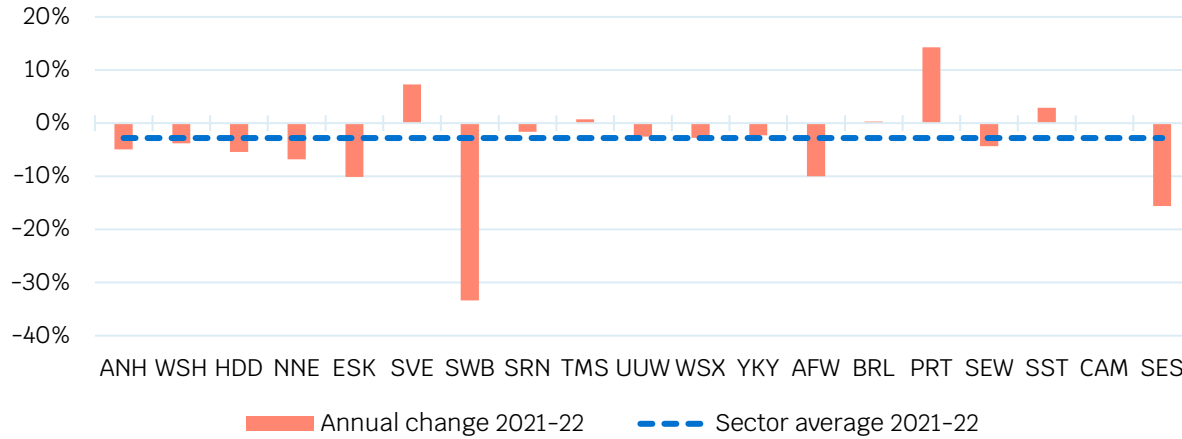
<sup>2</sup> Northumbrian Water and South Staffs Water have two performance commitments, one for each operating region. Northumbrian Water's performance in its Northern and Essex and Suffolk regions respectively is separated by a semi-colon, as is performance in South Staffs' South Staffordshire and Cambridge regions.

<sup>3</sup> We have identified several companies which were not fully compliant with the common performance commitment reporting guidance for leakage and per capita consumption. Work is ongoing to better understand methodological changes and their impact for a number of companies (South West Water, Hafren Dyfrdwy, Dŵr Cymru and SES Water).

<sup>4</sup> Severn Trent Water, South Staffs Water and Thames Water have restated the last 4 years of their leakage data and Southern Water has restated its 2020-21 leakage data. Companies report that these restatements result from improving compliance with the common methodology and improving the accuracy of the reported data.



% Change in annual leakage



## Annual leakage reduction

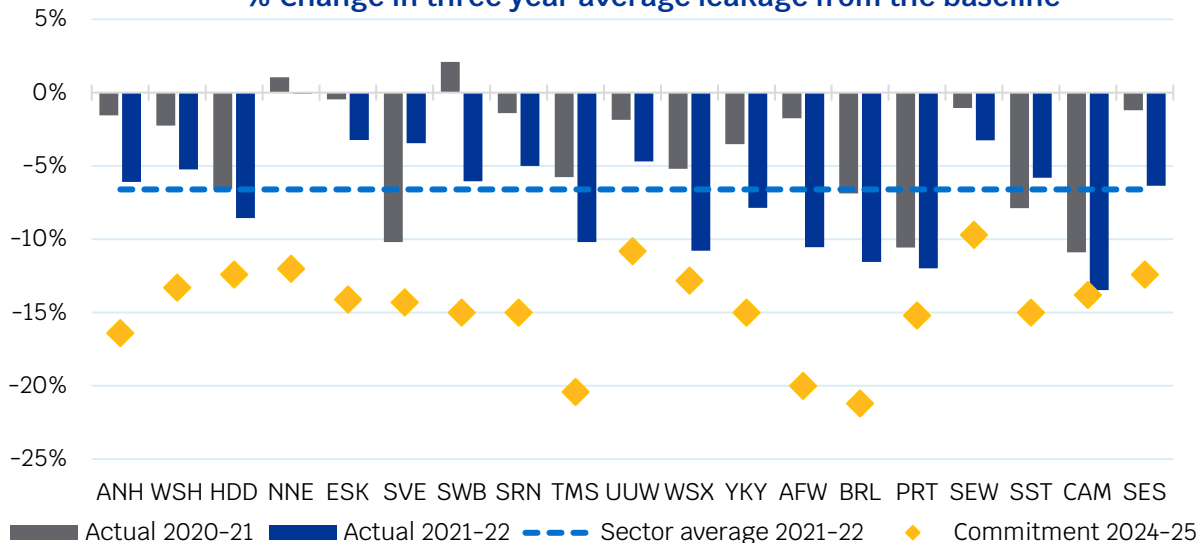
In 2021-22, the majority of companies reported reductions in annual leakage. Six of these companies – **Anglian Water**, **United Utilities**, **Wessex Water**, **Yorkshire Water**, **Affinity Water** and **South East Water** – reported reductions in leakage for the third consecutive year. Despite reporting a reduction, **Affinity Water** did not meet its performance commitment level.

Five companies – **Severn Trent Water**, **Thames Water**, **Bristol Water**, **Portsmouth Water** and **South Staffs Water** – have reported an annual increase in leakage. We expect these companies to take action to address this deterioration in performance. Some companies will need to deliver a large reduction in leakage next year to meet performance commitment levels.

## Three-year average leakage reduction

The graph compares performance in 2021-22 to the 2024-25 performance commitment level. The sector has so far achieved a 6.6% reduction in leakage from the 2019-20 baseline.

% Change in three year average leakage from the baseline



**Hafren Dyfrdwy**, **Wessex Water**, **Portsmouth Water** and **South Staffs Water (Cambridge region)** are close to achieving their 2024-25 performance commitment levels. However, a number of companies including, **Northumbrian Water**, **Thames Water**, **Severn Trent** and **Anglian Water** still have a long way to go to meet their 2024-25 performance commitment level.

Reducing leakage and consumption are key deliverables in companies' **water resources management plans (WRMPs)**. Companies must produce a WRMP every five years which shows how they will manage water resources in their region for the next 25 years. The reduction of demand combined with enhancement of water supplies ensures that the supply-demand balance is secure now and in the long term. Companies' progress delivering their WRMPs is reviewed annually and we, along with the Environment Agency and Defra, follow up with those companies that are not delivering in line with their plans.





Company	Performance (three-year average)		
	Actual	Commitment	
	Litres/Head/Day		
Anglian Water	138.7	131.4	
Dŵr Cymru	169.0	152.1	
Hafren Dyfrdwy	142.5	131.1	
Northumbrian Water	157.7	147.9	
Severn Trent Water <sup>2</sup>	132.2	125.4	
South West Water	142.1	142.6	
Southern Water <sup>2</sup>	133.6	125.4	
Thames Water <sup>2</sup>	147.5	142.6	
United Utilities	146.1	140.3	
Wessex Water	145.0	137.5	
Yorkshire Water	133.5	121.9	
Affinity Water	161.5	147.5	
Bristol Water	154.1	145.0	
Portsmouth Water	160.2	145.6	
South East Water	155.9	139.8	
South Staffs Water <sup>1,2</sup>	141.9 ; 139.5	128.0 ; 131.4	
SES Water	152.7	145.6	
<b>Sector</b>	<b>145.6</b>		

Most companies have reported a reduction in water use from 2020-21. However, annual per capita consumption remains above 2019-20 levels. We are concerned that companies are not placing enough importance on reducing household demand. Sixteen companies did not meet their performance commitment level for a second year and have provided little information on the steps they are taking to reduce per capita consumption.

Companies stated that due to the three-year average nature of this metric, they continue to be impacted by the increased household consumption reported in 2020-21 associated with restrictions introduced to combat Covid-19. Although all companies, except **South West Water**, reported a decrease in annual per capita consumption this year, the annual average for 15 companies remains higher than 2019-20 levels. We are concerned that companies provided limited information on the steps they are taking to reduce consumption, with some indicating that the decreases were principally due to customers returning to the workplace, rather than any action undertaken by them.

We reported last year that we will make decisions on performance payments for per capita consumption at the end of the 2020-25 period, once we, and the sector, better understand the impact on metrics of combatting the pandemic and any enduring effects. Our decision document<sup>4</sup> outlined several expectations for companies' annual reporting on per capita consumption and that the information provided in 2022 would be key to our approach to determining ODI payments at the end of period. As set out in our in-period determinations for 2021-22 we consider that companies should have the strongest possible incentives to deliver reductions in per capita consumption. As such, companies that don't meet their 2024-25 performance commitment levels should expect to incur underperformance payments.

Categorisation of performance	
●	Top performer <sup>3</sup>
■	At or better than performance commitment level
■	Poorer than performance commitment level

<sup>1</sup> South Staffs Water has two per capita consumption performance commitments, one for each of the company's operating regions. Performance in the South Staffordshire and Cambridge regions is separated by a semi-colon.

<sup>2</sup> Severn Trent Water, South Staffs Water and Thames Water have restated the last 4 years of their per capita consumption data and Southern Water has restated its 2020-21 data. Companies reported that the restatements result from improving compliance with the common methodology, improving the accuracy of the reported data.

