Thames Water

Annual Performance Report 2020/21

Our Purpose

We're here to make sure our millions of customers have clean, fresh drinking water every day, and that we're recycling their waste without them having to worry. Doing things in the right way is just as important as what we do. That's why our Purpose is to deliver life's essential service, so our customers, communities and the environment can thrive.

Introduction

This is our Annual Performance Report. It's where you can find out more about how we've performed in our 52 performance commitments, and also includes our regulatory financial accounts and other regulatory information.

This year, we've decided to split out our Annual Performance Report from our Annual Report and Sustainability Report, to help you get the information you need in the best way.

We know that being truly open and transparent is really important to rebuild trust with our stakeholders. So, we've been taking steps to change the way we communicate and to tell our story in a more straightforward way. We want to help you, our stakeholders and customers, to understand what our priorities are and what we're doing to turn Thames Water around.

Click here to go to our Annual Report and Sustainability Report, which includes information about our Purpose, strategy, risks, and remuneration. You'll find references to different sections throughout this report.

A glossary of regulatory terms can be found at the back of this report.

Ofwat is the economic regulator of the water sector in England and Wales. It ensures we operate fairly and transparently and sets limits on the prices we can charge for our services.

Ofwat requires each water company in England and Wales to produce an Annual Performance Report that sets out how the company has performed against its performance commitments. This provides greater detail in these areas than our Annual Report and Sustainability Report, and also allows audiences to compare water companies' performance directly.

Download our Annual Report and Sustainability Report

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CEO statement

"We're absolutely determined to learn from our mistakes and improve, and we've now entered a new phase as we start to build and deliver plans to turn around Thames Water."

Sarah Bentley
Chief Executive Officer

I'm passionate about the water industry, with the important role we play in everyday life and the opportunity we have to improve the environment and give back to communities, so I was thrilled to join Thames Water as CEO in September. That said, I knew it had a lot of challenges and I came to it with my eyes wide open.

It's widely recognised that Thames Water has been underperforming for customers and the environment for a long time. There have been efforts to make improvements in recent years and, in some areas, we have started to see a difference. However, we are only at the beginning of a long journey to turn around our performance.

Listening

The first, and most important, thing on my 'to do' list when I joined was to spend lots of time listening to our customers, colleagues and stakeholders. Thames Water has had a reputation for being a bit arrogant, but it's so important we listen with humility if we're really going to understand the problems we face. Then we are able to see the opportunities we have to work together and build back stronger.

What's coming through very loud and clear is that people are frustrated and disappointed that we're not performing better. They also desperately want us to succeed and want to help us on our journey to achieve better things.

I spent most of my first few months at Thames Water getting out and about meeting my colleagues on the front line, and it's something I will keep doing as much as I can. I absolutely love every minute of it, spending time with the teams who test our water, clear blockages, run our sites and talk to our customers. They look after our customers every single day of the year, so understanding their challenges and how we can support them is incredibly important. Happy, engaged and supported colleagues will do their best to look after our customers, communities and the environment. And that's why we're all here. There's also nothing more important than their health, safety and wellbeing, and that will always be our top priority.

Poor performance

We always knew 2020/21, the first year of this five regulatory period, would be really difficult, with very stretching targets in our key performance commitments. However, our performance last year in some of our key metrics was unacceptable, and we're behind where we expected we would be. That said, we've made a bit of progress during the year in some metrics, as we start laying the right foundations to build a brighter future.

We've been spending a lot of time understanding why we are underperforming and we'll continue to do that. We're absolutely determined to learn from our mistakes and improve, and we've now entered a new phase as we start to build and deliver plans to turn around Thames Water. It's going to be a massive undertaking. To do this properly and in the right way for our customers, colleagues, communities and the environment, there are no quick fixes, and our plans stretch over eight years. No sticking plasters this time and we want to make sure the improvements are sustained. We're in this for the long term and progress might feel frustratingly slow. But the three parts of our plan – to fix the basics, raise the bar and shape the future – all start now.

Fixing the basics

We need to focus on fixing the basics before we can do anything else and, rest assured, it's our most immediate priority. That means getting performance back on track, making sure we have strong leadership, being really transparent with colleagues, customers and stakeholders and understanding our assets better. It's not just about big and shiny new infrastructure. We need to make sure all our existing assets are working as they should be.

I'm a firm believer in the servant leadership model. Each and every one of our people plays a critical role, so we are flipping the focus of our structure to make sure everything we all do – including the Executive team and Leadership Community – serves our frontline teams, so they can do their very best for our customers. Our values and the way we behave need to be front and centre, and we need to reignite a real connection between management and our frontline teams and assets.

It's really important we build the right team for the turnaround journey and we've recently announced some new appointments. Cathryn Ross, former Group Director of Regulatory Affairs at BT, Warren Buckley, former HSBC Global Contact Centre Lead and Francis Paonessa, who was previously Managing Director of Infrastructure projects at Network Rail, have all joined the Executive team in the last few months and they're absolutely ready for the challenge ahead. We'll also be welcoming Alastair Cochran as our new Chief Financial Officer, in a planned handover from Brandon Rennet who, after four years, has decided to pursue new career opportunities. In addition, Caroline Sheridan will join us our new Engineering and Asset Director, Tony Vasishta will head up our Ventures division and Nevil Muncaster will become our new Strategic Resources Director later in the year.

CEO statement continued

Raising the bar

Fixing the basics will get us back on track, but raising the bar will take us to the next level. It's about transforming critical areas of the business and we're investing in customer service, operations, people, assets and strategic planning so we can make real progress. There is a huge amount to do, so ruthless prioritisation and ensuring we deliver is critical.

Innovation is essential to improve the way we serve our customers and renew our ageing infrastructure. We need to keep striving to be better – we will look for opportunities to accelerate our progress and become more efficient. We can't invest in everything we want to, and we need to balance our ambition with affordability, so we will work through how to make the best choices for our customers and the environment.

Shaping the future

Despite our current challenges, what's extremely exciting is the opportunity we have to shape the future and leave a positive legacy. Obviously the most important thing right now is to fix the basics and then raise the bar, but we need to start laying the foundations for the future and we'll be working with you – our customers and our stakeholders – to create a brilliant vision for 2050. We're focusing on some very important themes, from clean rivers and sustainable water supply to energy transition and community impact and we'll keep working with you to evolve our plans.

Quite rightly, there has been a lot of focus on sewage and rivers during the last year. We know we absolutely need to focus on making a difference to our rivers and we're challenging the status quo. It's completely unacceptable that we still need to discharge sewage into waterways after heavy rain. However, it's something that will take time and money to get right. We are committed to working together to improve the rivers in our region. As an example, we're working collaboratively with the Windrush Against Sewage Pollution group to clean up the River Windrush.

After a hugely difficult year for our world, we have the opportunity to rebuild it in a green and sustainable way, and this year COP26 gives the world the chance to set the right ambitions for our planet. Our renewable energy generation is often seen as a nice to have, but working together with the Government, our stakeholders, regulators, and supply chain, we can be an important part of energy transition in the UK. I don't think of sewage as 'waste', so I see us not just as a water and wastewater services company, but as a water and renewable energy company. We can make the most of this incredible renewable and sustainable resource and there are so many amazing opportunities for us to support the bigger picture and help others work towards their own carbon reduction targets too.

Together we're stronger

Thames Water has been underperforming for many years, so you're probably thinking you've heard promises to fix things in the past. We know that we have to earn your trust and the proof will be in the delivery. We are changing the way we engage with you, so you can help shape our plans, and we'll keep listening to you and showing you our progress so you know where we are on our journey. We'll need your help too. We can't do anything without collaboration and we are happy to be working with many of you already.

We're lucky to have such supportive external shareholders too. Many of them invest on behalf of key workers and they're in it with us for the long term as we focus on making a difference. They've not taken a dividend now for four years, which shows real commitment to our customers.

We have a lot of hard work ahead of us – none of it will be easy, and there will be many bumps in the road, but the journey to turn around Thames Water is an important one for our customers, our colleagues, the communities we serve and the environment. We're starting to see the signs of a new future and a sense of real togetherness. I can't wait to work with more of you as we make a real difference for the future of our region.

Celebrating key workers

I want to finish by saying another huge thank you to our brilliant key workers, and those across the rest of the UK, who have kept the country running during a year like no other in living memory.

As the pandemic hit our region, we knew just how important it was for our service to keep running as smoothly as possible. People needed us to make sure they had water for the really important things in life, with good hygiene being everyone's number one priority. And overnight water demand changed dramatically. We had to adapt quickly as people started living every part of their life at home, leading to a huge drop in the demand for water in the capital and an increase in the Thames Valley.

The priorities for us became really clear – to focus on keeping water flowing, to support our customers as much as we could and to keep our people safe and well through this very difficult time. We expanded our support for customers finding themselves in increasingly difficult circumstances due to the impact of Covid-19, and we changed the way we carried out operational work to factor in new social distancing and self-isolation guidelines.

I'm so incredibly proud of how our key workers stepped up to keep our services running, working in our communities at all times of day and night, when most of us had to, and wanted to, stay at home. A massive thank you to our full team and their families for their commitment and dedication during this incredibly challenging time.

Sarah Bentley
Chief Executive Officer

"I'm so incredibly proud of how our key workers stepped up to keep our services running, working in our communities at all times of day and night, when most of us had to, and wanted to, stay at home."

"We need to focus on fixing the basics as a foundation for everything and, rest assured, it's our most immediate priority."

The three stages of our turnaround plan

Fix the basics → **Raise the bar** → **Shape the future**

Board Statement

Board statement on Company Direction and Performance

This statement outlines how the Board of Thames Water Utilities Limited ("Thames Water") is setting our aspirations as a Company and delivering for those who depend on our services.

Our Purpose

After another challenging year, particularly with the impact the Covid-19 pandemic has continued to have on our customers, our people and our operations, the Board is really proud of how our employees stepped up to keep our services running.

Despite the pandemic restrictions, we've continued our Workforce Engagement Programme, which is led on behalf of the Board by INED Ian Pearson. This year, Ian held 11 virtual employee engagement sessions across the business, providing employees with informal opportunities to meet with and be listened to by Board members. It's helped us to understand what decisions we need to make, and support, at Board level to make sure everyone across the business feels a sense of purpose and is driven by our values and behaviours.

We continue to be updated on employee survey results, so we can use the feedback to complement the findings from our Workforce Engagement Programme. Since the onset of the pandemic, we've also had regular updates about our response to Covid-19 and the welfare of our people.

Strong governance

After a rigorous recruitment process, we were delighted to welcome Sarah Bentley as our new Chief Executive Officer in September 2020. Sarah joined us from Severn Trent, where she was responsible for customer service, network operations, digital and transformation. With Sarah's appointment, we have returned to having a clear separation between the Executive and Non-Executive leadership of the Board, in line with best corporate governance practice. In addition, Sarah brings a fresh perspective on how we work and will help us to push through the changes we need to move forward.

After receiving an in-depth induction, Sarah has worked with the Executive team to define a robust turnaround plan, which starts with creating stronger leadership and changing the way we do things to increase accountability and ownership. As a Board, we have been overseeing the development of the plan, which was agreed in March 2021.

We saw another change to the Board last year, in July 2020, as Alistair Buchanan stepped down as an Independent Non-Executive Director and was replaced by Hannah Nixon, who also took over as Chair of our Regulatory Strategy Committee. More recently, we have also seen changes to the Executive team who manage the business on a day-to-day basis, with new directors coming in to oversee specific operations and functions in the business.

Our external shareholders continue to be supportive of our long-term goals. They have again forgone a dividend in the interests of continuing investment in the business. The only dividend this reporting year was in January 2021, when we paid £32.9 million to our immediate parent company, Thames Water Utilities Holdings Ltd, solely to service the debt obligations and working capital requirements of other companies in the Group. No distributions were ultimately made to external shareholders.

Full details of our corporate governance arrangements can be found in the Corporate Governance Report on page 61 of our Annual Report and Sustainability Report.

Operational commitments and performance

Every five years, we go through a price review process, which sets the prices we can charge, the investment we can make and the targets we need to achieve for the next five-year period. This is the first year of the current regulatory period and the first time we're reporting on a new set of performance commitments. As part of the business planning process, we set 52 performance commitments, to focus on the things that really matter to our customers and that will protect the natural environment.

Before we started 2020/21, we knew we had been set very challenging targets for these commitments and we considered whether we could accept Ofwat's final determination. However, we also know our performance really needs to improve and we've been set tough targets for a reason.

During the year we met 26 of the 49 performance commitments which have targets that apply this year. For full information about our performance against each of our commitments, see section 3 and our performance information in this Annual Performance Report.

To increase our focus on the most critical measures, and the areas where we need to improve the most, we redefined our KPIs during the year, which can be found on page 6 of our Annual Report and Sustainability Report. The Board is updated every month on progress against them. We've also held a number of deep dives around some of our most challenging areas of performance, so we can really understand the challenges and risks we face, and support effective strategic decision making in these areas.

During the year, we've had to adapt our focus to prioritise what matters most to our customers during the pandemic. As a Board, we've supported extra help for customers, and prioritised the activity which keeps customer taps running and toilets flushing. Our Audit, Risk and Reporting Committee has been increasing its focus on additional risks created by Covid-19 and by Brexit. A report on the activities of the Committee can be found on page 81 of the Annual Report and Sustainability Report.

Business resilience

With the gradual easing of the latest lockdown, our Executive team will continue to review our priorities to ensure they continue to balance our long-term goals and the short-term needs of our region. We will continue to work collaboratively with our regulators and other water companies to share learnings and manage the impact of the pandemic together.

In our annual strategy session in September 2020, we reviewed the Integrated Business Plan ("IBP") for the 2020 to 2025 regulatory period and the environmental and resourcing trends likely to affect the water industry over the next few decades. Following consultation with stakeholders, the final IBP was approved in March this year by the Boards of Thames Water and its ultimate parent company, Kemble Water Holdings Ltd.

Long-term aspirations

As a Board, we remain committed to ensuring the business is providing an excellent service for its customers, as well as a supportive and rewarding working environment for all our people, in a way that enables customers, communities and the environment to thrive. Where we fall short, and where we have failed in the past, we are determined to put things right.

Ian Marchant
Chairman
On behalf of the Board of Thames Water Utilities Ltd

Who we are and what we do – our business model

As the biggest water company in the UK, we look after over 15 million customers in the South East of England.

Who we are

We're known as a water and wastewater services company. However, we're moving towards becoming a water and renewable energy company, processing waste into energy to support energy transition in the UK. Waste can be put to good use to create value for our customers, communities and the environment. And that's what we're doing.

Where we operate

Our patch follows the River Thames and stretches from Gloucestershire to Essex covering countryside, villages, towns and our capital city.

We provide water and wastewater services in this area

We provide wastewater but not water services in this area

What affects us

We're driven by factors that affect our customers, our people and our natural environment:

Climate change and protecting the environment – We all need to do our part to combat climate change, which is why we're working to get to net zero carbon emissions by 2030, and beyond by 2040. It's also our responsibility to protect the precious ecosystems that call our region their home – 3 million species live in the Thames Valley area, including 670,000 protected and notable species.

Covid-19 – The pandemic has shifted how we live and work, which has changed traditional water demand patterns and peak use times. It's changed the way we operate, requiring home-working and social distancing on sites. It's also affected some of our customers' ability to pay their bills. You can read more about how we've been supporting our colleagues and our customers in our Annual Report and Sustainability Report.

Population – London's high population density puts extra pressure on our pipes and treatment works. It also means more customers are affected when things go wrong and it's harder to make repairs in busier areas.

Securing skills for the future – There's a shortage of job candidates with technical (STEM) and industry-specific skills, particularly among women and those from diverse backgrounds. So, we're developing skills programmes to grow talent within our communities.

Political, regulatory and legislative changes – These continue to direct how we do business, and how we should contribute to wider society in the long term. We also need to adapt to changing regulations, especially those brought about by Brexit. You can find more information on how we engage with our regulators and how we manage these risks in our Annual Report and Sustainability Report.

Inputs

We have over

7,100

employees, and work with many others through our supply chain

We supply

2.6 billion litres

of water every day

We process

4.7 billion litres

of wastewater every day

We have

97

water treatment works and

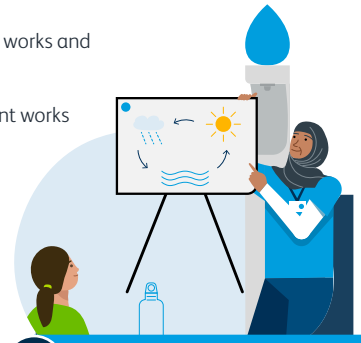
354

sewage treatment works

We create

311 gigawatt hours

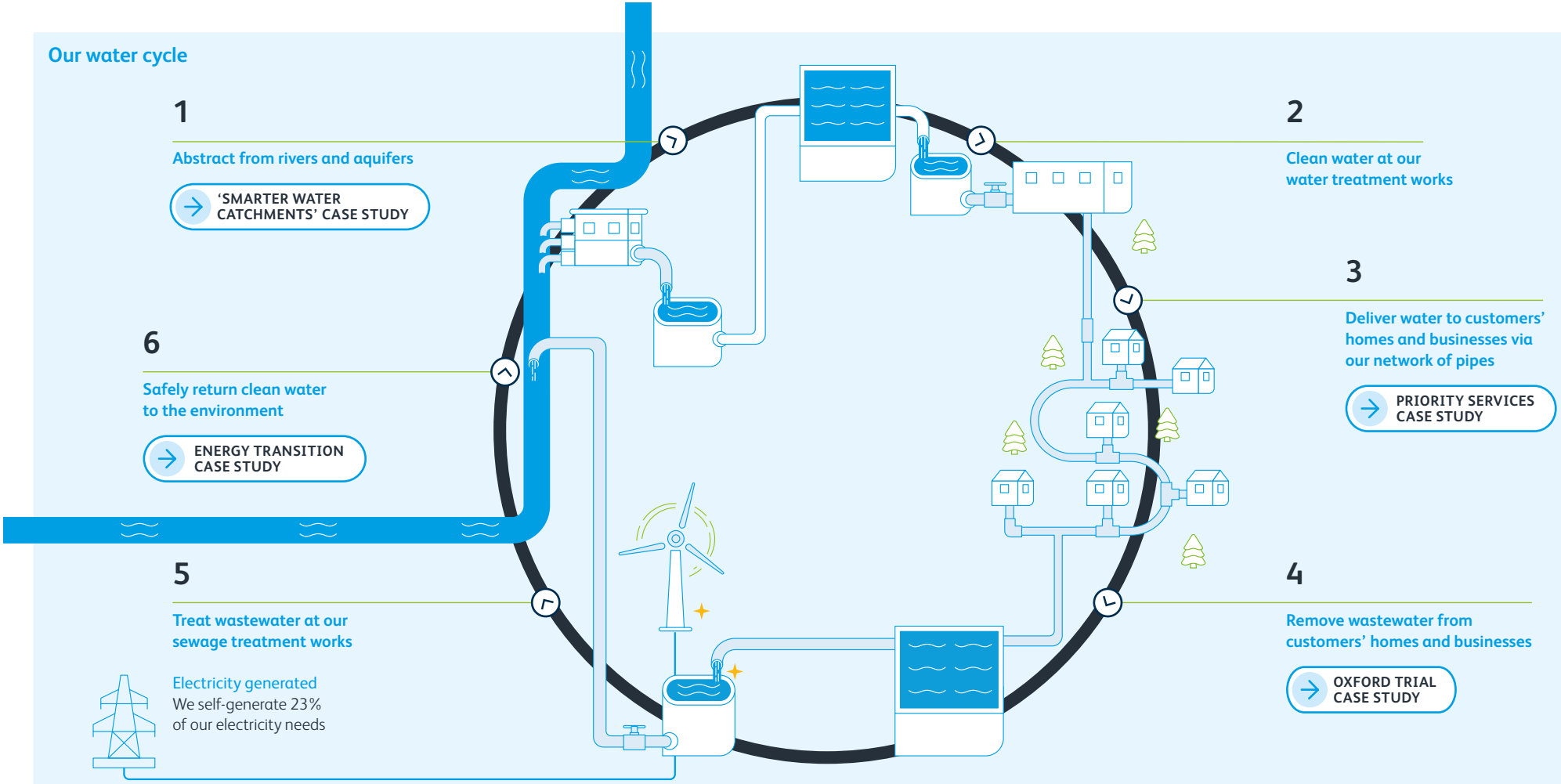
of renewable electricity per year to power our operations



See how we create value throughout the water cycle

Who we are and what we do – our business model continued

Our water cycle



1

Abstract from rivers and aquifers

'SMARTER WATER CATCHMENTS' CASE STUDY

2

Clean water at our water treatment works

3

Deliver water to customers' homes and businesses via our network of pipes

PRIORITY SERVICES CASE STUDY

4

Remove wastewater from customers' homes and businesses

OXFORD TRIAL CASE STUDY

5

Treat wastewater at our sewage treatment works

Electricity generated
We self-generate 23% of our electricity needs

6

Safely return clean water to the environment

ENERGY TRANSITION CASE STUDY

Our strategic ambitions

TO INVEST IN RESILIENT SYSTEMS AND ASSETS

TO DELIVER BRILLIANT CUSTOMER ENGAGEMENT

TO GENERATE PUBLIC VALUE

This is how we spend every £1 we receive in revenue

How we generate revenue

Ofwat is our economic regulator and aims to ensure that the sector delivers efficiently and effectively for current and future customers. Every five years we go through a price review process which determines our business plan for the next regulatory period and sets our revenue and bills for the five-year period. Our average combined bill for 2021/22 is £418.

The value we create for our stakeholders

This is how we spend every £1 we receive in revenue[1]

7p

Government

We paid over £195.9 million in business rates, PAYE and National Insurance contributions in 2020/21. We're not currently paying Corporation Tax, mainly due to tax deductions for interest payments on our debt and because we're investing heavily in our infrastructure. We receive tax relief under the Government's "capital allowances" regime.

16p

People

To pay our people, so we're able to deliver essential services to our customers and protect the environment.

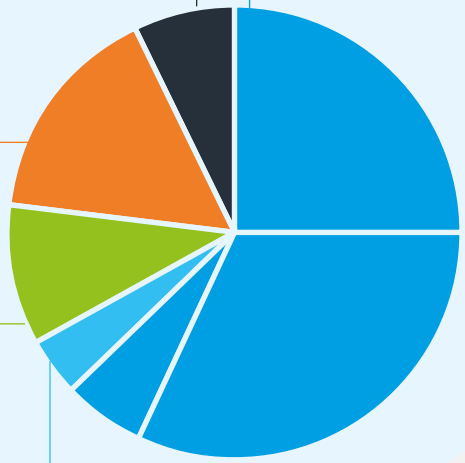
10p

Lenders

By borrowing money at efficient rates, we're able to continue investing heavily in our infrastructure while keeping customer bills as low as we can.