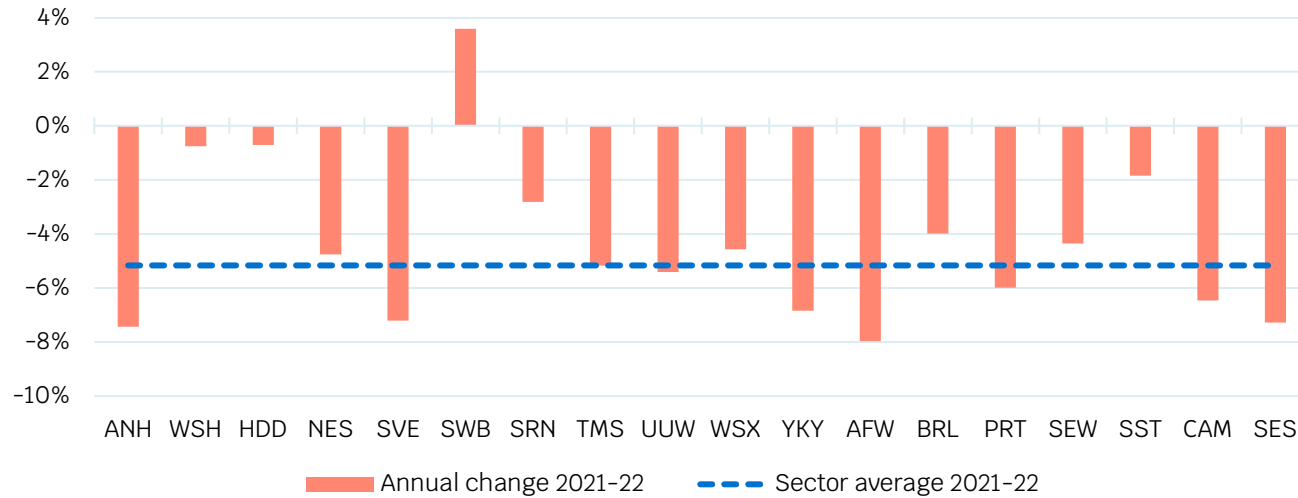
<sup>3</sup> Companies that achieve their performance commitment level and are amongst the top 25% of performers.

<sup>4</sup> Ofwat, [Consultation on PCC ODI timing and determination – Our decision](#), November 2021.

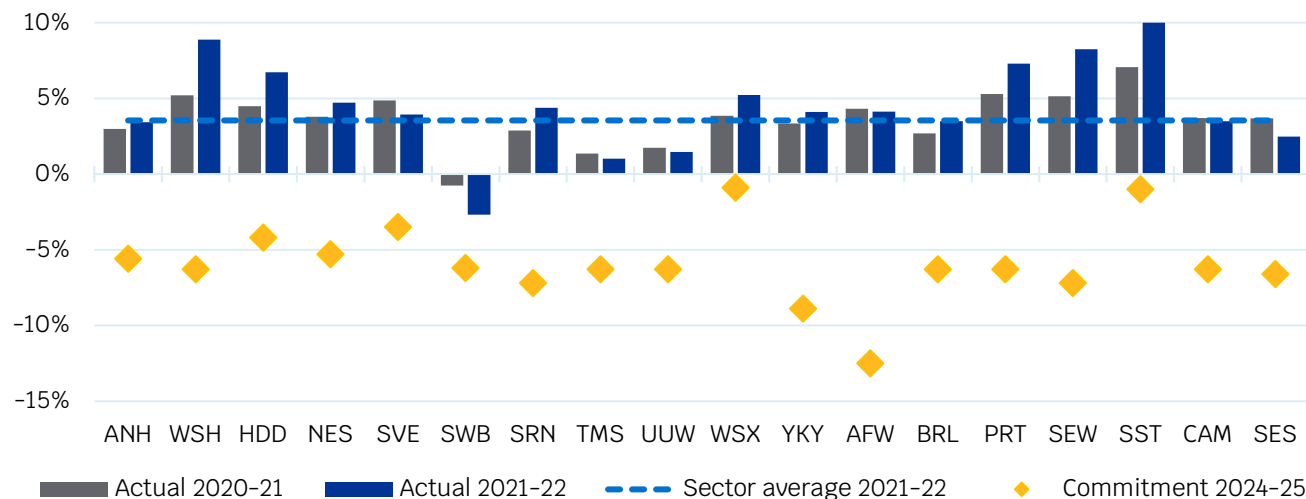
<sup>5</sup> Ofwat, [Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22](#), November 2022.



% Change in annual PCC



% Change in three year average per capita consumption from baseline



## Annual per capita consumption

Sector average annual per capita consumption has decreased by 5.2% in 2021-22. This is compared to an average increase of 8.8% seen in 2020-21.

In 2021-22 **South West Water**<sup>1</sup> was the only company that reported meeting the performance commitment level despite reporting that consumption had increased from the previous year.

**Affinity Water** has reported an annual reduction of 8%, the largest in the sector, which it attributes to home water efficiency visits where it installs water efficiency devices and its behavioral change campaign.

## Three-year average per capita consumption

Eleven companies are further from their 2024-25 performance commitment levels than they were in 2019-20. This is principally due to poor performance in 2020-21 and per capita consumption still not returning to 2019-20 levels for most companies (even if they have reported an annual reduction). Despite improvements this year **Affinity Water** needs to make the biggest reduction (16%) to meet its 2024-25 performance commitment level.

<sup>1</sup> We are engaging with South West Water in relation to changes to the company's methodology. This is to ensure that the restated values truly represent the most accurate record for each year between 2017-18 and 2021-22. Should any of this information be revised or restated in future years, we will take account of adjustments in making future in-period determinations.





Company	Performance		
	Actual	Commitment	
	Minutes/property		
Anglian Water	00:09:48	00:06:08	
Dŵr Cymru	00:16:12	00:06:08	
Hafren Dyfrdwy	00:37:28	00:06:08	
Northumbrian Water	00:11:45	00:06:08	
Severn Trent Water	00:12:39	00:06:08	
South West Water	00:13:40	00:06:08	
Southern Water	00:09:22	00:06:08	
Thames Water	00:11:03	00:06:08	
United Utilities	00:07:58	00:06:08	
Wessex Water	00:04:12	00:06:08	
Yorkshire Water	00:10:38	00:06:08	
Affinity Water	00:03:43	00:06:08	
Bristol Water	00:02:31	00:06:08	●
Portsmouth Water	00:02:21	00:06:08	●
South East Water	01:12:33	00:06:08	
South Staffs Water	00:03:15	00:06:08	●
SES Water	00:02:58	00:06:08	●

### Categorisation of performance

●	Top performer <sup>2</sup>
■	At or better than performance commitment level
■	Poorer than performance commitment level

Six companies met the water supply interruptions performance commitment level in 2021-22. Some companies continue to report good performance. There is a wide variation in performance across companies.

Water supply interruptions are caused primarily by large mains bursts. Six companies achieved the performance commitment level in 2021-22 – **Wessex Water, Affinity Water, Bristol Water, Portsmouth Water, South Staffs Water** and **SES Water**. The latter four companies are identified as top performers.

**Portsmouth Water** and **South Staffs Water** are top performers for the second year in a row. **Wessex Water** and **Affinity Water** have also outperformed the performance commitment level for the second year.

**Affinity Water, Bristol Water** and **Portsmouth Water** attribute their good performance in supply interruptions to their response and management of events. **Affinity Water** and **Bristol Water** point to their prioritisation of water supply over repairs and their increased use of pressure loggers.

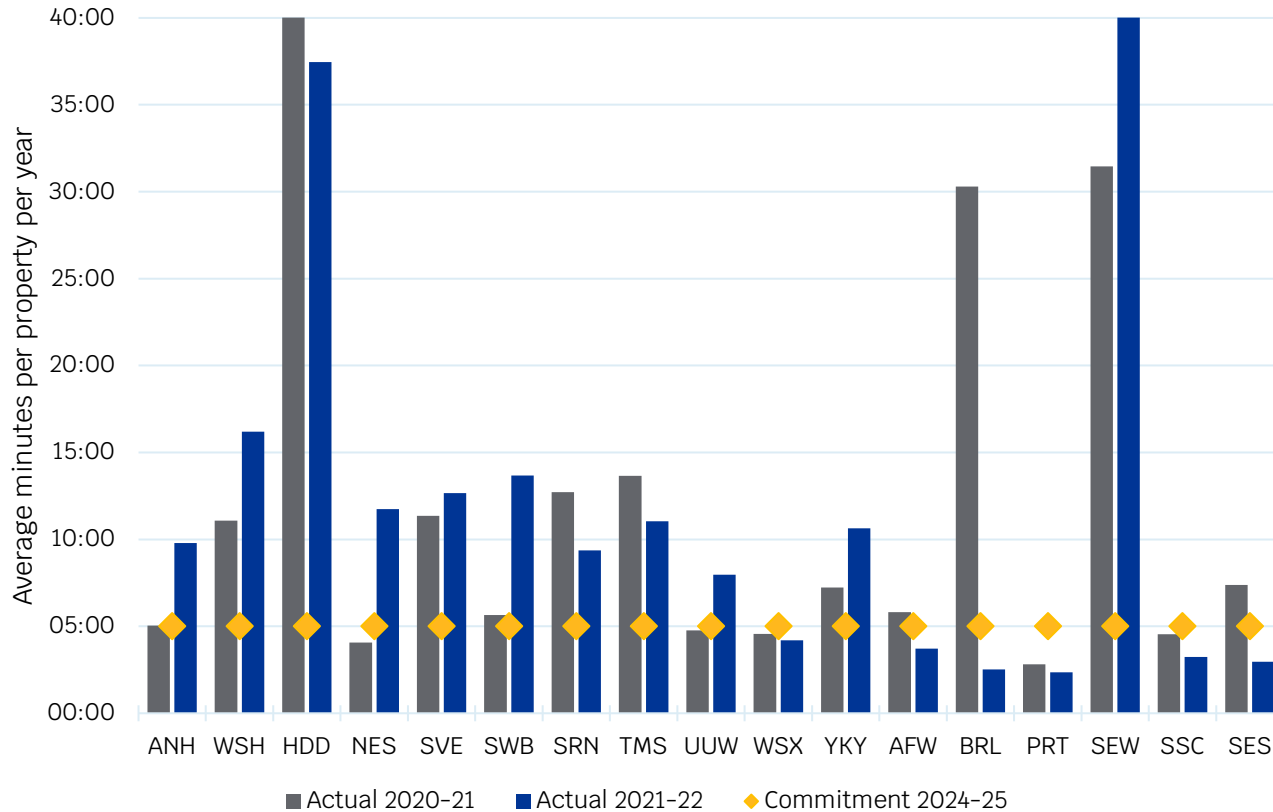
Eleven companies did not achieve the performance commitment level for supply interruptions. **Hafren Dyfrdwy** and **South East Water** experienced the longest interruptions to supply in the sector for a consecutive year, followed by **Dŵr Cymru**. **Dŵr Cymru, Northumbrian Water, Thames Water**, and **United Utilities** all report that major bursts contributed significantly to their performance. Six companies – **Hafren Dyfrdwy, Northumbrian Water, South East Water, Thames Water, United Utilities** and **Yorkshire Water** – cite power outages caused by the storms of late 2021 and early 2022 as being the primary factor contributing to performance<sup>1</sup>. **South West Water** cite impact due to an interruption caused by a third party as a primary contributing factor to performance.