4p

Net profit, which is reinvested in the business.[1]



63p

Customers (and suppliers)

Every day, we serve 15 million customers across London and the Thames Valley.

This 63p is made up of the following amounts:

25p
Operational expenditure
To provide our day-to-day services and improve our customer service.

32p
Investment in our infrastructure
To increase the long-term resilience of our services. This includes 3p for the Thames Tideway Tunnel, which will divert millions of tonnes of sewage from the River Thames when it goes into operation.

6p
Energy to power operations
To keep this cost down, we're increasing the amount of electricity we self-generate.

1 Profit on each £1 we receive is made up of our loss before tax (£241.5 million) excluding:
- Net losses on financial instruments (£522.2 million)
- BTL revenue (£73.8 million)
- Other operating income related to all activities apart from power income (£110.9 million). Note: power income of £10.9 million is shown net against our energy to power operations cost.

Our performance commitments

Working with you – our customers, stakeholders and regulators – we identified what matters most as we put together 52 performance commitments for 2020 to 2025

External reporting

We are required to report to Ofwat on our AMP7 (regulatory period running from 2020 to 2025) outcomes performance status through the Annual Performance Report (APR). Other AMP7 outcomes reporting we do includes quarterly reporting to the Customer Challenge Group on our performance commitments status, and quarterly reporting to CCW on our performance against certain measures, including some of our performance commitments. This provides effective external reporting to enable customers and other stakeholders to understand, challenge and ultimately hold us to account for our performance.

Overall performance in 2020/21

Through the business planning process, we were set very challenging targets against these performance commitments. Yet, even after taking that into consideration, we're behind where we expected to be at the end of year one, which we know is not acceptable.

We've met 26 of the 49 performance commitments that have targets that apply for this year. However, we're not on target for 23 of them, which means we've had a net penalty of about £50 million for 2020/21. This is made up of rewards and penalties – more information can be found on page 15. We know there's a long way to go to get to where we want to be, but we've started on our journey to fix the basics, raise the bar and shape the future. You can read more about our turnaround plan in our CEO's statement on pages 3 – 4 and in our Annual Report and Sustainability Report.

What is a regulatory period?

The water industry works in five-year regulatory periods, otherwise known as Asset Management Plan (AMP) periods. Every five years we set our business plan with Ofwat, our economic regulator. As part of that process we set the performance commitments for the next five years and also the prices we can charge to our customers. We all know that we won't stop needing water after each five-year period and we're working hard to look outside the five-year cycle to make sure we're planning for way into the future.

Performance snapshot

The dashboards over the next few pages give a snapshot of our performance against each of our 52 performance commitments. They're split by our three strategic ambitions (see business model on pages 6 – 8), performance commitments related to the Thames Tideway Tunnel and those with no targets this year. Further on in this report, you can find more detailed information about each of our individual performance commitments. We haven't included comparatives for last year, as 2020/21 was the start of new regulatory period and many of the metrics are new or have changed.

RAG Rating and Description

- Performance at or above our committed performance level
- Performance within the range allowed without a penalty (the "deadband") if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

↗ ↘ Improvement on previous year

= No change on previous year

↘ ↗ Decrease on previous year

AR01 C-MeX

72.91

Target: **N/A**[1]

Direction of trend: =

AR05 Percentage of satisfied vulnerable customers

Percentage

85%

Target: **91%**

Direction of trend: ↘

AR06 Priority services for customers in vulnerable circumstances

Percentage of applicable households on PSR – Reach

3.5%

Target: **3%**

Direction of trend: ↗

Percentage of applicable households on PSR – Attempted contacts

56.8%

Target: **45%**

Direction of trend: ↗

Percentage of applicable households on PSR – Actual contacts

18.3%

Target: **17.5%**

Direction of trend: ↗

AR07 BSI for fair, flexible inclusive services

'Achieved' or 'Not achieved' for Y1; 'Maintained' or 'Not maintained' for Y2-5

Achieved

Target: **Achieved**

Direction of trend: ↗

AWS01 D-MeX

77.56

Target: **N/A**[1]

Direction of trend: ↘

AWS02 Proactive customer engagement

Number of proactive customer contacts

37,095

Target: **80,000** Direction of trend: ↘

BW05 Per capita consumption

Percentage reduction of three year average PCC in litres per person per day (l/p/d) from the 2019-20 baseline

-1.5%

Target: **1.1%** Direction of trend: ↗

Three year average PCC in litres per person per day (l/p/d)

148

Target: **144.2** Direction of trend: ↗

ER01 Unregistered household properties

'Process completed' or 'Process not completed'

Process not completed

Target: **Process completed**

Direction of trend: ↘

ER02 Empty household properties

Percentage of household properties classed as void

3.70%

Target: **3.66%** Direction of trend: ↘

ER03 Households on the Thames Water social tariff

Number of households on the company's new enhanced tiered social tariff

210,731

Target: **108,000** Direction of trend: ↗

EWS08 Empty business properties

Number of non-household properties recorded as void that the company identifies as occupied and are subsequently billed

5,690

Target: **0** Direction of trend: ↘

1 C-MeX and D-MeX performance results are an industry ranking, and as such, there are no individual company target scores set.

Performance snapshot continued

RAG Rating and Description

- Performance at or above our committed performance level
- Performance within the range allowed without a penalty (the "deadband") if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

- ↗ ↘ Improvement on previous year
- = No change on previous year
- ↘ ↗ Decrease on previous year

BW01 Mains repairs
Number of repairs per 1,000km of mains

269.6
Target: **265.9**
Direction of trend: ↗

BW02 Unplanned outage
Percentage of peak week production capacity

1.76%
Target: **6.00%**
Direction of trend: ↗

BW03 Water supply interruptions
hh:mm:ss. Average minutes lost per customer for >= 3hrs interruption

00:13:39
Target: **00:06:30**
Direction of trend: ↘

BW04 Leakage
Percentage reduction of three year average leakage in megalitres per day (Ml/d) from the 2019-20 baseline

5.4%
Target: **4.1%**
Direction of trend: ↘

Three year average leakage in megalitres per day (Ml/d)

635.6
Target: **644.3**
Direction of trend: ↘

BW06a Water quality compliance
Numerical CRI score

2.42
Target: **0.00**
Direction of trend: ↗

BW07 Properties at risk of receiving low pressure
Number of properties

15
Target: **34**
Direction of trend: ↗

BW08 Acceptability of water to consumers
Number of consumer contacts per 1,000 population

0.54
Target: **0.60**
Direction of trend: ↘

BW09 Water quality events
Number of events (category 3, 4, 5)

5
Target: **10**
Direction of trend: ↗

Performance snapshot continued

BW10 Reducing risk of lead
Cumulative number of lead communication pipes replaced in the 2020-25 period

10,919
Target: **10,767**
Direction of trend: ↘

BW11 Responding to major trunk mains bursts
hh:mm:ss. Average number of minutes lost per customer for interruptions >= 3hrs where the cause is identified as failure of a trunk main

00:05:15
Target: **00:01:43**
Direction of trend: ↗

DW01 Risk of severe restrictions in a drought
Percentage of population at risk

88.5%
Target: **77.0%**
Direction of trend: ↗

DW02 Security of supply index SoSI
SOSI score

100
Target: **100**
Direction of trend: =

EW01 Abstraction Incentive Mechanism (AIM)
Nr

-31.8
Target: **0.0**
Direction of trend: ↗

M01 Installing new smart meters in London
Cumulative number of new smart meters installed

53,129
Target: **80,000**
Direction of trend: ↗

M02 Replacing existing meters with smart meters in London
Cumulative number of installed existing basic meters replaced annually for smart meters

20,740
Target: **26,000**
Direction of trend: ↗

CS01 Treatment works compliance
Percentage compliance

99.74%
Target: **100.00%**
Direction of trend: =

CS02 Sewer collapses
Number of sewer collapses per 1,000 km of all sewers

3.96
Target: **4.00**
Direction of trend: ↘

CS03 Internal Sewer Flooding
Number of incidents per 10,000 sewer connections

2.31
Target: **1.68**
Direction of trend: ↗

CS04 Clearance of blockages
Number of sewer blockages

76,223
Target: **72,500**
Direction of trend: ↘

CS05 Sewage pumping station availability
Percentage of average annual asset availability

98.2%
Target: **96.0%**
Direction of trend: ↗

DS01 Risk of sewer flooding in a storm
Percentage of population at risk

10.25%
Target: **10.25%**
Direction of trend: =

DS02 Surface water management
Number of hectares

0.00
Target: **5.00**
Direction of trend: =

DWMP Drainage and wastewater management plans (DWMPs)
Cumulative percentage of catchments, in which the company implements the Level 1 water company DWMP

0
Target: **0**
Direction of trend: =

ES01 Pollution incidents
Number of pollution incidents per 10,000 km of the wastewater network

26.67
Target: **24.51**
Direction of trend: ↘

ES03 Sludge treated before disposal
Percentage of sludge sent to treatment prior to disposal

99.6%
Target: **96.6%**
Direction of trend: ↗

DWS01 Power resilience
Cumulative number of sites that are made resilient to power disturbances over three hours

2
Target: **9**
Direction of trend: ↗

DWS02 SEMD – Securing our sites (2020-25 projects)
Percentage compliance of specified sites with SEMD requirements

0.0%
Target: **0.0%**
Direction of trend: =

DWS03 SEMD – Securing our sites (legacy projects)
Percentage compliance of specified sites with SEMD requirements

34.5%
Target: **7.0%**
Direction of trend: ↗

Performance snapshot continued

RAG Rating and Description

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- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

- ↗ ↘ Improvement on previous year
- = No change on previous year
- ↘ ↗ Decrease on previous year

To generate public value

ES02 Environmental measures delivered

Cumulative number of 'green' WINEP schemes completed

182 (forecast)

Target: **180**

Direction of trend: ↗

EWS01 Enhancing biodiversity

Cumulative number of net gain in biodiversity units

97

Target: **491**

Direction of trend: ↗

EWS02 Smarter Water Catchment initiatives

Number of catchments

0

Target: **0**

Direction of trend: ↗

EWS03 Renewable energy produced

Gigawatt hours (GWh) of renewable energy produced

476

Target: **493**

Direction of trend: ↘

EWS04 Natural capital accounting

Percentage of the company's landholdings where natural capital stocks are assessed and reported publicly

100.0%

Target: **20.0%**

Direction of trend: ↗

NEP01 Water Industry National Environment Programme (WINEP) Delivery

Met or not met

Not met

Target: **Met**

Direction of trend: ↗

Performance snapshot continued

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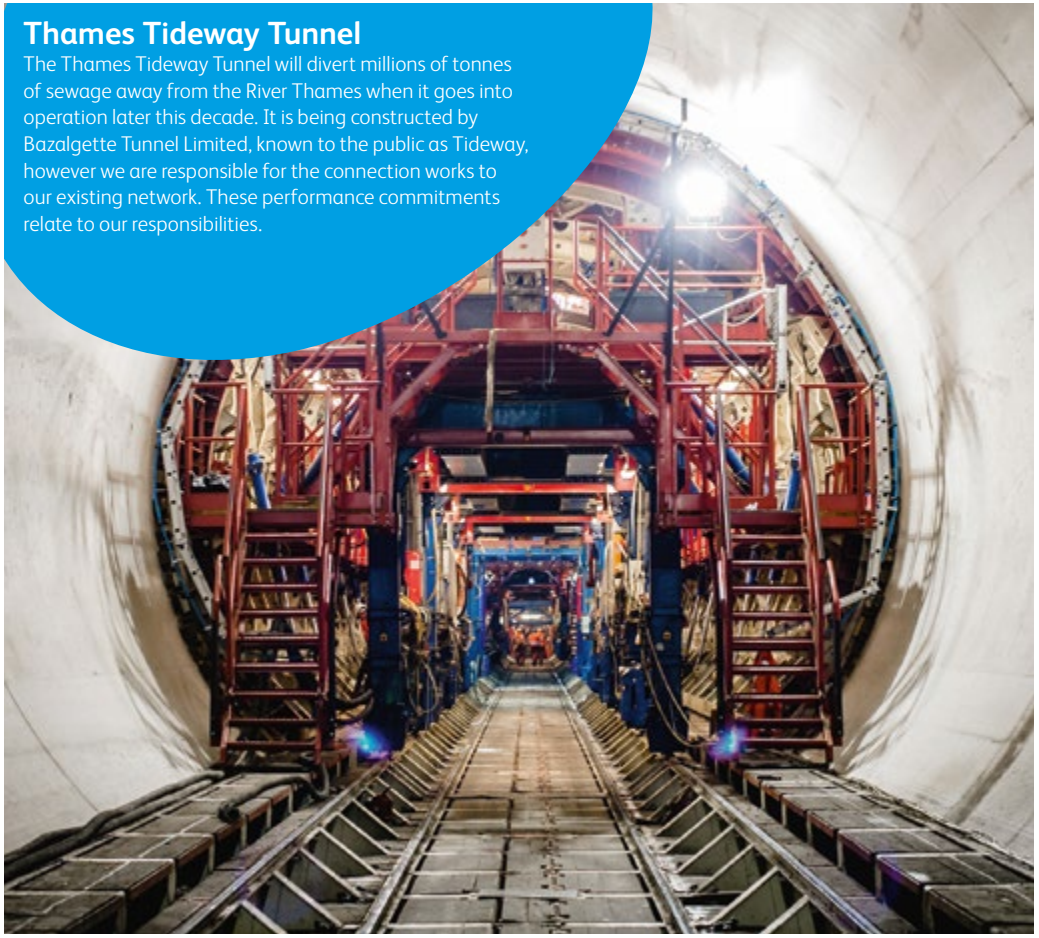
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

- ↗ ↘ Improvement on previous year
- = No change on previous year
- ↘ ↗ Decrease on previous year

Thames Tideway Tunnel

The Thames Tideway Tunnel will divert millions of tonnes of sewage away from the River Thames when it goes into operation later this decade. It is being constructed by Bazalgette Tunnel Limited, known to the public as Tideway, however we are responsible for the connection works to our existing network. These performance commitments relate to our responsibilities.



ET02 Effective stakeholder engagement

Score (1–6)

5.1

Target: **5.0**

Direction of trend: ↗

ET05 Establish an effective system operator for the London Tideway Tunnels

Percentage completion

19%

Target: **0%**

Direction of trend: ↗

ET06 Maximising the value of land sales

£m of total net profit or loss made on the actual land sale

0.0

Target: **0.0**

Direction of trend: =

ET07 Managing early handback of Tideway project land

The number of months early that the company receives land back from Tideway once necessary works related to the Thames Tideway Tunnel have been completed

3

Target: **0**

Direction of trend: ↗

Performance commitments that had no targets this year

ET01 Readiness to receive tunnel flow at Beckton STW

Number of full months after System Commissioning Commencement Date (SCCD)

N/A

Target: **N/A**

Direction of trend: =

ET04 Critical asset readiness for the London Tideway Tunnels

Number of full months reported as 'insufficient readiness', after SCCD

N/A

Target: **N/A**

Direction of trend: =

CC Understanding the risk of flooding and level of resilience within the Counters Creek Catchment

Met or fail

N/A

Target: **N/A**

Direction of trend: =

Penalties and rewards

What are penalties and rewards?
Some of our performance commitments are subject to financial 'Outcome Delivery Incentives' (ODIs). These are financial incentives agreed by Ofwat in the price review determination for the 2020 to 2025 AMP period. For these performance commitments, if the company outperforms beyond the target, there will be a reward; if the company misses the target, there will be a penalty. The amount of reward and penalty depends on the incentive rates as set out in the price review determination, the extent of out/underperformance against the target, and the range of performance commitments eligible for financial incentives.

These financial rewards or penalties from the performance commitments will be applied in later years to adjust customer revenue collection for water, wastewater and retail services.

C-MeX and D-MeX are not subject to ODIs, but they are subject to penalties and rewards. In 2020/21 our C-MeX and D-MeX penalties amount to around £18 million[1] in total.

Here is a breakdown of our penalties and rewards for the performance commitments for 2020/21.

Penalties

Water quality compliance
£0.90 million
penalty

Per capita consumption
£2.65 million[2]
penalty

Water supply interruptions
£10.12 million
penalty

Mains repairs
£1.06 million
penalty

Pollution incidents
£2.74 million
penalty

Sewer flooding
£10.56 million
penalty

Unregistered household properties
£0.21 million
penalty

Empty household properties
£0.31 million
penalty

Clearance of blockages
£5.22 million
penalty

Renewable energy produced
£1.37 million
penalty

Rewards

Sewer collapses
£0.03 million
reward

Leakage
£2.67 million
reward

Reducing risk of lead
£0.02 million
reward

Empty business properties
£0.55 million
reward

1 Based on a penalty of around £19m in outturn prices.

2 Following communications with Ofwat, we are deferring the 2020/21 per capita consumption ODI payment until the end of the AMP, when Ofwat will assess the impact of Covid-19.

London and Thames Valley performance

For the first time, we're reporting regional performance in London and the Thames Valley for some of our measures.

We're doing this for a number of reasons. As part of our business plan for 2020 to 2025, we've been asked by Ofwat to report on London performance, so that we, and our stakeholders, can better understand the challenges faced in London. As part of that we've decided to report Thames Valley specific performance data too. We operate in different areas of London for water and wastewater, so, for the purposes of this reporting, London is defined as the London Water Resources Zone for water. For wastewater, we have defined London as the area covered by the eight large London sewage treatment works – which broadly cover the Greater London Authority (GLA) area.

We're also reporting separately on these regions because we want to be transparent about our performance data and demonstrate the different opportunities and challenges we have in the two areas, particularly relating to geography and the differing ages of our network.

We're reporting on our London and Thames Valley performance for a sub-set of our performance commitments. These performance commitments have been chosen for a number of reasons, including our ability to collect the data in this way, the benefits of the data to be able to make decisions, and how useful the information is to our customers and stakeholders if they want to understand our performance at a regional level. We engaged with our Customer Challenge Group and the GLA over the measures that we would use.

By separating the data out, we can see how we're performing in each area, and our targets and plans can be adapted to focus on the most urgent priorities for each region.

This page gives the headline numbers for each of the performance commitments where we're reporting for both regions. You can find more information about why there are differences when we talk about performance against each of our 52 performance commitments in the next section.

PC ID	PC name	Unit of measurement	London performance	Thames Valley performance
AR05	Percentage of satisfied vulnerable customers	The percentage of customers on our priority services register who are satisfied with the service	86	85
AR06	Priority services for customers in vulnerable circumstances	% reach	4.2	2.5
BW01	Mains repairs	Number per 1,000 km of mains	372.6	146.6
BW02	Unplanned outage	% peak week production capacity	1.97	1.02
BW03	Water supply interruptions	Average number of minutes lost >= 3hours	00:09:57	00:25:56
BW04	Leakage	Annual average in mega litres per day	446.7	142.9
BW05	Per capita consumption	Annual average in litres per property per day	151.8	155.5
BW08	Acceptability of water to consumers	Number of contacts per 1,000 customers	0.46	0.83
BW11	Responding to major trunk mains bursts	hh:mm:ss. Average number of minutes lost per customer for interruptions >= 3hrs where the cause is identified as failure of a trunk main	00:06:50	00:00:00
CS01	Treatment works compliance	Percentage compliance	100.00	99.72
CS02	Sewer collapses	Number of sewer collapses per 1,000 km of all sewers	2.42	4.22
CS03	Internal sewer flooding	The number per 10,000 sewer connections	2.50	1.99
CS04	Clearance of blockages	Number of blockages cleared	44,723	31,500
DW01	Risk of severe restrictions in a drought	% population	100.0	47.9
DW02	Security of supply index	SoSI score	100	100
DS01	Risk of sewer flooding in a storm	% population	5.49	19.83
ER02	Empty household properties (void properties)	As a percentage of household properties	4.02	3.16
ES01	Pollution incidents	Number of pollution incidents per 10,000 km of the wastewater network	8.03	56.37

Our performance commitments in detail

To deliver brilliant customer engagement

Our performance commitments in detail continued
To deliver brilliant customer engagement continued

Over the next few pages, we'll go into more detail about our performance for each of our performance commitments.

RAG Rating and Description

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- Performance information either not available, not applicable or not relevant

Direction of trend

↗ ↘ Improvement on previous year

= No change on previous year

↘ ↗ Decrease on previous year

AR01 C-MeX

72.91

Target: **N/A**

Direction of trend: **=**

Commentary

The customer measure of experience (C-MeX) is the primary metric through which the service that the water companies provide their customers is rewarded or penalised. At the end of 2020/21, we finished 17th within the industry with an overall score of 72.91 out of 100.

C-MeX consists of two equally weighted customer surveys which are undertaken each month. For the customer experience survey, which measures the overall level of satisfaction that our customers have with our services, we scored 80.18 and placed 16th. This was offset by our performance against the customer survey, which gauges satisfaction with how we handled a customer's complaint. For this survey, we scored 65.65 and finished 17th within the industry. Our C-MeX performance means that we have a penalty of £16.8 million for this measure this year.

We want to improve our service and our reputation with our customers. We have created detailed plans across the whole of our business to transform customer experience. This is based on detailed insights and analysis into what matters most to our customers and the communities we serve.

We recognise that every interaction matters and are focused on creating positive connections with our customers to show that we genuinely care. We are empowering our teams to succeed and consistently deliver frictionless and low effort experiences for our customers. This means meeting the promises that we make, resolving issues quickly and pro-actively managing customer expectations.

Complaints

Reducing complaints isn't a standalone performance commitment, however it is one of our KPIs and contributes to our C-MeX score.

Household written complaints remain high with 39,530 received this year. This is higher than 2019/20 (33,728). We recognise that we need to get better at dealing with customers' concerns the first time they contact us.

Most of our non-operational complaints have been related to our bills. While some of these are related to the bedding in of our new billing system, we accept that in many cases our service has just not been up to our customers' expectations. We've taken feedback seriously and, as a result, we rolled out our new look bill to our metered customers in February 2021. To further address billing queries and complaints, we have also introduced a proactive care team to call customers who have had repeat contact with us or who have given us a low telephony CSAT score. We have also created a billing escalations team, so frontline call agents have the opportunity to transfer customers with complex queries to skilled and experienced colleagues. We've also enhanced our online webchat capability, so customers who need to complain can do it directly from our 'how to complain' page on our website.

On the operational side, 65% of our wastewater complaints relate to blockage clearance services or dealing with sewer flooding, while for water services, 45% of the complaints relate to either dealing with leaks from our pipework or customers who have lost their water supply. We've introduced a new improved, incident management approach to ensure we support our customers better when problems occur, for example by providing temporary solutions such as tankers or bottled water. We're also improving our customer communication about incidents, including enhancing the quality and speed of our website updates.

We're working to improve all our processes across people, systems and technology. Our new Retail Director, Warren Buckley, is driving our strategy to reduce the need for customers to contact us and, when they do, to make the experience as convenient and positive as possible. Our plans include better complaint escalation processes, across all channels, and rolling out better knowledge management tools to support our frontline teams to give better information and better service to customers. We recognise there is much more to do and it's one of our biggest focus areas as part of our plan to turn around our performance. Our customers expect to have a great service from us every time and we need to be so much better.

Our performance commitments in detail continued

To deliver brilliant customer engagement continued

AR05 Percentage of satisfied vulnerable customers

Percentage

85%

Target: **91%**

Direction of trend: ↘

Commentary

This performance commitment is designed to measure the satisfaction of customers who are on our priority services register (PSR).

In 2020/21 85% of our priority service customers were satisfied or very satisfied with the service they received from us, although we didn't meet our target of 91%. This was due to more general customer service issues that we experienced during the year following the implementation of our new billing system. This is a new performance commitment for us and this year's performance acts as a baseline for future improvements. We're making improvements to training and quality monitoring to make the experience better for our customers in vulnerable circumstances.

We're also working across the business to make improvements to our customer service more generally, which should have a positive impact on our performance against this metric.

London and Thames Valley
London: 86%
Thames Valley: 85%

Our performance is broadly consistent across our regions with London customers 86% satisfied and Thames Valley 85% satisfied.

AR06 Priority services for customers in vulnerable circumstances

Percentage of applicable households on PSR Reach

3.5%

Target: **3%**

Direction of trend: ↗

Percentage of applicable households on PSR Attempted contacts

56.8%

Target: **45%**

Direction of trend: ↗

Percentage of applicable households on PSR Actual contacts

18.3%

Target: **17.5%**

Direction of trend: ↗

Commentary

Our priority services register (PSR) was set up to provide us with a clear view of who might need extra help when they are dealing with us. For example, this could be during a supply interruption, when they receive their bill or when they're on the phone to us. This performance commitment measures the percentage of all households in our region that are on the register and allows a comparison to be made across the industry. It also ensures we maintain a high quality of customer data on the register by measuring contact with customers to get up to date details. This measure is split into three parts:

Reach – this is the percentage of our households on our priority service register (PSR).

Attempted contact – this is the percentage of households who have been on our register for over two years whom we have attempted to contact twice.

Actual contact – this is the proportion of households that have been on our register for over two years that have updated their details.

We've increased the number of people on the register this year (3.5% up from 1.5% last year) . We achieved this through targeted email and social media campaigns to raise awareness of our register and the extra support we have available. We've also been working with third sector partners, who have been proactively approaching people over the age of 80, and have set up data sharing partnerships, for example with the London Fire Brigade.

Data quality – attempted and actual contact
This is the first year that this activity has run.

We have attempted to contact 56.8% of those customers who have been on our register for over two years, which comfortably meets our target of 45%. We ran two campaigns this year – our first campaign was sent to all relevant customers. Our second campaign was then sent to a targeted subset of this group.

18.3% of the households who had been on our register for over two years confirmed their details, which again met our target of 17.5%. Updates from our customers have been driven by our 'check-in' campaigns as well as from general contact with customers.

London and Thames Valley (PSR – reach)
London: 4.2%
Thames Valley: 2.5%

There's a higher percentage of customers in London on our priority services register (4.2%) than Thames Valley (2.5%). We believe this is mainly due to the large number of customers who receive wastewater services from us in the Thames Valley, but are billed by their water provider for both services. The PSR is currently held on our billing platform so is only available to households billed by us. This means we're not able to add these customers to our register at the moment, however we have plans to do that in the future.

AR07 BSI for fair, flexible inclusive services

'Achieved' or 'Not achieved' for Y1; 'Maintained' or 'Not maintained' for Y2-5

Achieved

Target: **Achieved**

Direction of trend: ↗

Commentary

We committed to achieving verification against the British Standard Institute's (BSI) vulnerability standard BS18477. Inclusive service verification demonstrates that we provide an inclusive service that is available, usable and accessible to all consumers equally – regardless of personal circumstances. We achieved accreditation in March 2021. There were two minor non-conformities against the standard which we will address ahead of next year's audit.

Our performance commitments in detail continued

To deliver brilliant customer engagement continued

AWS01 D-MeX

77.56

Target: **N/A**

Direction of trend: ↘

Commentary

This performance commitment is a measure of the customer satisfaction of developer services customers who transacted with us throughout the year.

50% of the measure is assessed through a qualitative customer satisfaction survey. The remaining 50% measures how well we have performed against selected Water UK service level targets.

Our score for the year (out of 100) was 77.56 generating a penalty of £1.85 million. This performance is down slightly from the 79.34 scored in 2019/20. We identified a reporting issue on our SLA compliance this year which, when corrected, meant our reported performance is lower than we had been tracking. This issue has been addressed and we are now tracking the correct dates, we anticipate a significant improvement in our score next year.

In addition, we are implementing short-term process changes to improve customer satisfaction as well as investing in longer-term systems improvements which will enhance customer experience over the next few years.

AWS02 Proactive customer engagement

Number of proactive customer contacts

37,095

Target: **80,000**

Direction of trend: ↘

Commentary

This performance commitment measures the number of times we proactively contact customers. For year 1, we've also recorded the number of contacts for our 'Bin it – don't block it' scheme, which helps customers understand what should and shouldn't go down toilets and drains. It also includes households we contact who participate in the Greenredeem scheme https://www.greenredeem.co.uk/.

Covid-19 has had a significant impact on our performance in many of these areas during 2020/21. Restrictions have meant we've been unable to carry out many of our water efficiency and school visits, as well as other field based activities. The ongoing restrictions will also affect performance in the current year. To help recover volumes of customer engagement we are enabling new digital proactive customer engagement platforms and initiatives. This will require the introduction of new online capabilities.

The breakdown of the 37,095 contacts for each sub-measure is shown to the right:

Physical visits

Activity	Metric (no.)	Total
Lead pipe replacements	LPR proactive	10,657
Smarter home visits	SHVs delivered	4,986
Smarter business visits	SBVs delivered	1,813
Smarter home wastage visits	SHV wastage visits	569
LAHA visits	LAHA home visits	341
Proactive smart CSL repairs	Smart CSL repairs completed	1,599
Greenredeem	Greenredeem	5,488
Proactive school visits	WESP school visits	0
Proactive school visits	Education visits – total visits	0
Bin It Don't Block It	NHH FOG visits – total visits	3,692
Physical – Total (monthly)		29,145

Pro-active virtual contacts

Activity	Metric (no.)	Total
Digital – smarter home visits	Virtual SHVs	7,905
Digital – education visits	Virtual education – events	45
Digital – portal engagements	Virtual smart meter portal engagements	0
Virtual – Total (monthly)		7,950
Combined total (monthly)		37,095

Our performance commitments in detail continued

To deliver brilliant customer engagement continued

BW05 Per capita consumption

Percentage reduction of three year average PCC in litres per person per day (l/p/d) from the 2019-20 baseline

-1.5%

Target: **1.1%**

Direction of trend: ↗

Three year average PCC in litres per person per day (l/p/d)

148.0

Target: **144.2**

Direction of trend: ↗

Commentary

This performance commitment measures the average reduction in the water usage of household customers.

We've not met the target for this for a combination of reasons, mainly due to:

- people being asked to stay at home due to Covid-19. We saw an increase in demand for water, particularly in the Thames Valley, with people using more water at home during the day than they would historically; and
- an increase in water use due to the warm, dry weather during the spring and summer.

This meant per capita consumption was up during the year. Furthermore, as most people were also staying at home for their holidays, there was an increase in water use in gardens.

Due to the changes in water usage as a result of Covid-19, the financial assessment for this performance commitment has moved to the end of the five-year regulatory period.

London and Thames Valley (Annual average in litres per property per day)

London: 151.8

Thames Valley: 155.5

The difference between the two regions is because the impact of Covid-19 has been felt more in Thames Valley than in London due to the shift in demand from city centres to the more rural and suburban areas.

ER01 Unregistered household properties

'Process completed' or 'Process not completed'

Process not completed

Target: **Process completed**

Direction of trend: ↘

Commentary

This commitment is to confirm whether we have set up and are delivering a programme to identify household properties that are not registered in our systems, but where our services are being used and not billed. It ensures that all of our customers are billed fairly and consistently for the services that they use.

Initially, the system capability to manage the large amounts of data required to achieve this performance commitment did not exist within Thames Water. This is the main factor for not achieving the target in 2020/21.

To help us develop this capability we have worked with an external data consultancy business to build a data matching functionality that can take property records from our billing system and match them against external data sources. During 2020/21 our focus was on building the capability along with refining our ability to identify prospective households that may fit the assessment criteria. This will be an iterative process with our aim being to achieve this commitment across all quarters in 2021/22.

ER02 Empty household properties

Percentage of household properties classed as void

3.70%

Target: **3.66%**

Direction of trend: ↘

Commentary

This metric measures the number of empty properties as a percentage of our overall household property base within our billing system. Ensuring that properties are correctly classified as occupied or empty ensures that charges are fair for all customers.

This is being reported for the first time during 2020/21 as a performance commitment. Accelerated migration to the new billing system at the end of 2019/20 resulted in a rise in the voids base over the first half of the year, until the introduction of the previously delayed processes. A strong recovery in the second half of the year resulted in a year end position of 3.70%, slightly adverse to the 3.66% target.

London and Thames Valley

London: 4.02%

Thames Valley: 3.16%

The percentage of empty households in London is higher than in the Thames Valley for two reasons. There is a greater property mix within London with around two thirds of these being flats. These present greater challenges to us when it comes to matching occupancy with data supplied to us by third parties. In addition, just under 9% of our directly billed properties are owned by local housing associations. In these cases, we are still having difficulties in identifying occupants or when tenancies change.

Our performance commitments in detail continued

To deliver brilliant customer engagement continued

ER03 Households on the Thames Water social tariff

Number of households on the company's new enhanced tiered social tariff

210,731

Target: **108,000**

Direction of trend: ↗

Commentary

This performance commitment measures the number of households that receive affordability support from our social tariff.

Household numbers have significantly risen over the last year, and we've met our target for 2025 four years early.

There was an increasing number of customers moving to social tariffs at the end of the financial year, partly through our annual billing process, but also due to more customers being directly billed by us rather than being billed through their Local Authority Housing Association.

We expected a spike in demand for social tariffs due to Covid-19. However, this demand hasn't occurred, which may be due to the extension of furlough until the end of September 2021. We have made the application process for the tariff much simpler and will continue to improve this through working with the Department for Work and Pensions (DWP) (under the Digital Economy Act).

We anticipate numbers on the tariff to increase post Covid-19 so we have revised our internal target for 2025 to 300,000 households.

More about our social tariffs

Over the year 2020/21 Thames Water grew both the volume and range of support available to customers. As a direct response to the Covid-19 pandemic, we introduced a new Flexible Payment Scheme in April 2020. This remains available and gives customers affected financially by Covid-19 a three month reduction or break from payments, with the aim they repay this later as part of an instalment plan.

Our shareholders doubled their donation to our independent Trust Fund to £1 million to support debt advice for customers in financial need. Due to Covid-19 restrictions we suspended the hardship element of the Trust Fund which helps customers in extreme needs, such as those without bedding, fridges or cookers. We have now relaunched the hardship scheme with a greater range of support including internal plumbing and income maximisation options.

Our social tariff, WaterHelp continued to grow – helping an additional 60,000 customers with a 50% discount. The majority of this new support was to Housing Association customers who moved to direct billing with Thames Water. Our WaterSure support for metered customers grew by 13% over the year.

We modified our Customer Assistance Fund which now provides debt support through payment matching and financial help for customers with outstanding bills.

EWS08 Empty business properties

Number of non-household properties recorded as void which the company identifies as occupied and are subsequently billed

5,690

Target: **0**

Direction of trend: ↘

Commentary

This performance commitment is designed to reduce the number of businesses not being charged (void) with up-to-date information being passed to the responsible business retailers. It leads to less bad debt / unaccounted for water and therefore fairer charges for customers who are already being billed.

Our methodology ensures that any properties that were changed to vacant as part of the market dealing with effects of Covid-19 were not counted. The only exception being if the Non-Household (NHH) retailer did not change the property back to occupied at the required time.

Our performance commitments in detail continued
To invest in resilient assets and systems

Our performance commitments in detail continued
To invest in resilient assets and systems continued

RAG Rating and Description

- Performance at or above our committed performance level
- Performance within the range allowed without a penalty (the 'deadband') if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

↗ ↘ Improvement on previous year

= No change on previous year

↘ ↗ Decrease on previous year

BW01 Mains repairs
Number of repairs per 1,000km of mains

269.6

Target: **265.9**

Direction of trend: ↗

Commentary

This measure is essentially looking at the condition of our water network, so a lower number of repairs shows better performance against this measure. That said, we will always prioritise customer needs.

We were performing well, and were on target to meet this performance commitment until January. However the colder weather between January and March led to a big increase in leaks and bursts. Colder weather causes pipes to crack, which increases leakage and can have an impact on customers. To tackle this, we significantly increased the number of proactive and reactive repairs for the last three months of the year to 40% of our planned total for the whole year. That pushed us over our target with a total of 269.6 repairs per 1,000 km of water mains.

London and Thames Valley
London: 372.6
Thames Valley: 146.6

We've fixed more pipes in London compared to the Thames Valley due to a higher number of bursts in the capital during the year. There are three key reasons why bursts in London are more frequent:

- The age of the network in London – there are a large number of old cast iron mains, many of them over 100 years old.
- Soil conditions – in London, about 40% of soil is highly or very highly corrosive to iron mains and about 40% of soil is highly or very highly shrinkable, making it more susceptible to movement through changes in conditions.
- The pressure of additional traffic – increased traffic has an impact on pipes due to forces created by increased braking and acceleration.

BW02 Unplanned outage
Percentage of peak week production capacity

1.76%

Target: **6.00%**

Direction of trend: ↗

Commentary

This looks at how much water we are unable to supply to our customers because of an unforeseen deterioration or failure of the assets we use to source and treat the water.

We've performed well in this performance commitment. This is due to the speed of our response to operational incidents and also our resilience to two increases in water demand during the year. The first was the unusually warm weather at the beginning of 2020/21 and the second was the increase due to bursts during the colder weather during the early months of 2021.

London and Thames Valley
London: 1.97
Thames Valley: 1.02

The nature and size of our London network means we can adapt to individual problems effectively by changing the sites we use to deliver water. In the Thames Valley, there are lots of smaller water treatment works. This can mean that deploying alternative water strategies is more difficult. However the impact of a problem at a Thames Valley site is less than at a London works which is much bigger.

In the Thames Valley, our performance was consistent throughout the year. However in London the outages were higher in the first half of the year.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

BW03 Water supply interruptions

hh:mm:ss. Average minutes lost per customer for >= 3hrs interruption

00:13:39

Target: **00:06:30**

Direction of trend: ↘

Commentary

The purpose of this performance commitment is to minimise the number and duration of supply interruptions. This measures the average number of minutes our customers don't have water, for interruptions lasting three hours or more.

We were performing well against this measure during the early part of the year, but four major incidents led to us missing our target.

Hackney Marshes in October 2020 – a burst on one of our largest water mains, a trunk main, led to around 100,000 customers being without water or having low pressure. The repair to the pipe was complicated and the burst affected one of the largest water supply areas in our region.

Fobney Water Treatment Works in Reading in October 2020 – raw water quality deteriorated during Storm Alex, which reduced the output at Fobney Water Treatment Works, leading to customers not having water or suffering low pressure.

Hagbourne Hill in Wantage in June 2020 – there was a burst under the A34 dual carriageway, which made it more difficult to locate and repair the pipe.

Netley Mill Water Treatment Works in Guildford in April 2020 – there were complications during planned maintenance work which resulted in reduced production, leading to supply interruptions and low pressure in a number of areas.

We did, however, secure a 24% year-on-year reduction – from 17:59 minutes last year to 13:39 minutes this year. We are continuing to make changes to improve the way we learn from incidents and our approach to running our operations.

Without the impact of these four incidents, which led to 20,000 combined hours of customers not having water, we would have met our target. However we know we need to be better at protecting our customers from the risks of weather and ageing pipes.

We received an ODI penalty of £10.1 million for our performance against this measure, this year.

London and Thames Valley
London: 00:09:57
Thames Valley: 00:25:56

Supply interruptions during the year were much higher in the Thames Valley than in London. Three of the four major incidents during the year happened in Thames Valley. Together they accounted for almost 50% of the total supply interruptions for that area. Without those three incidents at Netley Mill, Hagbourne Hill and Fobney, our performance in the Thames Valley would have been 00:13:11.

The burst in Hackney Marshes affected our London performance – without it, our performance in London would have been 00:03:53.

BW04 Leakage

Percentage reduction of three year average leakage in megalitres per day (Ml/d) from the 2019-20 baseline

5.4%

Target: **4.1%**

Direction of trend: ↘

Three year average leakage in megalitres per day (Ml/d)

635.6

Target: **644.3**

Direction of trend: ↘

How we performed in 2020/21

We met our target for leakage reduction for the second year in a row in 2020/21. Leakage reduction is one of our key performance indicators and, since missing our target for three years in 2016/17, 2017/18 and 2018/19, it has been one of our biggest focuses. Our aim is to reduce our reported leakage by 20% between 2020 and 2025 and in the last year we've reduced it by 5.4%.

The methodology for calculating our leakage performance has changed for this regulatory period, with our performance now being reported as a three-year rolling average, compared to an annual average.

Our leakage reduction plan focuses on a mix of innovation, increased productivity and data-driven decision making. We faced a number of challenges during 2020/21 in particular due to the impact of Covid-19 on our ability to fix leaks at customer properties, and the colder than average weather in early 2021 causing a spike in leaks. We worked hard to address the additional challenges, including increasing gang numbers to fix leaks. Repairs to visible leaks were around 50% above expected levels between January and March 2021.

London and Thames Valley
We have reported our annual average instead of a three-year rolling average, due to the lack of historical data.
Thames Water (annual average): 589.6 Ml/d
London: 446.7 Ml/d
Thames Valley: 142.9 Ml/d

Leakage levels are higher in London than the Thames Valley for a number of reasons including:

- Property density: around 75% of our property base is in London (impacting the number of connections to our mains pipes.
- The age of the network in London – there are a large number of old cast iron mains, many of them over 100 years old.
- Soil conditions – in London, about 40% of soil is highly or very highly corrosive to iron mains and about 40% of soil is highly or very highly shrinkable, making it more susceptible to movement through changes in conditions.
- The pressure of additional traffic – increased traffic has an impact on pipes due to forces created by increased braking and acceleration.

To be consistent with the normalisation for mains repairs, and aligning with the industry normalisation approach (Discover Water). we have normalised the numbers by Ml/d per 1,000 km of mains:
Thames Water (annual average): 18.6
London: 25.8
Thames Valley: 9.9

Our performance commitments in detail continued
To invest in resilient assets and systems continued

BW04 Leakage continued – an updated position for 2019/20 and the baseline for 2020/21

In 2019/20 we reported actual leakage of 595Ml/d which was ahead of our target of 606Ml/d. This reported leakage position included an update to some of the data sources that we use to estimate the volume of water consumption and night use for certain households.

Through the course of this year, as part of our data assurance processes, we found an error in a small proportion of the night use data that has meant we've had to revise our reported leakage last year to 600Ml/d. This is still ahead of our target of 606Ml/d for 2019/20. This change has no impact on the outcome delivery incentive (ODI) position for 2019/20 or the overall regulatory period (Asset Management Plan "AMP" covering the years 2015 to 2020). The position factored into Ofwat's end of AMP reconciliation for last year already excluded the impact of these data sources.

It will however be reflected in a recalculation of the payment for the Transformation Incentive scheme, which matured last year. Leakage was a component of the scheme and the payment made at the time was based on achieving 595Ml/d. The change to 600Ml/d means we're retrospectively reducing the payments for 2019/20 for the members of the current Executive team who participated in the scheme. More information can be found on page 90 of our Remuneration Report in our Annual Report and Sustainability Report.

When the error was found, we launched an external, forensic review to understand how it had occurred and the full extent of it. The review also considered how our governance and assurance processes around reporting could be strengthened. We were provided with a series of recommendations, covering areas such as governance and controls, data and behaviours – many of them have already been acted on. The remaining actions will be incorporated into an improvement plan which will ensure we learn from this issue and take all reasonable steps to ensure that root causes are addressed.

In tandem with the review, we notified Ofwat of the error and our proposed restatement. We are currently discussing with Ofwat if, or how, it affects any regulatory decisions about our performance.

On 1 April 2020 we started a new five-year asset management plan (AMP7) covering the years 2020 to 2025. This Annual Performance Report sets out our performance in the first year – 2020/21, of this period.

The way our leakage performance for this five-year period is reported has changed from how it was reported from 2015 to 2020, in two key aspects:

1. There has been a change in methodology to provide alignment with the definition set by Ofwat for the industry, and

2. Leakage is reported as a three-year rolling average instead of a one-year average.

In readiness for this change in methodology, we have been reporting 'shadow' leakage for the past three years, with each year seeing further progress towards meeting the Ofwat definition.

The error noted above impacted our shadow leakage as well as our actual reported leakage.

We have updated our historical shadow leakage for 2017/18, 2018/19 and 2019/20 to be consistent in each year of the three years required for the AMP7 baseline position. This will ensure that future targets are set on a consistent basis. The table below sets out how our reported actual leakage has changed and the updated historical shadow leakage.

Changes to reported and shadow leakage

	2017/18	2018/19	2019/20	Three-year average
APR actuals reported (AMP6 methodology)	695	690	595	N/A
Revised APR actuals	695	690	600	N/A
Updated shadow values for final AMP7 definition	698.1	690.7	626.6	671.8

As set out above, the three-year rolling average 2019/20 baseline from which our AMP7 targets will be calculated is 671.8 Ml/d. This results in the targets set out below for AMP7.