While there are examples of good performance in this area, performance can vary significantly year-on-year. It is important that all companies are prepared for events, with effective planning, response, linked-up communication with customers and payment of compensation.

<sup>1</sup> In our [In-period determinations for 2021-22](#), November 2022, some companies asked for the impact of the various storms which hit England and Wales in late 2021 and early 2022 and third party damage to be excluded from ODI payments. A summary of our decisions on these is available in the '[Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22](#)', November 2022, with additional detail in the company specific appendices. The performance figures in this report are consistent with the final determination.

<sup>2</sup> Companies that achieve their performance commitment level and are amongst the top 25% of performers.

Supply interruptions (greater than or equal to 3 hours)<sup>1,2</sup>





Companies have a common performance commitment level to reduce water supply interruptions to five minutes per property per year by 2024-25. The annual performance commitment level gets progressively more challenging throughout the 2020-25 period. The graph compares performance in 2021-22 to the 2024-25 performance commitment level.

In 2021-22 the upper quartile of performance continued to improve, with six companies – **Affinity Water**, **Bristol Water**, **Portsmouth Water**, **SES Water**, **South Staffs Water** and **Wessex Water** – already achieving the 2024-25 performance commitment level.

<sup>1,2</sup> 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 levels. The actual performance in 2020-21 of Hafren Dyfrdwy was 01:08:31, and of South East Water was 01:12:33.

Company	Performance		
	Actual	Deadband <sup>1</sup>	
	Score		
Anglian Water	4.05	2.00	
Dŵr Cymru	9.77	2.00	
Hafren Dyfrdwy	0.16	2.00	
Northumbrian Water	6.36	2.00	
Severn Trent Water	2.43	2.00	
South West Water	3.86	2.00	
Southern Water	6.69	2.00	
Thames Water	2.59	2.00	
United Utilities	3.02	2.00	
Wessex Water	0.37	2.00	
Yorkshire Water	4.76	2.00	
Affinity Water	0.87	2.00	
Bristol Water	4.19	2.00	
Portsmouth Water	3.74	2.00	
South East Water	1.21	2.00	
South Staffs Water	0.91	2.00	
SES Water	0.00	2.00	
<b>Sector</b>	<b>3.23</b>		

### Categorisation of performance

	At or better than deadband
	Poorer than deadband

The quality of drinking water in England and Wales remains excellent (99.97%<sup>2</sup> and 99.98%<sup>3</sup>, measured compliance respectively). The Compliance Risk Index (CRI) measures the risk of companies not meeting the requirements of drinking water quality regulations and is regulated by the Drinking Water Inspectorate. The performance of 11 companies has deteriorated in 2021, leading to an increase in the sector average CRI score from the previous year.

To perform well in this metric, it is essential that companies monitor, manage and respond to risks which might cause a drinking water quality failure. A higher score indicates that companies are not doing this effectively. Six companies met the performance commitment deadband and **Hafren Dyfrdwy**, **Wessex Water**, **Affinity Water** and **South Staffs Water** achieved this for the second year of this reporting period (2020-25).

**Dŵr Cymru**, **Southern Water** and **Northumbrian Water** are the worst performing companies for the second year in a row.

Companies must respond and take corrective action for each failure experienced, and these are reviewed by the Drinking Water Inspectorate on an on-going basis. The Drinking Water Inspectorate has responded to company failures and where progress is not evident the Drinking Water Inspectorate will consider an escalation of enforcement action.

We continue to work closely with the Drinking Water Inspectorate to monitor companies' performance on this metric and review whether further action by Ofwat may be needed.

<sup>1</sup> The performance commitment level for Compliance Risk Index is 0.00 which reflects statutory requirements to supply drinking water that is compliant with quality standards. While drinking water quality is extremely high, we use the performance commitment deadband as the target for this assessment to allow for some fluctuation of performance within which no underperformance payments are applicable.

<sup>2</sup> The Drinking Water Inspectorate, [The Chief Inspector's report for drinking water in England](#), August 2022.

<sup>3</sup> The Drinking Water Inspectorate, [The Chief Inspector's report for drinking water in Wales](#), August 2022.

Company	Performance		
	Actual	Commitment	
	Repairs/1,000 km of main		
Anglian Water	122.2	138.1	
Dŵr Cymru	136.6	137.0	
Hafren Dyfrdwy	110.9	118.9	
Northumbrian Water	110.9	137.1	
Severn Trent Water	100.0	121.8	
South West Water	111.4	147.0	
Southern Water	101.5	118.3	
Thames Water	223.3	262.2	
United Utilities	96.0	118.2	
Wessex Water	147.1	159.1	
Yorkshire Water	169.8	183.6	
Affinity Water	100.2	148.6	
Bristol Water	106.4	136.5	
Portsmouth Water	47.3	72.4	
South East Water	129.3	171.5	
South Staffs Water	109.6	127.8	
SES Water	57.9	64.6	
<b>Sector</b>	<b>114.9</b>		

### Categorisation of performance

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

All companies met their mains repairs and unplanned outage performance commitment levels. This is an improvement from last year, when 10 companies failed their mains repairs performance commitment level. All companies met their unplanned outage performance commitment levels for the second year in a row.

All companies except **Hafren Dyfrdwy** reported fewer mains repairs from 2020-21. Companies reported that the mild winter of 2021 contributed towards good performance.

Although **Thames Water** met its performance commitment level, its performance on mains repairs is much worse than the rest of the sector.

For a consecutive year, all 17 companies achieved their unplanned outage performance commitment<sup>1</sup>. Eight companies – **Dŵr Cymru**, **Hafren Dyfrdwy**, **Northumbrian Water**, **South West Water**, **Southern Water**, **Yorkshire Water**, **Affinity Water** and **Portsmouth Water** – have also reported an improvement in unplanned outage performance from 2020-21.

### Asset health

Mains repairs and unplanned outage are two common performance commitments we use to assess asset health performance of companies' water 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	1.72	2.34	
Dŵr Cymru	0.55	2.34	
Hafren Dyfrdwy	0.01	2.34	
Northumbrian Water	4.57	5.36	
Severn Trent Water	1.27	2.34	
South West Water	0.96	2.34	
Southern Water	7.19	9.11	
Thames Water	2.24	5.09	
United Utilities	2.07	3.26	
Wessex Water	1.59	2.34	
Yorkshire Water	3.82	4.42	
Affinity Water	1.19	2.34	
Bristol Water	1.74	2.34	
Portsmouth Water	0.76	2.34	
South East Water	3.51	3.76	
South Staffs Water	0.90	2.34	
SES Water	1.36	2.34	
<b>Sector</b>	<b>2.26</b>		

<sup>1</sup> In our [In-period determinations for 2021-22](#) some companies asked for the impact of the various storms which hit England and Wales in late 2021 and early 2022 to be excluded from ODI payments. A summary of our decisions on these is available in the document '[Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22](#)', November 2022, with additional detail in the company specific appendices. The performance figures in this report are consistent with the final determination.



Company	Performance		
	Actual	Commitment	
	(Incidents per 10,000 sewer connections)		
Anglian Water	1.73	1.63	
Dŵr Cymru	1.36	1.63	●
Hafren Dyfrdwy	2.34	1.63	
Northumbrian Water	1.84	1.63	
Severn Trent Water	1.61	1.63	
South West Water	0.76	1.63	●
Southern Water	3.04	1.63	
Thames Water	3.46 <sup>1</sup>	1.63	
United Utilities	2.98	1.63	
Wessex Water	1.43	1.63	
Yorkshire Water	2.83	1.63	
<b>Sector</b>	<b>2.43</b>		

### Categorisation of performance

●	Top performer <sup>2</sup>
■	At or better than performance commitment level
■	Poorer than performance commitment level

Internal sewer flooding performance commitment levels become increasingly challenging throughout the 2020-25 period. In 2021-22 the majority of companies improved their performance, although they failed to meet the performance commitment level. The overall sector level performance has deteriorated since 2020-21, due to the poor performance of Southern Water and Thames Water.

Only four companies achieved their internal sewer flooding performance commitment levels for 2021-22 - **Severn Trent Water**, **Wessex Water**, **Dŵr Cymru** and **South West Water** and we identify the latter two companies as top performers. **Dŵr Cymru** and **South West Water** have reported reductions of 34% and 43% respectively this year.