Rebased AMP7 targets

		2020/21	2021/22	2022/23	2023/24	2024/25	AMP7 reduction
2019/20 Baseline		4.10%	10.20%	14.10%	17.40%	20.40%	
671.8	Target – 3 year rolling average	644.3	603.3	577.1	554.9	534.8	137.0
	Actual – 3 year rolling average[1]	635.6					

1 This is the three year rolling average of 2018/19 (690.7), 2019/20 (626.6) and 2020/21 (589.6).

As a result of our updated AMP7 baseline starting position, our total AMP7 leakage reduction target is 137Ml/d, which is 11Ml/d higher than our previous plan. We are revising our leakage reduction plans accordingly to allow us to deliver this additional reduction.

As can be seen in the table above, our three year average reported leakage for 2020/21 of 635.6 Ml/d was ahead of the target of 644.3 Ml/d, meaning that we earned a reward of £2.7 million. Our intention is to ring fence this sum to invest in innovation to improve service for our customers.

We recognise that further improvements can be made to our leakage reporting, including better utilising the data that is now available from the smart metering programme. We will continue to assess how best to implement such improvement in consultation with Ofwat, while balancing any change carefully with the need to provide sufficient consistency over the course of the AMP.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

BW06a Water quality compliance (CRI)

Numerical CRI score

2.42

Target: **0.00**

Direction of trend: ↗

Commentary

Our water quality performance commitment for this regulatory period focuses on our compliance risk index. It's designed to show the water quality risk arising from compliance failures, rather than our compliance with water quality tests, which was our performance commitment for 2015 to 2020.

Whilst we saw significant improvement to our CRI performance in the second half of the year, we did not achieve our target. This was due to the impact of single coliform detections at Ashford and Kempton Water Treatment Works. Due to the very large volume of water supplied from these sites (which in turn influences the CRI score applied), the impact of these two failures on our overall performance was very significant.

Our CRI performance continues to be monitored at a senior level within the business, with action plans under development to drive continuous improvement in this area. Our final performance for this measure will be published in the DWI Chief Inspector's Report in July 2021.

We have a penalty of £0.90 million.

BW07 Properties at risk of receiving low pressure

Number of properties

15

Target: **34**

Direction of trend: ↗

Commentary

This performance commitment measures the number of properties receiving, or at risk of receiving, pressure below the low pressure reference level. We met our target in 2020/21. The Covid-19 lockdown in 2020, combined with the hot weather in May, led to unprecedented low pressures in some parts of our network where demand increased.

We worked hard to resolve the issues during the year and 107 properties were removed from the register, due to the 'one-off' nature of their low pressure problems caused by the weather. Of the 15 properties reported, 11 are ones that are built too close to our reservoir to receive pressure through gravity, but operational solutions aren't practical on a cost per property basis, and four are due to local operational problems.

BW08 Acceptability of water to consumers

Number of consumer contacts per 1,000 population

0.54

Target: **0.60**

Direction of trend: ↘

Commentary

We beat our target for this measure, which assesses the number of times we're contacted by customers about their water. It's based on the number of contacts per 1,000 people. The contact might be in relation to the taste, odour or cloudiness of their water, or a report of an illness due to our drinking water. This is a challenging commitment to achieve, and most contacts from both London and the Thames Valley are about the appearance of water. Fewer contacts relate to illness.

London and Thames Valley
London: 0.46
Thames Valley: 0.83

The highest cause of contacts for both London and Thames Valley is due to the appearance of water. Illness is the parameter having the fewest contacts. There are no obvious trends for the difference between London and Thames Valley. We are currently in the process of developing a customer complaint dashboard to allow improved analysis and insight in the rates of customer complaints on a zone-by-zone basis.

BW09 Water quality events

Number of events (category 3, 4, 5)

5

Target: **10**

Direction of trend: ↗

Commentary

This is the number of water quality 'events' that impact customers either by us needing to issue a notice to restrict use of our water or through direct contact from one or more of our customers. They can be rated as 3 – significant, 4 – serious or 5 – major by the Drinking Water Inspectorate, our water regulator.

We have five events, which were rated as 3 – significant due to loss of supply, which was well below our target for the year and, based on the last five years' performance, we expect to stay below target for the rest of this regulatory period.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

BW10 Reducing risk of lead

Cumulative number of lead communication pipes replaced in the 2020-25 period

10,919

Target: **10,767**

Direction of trend: ↘

Commentary

A lead communication pipe is a pipe which goes between our water main and a customer's outside stop valve.

We beat our target for the number of lead communication pipes we replaced during 2020/21 despite the impact of the challenges from the Covid-19 restrictions. 10,581 pipes were replaced at hot spot areas, as well as 25 where there was a failed sample, 237 following a customer request and 76 at schools and nurseries improving the water quality for around 50,000 people. These are the four agreed categories, which make up this performance commitment.

BW11 Responding to major trunk mains bursts

hh:mm:ss. Average number of minutes lost per customer for interruptions >= 3hrs where the cause is identified as failure of a trunk main

00:05:15

Target: **00:01:43**

Direction of trend: ↗

Commentary

This measures the average number of minutes our customers don't have water, for 3 hours or more, because of bursts on our largest mains.

It was significantly affected by the Hackney Marsh trunk main burst mentioned in the section about performance commitment BW03 Water supply interruptions. At 4 minutes 40 seconds this burst made up 89% of the total performance for this measure, with the other 13 incidents having a much smaller impact.

London and Thames Valley
London: 00:06:50
Thames Valley: 00:00:00

The majority of our trunk mains are contained within the London supply area. Of the 14 incidents contributing to the overall measure, two of these were in Thames Valley and their combined impact is under 1 second.

DW01 Risk of severe restrictions in a drought

Percentage of population at risk

88.5%

Target: **77.0%**

Direction of trend: ↗

Commentary

This measures the percentage of customers in our region who are at risk of severe water restrictions due to supply and demand issues during a 1 in 200 year drought.

We've not met our target for this measure due to a significant change in the amount of water being used in the Swindon and Oxford area of our network. This is likely to be due to the impact of Covid-19 on water usage patterns in different areas of our region. As well as the Swindon and Oxford region, London is also classified as 'at risk'.

London and Thames Valley
London: 100%
Thames Valley: 47.9%

Other than the Swindon and Oxford region, the rest of the Thames Valley would have enough water to fulfil customer needs during a 1 in 200 year drought. London is currently at risk due to leakage levels and population growth.

DW02 Security of supply index SoSI

SoSI score

100

Target: **100**

Direction of trend: **=**

Commentary

We've met our target of 100 for Security of Supply Index, which rates our ability to maintain a water supply, particularly during a drought. Our plans to make sure we achieve this target are set out in our Water Resources Management Plan which is available on our website. We managed to achieve this target despite water demand changing due to Covid-19 restrictions, leading to the Thames Valley seeing a spike in consumption.

You can read more information in our case study about keeping water flowing during the pandemic on page 24 of our Annual Report and Sustainability Report.

London and Thames Valley
London: 100
Thames Valley: 100

As our score for SOSI was 100, our performance in both London and the Thames Valley was the same at 100.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

EW01 Abstraction Incentive Mechanism (AIM)

Nr

-31.8

Target: **0.0**

Direction of trend: ↗

Commentary

The Abstraction Incentive Mechanism (AIM) reduces abstraction of water at environmentally sensitive sites when flow or levels are below an agreed point, known as a trigger. The trigger point is based on a level or flow, below which the AIM is considered to be 'switched on'. This trigger will usually be related to the point at which damage is potentially caused, and is intended to prevent this from happening or reduce the negative impacts.

We have included five sites for AIM for the period 2020-25 and the AIM baseline and river flow triggers have been defined and agreed with the Environment Agency (EA).

The AIM performance commitment complements the EA's formal Restoring Sustainable Abstraction Programme (RSAP). This is designed to investigate environmental impacts from abstraction, be cost beneficial and reduce abstraction that has an adverse impact on the environment.

2020-2021 was predominantly wet and only Axford AIM was triggered. We were able to comply with the AIM target when it was active, therefore meeting our target of 0.0.

M01 Installing new smart meters in London

Cumulative number of new smart meters installed

53,129

Target: **80,000**

Direction of trend: ↗

Commentary

This measure is the number of new, smart meters that we have installed in London since 1 April 2020. Smart meters give customers more control over their water use and help us detect leaks. We're increasing our smart meter rollout across London.

During 2020/21, we installed 53,129 smart-enabled meters. Both the progressive and optant metering programmes were suspended for the first three months of the year (April, May and June) due to Covid-19 impacts and government restrictions, which also meant a reduction in the number of customers requesting a meter under the optant metering programme. This meant we didn't meet our target of 80,000 for year one.

We are forecasting to get back on track with this performance commitment by the end of year two, as we increase the number of teams to install more meters.

M02 Replacing existing meters with smart meters in London

Cumulative number of installed existing basic meters replaced annually for smart meters

20,740

Target: **26,000**

Direction of trend: ↗

Commentary

This measure is the number of basic meters that we have replaced with smart meters in London since 1 April 2020.

During 2020/21, we installed 20,740 smart-enabled meters. This was behind our target as we had to scale back our programme during the first three months of the year, due to Covid-19 restrictions. We are forecasting to recover most of the shortfall by the end of year two and remain on course to deliver the AMP7 target.

CS01 Treatment works compliance

Percentage compliance

99.74%

Target: **100.00%**

Direction of trend: **=**

Commentary

This performance commitment measures the number of our treatment works that have experienced a numeric failure of their permit conditions. It helps to ensure that the overall asset health of our above-ground assets is maintained and improved for the benefit of current and future generations.

We've performed well in treatment works compliance, which, as of 2020/21, also includes water treatment works. There was just one failure at Borden Sewage Treatment Works, in the Thames Valley, and none at our 20 London sites. Although our target is 100% compliance, our performance falls into the range where we will not receive a financial penalty.

Apart from this incident, we have demonstrated good performance in this area and continue to focus on maintaining it.

London and Thames Valley
London: 100%
Thames Valley: 99.72%

There was just one failure at Borden sewage treatment works, in the Thames Valley.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

CS02 Sewer collapses

Number of sewer collapses per 1,000 km of all sewers

3.96

Target: **4.00**

Direction of trend: ↘

Commentary

This measures the number of sewer collapses, or breaks, per 1,000 kilometres (km) of all sewers, which have had an impact on our customers or the environment, and where we have replaced or repaired the pipe.

We met our target for the year. Our performance has been stable for a number of years, and we have maintained our historic level of service.

London and Thames Valley
London: 2.42
Thames Valley: 4.22

The rate of sewer collapses is significantly higher in the Thames Valley than it is in London, noting that 40% of our total length of sewer network is in the Thames Valley area.

While there are no obvious trends for this difference, one possible factor is that sewers tend to be deeper in London (due to the number of basements), making them less likely to be disturbed by other utilities carrying out work in the area.

We will continue to focus on the drivers of our performance in our operating area, and any reasons for regional variations, to help us target our operational response.

CS03 Internal sewer flooding

Number of incidents per 10,000 sewer connections

2.31

Target: **1.68**

Direction of trend: ↗

Commentary

This measures the number of incidents of internal sewer flooding per 10,000 sewer connections.

This year, we experienced higher than average spikes in rainfall and flash floods. This led to high levels of sewer flooding where our sewers were unable to cope with the sudden surge in water, particularly when there were blockages.

Storm Francis in August led to more incidents than we've had in the same month for the last ten years, other than 2016/17, which was another wet year. The rain in August led to 60% of all sewer flooding incidents for the year, with Storm Alex in October causing 15% of the total for the year. These storms also caused 30% of all flooding in customer properties.

We have seen an increase in demand on the local networks with more people staying at / working from home during Covid-19. This has led to an increase in the number of floods caused by blockages. Despite the disruption linked to Covid-19 and weather impacts, record proactive sewer cleaning of 1,500km of our network was achieved as well as installing over 3,700 sewer depth monitors (SDMs) to extend the areas of the network that are proactively monitored. We are increasing this to 2,300km of cleaning and 5,000 SDM installations in 2021/22.

London and Thames Valley
London: 2.50
Thames Valley: 1.99

The storms in August and October had a similar effect on performance in both London and the Thames Valley. However, the Thames Valley was more affected by the prolonged wet weather over the winter months.

There was a 51% increase in floods in the Thames Valley compared to the target, while the increase in London was 25%. This variance will be due to the rural nature of the Thames Valley, which makes it more susceptible to catchment wetting, with fields becoming waterlogged in winter.

CS04 Clearance of blockages

Number of sewer blockages

76,223

Target: **72,500**

Direction of trend: ↘

Commentary

This Performance Commitment relates to the number of blockages we've cleared from the network. The fewer blockages we have, the fewer issues we have with the operation of the sewer network, so the aim is for this number to be lower than our target each year.

We have not met this year's target of 72,500. We cleared 76,223 blockages in 2020/21, which was broadly similar to the 77,220 we cleared the year before. More blockages needed to be cleared during the second half of the year compared to the first. This was partly due to the impact of people spending more time at home, and more 'unflushables' being put down drains causing blockages over time. The large amount of rainfall in October and the persistent rain in January and February led to more problems as a result of blockages. In addition, our performance against this measure was affected by an increase in the volume of customer calls, by between 10% and 20% compared to the previous three-year average, which increased the number of investigations we carried out.

As explained under CS03, we have cleaned a record length of sewers and installed sewer depth monitors, which should improve our performance in 2021/22.

London and Thames Valley
London: 44,723 (666nr per 1,000km of sewer)
Thames Valley: 31,500 (748nr per 1,000km of sewer)

There are more blockages cleared in London than Thames Valley. This reflects the longer length of sewer network in London. Once normalised by number per 1,000km of sewer, Thames Valley is higher.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

CS05 Sewage pumping station availability

Percentage of average annual asset availability

98.2%

Target: **96.0%**

Direction of trend: ↗

Commentary

This is our measure to assess how many of our sewage pumping stations, as well as pumps, are available to use at any one time.

Our performance has been calculated for our 6,134 pumps and 2,736 pumping stations. At the beginning of the year we had 6,111 pumps available, which we increased by 23 during the year, and 2,722 pumping stations, which increased by 14. That means our end of year result, at 98.2% availability, was within a range of 97.6% (166 pumps out of use) to 98.7% (74 pumps out of use) and above our target of 96.0%. Our proactive repair and preventive maintenance programme helped us achieve our target, as well as technology improvements.

DS01 Risk of sewer flooding in a storm

Percentage of population at risk

10.25%

Target: **10.25%**

Direction of trend: **=**

Commentary

This measure helps us understand the potential sewer flooding risk in our region from severe weather events and to utilise this knowledge to develop long term strategies to reduce sewer flooding over the long term.

We record the percentage of the region's population at risk from internal hydraulic flooding from a 1 in 50-year storm, based on the Ofwat methodology that uses a combination of modelled outputs and desktop vulnerability assessments for non modelled catchments. This year we have achieved our target of 10.25%.

London and Thames Valley
London: 5.49
Thames Valley: 19.83

Based on the way this measure is calculated, the risk of sewer flooding in a storm is significantly higher in the Thames Valley than in London. However, we do not believe this metric reflects the true flooding mechanisms within the London catchments because:

- it does not take account of the impact on high rise buildings where flats are affected – only the ground floor occupants are considered
- basement properties are not considered as part of this assessment since they are at a high risk of sewer surcharge, which may not extend to ground level. This means that, as no surface flooding has occurred, they would not feature in this assessment
- based on the prescribed method, catchments that are not modelled and have been deemed vulnerable have their entire population deemed as at risk, where a modelled catchment would select only a proportion of the catchment population at risk. While all of the London catchments are modelled, this is not the same for the Thames Valley.

DS02 Surface water management

Number of hectares

0.00

Target: **5.00**

Direction of trend: **=**

Commentary

This performance commitment measures the area, in hectares, where surface water is disconnected from the public sewer system, or the flow of surface water is reduced. The surface water is diverted and passes through either a sustainable drainage system or new surface water system. This encourages a more sustainable approach to surface water drainage.

A key aim of the programme is to work with partners to identify and develop project opportunities that will deliver sustainable, cost-effective surface water management solutions to reduce flooding and pollution risk, and enhance network resilience. The impact of Covid-19 on some of our delivery partners has led to a slower start to the programme than intended, resulting in 0.00 hectares being removed during year 1. However, we are confident that we can develop a pipeline of projects to achieve our target for the rest of the regulatory period (2020 to 2025).

Our performance commitments in detail continued

To invest in resilient assets and systems continued

DWMP Drainage and wastewater management plans (DWMPs)

Cumulative percentage of catchments, in which the company implements the Level 1 water company DWMP

0

Target: **0**

Direction of trend: **=**

Commentary

This measure is to develop voluntary drainage and wastewater management plans.

The plans will identify how we will extend, improve and maintain a robust and resilient drainage and wastewater system in light of facing the pressures of climate change, population growth and growing customer expectations.

Our drainage and wastewater management plan will be published for initial consultation in June 2022 and we're on track with that deadline. We've completed the first stages, including completing a catchments risk assessment, and we've sent the results to our industry stakeholders.

ES01 Pollution incidents

Number of pollution incidents per 10,000 km of the wastewater network

26.67

Target: **24.51**

Direction of trend: ↘

Commentary

This is a calendar-year performance commitment that measures the number of pollution incidents caused by a leak or spill of a contaminant from a site or our network that poses a danger to the environment.

We reduced our overall number of pollution incidents by 10% from 2019 to 2020, and reduced our number of serious pollutions from 15 to 13. The main reductions were from our pipes and sewage pumping stations. Despite our improved performance, we were unable to achieve our stretching performance commitment, meaning we incurred a penalty of £2.74 million for the year.

While we have made improvements during the year, we know our performance is not acceptable and we are committed to continuing to reduce pollutions. It will take time to get to where we, and our customers, expect us to be, but we've started the journey.

To focus our efforts on pollution reductions we launched our pollution incident reduction plan last year. To reduce pollutions, we're focused on three things:

1. Prevention – we use targeted initiatives to reduce the number of incidents, including more planned sewer cleaning, upgrading our infrastructure, and using new technology like sewer level monitors
2. Mitigation – we're improving our response when pollutions happen to reduce their impact, by expanding and upskilling our response teams and investing in specialist response equipment
3. Training and behaviour – we're promoting a culture of openness and embedding our company behaviours. We're also training and motivating all our employees to identify environmental risks and act urgently.

You can find more information in our pollution incident reduction plan, which is available in full on our website.

London and Thames Valley
London: 8.03
Thames Valley: 56.37

Pollutions were higher in the Thames Valley. There tend to be fewer incidents in urban areas due to fewer watercourses and routes for pollutions to find their way to water.

ES03 Sludge treated before disposal

Percentage

99.6%

Target: **96.6%**

Direction of trend: ↗

Commentary

Sewage sludge is a product of the wastewater treatment process. This measure is the % of sludge that is treated before disposal.

Having a higher level of treated sludge reduces environmental impacts due to fewer vehicles leaving sludge centres and increased energy recovery from sludge.

During 2020/21, 99.6% of sludge was treated before disposal, outperforming our target of 96.6%.

The reason that 0.4% of sludge was sent to land (restoration) without first being treated was due to the ongoing optimisation of the Oxford digestion plant and additional capacity being installed at East Hyde.

The volume to restoration was lower than expected though, which was partially due to some of the sludge expected to go to this outlet being sent for on-farm lime treatment instead. It was also a result of lower overall sludge volumes due to the impact of Covid-19 restrictions on the population in the region.

Our performance commitments in detail continued

To invest in resilient assets and systems continued

DWS01 Power resilience

Number of sites

2

Target: **9**

Direction of trend: ↗

Commentary

This performance commitment reports the number of key power-dependent sites that are made resilient to power disturbances or interruptions over three hours from the distribution network operators from 1 April 2020 to 31 March 2025. It incentivises us to invest in our assets so they continue to work in the event of power failure. That means there's less risk to service failures causing pollutions, supply interruptions and sewer flooding.

We are reporting the delivery of power resilience at two water sites: Chipping Norton and Harts Hills. They both now have permanent power generators on site. While both projects were delivered in 2019/20, they form part of the business plan for 2020 to 2025. This was beneficial to customers as the schemes were delivered while we were on site delivering various other activities, thus delivering this outcome at the same times was advantageous.

Despite delivering these two sites, we recognise that our performance for 2020/2021 was below the target of nine sites. But we're investigating new data which suggests that we have other sites which may be more cost-beneficial than those originally identified for this performance commitment. We are also working with our electricity supplier to understand costs and scope for them to supply us with additional resilience from their network. This work is slower and more complex than expected due to the location of many of the assets in central London. The target is to deliver improvements at 47 sites over 2020 – 2025. Investment for 32 water sites was approved internally in August 2020 and plans are now being put in place. These plans will consider funding, regulatory requirements and customer benefits.

DWS02 SEMD – Securing our sites (2020-25 projects)

Percentage compliance of specified sites with SEMD requirements

0.0%

Target: **0.0%**

Direction of trend: **=**

Commentary

This measures the number of agreed sites brought into compliance with Security and Emergency Measures Direction (SEMD) requirements.

This performance commitment only applies to a list of 28 borehole sites agreed between the company and Defra, and there were no projects due to be delivered in 2020/21.

We will deliver this performance commitment by funding the installation of security measures that deter and detect malicious actions and delay perpetrators from reaching critical assets. These measures include physically robust doors, barsets and locking mechanisms, along with electronic intruder detection and CCTV for verification devices so that we know when we are at risk.

Our security measures also provide real-time site information to support effective deployment of security and operational teams to reduce the harm caused by the perpetrators' actions.

DWS03 SEMD – Securing our sites (legacy projects)

Percentage compliance of specified sites with SEMD requirements

34.5%

Target: **7.0%**

Direction of trend: ↗

Commentary

This performance commitment covers the completion of the legacy projects from the 591 agreed at PR14, which remain outstanding in the 2020-25 period. At this point in time, there remain 264 outputs to complete.

The performance that we are reporting for 2020/21 includes outputs from the final year of AMP6. The 2019/20 updated numbers of predicted outputs were given to Defra and Ofwat, and the additional outperformance is being claimed in 2020/21.

Our performance commitments in detail continued

To generate public value

Our performance commitments in detail continued

To generate public value continued

RAG Rating and Description

- Performance at or above our committed performance level
- Performance within the range allowed without a penalty (the 'deadband') if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

↗ ↘ Improvement on previous year

= No change on previous year

↘ ↗ Decrease on previous year

ES02 Environmental measures delivered

Cumulative number of 'green' WINEP schemes

182 (forecast)

Target: **180**

Direction of trend: ↗

Commentary

This measures the cumulative number of Water Industry National Environment Programme (WINEP) schemes we deliver.

Due to Covid-19 having an impact on our ability to carry out the work required for this performance commitment in year one, the Environment Agency extended the deadline from March 2021 to September 2021. Here we're reporting where we expect to be on 30 September, in line with Ofwat's guidance. 27 schemes were delivered by 31 March 2021, and we're on track to complete 155 more by the extended deadline.