**Hafren Dyfrdwy**, **Northumbrian Water**, **United Utilities** and **Yorkshire Water** reported improvements in performance from 2020-21 despite failing to achieve the committed level. Some companies with poor performance acknowledge that it may take them a number of years to achieve the target.

**Southern Water** and **Thames Water** reported a significant deterioration in performance, with increases of 55% and 50%, respectively. These companies need to demonstrate how they will improve performance.

Based on research<sup>3</sup> undertaken earlier this year we also expect companies to improve the way they communicate with and support those customers who experience a sewer flooding incident (see below).

In May 2022, Ofwat and CCW (the voice for water consumers) published joint research findings on customer experiences of sewer flooding.<sup>3</sup> This found that experiencing an internal sewer flooding incident is not only damaging to your property, but can have a negative psychological and emotional impact. The process for resolving issues with wastewater companies is often complex, with many customers experiencing difficulties and delays. The report sets out a range of steps that companies can implement immediately and we expect water companies to review the findings from this research and make improvements. We will look to repeat this research in the future to monitor how companies are progressing.

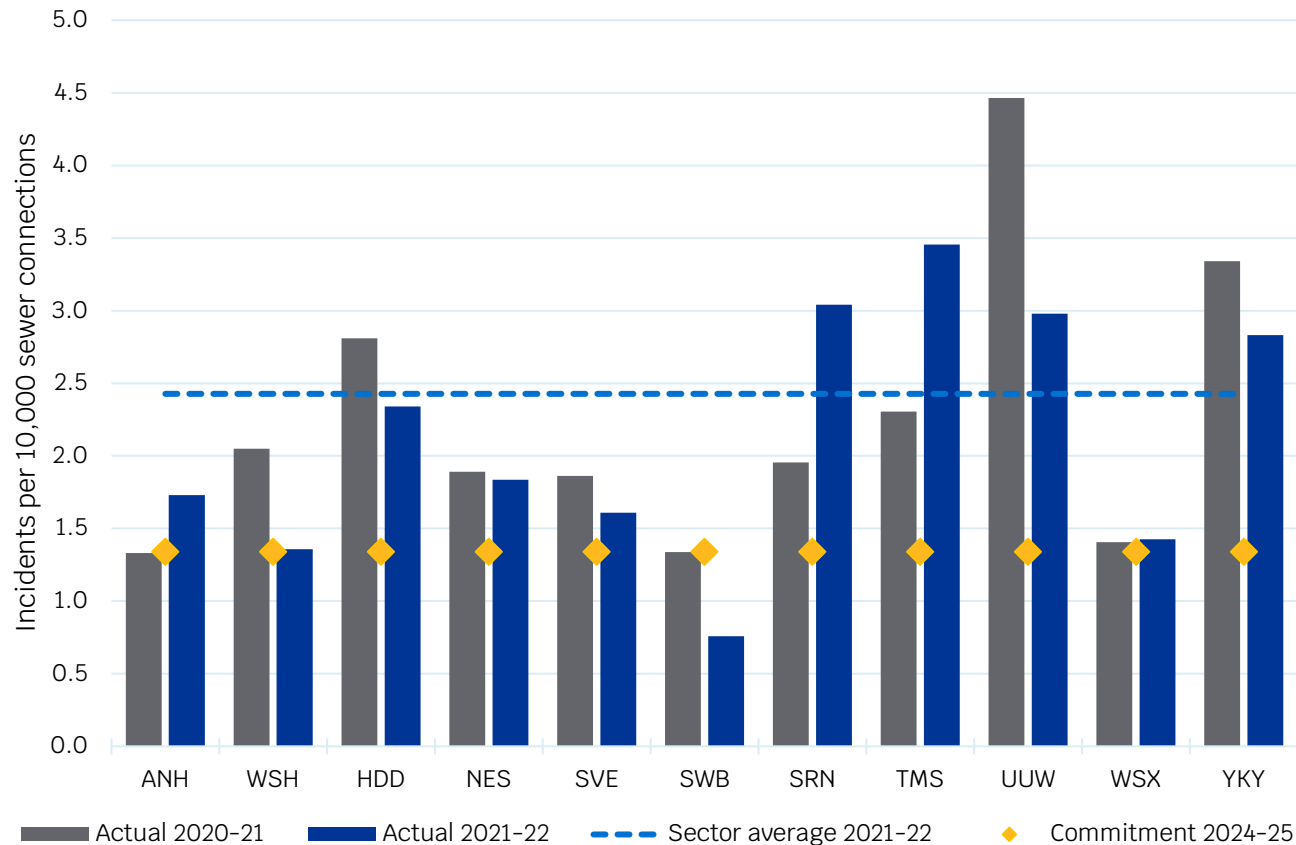
We will also be considering how the new customer-focused licence condition (explained on page 10) could support improvements in how companies respond to internal sewer flooding incidents.

<sup>1</sup> Thames Water estimates that the number of customers affected by sewer flooding during storms in July may be higher than reported. It is currently working to identify customers who may have been impacted to update the 2021-22 figure.

<sup>2</sup> Companies that achieve their performance commitment level and are in the top 25% of performers.

<sup>3</sup> Ofwat, CCW, [Customer experiences of sewer flooding: A joint report by CCW and Ofwat](#), May 2022.

## Internal sewer flooding incidents



Companies have a common performance commitment level to reduce internal sewer flooding to 1.34 incidents per 10,000 properties by 2024-25. The graph compares performance in 2020-21 and 2021-22 to that performance commitment level. For the second year in a row, **South West Water** has outperformed the 2024-25 performance commitment level.

**Southern Water** and **Thames Water** are required to deliver 56% and 61% reductions, respectively, in internal sewer flooding incidents to meet their 2024-25 performance commitment levels.

Companies have a duty to provide and maintain a sewerage system and should plan and invest to ensure they can cope with future pressures such as population growth and climate change. Some companies consider that storms and prolonged rainfall throughout 2021-22 contributed to an increase in the number of incidents they experienced. It is likely that with the impacts of climate change, the UK will continue to experience extreme weather events.

The new industry-led Drainage Wastewater Management Plans (DWMPs) provide a consistent, structured and collaborative long-term planning approach to ensure the resilience of wastewater systems and drainage networks against future pressures. We recently provided our consultation response<sup>1</sup> to the draft plans which reiterated our expectations for final DWMPs in spring 2023. We will continue to engage and collaborate with the sector over the next year to ensure that we achieve the best outcome for the environment and customers.

<sup>1</sup> Ofwat, [Letter to water companies – Ofwat’s industry overview of draft drainage and wastewater management plans 2022](#), October 2022.

Company	Performance		
	Actual (incidents / 10,000 km of sewer)	Commitment	
Anglian Water	33.75	23.74	
Dŵr Cymru	22.90	23.74	
Hafren Dyfrdwy	39.84	137.00 <sup>1</sup>	
Northumbrian Water	22.98	23.74	
Severn Trent Water	21.81	23.74	
South West Water	86.58	23.74	
Southern Water	93.63	23.74	
Thames Water	24.87	23.74	
United Utilities	17.71	23.70	●
Wessex Water	20.60	23.74	
Yorkshire Water	27.36	23.74	
<b>Sector</b>	<b>31.05</b>		

### Categorisation of performance

●	Top performer <sup>2</sup>
	At or better than performance commitment level
	Poorer than performance commitment level

There has been a two percent reduction in total category 1-3 pollution incidents in 2021-22. This small improvement is disappointing. The largest improvements have been reported by some of the poorer performing companies. The Environment Agency notes that the number of pollution incidents has not significantly improved for a number of years. In addition to this, serious pollution incidents increased significantly to the highest total since 2013.

Just over half of companies reported meeting their pollution incidents performance commitment level. This is the same number of companies as last year.

Companies urgently need to improve their performance on this measure. There are cases of sustained poor performance over a number of years such as **South West Water**. Companies that lag behind need to set out the actions and investment they are undertaking to improve performance and demonstrate how they will achieve their performance commitment levels.

The Environment Agency is placing greater emphasis on the root causes of pollution incidents to make sure that company action plans are targeted and effective, and they will continue to review companies' pollution incidents reduction plans (PIRPs), ensuring their actions are delivered to understand and reduce risks of pollution incidents.