We've also managed a level of delivery risk to the programme by accelerating schemes from later in the programme where we may not be able to deliver schemes initially scheduled for delivery by September 2021.

EWS01 Enhancing biodiversity

Cumulative number of net gain in biodiversity units

97

Target: **491**

Direction of trend: ↗

Commentary

This looks at the number of natural habitats we've been creating and enhancing at 61 of our Sites of Biodiversity Interest.

We were way below our target for this year, with an increase of 97 biodiversity units compared to the beginning of the year. That's a net gain of 6% and this is being validated by AECOM. Our target for the year was 491, and there are a number of reasons we've not met it.

When preparing for this performance commitment, it was assumed that all grassland habitats could be improved through proactive maintenance. However, we need to prioritise the operational needs of our sites, so we can provide life's essential service. Further work to understand that meant only parts of sites were viable for enhancement. Baselines were also set incorrectly for some of the habitats, as they were based on distinctiveness of the habitats rather than the actual condition of them. High distinctiveness habitats were therefore assumed to be in a better condition than they were, so improvements didn't increase the score. Where there was evidence to support a readjustment of the baseline, this was done, but in some areas it wasn't possible to get enough evidence, meaning those habitats were treated as retained habitats. Covid-19 has also had an impact on this measure, as it's caused delays to work on sites and there were fewer people at our partner organisations able to complete the work. We've also had net losses through the sale of some property. For capital projects we've set a new requirement for 10% of land to be saved for biodiversity, however we don't yet know the impact of that on this performance commitment.

EWS02 Smarter Water Catchment Initiatives

Number of catchment♦

0

Target: **0**

Direction of trend: ↗

Commentary

For 2020-25 we identified three river catchments – Crane, Evenlode and Chess – where there are multiple environmental challenges or issues that have relevance to our activities.

For these three catchments, we committed to deliver smarter water catchments initiatives, undertaking whole-river catchment interventions designed to address multiple environmental issues simultaneously.

We've developed and published three catchment management plans for the Chess, Crane and Evenlode river catchments. They were formally agreed during the year and are being supported by all relevant stakeholders. The plans outline our plans for the next ten years and can be found on our website. You can also find more information in our Annual Report and Sustainability Report.

From April 2021 (Year two) we will be delivering the associated actions in line with our projected performance level.

Our performance commitments in detail continued

To generate public value continued

EWS03 Renewable energy produced

Gigawatt hours (GWh)

476

Target: **493**

Direction of trend: ↘

Commentary

This is the amount, in gigawatt hours (GWh), of renewable energy we produce. As well as electricity generated from renewable sources, it also includes other energy sources, such as bio-gas, which are exported to the national grid and the heat put to productive use.

We're 17 GWh below target for this performance commitment. This is mainly due to us not being able to generate as much renewable energy due to fewer visitors to London during the pandemic. With a reduction in both the number of people working in and visiting the capital due to the pandemic, less sewage flowed through our Beckton Sewage Treatment Works, which is one of our key sites for energy generation. In a normal year, we have 30% more sludge going through the works, which is what we use to generate energy. We expect to produce more energy this year as people return to London. We've also made plans to increase our generation of renewable energy at other sites such as Maple Lodge, Basingstoke, Riverside and Mogden, as well as generate more solar power.

EWS04 Natural capital accounting

Percentage of the company's landholdings where natural capital stocks are assessed and reported publicly

100.0%

Target: **20.0%**

Direction of trend: ↗

Commentary

Natural capital is based on the area, not number or value, of landholdings. It includes activities to assess the natural capital value of all our landholdings by 2025.

Natural Capital Baseline

Asset Attribute	Indicator	Hectares	Percent
Extent	Total assessment area (Assessment scope)	6,504	100%
Coverage	Habitat area	5,711	88%
	Non-habitat area	793	12%
	Unknown land-use (Data gap)	0	0%

Assessing the quantity, quality and performance of the natural environment that we own and manage provides valuable insights into how our land contributes to biodiversity, people's wellbeing and wider society, which can help inform our business decision making into the future.

We have undertaken an assessment of the natural capital stocks across 100% of our landholdings to help us understand what natural capital stocks we have, their location and condition, and what services and benefits are provided.

Natural capital includes stocks which are the elements of nature that have value to society such as forests, rivers, land and minerals. These stocks of natural capital provide ecosystem services such as food production, carbon storage and recreation which provide a wide range of benefits to society and business.

We own 6,500 hectares made up of small to medium-sized sites including water and wastewater treatment works, recreational sites and nature reserves. In our assessment, we've identified key habitats such as grasslands (which cover 36% of our landholdings), rivers, lakes, reservoirs (33%), urban (13%), woodland (7%) and cropland (5%). These provide a wide range of ecosystem services and benefits, the most significant provision is water supply, sense of place, aesthetic value as well as significant biodiversity value.

Our assessment illustrates that Thames Water's estate provides a great deal to people's wellbeing beyond our core business activities of supplying households and businesses with water and wastewater services, adding significant value to our local communities and wider society. We will publish additional information about our natural capital assessment later in the year.

NEP01 WINEP Delivery

Met or not met

Not met

Target: **Met**

Direction of trend: ↗

Commentary

This performance commitment tracks the delivery of our schemes to improve the environment as set out in the Water Industry National Environment Programme, published by Defra.

We haven't met our year 1 target as we failed to deliver a flow monitoring scheme at Cholsey Sewage Treatment Works in Oxfordshire on time. Originally this was due to be completed in the last regulatory period, however the deadline was extended to June 2020 as a result of delays getting external accreditation due to Covid-19. Unfortunately the new flow monitor didn't pass the accreditation and corrective work was needed.

We did however deliver 25 schemes that also had extended deadlines from the last regulatory period, due to Covid-19. Six more schemes have new deadlines for 2021/22, as agreed through the WINEP scheme, which includes four projects to restore rivers. The four projects are at the River Cray, which is just awaiting confirmation by the Environment Agency, and Oxford Watercourses, Pann Mill and Goatbridge.

All the schemes planned for 2020/21 were given deadline extensions due to Covid-19, however we have already delivered 27 of the 180 schemes due. There were four eel screen projects, to protect eels from getting into reservoirs, due for March 2021. Screens were installed at Laleham and Datchet in July 2020 and August 2020. The other two, at New Gauge and High Maynard, were given extensions.

Our performance commitments in detail continued

Thames Tideway Tunnel

Our performance commitments in detail continued

Thames Tideway Tunnel continued

RAG Rating and Description

- Performance at or above our committed performance level
- Performance within the range allowed without a penalty (the 'deadband') if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

Direction of trend

↗ ↘ Improvement on previous year

= No change on previous year

↘ ↗ Decrease on previous year

ET02 Effective stakeholder engagement

Score (1–6)

5.1

Target: **5.0**

Direction of trend: ↗

Commentary

This measures how well we're engaging with stakeholders as the Thames Tideway Tunnel project progresses. It's an average score (based on a scale from 1-6) of responses to a single survey of multiple questions asking how well we have engaged with senior members of key stakeholder organisations.

We commissioned an external research company to carry out interviews with key stakeholder organisations to get independent feedback on the effectiveness of our stakeholder engagement.

We used a qualitative in-depth interview approach with some structured measures, as this provided the best blend of open-ended questions, to find out what participants really think, as well as structured 'scores' for key aspects of engagement that could be compared (between organisations) and repeated and tracked over time.

We received a average score of 5.1 out of 6, which means that most stakeholders think we are performing 'very well' and some think we are performing 'extremely well'.

ET05 Establish an effective system operator for the London Tideway Tunnels

Percentage completion

19%

Target: **0%**

Direction of trend: ↗

Commentary

This performance commitment is designed to monitor our readiness to operate the London Tideway Tunnel at the commencement of commissioning currently planned for October 2023.

The activities relate primarily to establishing a fully trained team to operate the tunnel with adequate procedures and externally accredited management systems.

Performance is on track, with 19% complete in 2020/21, although the timing of activities has been deferred within the year due to construction completion delays driven by Covid-19. All remaining activity has been realigned with the later commissioning commencement date – originally October 2022 now October 2023. Key changes are currently under discussion with Tideway to optimise the commissioning approach to ensure an efficient and robust commissioning completion.

ET06 Maximising the value of land sales

£m of total net profit or loss made on the actual land sale

0.0

Target: **0.0**

Direction of trend: **=**

Commentary

This performance commitment incentivises us to maximise returns for customers from specific surplus land parcels following the successful completion of the Thames Tideway Tunnel.

Following completion of the tunnel programme, certain land required for construction will no longer be required. The performance commitment tracks the original purchase and sale price of that land with a target to achieve maximal returns on its disposal.

Tideway is currently assessing the land necessary post tunnel completion, together with the future access and maintenance arrangements. Once this has been established, market valuation and disposal strategies will be established to determine targets for each parcel. These will then be agreed with regulators and the approved business cases will be benchmarks for the disposal of the surplus land. Further steps may also be taken; for example obtaining planning permissions to maximise the land valuations. The constantly changing market conditions does not allow firm targets to be assessed; instead this performance commitment has been developed to maximise customer value.

Our performance commitments in detail continued

Thames Tideway Tunnel continued

ET07 Managing early handback of Tideway project land

The number of months early that the company receives land back from Tideway once necessary works related to the Thames Tideway Tunnel have been completed

3

Target: **0**

Direction of trend: ↗

Commentary

This measure is to make sure we are ready to take back land related to the Thames Tideway Tunnel project, in order to avoid project delays or cost overruns that would negatively impact customers.

We have been jointly working with Tideway to monitor the Thames Tideway Tunnel construction programme and forecast when they will be due to hand back land to us, with the aim of receiving the land as early as possible.

In 2020/21, Tideway handed back one land parcel. We took handback of this land three months before the target date, achieving the full outperformance payment, the total of which will be calculated at the end of the regulatory period.

Performance commitments that had no targets this year

ET01 Readiness to receive tunnel flow at Beckton STW

Number of full months after System Commissioning Commencement Date (SCCD)

N/A

Target: **N/A**

Direction of trend: **=**

Commentary

This performance commitment is designed to make sure that upgrades to the inlet works at Beckton Sewage Treatment Works are ready to receive flows from the Thames Tideway Tunnel (TTT). As the start of the commissioning process for the tunnel isn't due until October 2023, this performance commitment doesn't apply to this year.

ET04 Critical asset readiness for the London Tideway Tunnels

Number of full months reported as 'insufficient readiness', after SCCD

N/A

Target: **N/A**

Direction of trend: **=**

Commentary

This performance commitment makes sure our connecting works, and associated infrastructure, are ready in time for the commission of the Thames Tideway Tunnel (TTT). As the start of the commissioning process for the tunnel isn't due until October 2023, this performance commitment doesn't apply to this year.

Our performance commitments in detail continued

Performance commitments that had no targets this year continued

CC Understanding the risk of flooding and level of resilience within the Counters Creek catchment

Met or not met

N/A

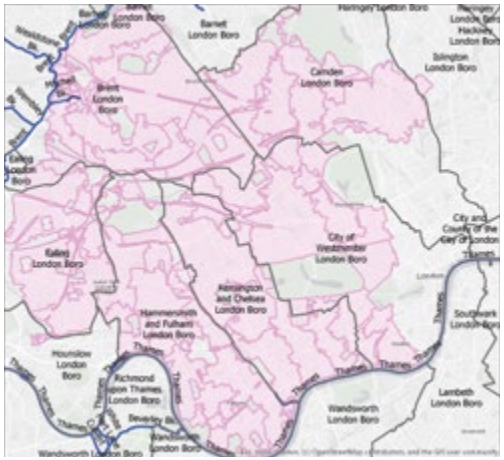
Target: **N/A**

Direction of trend: **=**

Commentary

This performance commitment requires us to undertake studies to better understand the risk of flooding and level of resilience within the Counters Creek catchment. This is our annual report written internally to demonstrate how we are managing our network to ensure long-term resilience and reduce flood risk for customers who live in the Counters Creek catchment. It outlines the activities undertaken between April 2020 and March 2021.

Figure 1 Map showing the area where rainfall may affect flow in the Counters Creek sewer.



Where is Counters Creek?

Counters Creek was a river that ran through London. It rose north of Kensal Green Cemetery and was the historical boundary of the old metropolitical boroughs of Hammersmith & Fulham and Kensington & Chelsea. It joined the tidal Thames south of the old Cremorne Gardens.[1] The watercourse was incorporated into the sewer system by Sir Joseph Bazalgette when the Victorian sewers were constructed in the late 1800s.

The London Sewer system does not have a conventional branch-like structure and so flow routes can vary depending on rainfall locations and intensities.

Counters Creek Study

We have initiated the Counters Creek Study specified in our performance commitment. The first step in our internal governance process was achieved in February 2021. We held a start-up meeting with the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea on 9 December 2020.

Drainage and Wastewater Management Plans

Our actions have focused on the following two areas:

Baseline Risk and Vulnerability Assessment (BRAVA): This is the third step in the DWMP Framework. It has been completed and shows predicted sewer surcharge and flood risk from sewers due to population growth, climate change and urban creep. The data was shared in workshops with each lead local flood authority (LLFA) – on 22 September 2020 for Hammersmith & Fulham, and on 23 September 2020 for Kensington & Chelsea. Reference material was released as part of the workshop and we subsequently loaded it onto a DWMP practitioners portal, to which both LLFAs have access.

Option Development and Appraisal: We completed the first part of the Optioneering step (Step four in the DWMP Framework) for the Beckton System in February 2021.

1 Barton, Nicholas & Myers, Stephen (2016) The Lost Rivers of London; Historical Publications

We'll report next year on our workshops to engage the LLFAs on this element. Solution development is currently underway.

Reported Sewer flooding

We have assessed the reported sewer flooding due to rainfall for both boroughs as recorded on our Sewer Flooding History Database for the year 1 April 2020 to 31 March 2021. This is detailed in Table 1.

Table 1: Table of the reported hydraulic sewer flooding by borough

Borough	Number of incidents	Date of incidents
LBHF	1	16/08/2020
RBKC	1	17/11/2020

Rainfall

We have assessed the rainfall for the two boroughs. This data is purchased from the MET office under a restricted license. We have therefore only specified some of the summary data in this report in Table 2.

Table 2: Table of the total monthly rainfall per borough in mm

Month	LBHF	RBKC
April 2020	48	54
May 2020	5	6
June 2020	65	68
July 2020	46	45
August 2020	67	82
September 2020	33	34
October 2020	212	209
November 2020	58	59
December 2020	148	145
January 2021	144	139
February 2021	62	60
March 2021	38	39
Total	**926**	**940**

Table 3 shows the calendar days that recorded the highest rainfall in the year per borough.

Table 3: Table of the calendar days that reported the highest rainfall

Priority	LBHF – Date	RBKC – Date
Highest rainfall day in the year	3 October 2020	2 October 2020
Second highest rainfall day in the year	3 December 2020	2 October 2020
Third highest rainfall day in the year	2 October 2020	4 October 2020
Fourth highest rainfall day in the year	4 October 2020	3 December 2020
Fifth highest rainfall day in the year	28 January 2021	28 January 2021

We note that the two dates where customers reported flooding do not match the days where we observed the highest rainfall. The reported flooding was due to rainfall intensity while the days with the highest rainfall is due to the total volume of rain that fell on the specified day.

Section 19 Flooding Investigations

We have had no requests from either LLFA to supply data for Section 19 Flood and Water Management Act (2010) Flooding Investigations in the year.

Section 1 Our regulatory financial report

Definitions of appointed and non-appointed business

Our appointed business (an appointee) comprises the regulated activities we provide as a monopoly supplier. This includes functions and duties necessary to provide water and sewage services to our customers. This is detailed in Condition A of our licence of appointment and relates to the duties defined within the Water Industry Act 1991.

In addition to our duties as an appointed business, we also carry out certain non-appointed activities. All of these activities are conducted on an arm's length basis from the appointed business. These activities include third-party discharges to sewage treatment works and other commercial activities, including property searches and cess treatment (treatment of waste from private receptacles not linked to our network). The results of the non-appointed business include payment of charitable donations. These donations are made out of external shareholder interests and are not funded by customers.

Statement of Directors' Responsibilities

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

Separately our Directors are also required to comply with Condition P of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991. The purpose of this condition is to ensure that:

- Appointed Business is conducted as if it is substantially the Appointee's sole business and it is a public limited company separate from any other business carried out by the Appointee;
- The Appointee retains sufficient rights and assets and has in place adequate financial resources and facilities, management resources and systems of planning and internal controls;
- Any transfers or transactions entered into by the Appointee do not adversely affect the Appointee's ability to carry out the Regulated Activities; and
- The Appointee demonstrates that it is complying with the requirements of this Condition.

These responsibilities are additional to those already set out in our Annual Report and Sustainability Report. For further details of the additional responsibilities, refer to the Ring-fencing Certificate and the Risk and Compliance Statement.

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Executive pay and performance

We are committed to transparent reporting within our Annual Reports as appropriate and in accordance with legal and regulatory requirements, including Ofwat's Board leadership, transparency and governance principles. This also includes a commitment to reporting any changes in policy and the underlying reasons.

Our Remuneration Committee determines our policy on remuneration of Executive Directors and Non-Executive Directors. Our Remuneration Committee Report within our Annual Report and Sustainability Report provides a description of the link between Directors' pay and standards of performance (as required by section 35A of the Water Industry Act 1991) and disclosures required under Regulatory Accounting Guidelines.

Our remuneration policy ensures that executive remuneration has a clear alignment to Thames Water's performance and long-term success, in the interests of customers. It is designed to be stretching and also provide sustained and long-term value creation for shareholders and other stakeholders..

Non-Executive Directors

The Chairman and Non-Executive Directors do not participate in any performance related arrangements (i.e., Annual Management Bonus or Long Term Incentive plan ('LTIP')) and do not participate in the Thames Water pension plans. They are paid Directors' fees only.

Executive Directors

Executive Directors' remuneration includes a mix of fixed and variable pay comprising basic salary plus performance related incentives. Through the Annual Management Bonus and LTIP, Executive Directors receive remuneration linked to the achievement of the critical priorities in our business plan. The 2020/21 Annual Management Bonus plan was based on keeping our people safe, customer service, customer and environmental delivery, strategic programmes and financial performance, over a performance period of one financial year.

The LTIPs 2019/22, 2020/23 and 2021/24 outcomes are measured over a three-year period, with a focus on delivering critical elements of our stretching business plan. This includes an overarching 'Integrated Performance Assessment' measured using the Return on Regulated Earnings (RORE). This assessment provides a measure of successful delivery for customer, the environment, and shareholders since it is impacted by all aspects of our business plan. To provide increased focus on customer and the environment, the LTIP also includes targets for customer service, leakage, water quality and pollutions.

For 2021/22, we have retained the focus on delivery for customer and the environment with our performance-related incentive plans, with these elements making up the majority of targets for both the short-term Annual Management Bonus and the LTIP. We have also strengthened the linkage between on-target performance outcomes.

In determining the outcome of the incentive schemes, performance is assessed by the Remuneration Committee to ascertain whether targets have been achieved. The Committee also considers relevant reports from Ofwat in assessing the achievement of performance. Full details are included in our Annual Remuneration Report on pages 87 – 103 of our Annual Report and Sustainability Report.

Dividend policy for the appointed business

The Company's dividend policy is to pay a progressive dividend commensurate with the long-term returns and performance of the business, after considering the business' current and expected regulatory and financial performance, regulatory restrictions, management of economic risks and debt covenants. Directors, in assessing the dividend to be paid, are required to ensure that:

- Payment of a proposed dividend should not impair short term liquidity or compliance with our covenants;
- Payment of a proposed dividend should not impair the longer term financeability of the company's business;
- Assessment of the impact that payment of the dividend may have on all stakeholders including employees, pension members and customers;
- Our financial performance, that underpins the opportunity to pay the dividend, is as a result of operational performance that meets the level required of a supplier of essential services; and
- If a net dividend is declared above Ofwat's 5% dividend yield guidance, applied to Ofwat's notional company, the Board will consider whether the additional returns result from performance (including progress towards degearing) that has benefited customers and may therefore be reasonably applied to finance a dividend.

Section 1 Our regulatory financial report continued

Tax strategy

Our aim is to be clear and transparent over our approach to tax and our tax profile. Our tax strategy has five key principles, which are unchanged from the previous year:

- To comply with all tax legislation requirements at all times, both within the letter and spirit of the law;
- To not use tax avoidance schemes or aggressive tax planning;
- To engage fully and transparently with HMRC and other Governmental bodies, and seek to resolve disputes in a co-operative manner;
- To adopt a conservative approach to tax risk management and apply a strong tax governance framework; and
- To accept only a low level of risk in relation to taxation.

You can find more detail on our tax strategy on our website at:

https://www.thameswater.co.uk/media-library/home/about-us/governance/our-policies/tax-strategy-and-policy.pdf

Long-term Viability Statement

The assessment of our long-term viability can be found on page 49 our Annual Report and Sustainability Report. The Directors have conducted this assessment over a ten year period to 31 March 2031, taking into account the Company's current position and principal risks. Based on this assessment, the Board has a reasonable expectation that the Company will be able to operate within its financial covenants, maintain an investment grade credit rating and maintain sufficient liquidity facilities to meet its funding needs over the assessment period.

Innovation competition

Amounts have been collected from customers relating to a newly established industry wide innovation fund as disclosed in our table 9A. In the current year we have provided for the full value of funding we have collected from customers – recognising that we have an obligation to either deliver projects to this value or compensate other companies which win competition funding. As of the year end no projects had been awarded through the competition process.

The funding we have collected has been ringfenced within our accounting records and will only be used to deliver innovation competition projects, it will not fund business as usual activities / spend.

Infrastructure network reinforcement charges

Total expenditure has exceeded revenue £10.8m in the year resulting in a reduction in the overall variance carried forwards to £9.9m. The Company is forecasting increased spend and consequently have revised our rates for the 2021/22 financial year.

Separately disclosed regulatory information

We've chosen to publish the 2020/21 regulatory tables 4B, 4L, 4M and 7B as a separate document to this Annual Performance Report due to the size of the tables. These have been prepared in line with regulatory guidelines and follow the principles set out in this Annual Performance Report. You can view these tables on our website.

Consolidated results

In completing all tables – we have included all debt relevant to the regulated company. Figures therefore include both Thames Water Utilities Limited (TWUL) and its direct 100% owned financing subsidiary Thames Water Utilities Finance plc (TWUF).