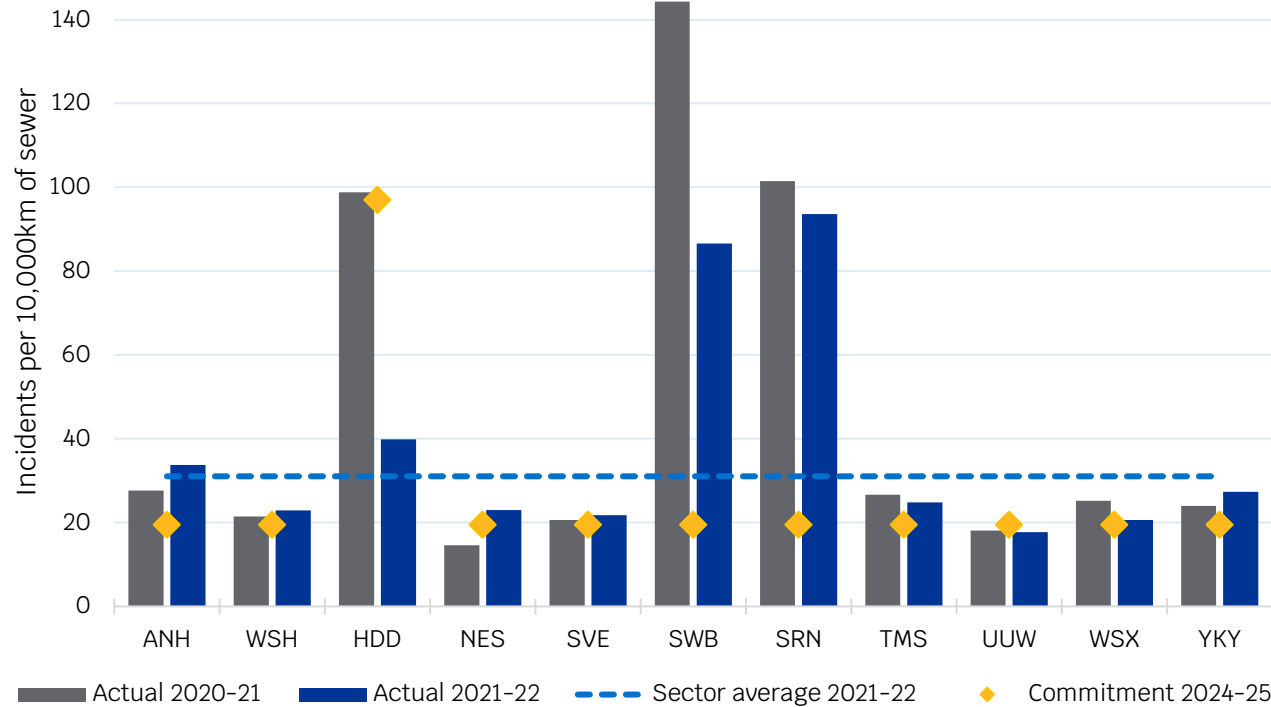
Companies that reported improvements attributed this to increased monitoring and digitisation of their sewer networks. Companies report that new technology emerging in this area is helping companies predict and identify issues as they arise, enabling them to prevent incidents from occurring and to respond more quickly if they do. It is important that companies are doing everything they can to capture an accurate picture of their pollution incidents and use this to help drive improvements. We will continue to scrutinise company data and reported performance to ensure this is the case.

<sup>1</sup> 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.

<sup>2</sup> 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 Environment Agency's [Environmental Performance Assessment 2021](#), July 2022.



Pollution incidents (category 1-3)



The graph shows companies' pollution incidents performance during 2021-22 in comparison to their 2024-25 performance commitment level. **Hafren Dyfrdwy** and **United Utilities** report performance which is already below their respective 2024-25 performance commitment levels.

**South West Water** and **Southern Water** report improvements in 2021, however they will need to deliver further significant improvements to achieve their 2024-25 performance commitment level.

### Environmental Performance Assessment

An annual assessment of water and wastewater companies in England is carried out by the **Environment Agency** in its Environmental Performance Assessment (EPA)<sup>1</sup> and in Wales by **Natural Resources Wales** in its Annual Environmental Performance Reports<sup>2</sup>.

In 2021, performance across companies was much worse than 2020 with only three companies achieving the highest rating of four stars – **Northumbrian Water**, **Severn Trent Water** and **United Utilities**.

**Anglian Water**, **Southern Water**, **South West Water**, **Thames Water**, **Wessex Water** and **Yorkshire Water** were all significantly below target on the number of serious pollution incidents and all of these companies achieved one or two star ratings.

<sup>1</sup> The Environment Agency, [Water and sewerage companies in England: environmental performance report 2021](#), July 2022.

<sup>2</sup> Natural Resources Wales, [Annual environmental performance report for Dŵr Cymru Welsh Water 2021](#), July 2022.



Company	Performance		
	Actual	Deadband <sup>1</sup>	
	(% compliance)		
Anglian Water	98.22	99.00	
Dŵr Cymru	98.32	99.00	
Hafren Dyfrdwy	97.87	97.90	
Northumbrian Water	98.03	99.00	
Severn Trent Water	99.33	99.00	
South West Water	97.46	99.00	
Southern Water	97.94	99.00	
Thames Water	98.96	99.00	
United Utilities	98.98	99.00	
Wessex Water	100.00	99.00	
Yorkshire Water	99.03	99.00	
<b>Sector</b>	<b>98.65</b>		

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

**Asset health** is a measure of the condition of an asset. Sewer collapses and treatment works compliance are two common performance commitments we use to assess asset health performance. 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.

Treatment works compliance has deteriorated in 2021-22, with only three companies achieving 99% compliance<sup>1</sup>. This compares to 10 companies in the previous year. We expect companies to be maintaining a high-level of compliance in order to protect the environment.

Average treatment works compliance has fallen by 0.6% since last year, with eight companies failing to meet their performance commitment deadband. This is significantly worse than last year, when 10 of the 11 companies met the 99% deadband.

**Severn Trent Water**, **Wessex Water** and **Yorkshire Water** have maintained their performance, remaining above 99% for a consecutive year. **Wessex Water** is the only company to achieve 100% compliance. In Wales, **Hafren Dyfrdwy**<sup>2</sup> failed to maintain its track record of achieving 100% compliance for the first time since 2018. **Dŵr Cymru**<sup>3</sup> failed to maintain last years improved performance. **South West Water** reported the lowest compliance in 2021-22.

Companies should be managing their assets in a way which enables them to achieve 100% compliance. The Environment Agency is increasing inspections of sewage treatment works in addition to ensuring that event duration monitors are installed on all relevant sites with the data being made publicly available. We continue to work with the Environment Agency on our respective investigations into the operation and management of companies' sewage treatment works<sup>4</sup>.

In England, the Environment Agency expressed concern that water treatment works compliance has declined and continues to be far lower than compliance at wastewater treatment works. In 2021<sup>5</sup> **Wessex Water** and **Yorkshire Water** were the only companies to achieve 100% compliance at water treatment works.

<sup>1</sup> 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 as the target for this assessment to allow for some fluctuation in performance within which companies do not incur underperformance payments.  
<sup>2</sup> Natural Resources Wales, Annual environmental performance reports for **Dŵr Cymru** and **Hafren Dyfrdwy** 2021, July 2022.  
<sup>3</sup> Natural Resources Wales, [Annual environmental performance report for Dŵr Cymru for 2021](#), July 2022.  
<sup>4</sup> Our investigation into all wastewater companies is focussed on how they operate, manage and report the performance of their sewage treatment works. The Treatment works compliance performance commitment measures some but not all aspects of compliance at treatment works with the discharge permits issued by the Environment Agency. Further details of the metric definition can be found in the [Environmental Performance Assessment \(EPA\) methodology \(version 9\) for 2021 to 2025](#), May 2021.  
<sup>5</sup> The Environment Agency, [Water and sewerage companies in England: environmental performance report for 2021](#), July 2022.



Company	Performance		
	Actual	Commitment	
	(Collapses per 1,000 km of sewer)		
Anglian Water	5.57	5.60	■
Dŵr Cymru	6.71	7.20	■
Hafren Dyfrdwy	22.36	5.37	■
Northumbrian Water	8.71	10.06	■
Severn Trent Water	7.42	8.00	■
South West Water	6.75	16.27	■
Southern Water	7.87	5.64	■
Thames Water	3.78	4.00	■
United Utilities	13.70	14.90	■
Wessex Water	5.91	6.33	■
Yorkshire Water	11.71	17.55	■
<b>Sector</b>	<b>7.69</b>		

### Categorisation of performance

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

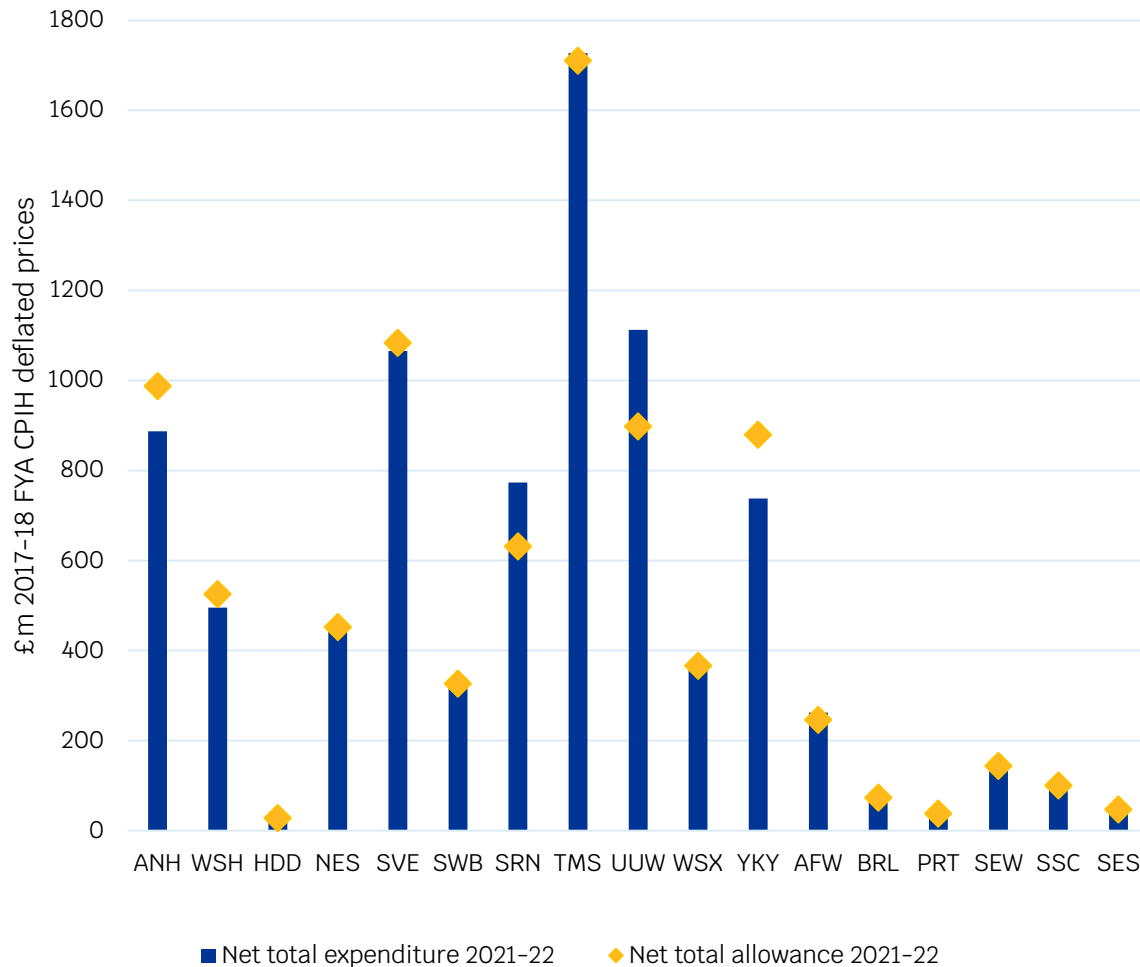
The majority of companies met their performance commitment level for sewer collapses in 2021-22, with a sector-wide reduction of 11% from the previous year. Hafren Dyfrdwy and Southern Water missed their performance commitment levels for a second year.