1A. Income statement for the 12 months ended 31 March 2021

This table takes the information from the statutory income statement and shows the adjustments made in order to arrive at the regulatory income statement for the appointed business. The adjustments include both differences between the International Financial Reporting Standards and the Regulatory Accounting Guidelines and the removal of non-appointed income and costs.

			Adjustments			
		Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	**Total appointed activities £m**
1A.1	Revenue	2,106.700	48.315	95.897	(47.582)	**2,059.118**
1A.2	Operating costs	(1,739.709)	(33.000)	(42.895)	9.895	**(1,729.814)**
1A.3	Other operating income	121.809	(94.912)	0.090	(95.002)	**26.807**
1A.4	**Operating profit**	**488.800**	**(79.597)**	**53.092**	**(132.689)**	**356.111**
1A.5	Other income	–	86.019	0.885	85.134	**85.134**
1A.6	Interest income	187.733	–	–	–	**187.733**
1A.7	Interest expense	(395.775)	(67.838)	0.094	(67.932)	**(463.707)**
1A.8	Other interest expense	–	(1.900)	–	(1.900)	**(1.900)**
1A.9	**Profit before tax and fair value movements**	**280.758**	**(63.316)**	**54.071**	**(117.387)**	**163.371**
1A.10	Fair value gains/(losses) on financial instruments	(522.198)	–	–	–	**(522.198)**
1A.11	**Profit before tax**	**(241.440)**	**(63.316)**	**54.071**	**(117.387)**	**(358.827)**
1A.12	UK Corporation tax	(10.850)	–	–	–	**(10.850)**
1A.13	Deferred tax	53.873	–	–	–	**53.873**
1A.14	**Profit for the year**	**(198.417)**	**(63.316)**	**54.071**	**(117.387)**	**(315.804)**
1A.15	Dividends	(32.900)	–	–	–	**(32.900)**
	Tax analysis					
1A.16	Current year	(10.850)	–	–	–	**(10.850)**
1A.17	Adjustments in respect of prior years	–	–	–	–	**–**
1A.18	UK Corporation tax	**(10.850)**	**–**	**–**	**–**	**(10.850)**
	Analysis of non-appointed revenue			–		
1A.19	Imported sludge			–		
1A.20	Tankered waste			5.871		
1A.21	Other non-appointed revenue			90.026		
1A.22	**Revenue**			**95.897**		

Section 1 Our regulatory financial report continued

Explanation of reconciling items:

Adjustments are made to the statutory numbers to ensure compliance with the Ofwat guidance detailed in RAG 3.12 and 4.09. The most significant include:

- Reclassification of current year bad debt from revenue to operating costs (£49.9 million);
- Borrowing costs capitalised within fixed assets in the statutory accounts are recognised as interest expense for regulatory purposes. The associated depreciation of borrowing costs is recognised in operating costs (£69.7 million); and,
- Reclassification of certain costs to align with regulatory presentation requirements.

Full reconciliations of the differences between statutory and regulatory figures are provided on the following pages:

- Revenue – page 50
- Operating profit, other income, and profit before tax – page 52.

Non-appointed activities include revenue of £74.3 million and operating costs of £0.7 million relating to Bazalgette Tunnel Limited ('BTL'). BTL is an independent company unrelated to Thames Water Utilities Limited and was appointed in 2015 to construct the Thames Tideway Tunnel.

The arrangement with BTL means that the Company has included construction costs of the Thames Tideway Tunnel within its bills to wastewater customers during the year ended 31 March 2021. As cash is collected, these amounts are subsequently paid to BTL within a maximum of 50 business days under 'pay when paid' principle.

Accounting standards require the Group to present the amounts billed as revenue in our financial statements, and with an associated cost representing bad debt on amounts billed. This also gives rise to reporting profit which is taxable.

In the current year, the non-appointed income statement, excluding BTL, is in a loss position, and as such no dividends have been allocated to the non-appointed column.

Non appointed activities also include our tankered waste and property searches businesses. In 2021/2022 we reached an out of court settlement with Castle Water Limited. The settlement amount is confidential. Thames Water no longer operates as a non-household retailer, the settlement relates to historic matters and the cost was at the discretion of and borne by shareholders. The costs incurred do not meet the definitions set out in RAG 4 for disclosure within 2C (cost analysis for retail). As such we have deemed this cost as non-appointed.

Interest analysis

	£m – Round to 3 dp
1A.7	
Interest on external debt	(402.160)
Interest on intra-group debt	(0.003)
RPI accretion on debt	(50.223)
Amortisation of debt issuance costs, premium and discounts	(7.367)
Interest in relation to leases	(3.360)
Other financing costs	(0.500)
	(463.613)
Non-appointed interest expense	(0.094)
Per Reg 1A.7	(463.707)
1A.8	
Net interest expense on defined benefit obligation	(1.900)
Per Reg 1A.8	(1.900)

1B. Statement of comprehensive income for the 12 months ended 31 March 2021

The statement of comprehensive income shows all of the changes to our statement of financial position reserves from the statutory accounts, adjusting for the differences between IFRS and the RAGs as well as excluding the results of the non-appointed business.

			Adjustments			
		Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	**Total appointed activities £m**
1B.1	**Profit for the year**	**(198.417)**	**(63.316)**	**(54.071)**	**(117.387)**	**(315.804)**
1B.2	Actuarial gains/(losses) on post-employment plans	(195.000)	–	–	–	**(195.000)**
1B.3	Other comprehensive income	73.520	–	–	–	**73.520**
1B.4	**Total Comprehensive income for the year**	**(319,897)**	**(63.316)**	**(54.071)**	**(117.387)**	**(437.284)**

Section 1 Our regulatory financial report continued

1C. Statement of financial position for the 12 months ended 31 March 2021

Table 1C takes the statement of financial position from the statutory accounts and adjusts for the differences between IFRS and RAGs as well as removing the non-appointed business.

			Adjustments			
		Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	**Total appointed activities £m**
	Non-current assets					
1C.1	Fixed assets	16,393.881	(616.042)	0.378	(616.420)	**15,777.461**
1C.2	Intangible assets	276.304	(13.044)	–	(13.044)	**263.260**
1C.3	Investments – loans to group companies	1,693.422	–	–	–	**1,693.422**
1C.4	Investments – other	279.562	–	228.859	(228.859)	**50.703**
1C.5	Financial instruments	151.101	(62.082)	–	(62.082)	**89.019**
1C.6	Retirement benefit assets	57.900	–	–	–	**57.900**
1C.7	**Total**	**18,852.170**	**(691.168)**	**229.237**	**(920.405)**	**17,931.765**
	Current assets					
1C.8	Inventories	14.862	–	–	–	**14.862**
1C.9	Trade & other receivables	628.749	–	18.600	(18.600)	**610.149**
1C.10	Financial instruments	12.253	(12.319)	–	(12.319)	**(0.066)**
1C.11	Cash & cash equivalents	494.435	–	3.600	(3.600)	**490.835**
1C.12	**Total**	**1,150.299**	**(12.319)**	**22.200**	**(34.519)**	**1,115.780**
	Current liabilities					
1C.13	Trade & other payables	(758.100)	(17.198)	(33.500)	16.302	**(741.798)**
1C.14	Capex creditor	–	(148.500)	–	(148.500)	**(148.500)**
1C.15	Borrowings[1]	(1,132.414)	183.379	–	183.379	**(949.035)**
1C.16	Financial instruments	–	–	–	–	**–**
1C.17	Current tax liabilities	–	–	–	–	**–**
1C.18	Provisions	–	(5.362)	–	(5.362)	**(5.362)**
1C.19	**Total**	**(1,890.514)**	**12.319**	**(33.500)**	**45.819**	**(1,844.695)**
1C.20	**Net Current assets/(liabilities)**	**(740.215)**	**–**	**(11.300)**	**11.300**	**(728.915)**
	Non-current liabilities					
1C.21	Trade & other payables	(757.066)	774.662	–	774.662	**17.596**
1C.22	Borrowings[1]	(11,696.263)	(305.590)	–	(305.590)	**(12,001.853)**
1C.23	Financial instruments	(1,469.918)	336.487	–	336.487	**(1,133.431)**
1C.24	Retirement benefit obligations	(277.100)	–	–	–	**(277.100)**
1C.25	Provisions	(143.719)	–	–	–	**(143.719)**
1C.26	Deferred income – G&C's	–	(517.431)	–	(517.431)	**(517.431)**
1C.27	Deferred income – adopted assets	–	(226.046)	–	(226.046)	**(226.046)**
1C.28	Preference share capital	–	–	–	–	**–**
1C.29	Deferred tax	(973.244)	–	–	–	**(973.244)**
1C.30	**Total**	**(15,317.310)**	**(62.082)**	**–**	**(62.082)**	**(15,255.228)**
1C.31	**Net assets**	**2,794.645**	**(629.086)**	**217.937**	**(847.023)**	**1,947.622**
	Equity					
1C.32	Called up share capital	29.050	–	–	–	**29.050**
1C.33	Retained earnings & other reserves	2,765.595	(629.086)	217.937	(847.023)	**1,918.572**
1C.34	**Total Equity**	**2,794.645**	**(629.086)**	**217.937**	**(847.023)**	**1,947.622**

1 Borrowings include finance lease liabilities.

Included within 1C.11 Cash & cash equivalents is £7.0m of cash that relates to revenue collected from customers that is ring-fenced for the innovation competition fund.

Explanation of reconciling items:

Adjustments are made to the statutory numbers to ensure compliance with the Ofwat guidance detailed in RAG 3.12 and 4.09. The most significant include:

- Capitalised interest of £637.9m for borrowing costs is removed from fixed assets, offset by a £21.8m adjustment to write back depreciation on capitalised borrowing costs;
- Capital creditors of £148.5m are disclosed separately;
- A reclassification is made from current borrowings of £171.1m to trade and other payables in respect of accrued interest (see below);
- A reclassification is made from financial instruments to non-current borrowings due to derivative financial liabilities (see below reconciliation); and,
- The non appointed business shows retained earnings of £217.9 million relating to BTL.

Section 1 Our regulatory financial report continued

Borrowings reconciliation

	Appointed activities
Current liabilities	
Current borrowings included in statutory accounts	1,124.902
Difference between statutory and regulatory definitions:	
Lease Liability	7.512
Accrued interest taken to trade and other payables	(171.097)
FX gain moved to borrowings from financial instruments	(12.282)
Current borrowings included in regulatory accounts (per Table 1C)	949.035
Non-current liabilities	
Non-current borrowings included in statutory accounts	11,643.328
Difference between statutory and regulatory definitions:	
Lease Liability	52.935
Accretion moved to borrowings from financial instruments	281.003
FX loss moved to borrowings from financial instruments	24.587
Non-current borrowings included in regulatory accounts (per Table 1C)	12,001.853
Total borrowings included in statutory accounts	12,768.230
Total borrowings included in regulatory accounts (per Table 1C)	12,950.888
Add:	
Unamortised debt issuance costs, discount and IFRS 9 transition adjustment	48.455
Total borrowings included in regulatory accounts (Table1E)	12,999.343

	£m
Per Table 1C:	
Non-current assets – financial instruments	89.019
Current assets – financial instruments	(0.066)
Non-current liabilities – financial instruments	(1,133.431)
	(1,044.478)
Per Table 4I:	
Total financial derivatives – mark to market	(1,044.477)
	(1,044.477)

1D. Statement of cashflows for the 12 months ended 31 March 2021

This table takes the information from the statement of cashflows from the statutory accounts and adjusts for the differences between IFRS and the RAGs as well as removing the cash flows of the non-appointed business to show the cash flows of our regulated business.

			Adjustments			
		Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	**Total appointed activities £m**
	Operating activities					
1D.1	**Operating profit**	488.800	(79.597)	53.092	(132.689)	**356.111**
1D.2	Other income	–	86.019	0.885	85.134	**85.134**
1D.3	Depreciation	619.200	(6.422)	–	(6.422)	**612.778**
1D.4	Amortisation – G&C's	–	–	–	–	**–**
1D.5	Changes in working capital	(74.500)	–	(52.978)	52.978	**(21.522)**
1D.6	Pension contributions	(92.300)	1.900	0.094	1.806	**(90.494)**
1D.7	Movement in provisions	(0.600)	–	–	–	**(0.600)**
1D.8	Profit on sale of fixed assets	(8.400)	–	–	–	**(8.400)**
1D.9	**Cash generated from operations**	**932.200**	**1.900**	**1.093**	**0.807**	**933.007**
1D.10	Net interest paid	(129.200)	(71.638)	(0.094)	(71.544)	**(200.744)**
1D.11	Tax paid	–	–	–	–	–
1D.12	**Net cash generated from operating activities**	**803.000**	**(69.738)**	**0.999**	**(70.737)**	**732.263**
	Investing activities					
1D.13	Capital expenditure	(1,105.000)	69.738	–	69.738	**(1,035.262)**
1D.14	Grants & Contributions	–	–	–	–	**–**
1D.15	Disposal of fixed assets	10.600	–	–	–	**10.600**
1D.16	Other	300.000	–	–	–	**300.000**
1D.17	**Net cash used in investing activities**	**(794.400)**	**69.738**	**–**	**69.738**	**(724.662)**
1D.18	**Net cash generated before financing activities**	**8.600**	**–**	**0.999**	**(0.999)**	**7.601**
	Cashflows from financing activities					
1D.19	Equity dividends paid	(32.900)	–	–	–	**(32.900)**
1D.20	Net loans received	(239.600)	–	–	–	**(239.600)**
1D.21	Cash inflow from equity financing	–	–	–	–	**–**
1D.22	**Net cash generated from financing activities**	**(272.500)**	**–**	**–**	**–**	**(272.500)**
1D.23	**Increase (decrease) in net cash**	**(263.900)**	**–**	**0.999**	**(0.999)**	**(264.899)**

Section 1 Our regulatory financial report continued

Explanation of reconciling items:

- the cash flow has been prepared to align with the regulatory reporting format. As a result the net cash position by activity (operating, investing and financing) does not agree to what has been presented in the statutory statement of cash flows.
- the difference is primarily due to the classification of all interest related balances including amounts capitalised in the statutory statement of financial position to the 'Net interest paid' category and interest costs relating to pensions.
- the movement in non-appointed working capital relates to cash paid over to BTL.

1E. Net debt analysis (appointed activities) at 31 March 2021

				Index linked		
		Fixed rate[1] £m	Floating rate £m	RPI £m	CPI/CPIH £m	Total £m
	Interest rate risk profile					
1E.1	Borrowings (excluding preference shares)	5,045.909	328.007	7,625.365	0.062	**12,999.343**
1E.2	Preference share capital					**–**
1E.3	Total borrowings					**12,999.343**
1E.4	Cash					**(2.377)**
1E.5	Short term deposits					**(488.458)**
1E.6	Net Debt					**12,508.508**
	Gearing					
1E.7[4]	Gearing					**83.249%**
1E.8[3,4]	Adjusted Gearing					**83.173%**
	Interest					
1E.9	Full year equivalent nominal interest cost	(204.930)	(16.836)	(205.759)	0.000	**(427.525)**
1E.10	Full year equivalent cash interest payment	(204.930)	(16.836)	(90.029)	0.000	**(311.795)**
	Indicative interest rates					
1E.11	Indicative weighted average nominal interest rate	4.061%	5.133%	2.698%	0.093%	**3.289%**
1E.12	Indicative weighted average cash interest rate	4.061%	5.133%	1.181%	(0.602%)	**2.399%**
	Time to maturity					
1E.13	Weighted average years to maturity[2]	9.084	2.416	17.411	0.753	**13.800**

1 Instruments which change from fixed to floating during their life have been classified according to their interest rate characteristics as at 31 March 2021.
2 Where a derivative has been used as a hedge, the maturity date of the underlying debt instruments has been used for compiling weighted average years to maturity.
3 Adjusted gearing is the percentage of the Net debt (covenant basis) to the RCV. It is the measure used when assessing TWUL Group's gearing against the level stipulated in the whole business securitisation covenants.
4 The RCV number, £15,025.347 million, used for the Gearing and Adjusted Gearing at 31 March 2021 was published by Ofwat in June 2021. This is under discussion with Ofwat regarding an element of the calculation that we consider does not reflect full RPI indexation of the RPI linked part of RCV. With full RPI indexation reflected, the RCV number at this date is expected to be higher by c.£27m, which marginally improves both Gearing and Adjusted Gearing

Section 1 Our regulatory financial report continued

1F. Financial flows for the 12 months ended 31 March 2021 and for the price review to date (2017-18 financial year average CPIH)

		12 months ended 31 March 2021						Average 2020-25					
	Units	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
	Return on regulatory equity												
1F.1	Return on regulatory equity	3.832%	1.594%	3.832%	215.945	89.840	89.840	3.832%	1.594%	3.832%	215.945	89.840	89.840
1F.2	Regulatory equity	5,635.523	5,635.523	2,344.546				5,635.523	5,635.523	2,344.546			
	Financing												
1F.3	Gearing		2.238%	1.981%		46.451	46.451		2.238%	1.981%		46.451	46.451
1F.4	Gearing benefits sharing		-0.693%	-1.667%		-39.074	-39.074		-0.693%	-1.667%		-39.074	-39.074
1F.5	Variance in corporation tax (1)		-0.184%	-0.442%		-10.364	-10.364		-0.184%	-0.442%		-10.364	-10.364
1F.6	Group relief (1)		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000
1F.7	Cost of debt		-0.819%	-2.736%		-46.179	-64.154		-0.819%	-2.736%		-46.179	-64.154
1F.8	Hedging instruments		2.111%	7.050%		118.976	165.289		2.111%	7.050%		118.976	165.289
1F.9	**Return on regulatory equity including Financing adjustments**	**3.832%**	**4.246%**	**8.018%**	**215.945**	**159.650**	**187.988**	**3.832%**	**4.246%**	**8.018%**	**215.945**	**159.650**	**187.988**
	Operational Performance												
1F.10	Totex out / (under) performance		1.478%	3.553%		83.311	83.311		1.478%	3.553%		83.311	83.311
1F.11	ODI out / (under) performance		-0.566%	-1.359%		-31.870	-31.870		-0.566%	-1.359%		-31.870	-31.870
1F.12	C-Mex out / (under) performance		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000
1F.13	D-Mex out / (under) performance		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000
1F.14	Retail out / (under) performance		-1.354%	-3.256%		-76.332	-76.332		-1.354%	-3.256%		-76.332	-76.332
1F.15	Other exceptional items		0.075%	0.181%		4.242	4.242		0.075%	0.181%		4.242	4.242
1F.16	**Operational performance total**		**-0.366%**	**-0.881%**		**-20.650**	**-20.650**		**-0.366%**	**-0.881%**		**-20.650**	**-20.650**
1F.17	RoRE	3.832%	3.880%	7.137%	215.945	139.001	167.338	3.832%	3.880%	7.137%	215.945	139.001	167.338
1F.18	Actual performance adjustment 2015-20	-0.730%	-0.304%	-0.730%	-41.115	-17.105	-17.105	-0.730%	-0.304%	-0.730%	-41.115	-17.105	-17.105
1F.19	**Total earnings**	**3.102%**	**3.576%**	**6.408%**	**174.829**	**121.895**	**150.233**	**3.102%**	**3.576%**	**6.408%**	**174.829**	**121.895**	**150.233**
1F.20	RCV growth from inflation	0.801%	0.801%	0.801%	45.122	45.122	18.772	0.801%	0.801%	0.801%	45.122	45.122	18.772
1F.21	Voluntary sharing arrangements (2)		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000
1F.22	**Total shareholder return**	**3.903%**	**4.377%**	**7.208%**	**219.952**	**167.018**	**169.005**	**3.903%**	**4.377%**	**7.208%**	**219.952**	**167.018**	**169.005**
	Dividends												
1F.23	Gross Dividend	4.000%	0.558%	1.340%	225.421	31.425	31.425	4.000%	0.558%	1.340%	225.421	31.425	31.425
1F.24	Interest Received on Intercompany loans (3)	0.000%	0.222%	0.534%	0.000	12.518	12.518	0.000%	0.222%	0.534%	0.000	12.518	12.518
1F.25	**Retained Value**	**-0.097%**	**3.597%**	**5.334%**	**-5.469**	**123.075**	**125.063**	**-0.097%**	**3.597%**	**5.334%**	**-5.469**	**123.075**	**125.063**

The tables above show the various components of actual returns achieved for the current financial year and the average for AMP 7 (2020-2025). The actual return has been benchmarked against the allowed return permitted under the regulatory regime.

Due to rounding, numbers presented may not add up precisely to the totals provided.

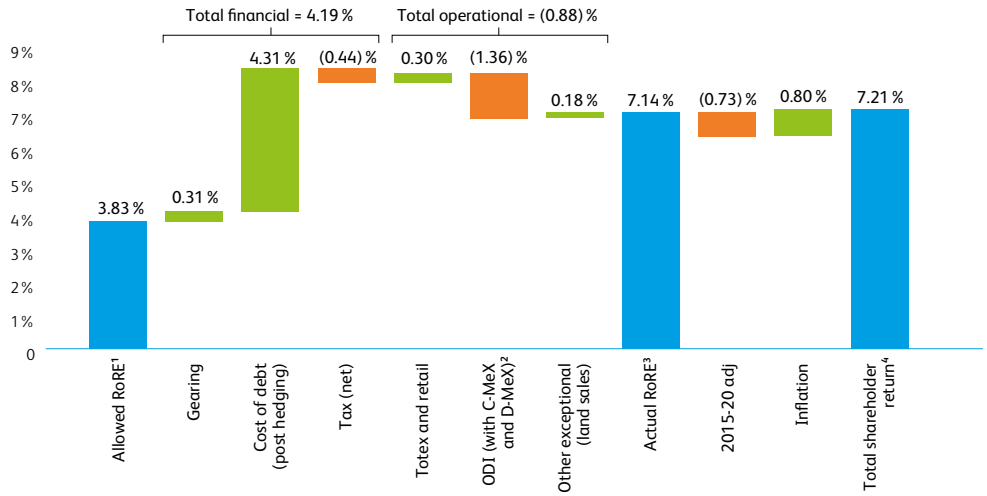
1 As per the PR19 Final Determination, the tax allowance for 2020/21 is nil, applicable to the appointed business of TWUL. The £10.4m current tax charge arises from the inclusion of taxable profits of TWUF, which are included in the financial results for the appointed business. TWUF will buy group relief, paid for at the standard tax rate of 19%, from TWUHL at a cost of £10.4m, as well as £0.8m payable to TWUL which is also within the appointed business so the latter does not affect the current tax charge for the appointed business. All figures quoted are in 2017/18 real terms.

2 Figure are nil as Thames Water does not have any voluntary sharing arrangements for AMP7.

3 Relates to the interest income received by TWUL on the loan due from its immediate parent company, TWUHL. In 2020/21, no dividends were paid by TWUL to fund the interest income payable by TWUHL. The majority of the interest income was paid by the downstreaming of £80m of cash from Kemble Water Finance Limited. For further details see note 12 of our Annual Report.

Section 1 Our regulatory financial report continued

Breakdown of 2020/21 actual return



Due to rounding, numbers presented may not add up precisely to the totals provided.
1 Based on notional capital structure.
2 As per Ofwat's guidelines, incentive payments for customer measures (C-MeX and D-MeX) have been set to nil for 2020/21.
3 Based on actual capital structure.
4 The Company does not have any voluntary sharing arrangements for AMP7.

Our revenues are set according to a very detailed regulatory process which allows for the recovery of efficient costs plus a return for investors in the business. The purpose of financial flows is to provide greater transparency about the financial returns to our shareholders. The financial flows information allow a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure which is 60% geared. The total actual return to external shareholders is generally comprised of the base return set in the PR19 Final Determination, outturn financial and operational performance compared to our set allowances/targets, any retrospective adjustment to reflect actual performance over 2015 to 2020, growth in the RCV arising from inflation and any voluntary sharing arrangements. Each of these elements is discussed in further detail below:

- For 2020/21, Final Determination has set our base return at 3.83% applicable to Ofwat's notional capital structure with gearing of 60%
- Our financing activities increased returns by 4.19% and can be attributed to the following elements
  - Our cost of debt (adjusted for hedging instruments) was lower than the allowance set by the Final Determination, in real terms. This is mainly due to the lower interest expense reflecting the impact of the £2,090 million notional of RPI swaps and the restructured interest rate profile of three index-linked swaps, all of which were executed in 2019/20. The impact of hedging instruments presented in Table 1F is consistent with financial derivatives set out in Table 4B which includes various inflation linked swaps and interest rate swaps. The cost of debt (unadjusted for hedging instruments) includes the impact of cross currency swaps.
  - Our average gearing of 83% during the financial year is higher than the 60% assumed by Ofwat for a notional company. The higher gearing amplifies the percentage return to external shareholder, because debt has a lower required return than equity. Another impact of higher gearing levels is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out or under performance. We are responsible for financing our business as efficiently as possible. Our financing structure, the Whole Business Securitisation, offers additional protections to debt investors enabling us to have higher levels of debt than would otherwise be the case without reducing our credit worthiness. These investor protections place clear limits on permitted operational and financing activities undertaken by the Company and also protect customers' interest. All additional risk associated with having a higher level of debt remains with our external shareholders and is not transferred to customers. In AMP7, Ofwat introduce a Gearing Sharing Mechanism which has the effect of sharing the benefits of higher gearing with customers. This significantly reduces the returns arising from our capital structure. As such, overall the gearing impact net of the Gearing Sharing Mechanism increases returns by 0.31%.
  - Taking the overall net tax performance, returns have decreased by 0.44% mainly due to our variance to the Final Determination allowance of nil for 2020/21. A tax charge has arisen due to the inclusion of profits from TWUF, the financing subsidiary which forms part of the accounts for the appointed business
- Our operational performance decreased returns for the financial year by 0.88% which is due to various factors:
  - We recognise that this year's wholesale totex investment is significantly lower than our Final Determination allowance and internal budgets. This is due to a variety of reasons which includes delays associated with the combination of transitioning to a new supply chain model for the new AMP and delays arising from the disruption caused by Covid-19. The disruption from the pandemic reduced both capital delivery and also operating costs associated with activities such as installing smart meters and tackling leakages in and around customer properties. After adjusting for customer sharing, this increased returns by 3.55%. Our Retail cost to serve expenditure was in-line with 2019/20 levels to reflect the ongoing investments we are making and the additional bad debt challenges related to Covid-19, net of efficiencies delivered, but our allowance reduced as part of the Final Determination. As this additional spend is not shared with customers, this reduced returns by 3.26%. On a net basis after customer sharing, the impact of totex and retail spend increased returns by 0.30%. We are planning to materially accelerate spend in year two of AMP 7 to start to recover the underspend from year one. Over AMP7 we continue to plan to spend materially above the levels factored in to our Final Determination as we continue to strive to improve our customer service which will materially reduce shareholder returns.
  - Whilst the business performed well in some areas such as leakage, material ODI penalties of £31.9m (in 2017/18 real terms) were incurred as we underperformed overall against the challenging targets set by the Final Determination.
  - As per Ofwat's guidelines, incentive payments for customer measures (C-Mex and D-Mex) have been set to nil for 2020/21. The actual level was an overall penalty amount of £17.8m (in 2017/18 real terms) which, for reference, would have reduced returns by 0.76%
  - Other exceptional items relate to land sales, see Table 2L for further details.
- The 2015-20 adjustment reflects the true-ups determined at PR19 for the total out/underperformance in AMP6 for items such as totex, ODI/SIM and revenue collection, as well as our share of the industry's innovation allowance, which are reflected in our allowed revenues for AMP7. The reduction of 0.73% is predominantly driven by the leakage rebate levied as a result of our leakage underperformance in AMP6
- Inflation, namely the average yearly growth in CPIH, increases RCV growth by 0.80%
- We do not have any voluntary sharing arrangements for AMP7

Overall total shareholder returns amount to 7.21% for 2020/21, 74% was retained in the business, with 19% being distributed to cover debt financing costs elsewhere in the group and the remaining 7% relating to the interest income which TWUL receives from its immediate holding company, TWUHL. Note no dividends were paid out to TWUHL to fund this interest income to TWUL. Furthermore, for completeness, no dividends were paid by any group companies to external shareholders. The actual Return on Regulated Equity (RoRE) to shareholders of 7.14% is based on our actual capital structure and can be calculated by taking the allowed RoRE (based on notional capital structure) and adjusting for the above financial and operational performance which amount to 4.19% and -0.88% respectively.

Average return for AMP7 (2020/21): As we are reporting for the first year of the new AMP, the average return for AMP7 is the same as that for 2020/21.

Accounting policies

Basis of preparation

Our disclosures in this Annual Performance Report have been prepared on a going concern basis and in a accordance with the Regulatory Accounting Guidelines ("RAGs") issued by Ofwat, which are based on International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and International Financial Reporting Interpretations Committee ("IFRSIC") interpretations as applied in our Annual Report.

The following are key differences between Regulatory Accounting Guidelines and accounting policies reported in our Annual Report, these are explained further in the policy notes:

- Revenue recognition (IFRS 15) in relation to bad debts
- Capitalisation of borrowing costs (IAS 23)

Price control segments

Price controls relate to specific products and services which we provide to customers. The following price controls are applicable during the financial year:

- Water network plus: transport and storage of raw water, treatment and distribution of water to our customers through our water network
- Wastewater network plus: our sewer network, treatment of sewage and treatment of sludge liquors
- Water resources: abstracting raw water
- Bioresources: the transport, treatment and disposal of sludge
- Retail Household: provides certain customer-facing activities including billing and revenue collection for household customers
- Retail Non-Household: On 1 April 2017, we transferred our non-household customers to Castle Water Limited, and ceased to act as non-household retailer, however we continue to recognise wholesale revenue from these customers via third-party non-household retailers. There are a small number of non-household activities which continue to be allocated to the retail non-household price control, these amounts relate to activities which are performed by developer services.
- Thames Tideway Tunnel: responsible for the construction of interface works to the Thames Tideway Tunnel.

We allocate all costs either directly or indirectly in accordance with 'RAG2 – Guideline for classification of costs across the price controls'. The full details of how costs have been allocated is within our Accounting Methodology Statement which can be found on our website.

There are no significant changes in our methodology; however allocations have been refined to reflect changes brought in through a new 5-year regulatory period (AMP7) and changes in the Regulatory Accounting Guidelines.

Financial information within our finance system (SAP) is recorded by expenditure type within specific cost centres. Where possible, operating costs are attributed at the lowest level within the cost centre hierarchy i.e. the relevant process level appropriate to the type of cost and price control. However, certain costs are recorded at a higher level in the cost centre hierarchy where they do not specifically relate to a process or if the cost is a support related cost.

We use a cloud based business modelling and planning application (Anaplan) to produce the operating expenditure component of our regulatory tables. SAP remains the primary financial accounting and management tool used by the business and is the source of the data used in Anaplan.

Where possible, capital expenditure and associated depreciation are directly attributed to one of the price controls. Where this is not possible, as an asset is used by more than one of the price controls, the capital expenditure and depreciation are reported in the price control where the service of principal use occurs with a recharge for use, equivalent to depreciation, being made to the other price controls reflecting the proportion of the asset used by them.

Revenue recognition

Revenue represents income receivable from regulated water and wastewater activities. For regulatory reporting purposes, Ofwat requires a deviation from IFRS 15 whereby revenue for amounts billed and deemed uncollectable in the current year are recognised within operating costs in the Annual Performance Report (instead of a direct reduction to revenue as required by IFRS15). The difference between the amount recorded as revenue in the statutory accounts and the amount recorded as revenue in the regulatory accounts was £47.6 million for the year ended 31 March 2021, as shown in the below table.

The differences between revenue reported in the Annual Report and the Annual Performance Report (Table 1A) can be summarised as follows:

Appointed Revenue	£m
Statutory Revenue	2,106.700
Bad debt reclassified to Opex	49.877
Reclassification of sludge cake sales to Opex	(0.894)
Reclassification of Grants & Contributions to other income	(2.052)
Reclassification of ROC income to opex	(0.016)
Reclassification of third party revenue	1.400
Non appointed income	(95.897)
Appointed revenue	**2,059.118**

Revenue includes an estimate of the amount of water and wastewater charges unbilled at the year end. This accrual is estimated using a defined methodology based on a measure of unbilled water consumed by tariff, calculated from historical billing information.

Occupied household properties policy

An occupier is any person who owns a premises or who has agreed with the Company to pay water and sewerage services in respect of the premises. No bills are raised in the name of "the occupier", other than in the circumstances outlined in the 'Unoccupied properties policy' section below. The property management process is followed to identify whether the property is occupied or not. The property management process consists of the following:

- mailings;
- customer contacts;
- meter reading for metered properties;
- land registry checks; and
- credit reference agency data.

Accounting policies continued

Unoccupied household properties policy

Revenue is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- a new property has been connected but is unoccupied and unfurnished;
- we have been informed that the customer has left the property;
- it is unfurnished and not expected to be reoccupied immediately;
- it has been disconnected following a customer request;
- the identity of the customer is unknown; or
- we have been informed that the customer is in a care home, in long term hospitalisation, in prison or overseas long-term.

The Company only raises bills in the name of the "occupier" when it has evidence that a property is occupied but cannot confirm the name of the occupier. When the Company identifies the occupant, the bill is cancelled and re-billed in the customer's name. If the Company has not identified an occupant within six months the bill is cancelled, and the property is classified as empty.

When a property is classified as unoccupied, a defined process is followed to verify when the property becomes occupied and/or obtain the name of the customer in order to initiate billing. The residency confirmation process comprises a number of steps which include using external and internal information for desk-top research to confirm the property status (occupied/empty) and, where possible, to identify the occupier name.

The property will only cease to be classified as unoccupied when a named customer is identified and billed.

The Company does not recognise income in respect of empty properties. If the Company has turned off the supply of water at the mains to a property at a customer's request, then water supply charges are not payable.

A customer may request the supply to be turned off in instances such as the property is to be demolished or where a house previously converted into flats (and additional supplies made) is to be converted back into a house.

If the occupier name is not obtained at this point, the property will remain classified as unoccupied and the residency confirmation process will be re-started after one to six months. If these steps confirm that a property appears to be empty then the supply may be turned off.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

- where the customer has left a property and it is expected to be occupied by someone else, a welcome letter is sent to the property explaining to the occupier how to register as the new account holder;
- where there is no response to the welcome letter within two months a further letter is sent to the property explaining that the property has been classified as void and may be scheduled for disconnection as a result;
- meter readings are taken for metered unoccupied properties and where consumption is recorded a letter is sent to the property; and
- inspections are organised throughout the year to check for occupancy status.

New household properties

All new properties are metered. Charges accrue from the date at which the meter is installed. The developer is billed between the date of connection and first occupancy and this is recognised as revenue. If the developer is no longer responsible for the property and no new occupier has been identified, the property management process referred to above is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

Household disconnections policy

Premises listed in Schedule 4A of the Water Industry Act 1991 (e.g. any dwelling occupied by a person as his or her only or principal home) cannot be disconnected for non-payment of charges. However, the following provisions do apply in respect of any disconnections:

- if the water supply to any premises is disconnected for any reason, but we continue to provide sewerage services to those premises, the customer will be charged the appropriate Sewerage Unmeasured Tariff unless it can be demonstrated that the premises will be unoccupied for the period that the premises are disconnected, in which case there is no charge. Revenue is recognised for sewerage services up to the point we are aware the property becomes unoccupied;
- If it is found subsequently that the premises were occupied for any period when we were advised that the premises would be unoccupied, the appropriate Sewerage Unmeasured Tariff will then apply to that period and appropriate retrospective bills are raised and revenue recognised at that point; and
- in the event that we suspect that a property is occupied but we have no record of the occupier, we take steps to establish the identity of the occupier in order that billing can commence and revenue be recognised. Occupier is defined to include any person who owns premises as set out in the 'Occupied properties policy' above and also any person who has agreed with us to pay water supply and/or sewerage charges in respect of any premises (e.g. a Bulk Meter Agreement).

Metered sales accrual reconciliation

Retrospective review of household measured income accrual

Appointed income for the year ended 31 March 2020 included a measured income accrual of £177.1m. The value of billing subsequently recognised in the year ended 31 March 2021 for consumption in the prior year was £181.7m. This has resulted in an increase in the current year's revenue due to the under-estimation of the prior year's measured income accrual as detailed below:

	2020 £m
Base Accrual	172.0
Less billing estimate	(4.8)
Additional accruals	
New accounts	1.1
Deregistrations	6.3
Covid-19 management judgement	2.5
Total metered accrual at 31 March 2020	**177.1**
Subsequent unwind	
Matched & Unwound	159.5
Additional subsequent billing, including property movements	22.2
	181.7
Net unwind	(4.6)

Accounting policies continued

Bad debt

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and insurance claims receivable. The Group's assessment for calculating expected credit losses is explained below. In addition, management has considered the continued impact of Covid-19, and has increased the provision to reflect the expected adverse impact on customers' ability to pay their water and wastewater bills, than otherwise would be the case. During the year ended 31 March 2021, we have seen an increase in our overall bad debt cost. The increase is primarily due to the impact of Covid-19 on our current year cash collections, offset by the initiatives implemented in the prior year to reduce the bad debt. Our total bad debt charge equates to 4.1% (31 March 2020: 3.4%) of total gross revenue.

(i) Directly billed

A bad debt model is used to calculate the provision for directly billed customers. This uses performance in the year to determine the level of provision required. The model takes the closing receivables balance and then deducts the amounts that are expected to be collected or cancelled based on performance in the year. The amount that remains will be uncollectable and therefore needs to be covered by a bad debt provision. Debt that is older than 5 years is fully provided for. There are also provisions to cover billing that is cancelled and not rebilled and also the collectability of any rebilling and a bad debt provision against unbilled debtors ie, debts that have not been billed yet but are part of the metered sales accrual. Using the output of the model together with management's judgement of expected performance in the future, a management judgement is formed regarding the level of provision required for future credit losses.

Directly Billed Write Off Policy

Our bad debt write off policy has remained unchanged and has been consistently applied in the current year. Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is impossible, impractical, inefficient or uneconomic to collect.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted.
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution.
- Where the value of the debt makes it uneconomic to pursue – all debts of less than £5 are written off.
- Where the age of the debt exceeds the statute of limitations – all debts of greater than 6 years old are written off, taking into account usual business rules.
- Where county court proceedings and attempts to recover the debt by debt collection agencies (multiple in some cases) have proved unsuccessful including where the customer does not have any assets/has insufficient assets on which to levy execution.
- Where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order and no dividend has been or is likely to be received.

For debt to be written off there must be a legitimate charge against the debtor and no reasonable expectation of recovery. Disclosure is made for information regarding financial assets that are written off but are still subject to enforcement activity.

(ii) WOCs

A provision is also made against debts held by Water Only Companies (WOCs) who bill their customers for sewerage services on behalf of the Group. Since detailed information about the debt held on our behalf by the WOCs is limited, we provide for the debt with a rate calculated using the bad debt provision applied by the WOCs in their most recent statutory accounts, as a percentage of their billed and unbilled debts. We consider current performance and any information available to create the provision we then make management judgements in respect of future credit losses, in accordance with the requirements of IFRS 9.

(iii) BTL

The arrangement with BTL means the Group has included construction costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected, these amounts are subsequently paid to BTL. This arrangement gives rise to the recognition of revenue within the Group and associated bad debt. The bad debt methodology is consistent with directly billed customers.

(iv) Non-Household

The Group has assessed the risk of credit losses for non-household customers to be low and therefore no bad debt provision has been made. The Group has assessed specific debts held in respect of non-household customers which are subject to query by those customers, and made a revenue loss provision on those debts within accrued income based on historical collections experience.

	£m
Operating profit:	
Statutory operating profit	488.800
Reclassification of grants and contributions to other income	(55.289)
Reclassification of rental income to other income	(29.980)
Capitalised borrowings depreciation	6.422
Reclassification of STS income to other income	(0.749)
Non appointed	(53.093)
Appointed operating profit	**356.111**
Other income:	
Statutory other income	0.000
Reclassification of grants and contributions to other income	55.289
Reclassification of rental income to other income	29.980
Reclassification of STS income to other income	0.749
Non appointed	(0.885)
Appointed other income	**85.134**
Profit before tax:	
Statutory profit before tax	(241.440)
Capitalised borrowings	(63.316)
Non appointed	(54.072)
Regulatory profit before tax	**(358.828)**

Accounting policies continued

Capitalisation

The regulatory accounts policy on Property, Plant and Equipment ("PP&E") follows the statutory accounting policies with the exception of borrowing costs. No changes have been made to this policy since the prior reporting period.

In the statutory accounts, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the associated asset. All other borrowing costs are included as finance expenses within the income statement.

For regulatory reporting purposes borrowing costs may not be capitalised. The regulatory approach, which differs from IAS 23, results in an additional £69.7 million being recognised in interest expense and £6.4m decrease in depreciation within the regulatory accounts for 2020/21.

Current tax reconciliation

	2020/21		
	Total £m	Non-appointed £m	Appointed £m
Profit before tax and fair value movements	280.8	54.1	226.7
Differences between statutory and regulatory definitions – mainly interest not shown as capitalised	(63.3)	0.0	(63.3)
Profit/(loss) on ordinary activities before taxation as shown for regulatory purposes	217.5	54.1	163.4
Tax at 19%	41.3	10.3	31.0
Charge/(Credit) effects of:			
Depreciation on assets that do not qualify for relief	4.4	0.0	4.4
Disallowable expenditure[1]	2.6	0.0	2.6
Non-taxable income[2]	(4.5)	0.0	(4.5)
Property disposals	(0.8)	0.0	(0.8)
Capital allowances (in excess of)/less than depreciation for the year	(12.7)	0.0	(12.7)
Capitalised borrowing costs allowable for tax[3]	(13.3)	0.0	(13.3)
Losses/(profits) on financial derivatives[4]	89.9	0.0	89.9
Pension cost charge (lower than) in excess of pension contributions[5]	(17.1)	0.0	(17.1)
Other short term timing differences[6]	8.3	0.0	8.3
Differences between statutory and regulatory definitions – mainly capitalised interest	12.0	0.0	12.0
Differences between statutory and regulatory definitions – fair value gains/(losses) on financial instruments	(99.2)	0.0	(99.2)
Group relief not paid at standard rate[7]	0.0	(10.3)	10.3
	10.9	**0.0**	**10.9**
Adjustments in respect of prior periods – group relief	0.0	0.0	0.0
Current tax charge/(credit) for the year	**10.9**	**0.0**	**10.9**

	£m
Current tax for current year	10.9
Current tax for prior year	0.0
Current tax for current year	10.9

	Statutory	Non-appointed	Appointed activities
Tax charged in the income statement			
UK Corporation tax charge/(credit)	10.9	0.0	10.9
Deferred tax charge/(credit)	(53.9)	0.0	(53.9)
Tax charge/(credit) on profit on ordinary activities	(43.0)	0.0	(43.0)

	Appointed activities £m
Reconciliation to total current tax charge allowed in price limits	
Current tax charge allowed in price limits	0.0
Charge(credit) in respect of group relief for the year	10.9
Charge in respect of group relief for prior years	0.0
Tax charge/(credit) on profit on ordinary activities	10.9

The current tax charge for the year arises on the taxable profits of Thames Water Utilities Finance plc ("TWUF"), which are included in the financial results for the appointed business. TWUF will buy group relief, paid for at the standard tax rate of 19%, from Thames Water Utilities Holdings Ltd at a cost of £10.9m, as well as £0.8m payable to TWUL which is also within the appointed business so the latter does not affect the current tax charge for the appointed business.

1 Disallowable expenditure primarily relates to fines included in operating expenses.
2 Non-taxable income relates primarily to income from new service connections. This income is reflected in the accounts as non-taxable income under IFRS principles, while the cost of the new service connections fixed assets is not eligible for capital allowances.
3 Capitalised borrowing costs are eligible for a full tax deduction in the year.
4 Accounting fair value profits and losses arising on our derivatives are predominantly non-taxable and non-deductible respectively, as instead they are usually taxed as the cash flows arise. Deferred tax is provided on all temporary differences.
5 The appointed business made higher pension contributions in the year as a result of the additional pension deficit repair payment, which will receive tax relief.
6 Other short term timing differences primarily relate to the deferral of tax relief on some pension contributions to a later year.
7 The appointed business is sharing tax losses worth £10.3m with the non-appointed business, for which no payment is made, as both are within the same company.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change for the appointed business, had it been substantively enacted by the balance sheet date, would be to increase the net deferred tax liability by £293.6m, comprising an increase of £372.4m in the liability for accelerated depreciation, less a £78.8m increase in the assets for pensions, derivatives and other timing differences. The tax expense for the period would increase by £330.6m and the credit to reserves would increase by £37.0m.

Section 2 Price review and other segmental reporting

2A. Segmental income statement for the 12 months ended 31 March 2021

This table provides information of our appointed business split by the price control units defined by Ofwat. Further information regarding performance by price control units can be found in table 2C (retail cost analysis), 4D/4E (wholesale totex) and our Accounting Methodology Statement on our website.