Companies attribute good performance in this area to increased investment.

**Southern Water** reported an improvement in performance in 2021-22, but still failed to meet the commitment level.

**Hafren Dyfrdwy** did not meet its performance commitment level and reported a 36.9% increase in sewer collapses since 2020-21. To address performance, **Hafren Dyfrdwy** reports it is undertaking sewer cleansing and an assessment of the network to identify any areas that may require renewal.

Variations from wholesale cost allowances (before timing adjustments)



In 2021-22, eight companies overspent on their combined water and wastewater allowances, compared to nine companies in 2020-21.

To ensure that companies are incentivised to deliver services at an efficient cost, we set companies’ cost allowances. Allowances are set across a five-year period with the current period running from 2020 to 2025. Across that five-year period, companies may reprofile their expenditure without incurring a cost. For example, they may decide to defer an investment in a treatment works to the following year and so spend less than their water allowance that year.

Cost allowances are made up of **base costs** and **enhancement costs**. Base cost allowances are 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 2021-22 companies have generally overspent their base allowances and underspent their enhancement allowances. Companies mentioned energy and chemical input price pressures as a reason for higher base expenditure, and delays in their enhancement programmes are attributed for lower enhancement expenditure. On page 34, we show how much companies have spent on enhancement in the first two years of this price control (2020-25), compared to their allowances.

**Wessex Water** and **South Staffs Water** have spent below their combined water and wastewater allowances for a consecutive year, as well as seeing an improvement in the percentage of their common performance commitments that are being met.

We expect companies to be delivering on their commitments to customers. In particular, we expect companies to get their enhancement programme back on track and deliver the funded improvements to benefit customers and the environment.



Company	Performance		Variance	
	Expenditure	Allowance	Total	Excluding timing of expenditure
	£m (2017-18 FYA CPIH deflated prices)			
Anglian Water	401	407	-1%	2%
Dŵr Cymru	254	264	-4%	3%
Hafren Dyfrdwy	24	23	7%	14%
Northumbrian Water	266	272	-2%	3%
Severn Trent Water	550	483	14%	14%
South West Water	155	147	6%	1%
Southern Water	252	181	39%	30%
Thames Water	874	802	9%	0%
United Utilities	495	394	26%	5%
Wessex Water	119	96	23%	-4%
Yorkshire Water	345	315	10%	5%
Affinity Water	262	246	7%	5%
Bristol Water	74	73	2%	7%
Portsmouth Water	31	38	-18%	-11%
South East Water	141	144	-2%	0%
South Staffs Water	90	100	-10%	-1%
SES Water	49	47	4%	7%
<b>Total</b>	<b>4382</b>	<b>4033</b>	<b>9%</b>	<b>5%</b>

## Categorisation of performance

- Expenditure at or below allowance
- Expenditure greater than allowance

Companies' total expenditure on wholesale water exceeded cost allowances by 9% on average in 2021-22, which is higher than in 2020-21 when it was 6%.

The table shows companies' expenditure in wholesale water in 2021-22 against cost allowances. Negative variances indicate a company has spent less than its allowance. Positive variances indicate a company has spent more than its allowance. We have categorised companies' performance after excluding the impact of any expenditure brought forward from, or pushed back to, later years of the price control.

Where companies have overspent against their allowance, they report increased power, chemical and bulk supply costs. Companies report increased investment to improve performance, most notably in the area of leakage. Some companies report a rise in spending on developer services due to increased activity.

Once the impact of timing of expenditure is excluded, thirteen companies have incurred costs that are in excess of allowances. Four companies spent in-line with or below our view of efficient expenditure, with **Portsmouth Water** spending less than its allowance by around 11%. All companies that have met their wholesale water allowance this year, also met their allowance last year. **Hafren Dyfrdwy, Severn Trent Water** and **Southern Water** have reported the highest overspend in the sector for a second year.

Company	Performance		Variance	
	Expenditure	Allowance	Total	Excluding timing of expenditure
	£m (2017-18 FYA CPIH deflated prices)			
Anglian Water	486	580	-16%	-2%
Dŵr Cymru	241	261	-8%	3%
Hafren Dyfrdwy	6	5	22%	22%
Northumbrian Water	177	180	-1%	11%
Severn Trent Water	515	600	-14%	-6%
South West Water	178	180	-1%	-9%
Southern Water	522	450	16%	12%
Thames Water	854	908	-6%	0%
United Utilities	617	503	23%	10%
Wessex Water	244	270	-10%	-2%
Yorkshire Water	393	564	-30%	4%
<b>Total</b>	<b>4233</b>	<b>4501</b>	<b>-6%</b>	<b>2%</b>

### Categorisation of performance

- Expenditure at or below allowance
- Expenditure greater than allowance

Companies have reported an average underspend of 6% in 2021-22, which is almost entirely due to deferring delivery of investment plans. This is compared to an average underspend of 4% in 2020-21

The table shows companies' expenditure in wholesale wastewater for 2021-22 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. We have categorised companies' performance after excluding the impact of any expenditure brought forward from, or pushed back to, later years of the price control.

Excluding the timing of expenditure, six companies have overspent on their wastewater allowance in 2021-22. **Hafren Dyfrdwy**, **Southern Water** and **Northumbrian Water** have reported the largest overspends; 22%, 12% and 11%, respectively. This is the second year that **Hafren Dyfrdwy** and **Southern Water** have had the highest overspends on wastewater in the sector. With increased investment, we expect to see an improvement in performance for both companies. All companies that have overspent against their allowance in 2021-22, also overspent last year.

**Hafren Dyfrdwy** reports overspend due to high energy prices whilst **Southern Water** has brought forward spending to improve its performance in treatment works compliance. **United Utilities** has overspent to improve performance in internal sewer flooding and pollution incidents.

For a consecutive year, **South West Water** is underspending compared to its allowance. We remain concerned by the extent of its poor performance on serious pollution incidents and will be following up with them on this.

Company	Performance		Variance
	Expenditure	Allowance	
	£m (2017-18 FYA <sup>1</sup> CPIH deflated prices)		
Anglian Water	56	72	-22%
Dŵr Cymru	48	37	28%
Hafren Dyfrdwy	2	3	-32%
Northumbrian Water	50	45	11%
Severn Trent Water	95	89	6%
South West Water	27	26	1%
Southern Water	64	47	37%
Thames Water	175	136	29%
United Utilities	98	90	9%
Wessex Water	31	26	20%
Yorkshire Water	81	59	37%
Affinity Water	26	25	4%
Bristol Water	9	9	-7%
Portsmouth Water	4	4	1%
South East Water	19	16	20%
South Staffs Water	14	11	32%
SES Water	8	5	67%
<b>Total</b>	<b>806</b>	<b>700</b>	<b>15%</b>

## Categorisation of performance

Expenditure at or below allowance
Expenditure greater than allowance

## Overall the sector overspent on retail expenditure by 15% in 2021-22, which is lower than the 27% reported in 2020-21.

Costs in the retail price control provide for services such as customer service and meter readings to household customers. At PR19, companies were set efficient allowances for how much they can spend on retail services. The table shows company and sector expenditure against these cost allowances for 2021-22.

The largest shares of retail expenditure are comprised of:

- Customer services, such as billing.
- Bad debt charges, represent the change in the total value of the bad debt provision in the year. The bad debt provision should reflect the revenue that the company considers it may not recover from customers and incremental changes are included annually in reported costs.
- Debt management costs, these costs refer to any activities undertaken by companies to manage bad debt.

In 2021-22, the sector level bad debt charge has decreased by 24%, generally due to Covid-19 impacts being provided for in earlier periods. The total sector debt management costs increased by 11% in 2021-22, due to the resumption of debt collection activities post Covid-19 and new initiatives introduced to manage bad debt. Most companies report that cash collection has improved in 2021-22 due to increased debt management activity.

Only **Anglian Water**, **Hafren Dyfrdwy** and **Bristol Water** spent less than their allowances, by 22%, 32% and 7% respectively, with **Hafren Dyfrdwy** underspending against allowances for a consecutive year. Twelve companies have reported a reduction in their retail expenditure from last year, with total sector retail costs falling by 11%.

Our paying fair guidelines<sup>2</sup> set out our expectation of how water companies should support residential customers in England and Wales who are struggling to pay. In October 2022, Ofwat and the Consumer Council for Water (CCW) published a joint letter<sup>3</sup> asking companies to support customers struggling to pay in the face of the cost of living crisis.

<sup>1</sup> FYA is the financial year average. This is the 12-month average from 31<sup>st</sup> March to 1<sup>st</sup> April.

<sup>2</sup> Ofwat, '[Paying fair – guidelines for water companies in supporting residential customers pay their bill, access help and repay debts](#),' May 2022.

<sup>3</sup> CCW, Ofwat, '[Letter to water companies - Supporting customers through cost of living pressures](#)', October 2022.



# **Annex: Thematic areas**



In July 2020, Ofwat along with Defra, the Environment Agency, the Drinking Water Inspectorate and the Consumer Council for Water challenged companies to identify ways to support the country's green economic recovery from Covid-19.

In July 2021, we published our [final decisions](#)<sup>1</sup> which included **£2.7 billion of investment** to benefit customers and the environment:

- **£793 million** of extra environmental projects to be delivered by five companies; and
- **£1.9 billion** of WINEP schemes brought forward, which had been on hold at PR19 (an additional seven companies involved to the five mentioned above).<sup>2</sup>

## Year One update

The five companies delivering extra environmental projects are **Severn Trent Water**, **South Staffs Water**, **South West Water**, **Thames Water** and **United Utilities**. All five companies submitted green recovery programme reports for year one in accordance with the reporting requirements specified in our final decision document.

Year 1 (2021-22) had low expenditure and limited delivery reflecting that the principal focus of the companies was on design work and setting up of contractual arrangements. Programmes are expected to have an increased focus on delivery in the 2023-25 period. However, we noted that even accounting for the programme start-up focus of year 1, companies expenditure was lower than the forecasts included in their green recovery submissions. Based on company requests and our view of efficient costs we made an allowance of £78 million for 2021-22. We are concerned by this initial lack of progress against the proposed plan and expect companies to address this and deliver across the rest of the period. Some companies have referenced specific factors that limited delivery in 2021-22, such as, challenges in developing partnership agreements and complexity of pipe replacements. All five companies reiterated their commitment to deliver the green recovery programme and provided revised delivery profiles taking into account the limited progress made in year 1.

We will provide further details of green recovery in future years as we see delivery of more programme outcomes. We provide a brief summary below of company expenditure by company to date and commentary on deliverables.

Company	Actual expenditure, 2021-22 (£m) <sup>3</sup>	Total green recovery allowance, 2021-25 (£m)	Additional comments
Severn Trent Water	12.843	565.548	Focus on design with initial delivery of smart meters, leaking or lead supply pipe replacements, sustainable drainage schemes and water audits.
South Staffs Water	1.058 <sup>4</sup>	9.684 <sup>4</sup>	Enabling work for the new treatment process has been delivered
South West Water	2.216	81.622	Focus on design at Knapp Mill WTW, North Devon water resources, catchment management schemes, with initial spend on storm overflows and smart meters engagement.
Thames Water	0.000	71.917	Company has revised its delivery schedule to commence in 2023-24
United Utilities	0.503	64.402	Focus to date on preparatory work and developing partnership agreements
<b>Total</b>	<b>16.620</b>	<b>793.173</b>	

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

<sup>2</sup> Refers to the water industry national environment programme (WINEP) that applies in England.

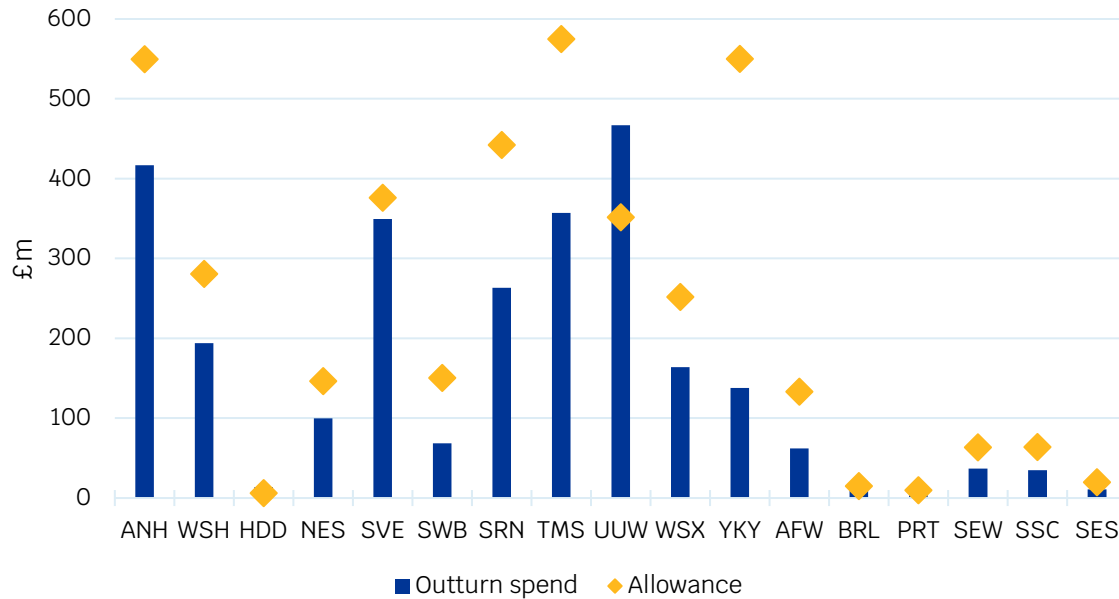
<sup>3</sup> 2017-18 FYA CPIH deflated prices to align with the allowances that are expressed in terms of the 2017-18 price base.

<sup>4</sup> Hampton Loade treatment works is a shared resource with Severn Trent Water whose green recovery allowance in the table above includes a £7.930 million contribution to the project. Severn Trent Water's 2021-22 green recovery expenditure in the table above includes £1.118m related to this scheme.





Cumulative enhancement expenditure – wholesale water and wastewater (2020–22 period)



Expenditure in **water activities** accounted for 56% of total enhancement expenditure during 2020–22 period. Main areas of spend were resilience to ‘low probability high consequence’ events, internal interconnectors for drought resilience, and expenditure in meeting lead standards.

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 storage schemes to reduce spill frequency.

During the 2020–2022 period companies generally underspent their forecast cost allowance on wholesale water and wastewater enhancement activities. At a sector level, water and wastewater companies **spent 68% of their forecast enhancement cost allowance**. Out of the 17 water and wastewater companies in England and Wales, 15 companies underspent their allowance. Of these companies, three companies spent less than 50% of their allowance, with **Yorkshire Water, South West Water and Affinity Water** spending 25%, 46% and 47% of their allowance, respectively.

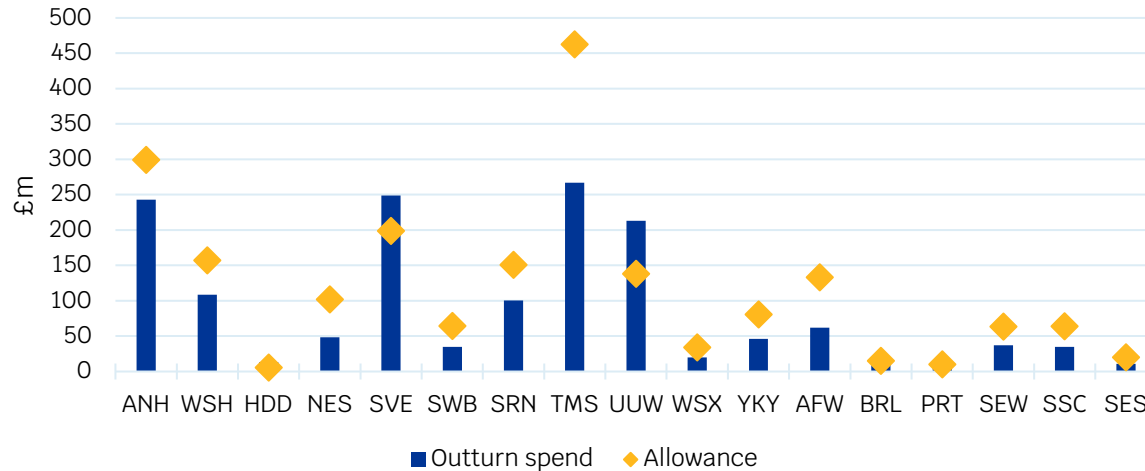
Companies cited several factors causing delays in their programme delivery, including:

- Covid-19 impacts, such as restricted access to customer premises and slower stakeholder engagement; and
- Supply-chain issues related to Brexit and post Covid-19 recovery which, according to companies, have constrained the availability of key resources.

Companies suggested that they will step up investment in the remainder of the price control period and that their enhancement programme is on track for completion by the end of this period.

Customers have provided water companies with funding to deliver service improvements. We expect water companies to get their enhancement programmes back on track and deliver the funded improvements. Delaying the delivery of these improvements will result in forgone benefits to customers and the environment. Where we approved green recovery schemes, we expect companies to quicken progress on the delivery of these schemes to ensure that customers and the environment benefit from the accelerated investment. We will continue to monitor each company’s progress.

## Cumulative enhancement expenditure – wholesale water

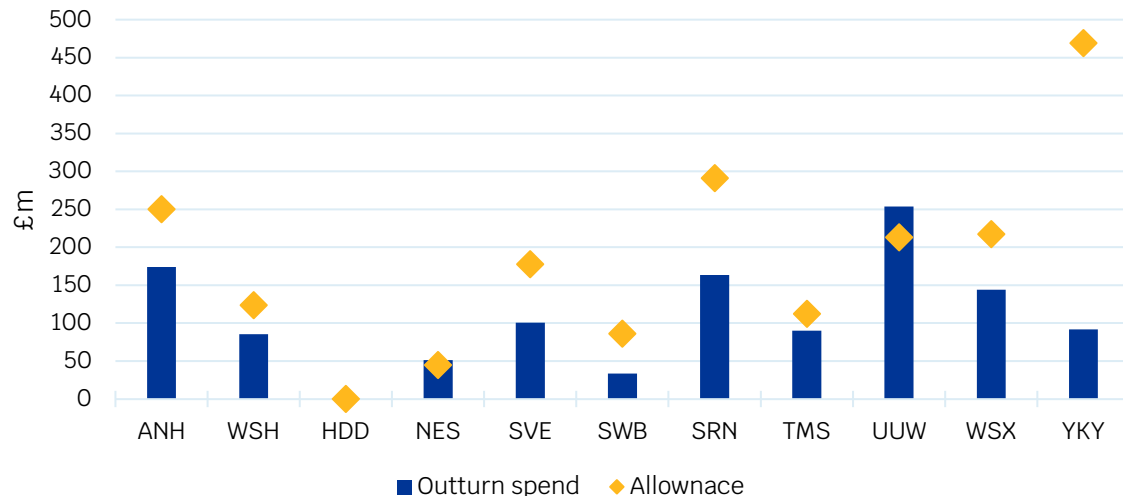


## Cumulative enhancement expenditure – wholesale water (2020-22 period)

14 companies underspent their **water enhancement** forecast cost allowance during 2020-22 period. Of these companies, two companies spent less than 50% of their allowance, with **Affinity Water** and **Northumbrian Water** spending 47% and 48% of their allowance, respectively.

The main areas of underspend are supply side improvements delivering drought resilience (supply-demand balance) benefits and water industry national environment programme (WINEP) related expenditure on invasive non-native species, drinking water protected areas and Water Framework Directive metrics. 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 current challenges such as ensuring resilience to drought. Given the drought conditions this year we are particularly concerned that water companies are currently underspending on areas that will improve the long-term reliability of their water service.

## Cumulative enhancement expenditure – wholesale wastewater



## Cumulative enhancement expenditure – wholesale wastewater (2020-22 period)

Eight companies underspent their **wastewater enhancement** forecast cost allowance during the 2020-22 period. Of these companies, two companies spent less than 50% of their allowance, with **Yorkshire Water** and **South West Water** spending 20% and 39% of their allowance, respectively.

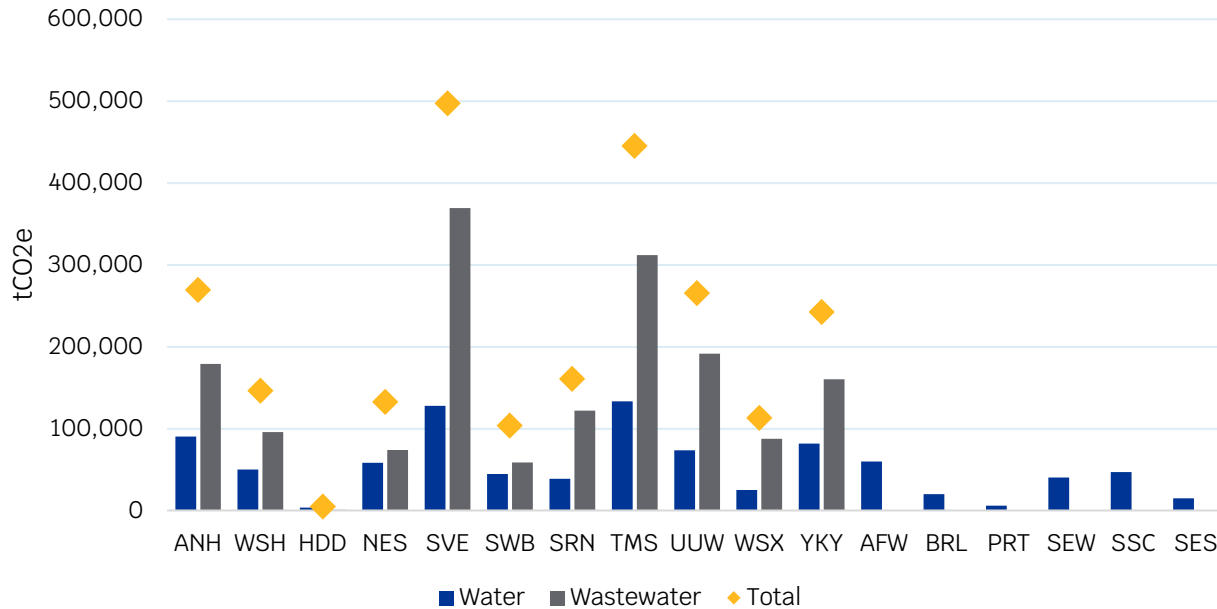
The main areas of underspend are resilience to ‘low probability high consequence’ events and WINEP related expenditure on schemes to increase flow to full treatment, storm tank capacity, reduce spill frequency and phosphorus removal. We expect companies to deliver the service improvements they were funded to deliver across all expenditure areas. This is particularly important in the context of current challenges such as reducing sewer flooding, storm overflows and pollution events.

It is critical that water companies improve their sewerage network to make it more resilient to hazards and improve river water quality.

Where we find companies are failing to comply with their obligations, we will take action, as explained on page 6.



2021-22 Net greenhouse gas emissions per company<sup>2</sup>



## Definitions

We require companies to report on their **operational emissions** in line with the Carbon Accounting Workbook (CAW), with company emissions being broken down into 3 scopes. **Scope 1** encompasses direct emissions from sources that are owned or controlled by an organisation (e.g. direct burning of fossil fuels, process emissions, travel), **scope 2** encompasses emissions from the generation of purchased or acquired energy consumed by the company (e.g. electricity and heat), with **scope 3** emissions encompassing indirect emissions that occur in the value chain of the company and that have not been included in scopes 1 and 2 (e.g. business travel, purchased energy [transmission and distribution] and outsourced activities).

## 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, with the water sector accounting for approximately 1% of total UK GHG emissions<sup>1</sup>. As a result, water companies have a significant role to play in decarbonisation.

Ofwat is supportive of the water sector's work on net zero, welcoming the commitment illustrated by WaterUK's operational net zero 2030 Routemap, as well as individual company net zero plans. In the years ahead, all companies need to make accelerated, concerted, and substantial progress towards national government net zero targets. More comprehensive reporting will enable companies to demonstrate their progress on net zero, make informed decisions about actions to take, and justify future investment. This is why we have developed and adopted standardised mandatory reporting of operational emissions for 2021-22 onwards.

## 2021-22 data

In July 2022, we received companies' first mandatory reporting on operational GHG emissions for the financial year 2021-22. As expected, absolute GHG emissions for water and sewerage companies are significantly higher than for water only companies, with differences between companies also reflective of differences in the scale and nature of operations. As a result, the companies GHG emissions as presented is not comparable.

The differences between companies' reported scopes highlights how certain company activities contribute to their GHG emissions, and by association, areas where companies could focus efforts to reduce GHG emissions. For example, differences in emissions arising from the direct burning of fossil fuels and/or travel between companies serves to highlight where further actions to reduce GHG emissions may be possible, with such actions including the use of alternative fuels sources and transport.



<sup>1</sup> Climate Change Committee, The Sixth Carbon Budget: Waste, 2020 & Zafeiridou, M., Kirkman, R., Kyle, C., McNeil, S., Voulvoulis N. An exploration of the resource sector's greenhouse gas emissions in the UK, and its potential to reduce the carbon shortfall in the UK 4th and 5th Carbon budgets. Imperial College London, Centre for Environmental Policy, 2018.

<sup>2</sup> 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.



# Glossary

# Glossary

Term	Definition
<b>Bespoke performance commitments</b>	Bespoke performance commitments are performance commitments that individual companies have, based on their own customers' priorities (see performance commitment).
<b>Common performance commitments</b>	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).
<b>Deadband</b>	Deadbands are a specified range of performance limits where there are no ODI payments.
<b>Outcome delivery incentive</b>	Outcome delivery incentives (ODIs) are the incentives for companies to outperform, and avoid underperformance, of their performance commitments.
<b>Outperformance payment</b>	If companies exceed the performance commitment level they can earn outperformance payments which are recovered from customers.
<b>Performance commitment</b>	Performance commitments are the level of performance that companies commit to deliver for customers.
<b>Regulatory capital value</b>	Regulatory capital value (RCV) presents a measures of the capital base of a company when setting price limits.
<b>Regulatory equity</b>	Regulatory equity is regulatory capital value less net debt.
<b>Total expenditure</b>	Total expenditure is base plus enhancement plus developer services expenditure.
<b>Underperformance payment</b>	If companies do not meet the performance commitment level they can incur underperformance payments which are returned to customers.
<b>Wholesale expenditure</b>	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.



# Common performance commitment definitions

Performance commitment	Definition
<b>C-Mex</b>	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.
<b>Drinking water quality compliance (Compliance Risk Index)</b>	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.
<b>Internal sewer flooding</b>	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.
<b>Leakage</b>	Leakage is water that is lost from the distribution system.
<b>Mains repairs</b>	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.
<b>Per capita consumption (PCC)</b>	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.
<b>Pollution incidents (category 1-3)</b>	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.
<b>Priority services register (PSR)</b>	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.
<b>Sewer collapses</b>	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.
<b>Treatment works compliance</b>	Treatment works compliance measures companies' compliance with the discharge permit conditions set by the Environment Agency for wastewater and water treatment works.
<b>Unplanned outage</b>	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.
<b>Water supply interruptions</b>	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.



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