		Retail Household £m	Retail non-household £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	TTT £m	**Total £m**
2A.1	Revenue – price control	140.646	1.355	89.842	788.467	810.720	159.544	48.593	**2,039.167**
2A.2	Revenue – non price control	–	–	–	13.415	6.536	–	–	**19.951**
2A.3	Operating expenditure – excluding PU recharge impact	(190.509)	(3.041)						**(193.550)**
2A.4	PU opex recharge	(3.801)	–						**(3.801)**
2A.5	**Operating expenditure – including PU recharge impact**	**(194.310)**	**(3.041)**	**(57.672)**	**(427.267)**	**(385.668)**	**(52.488)**	**–**	**(1,120.446)**
2A.6	Depreciation – tangible fixed assets	(6.027)	(0.005)	(4.977)	(296.135)	(202.403)	(52.202)	(1.538)	**(563.287)**
2A.7	Amortisation – intangible fixed assets	(13.756)	–	(0.368)	(6.809)	(21.686)	(7.263)		**(49.882)**
2A.8	PU recharge impact	–	–	(0.999)	(10.986)	12.166	3.620	–	**3.801**
2A.9	**Depreciation and amortisation – including PU recharge impact**	**(19.783)**	**(0.005)**	**(6.344)**	**(313.930)**	**(211.923)**	**(55.845)**	**(1.538)**	**(609.368)**
2A.10	Other operating income	9.620	6.428	0.316	5.527	4.156	0.917	(0.157)	**26.807**
2A.11	**Operating profit**	**(63.827)**	**4.737**	**26.142**	**66.212**	**223.821**	**52.128**	**46.898**	**356.111**
	Surface water drainage rebates								
2A.12	Surface water drainage rebates								**1.940**

Section 2 Price review and other segmental reporting continued

2B. Totex analysis for the 12 months ended 31 March 2021 – wholesale

This table shows the breakdown of the wholesale Totex expenditure from table 2A into the wholesale price control units and cost categories required to be reported on by Ofwat.

		Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	TTT £m	**Total £m**
	Base operating expenditure						
2B.1	Power	16.352	50.442	77.773	(13.231)	–	**131.336**
2B.2	Income treated as negative expenditure	(0.114)	–	(0.020)	(11.706)	–	**(11.840)**
2B.3	Abstraction charges/ discharge consents	17.129	–	6.468	0.229	–	**23.826**
2B.4	Bulk Supply/Bulk discharge	4.400	–	2.953	–	–	**7.353**
2B.5	Renewals expensed in year (Infrastructure)	–	86.937	65.786	–	–	**152.723**
2B.6	Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	**–**
2B.7	Other operating expenditure	13.566	201.151	185.348	76.488	–	**476.553**
2B.8	Local authority and Cumulo rates	3.807	79.034	37.650	0.477	–	**120.968**
2B.9	**Total base operating expenditure**	**55.140**	**417.564**	**375.958**	**52.257**	**–**	**900.919**
	Other operating expenditure						
2B.10	Enhancement operating expenditure	0.961	5.971	7.657	–	–	**14.589**
2B.11	Developer services operating expenditure	–	1.206	1.125	–	–	**2.331**
2B.12	**Total operating expenditure excluding third party services**	**56.101**	**424.741**	**384.740**	**52.257**	**–**	**917.839**
2B.13	Third party services	1.571	2.526	0.928	0.231	–	**5.256**
2B.14	**Total operating expenditure**	**57.672**	**427.267**	**385.668**	**52.488**	**–**	**923.095**
	Grants and contributions						
2B.15	Grants and contributions – operating expenditure	–	0.275	1.393	–	–	**1.668**

		Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	TTT £m	**Total £m**
	Capital expenditure						
2B.16	Base capital expenditure	20.206	343.971	240.900	62.344	(0.705)	**666.716**
2B.17	Enhancement capital expenditure	14.058	95.445	60.032	1.120	51.827	**222.482**
2B.18	Developer services capital expenditure	–	63.705	20.193	–	–	**83.898**
2B.19	**Total gross capital expenditure (excluding third party)**	**34.264**	**503.121**	**321.125**	**63.464**	**51.122**	**973.096**
2B.20	Third party services	–	7.186	4.036	–	–	**11.222**
2B.21	**Total gross capital expenditure**	**34.264**	**510.307**	**325.161**	**63.464**	**51.122**	**984.318**
	Grants and contributions						
2B.22	Grants and contributions – capital expenditure	–	39.502	17.092	–	–	**56.594**
2B.23	**Net totex**	**91.936**	**897.797**	**692.344**	**115.952**	**51.122**	**1,849.151**
	Cash expenditure						
2B.24	Pension deficit recovery payments	3.041	33.425	25.571	7.620	–	**69.657**
2B.25	Other cash items	–	–	–	–	–	–
2B.26	**Totex including cash items**	**94.977**	**931.222**	**717.915**	**123.572**	**51.122**	**1,918.808**

Section 2 Price review and other segmental reporting continued

2C. Cost analysis for the 12 months ended 31 March 2021 – retail

This table breaks down the retail operating costs included in table 2A into the cost categories required to be reported on by Ofwat.

		Household £m	Non-household £m	**Total £m**
	Operating expenditure			
2C.1	Customer services	76.244	(0.002)	**76.242**
2C.2	Debt management	14.716	–	**14.716**
2C.3	Doubtful debts	85.339	0.123	**85.462**
2C.4	Meter reading	7.288	–	**7.288**
2C.5	Services to developers	–	2.004	**2.004**
2C.6	Other operating expenditure	6.667	0.890	**7.557**
2C.7	Local authority and Cumulo rates	0.255	0.026	**0.281**
2C.8	**Total operating expenditure excluding third-party services**	**190.509**	**3.041**	**193.550**
	Depreciation			
2C.9	Depreciation on tangible fixed assets existing at 31 March 2015	0.166	–	**0.166**
2C.10	Depreciation on tangible fixed assets acquired after 1 April 2015	5.861	0.005	**5.866**
2C.11	Amortisation on intangible fixed assets existing at 31 March 2015	–	–	**–**
2C.12	Amortisation on intangible fixed assets acquired after 1 April 2015	13.756	–	**13.756**
	Recharges			
2C.13	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	–	–	**–**
2C.14	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	–	–	**–**
2C.15	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	3.801	–	**3.801**
2C.16	Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–	**–**
2C.17	**Net recharges costs**	**3.801**	**–**	**3.801**
2C.18	**Total retail costs excluding third-party and pension deficit repair costs**	**214.093**	**3.046**	**217.139**
2C.19	Third-party services operating expenditure	–	–	**–**
2C.20	Pension deficit repair costs	–	–	**–**
2C.21	Total retail costs including third-party and pension deficit repair costs	**214.093**	**3.046**	**217.139**
	Debt written-off			
2C.22	Debt written-off	87.048	32.178	**119.226**
	Capital expenditure			
2C.23	Capital expenditure	0.059	–	**0.059**
	Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
2C.24	Demand-side water efficiency – gross expenditure	2.746		
2C.25	Demand-side water efficiency – expenditure funded by wholesale	2.746		
2C.26	**Demand-side water efficiency – net retail expenditure**	–		
2C.27	Customer-side leak repairs – gross expenditure	5.879		
2C.28	Customer-side leak repairs – expenditure funded by wholesale	5.879		
2C.29	**Customer-side leak repairs – net retail expenditure**	–		

Total operating costs for retail household are £214.1 million in 2020/21. This is £74.1 million higher than the allowed residential retail revenue in the FD of £140.0 million. During 2020/21 the household retail price control has seen the following variations in costs:

- higher provisions for doubtful debts with an additional £9.0 million booked in respect of Covid-19 impacts
- investment in enhancing our customer service and debt collection capabilities
- impact of stabilisation post our customer relationship, management and billing system upgrade and disruption caused by Covid-19

Household customer figures in our region have increased from 5.523 million (2019/20) to 5.587 million in the current year. We saw an increase in our proportion of metered customers as a result of the installation of 12,353 new smart optant meters and 44,137 new smart selective meters.

Within our statutory accounts we classify certain business restructuring and transformation spend as exceptional this included a programme of work to enhance our bad debt collection capability.

TW transferred ownership of its Retail non-household customers to Castle Water on market opening (1 April 2017).

The following costs have been disclosed within the non-household price control:

- release of historic doubtful debt provisions;
- developer services for the provision of information and administration for new connections;
- general and support expenditure in relation to the above activities.

Section 2 Price review and other segmental reporting continued

2D. Historic cost analysis of tangible fixed assets at 31 March 2021

This table shows the changes in the fixed assets across our price control units. Our accounting policies with relation to fixed assets and depreciation are set out in full in our Annual Report.

		Retail Household £m	Retail non-household £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	TTT £m	**Total £m**
	Cost								
2D.1	At 1 April 2020	121.898	0.095	323.444	10,227.681	8,476.782	1,617.154	1,176.405	**21,943.459**
2D.2	Disposals	(13.329)	(0.004)	(2.270)	(68.568)	(93.179)	(10.901)	–	**(188.251)**
2D.3	Additions	0.121	–	33.748	503.520	288.529	52.549	23.442	**901.909**
2D.4	Adjustments	12.739	–	(11.441)	(14.523)	29.297	(16.058)	0.001	**0.015**
2D.5	Assets adopted at nil cost	–	–	–	7.998	43.558	–	–	**51.556**
2D.6	**At 31 March 2021**	**121.429**	**0.091**	**343.481**	**10,656.108**	**8,744.987**	**1,642.744**	**1,199.848**	**22,708.688**
	Depreciation								
2D.7	At 1 April 2020	(96.101)	(0.050)	(71.851)	(3,104.161)	(2,600.260)	(698.644)	(8.546)	**(6,579.613)**
2D.8	Disposals	10.644	–	1.484	66.372	90.220	14.657	–	**183.377**
2D.9	Adjustments	(3.190)	–	(0.118)	(3.278)	(0.225)	7.372	–	**0.561**
2D.10	Charge for year	(6.027)	(0.005)	(4.977)	(296.135)	(202.403)	(52.202)	(1.538)	**(563.287)**
2D.11	**At 31 March 2021**	**(94.674)**	**(0.055)**	**(75.462)**	**(3,337.202)**	**(2,712.668)**	**(728.817)**	**(10.084)**	**(6,958.962)**
2D.12	**Net book amount at 31 March 2021**	**26.755**	**0.036**	**268.019**	**7,318.906**	**6,032.319**	**913.927**	**1,189.764**	**15,749.726**
2D.13	**Net book amount at 1 April 2020**	**25.797**	**0.045**	**251.593**	**7,123.520**	**5,876.522**	**918.510**	**1,167.859**	**15,363.846**
	Depreciation charge for year								
2D.14	Principal services	(6.027)	(0.005)	(4.977)	(296.090)	(202.307)	(52.202)	(1.538)	**(563.146)**
2D.15	Third party services	–	–	–	(0.045)	(0.096)	–	–	**(0.141)**
2D.16	**Total**	**(6.027)**	**(0.005)**	**(4.977)**	**(296.135)**	**(202.403)**	**(52.202)**	**(1.538)**	**(563.287)**

The net book value includes £2,708m in respect of assets in the course of construction.

Section 2 Price review and other segmental reporting continued

2E. Analysis of 'grants and contributions' for the 12 months ended 31 March 2021 – water resources, water network+ and wastewater network+

This table shows information on capital contributions made by organisations and the related cost of assets constructed.

		Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
	Grants and contributions – water resources				
2E.1	Diversions – s185	–	–	–	–
2E.2	Other contributions (price control)	–	–	–	–
2E.3	**Price control grants and contributions**	**–**	**–**	**–**	**–**
2E.4	Diversions – NRSWA	–	–	–	–
2E.5	Diversions – other non-price control	–	–	–	–
2E.6	Other contributions (non-price control)	–	–	–	–
2E.7	**Total**	**–**	**–**	**–**	**–**
2E.8	Value of adopted assets	–	–	–	–
	Grants and contributions – water network+				
2E.9	Connection charges	18.207	–	–	**18.207**
2E.10	Infrastructure charge receipts	–	5.324	–	**5.324**
2E.11	Requisitioned mains	2.528	–	–	**2.528**
2E.12	Diversions – s185	5.294	–	–	**5.294**
2E.13	Other contributions (price control)	–	–	–	–
2E.14	**Price control grants and contributions before deduction of income offset**	**26.029**	**5.324**	**–**	**31.353**
2E.15	Income offset	–	4.199	–	**4.199**
2E.16	**Price control grants and contributions after deduction of income offset**	**26.029**	**1.125**	**–**	**27.154**
2E.17	Diversions – NRSWA	0.976	–	–	**0.976**
2E.18	Diversions – other non-price control	3.446	–	–	**3.446**
2E.19	Other contributions (non-price control)	8.006	0.196	–	**8.202**
2E.20	**Total**	**38.457**	**1.321**	**–**	**39.778**
2E.21	Value of adopted assets	–	8.027	–	**8.027**
	Grants and contributions – wastewater network+				
2E.22	Receipts for on-site work	0.909	–	–	**0.909**
2E.23	Infrastructure charge receipts	–	10.581	–	**10.581**
2E.24	Diversions – s185	1.236	–	–	**1.236**
2E.25	Other contributions (price control)	3.377	–	–	**3.377**
2E.26	**Price control grants and contributions before deduction of income offset**	**5.522**	**10.581**	**–**	**16.103**
2E.27	Income offset	–	1.193	–	**1.193**
2E.28	**Price control grants and contributions after deduction of income offset**	**5.522**	**9.388**	**–**	**14.910**
2E.29	Diversions – NRSWA	(0.013)	–	–	**(0.013)**
2E.30	Diversions – other non-price control	3.378	–	–	**3.378**
2E.31	Other Contributions (non-price control)	–	0.209	–	**0.209**
2E.32	**Total**	**8.887**	**9.597**	**–**	**18.484**
2E.33	Value of adopted assets	–	43.615	–	**43.615**

		Water resources	Water network+	Wastewater network+	Total
	Movements in capitalised grants and contributions				
2E.34	**b/f**	–	206.429	310.664	**517.093**
2E.35	Capitalised in year	–	1.321	9.597	**10.918**
2E.36	Amortisation (in income statement)	–	(3.009)	(2.242)	**(5.251)**
2E.37	**c/f**	**–**	**204.741**	**318.019**	**522.760**

Section 2 Price review and other segmental reporting continued

2F. Residential retail for the 12 months ended 31 March 2021

This table shows an analysis of household retail revenues and customer numbers by customer type.

		Revenue £m	Number of customers 000s	Average residential revenues £m
	Residential revenue			
2F.1	Wholesale charges	1,597.598		
2F.2	Retail revenue	140.646		
2F.3	**Total residential revenue**	**1,738.244**		
	Retail revenue			
2F.4	Revenue Recovered ("RR")	140.646		
2F.5	Revenue sacrifice	–		
2F.6	**Actual revenue (net)**	**140.646**		
	Customer information			
2F.7	Actual customers ("AC")		5,586.598	
2F.8	Reforecast customers		5,581.836	
	Adjustment			
2F.9	Allowed revenue ("R")	139.952		
2F.10	**Net adjustment**	**(0.694)**		
	Other residential information			
2F.11	**Average residential retail revenue per customer**			**25.176**

Tables 2G and 2H are only applicable for Welsh companies and therefore have not been included within this report.

2I. Revenue analysis for the 12 months ended 31 March 2021

This table shows an analysis of revenue across our price control units split by revenue streams.

		Household £m	Non-household £m	**Total £m**	Water resources £m	Water network+ £m	**Total £**
	Wholesale charge – water						
2I.1	Unmeasured	399.834	5.551	**405.385**	41.467	363.918	**405.385**
2I.2	Measured	326.274	146.598	**472.872**	48.370	424.502	**472.872**
2I.3	Third-party revenue	–	0.052	**0.052**	0.005	0.047	**0.052**
2I.4	**Total wholesale water revenue**	**726.108**	**152.201**	**878.309**	**89.842**	**788.467**	**878.309**

		Household £m	Non-household £m	**Total £m**	Wastewater network+	Bioresources £m	**Total £m**
	Wholesale charge – wastewater						
2I.5	Unmeasured – foul charges	298.756	5.535	**304.291**	254.236	50.055	**304.291**
2I.6	Unmeasured – surface water charges	57.462	1.263	**58.725**	49.065	9.660	**58.725**
2I.7	Unmeasured – highway drainage charges	42.792	0.659	**43.451**	36.303	7.148	**43.451**
2I.8	Measured – foul charges	302.028	106.966	**408.994**	341.715	67.279	**408.994**
2I.9	Measured – surface water charges	70.296	14.217	**84.513**	70.611	13.902	**84.513**
2I.10	Measured – highway drainage charges	58.101	10.355	**68.456**	57.195	11.261	**68.456**
2I.11	Third-party revenue	–	1.834	**1.834**	1.595	0.239	**1.834**
2I.12	**Total wholesale wastewater revenue**	**829.435**	**140.829**	**970.264**	**810.720**	**159.544**	**970.264**

		Household £m	Non-household £m	**Total £m**
	Wholesale charge – TTT			
2I.13	Unmeasured	20.231	0.351	20.582
2I.14	Measured	21.824	6.187	28.011
2I.15	**Total wholesale TTT revenue**	**42.055**	**6.538**	**48.593**
2I.16	**Wholesale Total**	**1597.598**	**299.568**	**1897.166**

		Household £m	Non-household £m	**Total £m**
	Retail revenue			
2I.17	Unmeasured	60.973	1.442	62.415
2I.18	Measured	79.673	(0.087)	79.586
2I.19	Other third-party revenue	–	–	–
2I.20	**Retail Total**	**140.646**	**1.355**	**142.001**

		Total £m
	Third-party revenue – non-price control	
2I.21	Bulk supplies – water	5.572
2I.22	Bulk supplies – wastewater	2.394
2I.23	Other third-party revenue	10.949
	Principal services – non-price control	
2I.24	Other appointed revenue	1.036
2I.25	**Total appointed revenue**	**2059.118**

Section 2 Price review and other segmental reporting continued

2J: Infrastructure network reinforcement costs for the 12 months ended 31 March 2021

This table presents the infrastructure reinforcement costs, as included in Totex in tables 4D and 4E by type of system or facility.

		Network reinforcement capex £m	On site/site specific capex (memo only) £m
	Wholesale water network+ (treated water distribution)		
2J.1	Distribution and trunk mains	12.102	
2J.2	Pumping and storage facilities	0.098	
2J.3	Other	–	
2J.4	**Total**	**12.200**	
	Wholesale wastewater network+ (sewage collection)		
2J.5	Foul and combined systems	10.763	–
2J.6	Surface water only systems	–	–
2J.7	Pumping and storage facilities	4.166	–
2J.8	Other	–	–
2J.9	**Total**	**14.929**	**–**

Network Reinforcement spend in this table is £1.8m higher than the Network Reinforcement disclosed in tables 4N (£1.1m) and 4O (£0.7m). As Tables 2J & 2K report the cumulative reconciliation of Network Reinforcement expenditure to Infrastructure Charge receipts prior period adjustments may be necessary either where schemes have changed scope or where further guidance is received. Table 2J includes adjustments relating to expenditure incurred on New Appointment & Variation (NAV) schemes £1.2m, and revised assessments of cost attributable to network reinforcement on other schemes £0.4m.

2K.Infrastructure charges reconciliation for the 12 months ended 31 March 2021

This table compares the revenue and costs of infrastructure charges for new connections.

		Water Network+ £m	Wastewater Network+ £m	Total £m
	Impact of infrastructure charge discounts			
2K.1	Infrastructure charges	5.520	10.790	**16.310**
2K.2	Discounts applied to infrastructure charges	–	–	**–**
2K.3	**Gross infrastructure charges**	**5.520**	**10.790**	**16.310**
	Comparison of revenue and costs			
2K.4	Variance brought forward	5.124	15.618	**20.742**
2K.5	**Revenue**	**5.520**	**10.790**	**16.310**
2K.6	Costs	(12.200)	(14.929)	**(27.129)**
2K.7	**Variance carried forward**	**(1.556)**	**11.479**	**9.923**

Disclosed as infrastructure charges within the above table are contributions from other sources that are considered to be their equivalent, though are disclosed on separate lines within Table 2E. This includes infrastructure charges received from NAV providers, and the non-domestic Network Charges.

2L. Analysis of land sales for the 12 months ended 31 March 2021

This table shows information on income received through the sale of land.

		Water resources £m	Water Network+ £m	Wastewater Network+ £m	Total £m
2L.1	**Proceeds from disposals of protected land**	(0.070)	1.446	7.508	**8.884**

2M. Revenue reconciliation for the 12 months ended 31 March 2021 – wholesale

This table shows the retail price control difference between the actual revenue recovered and the revenue assumed at the final determination.

		Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	TTT £m	Total £m
	Revenue recognised						
2M.1	Wholesale revenue governed by price control	89.842	788.467	810.720	159.544	48.593	**1,897.166**
2M.2	Grants & contributions (price control)	–	27.154	14.910	–	–	**42.064**
2M.3	**Total revenue governed by wholesale price control**	**89.842**	**815.621**	**825.630**	**159.544**	**48.593**	**1,939.230**
	Calculation of the revenue cap						
2M.4	Allowed wholesale revenue before adjustments (or modified by CMA)	91.112	790.477	838.674	166.247	50.949	**1,937.459**
2M.5	Allowed grants & contributions before adjustments (or modified by CMA)	–	42.626	19.997	–	–	**62.623**
2M.6	Revenue adjustment	–	–	–	–	–	**–**
2M.7	Other adjustments	–	–	–	–	–	**–**
2M.8	**Revenue cap**	**91.112**	**833.103**	**858.671**	**166.247**	**50.949**	**2,000.082**
	Calculation of the revenue imbalance						
2M.9	**Revenue cap**	**91.112**	**833.103**	**858.671**	**166.247**	**50.949**	**2,000.082**
2M.10	**Revenue recovered**	**89.842**	**815.621**	**825.630**	**159.544**	**48.593**	**1,939.232**
2M.11	**Revenue imbalance**	**1.269**	**17.482**	**33.420**	**6.703**	**2.356**	**61.230**

Comparison between allowed and actual revenue – Wholesale control

Wholesale revenue for 2020/21 of £1,939.2m is £60.9m (3.1%) lower than the amount allowed in Ofwat's PR19 Final Determination (FD).

Section 2 Price review and other segmental reporting continued

2M. Revenue reconciliation for the 12 months ended 31 March 2021 – wholesale continued

Wholesale Water

Wholesale water revenue is £18.8m (2.0%) lower than the FD, driven by:

- core tariff revenue being lower than forecast due to significantly lower revenues from non-household customers as a result of the Covid-19 pandemic which was partially offset by higher than anticipated revenues from household customers; and
- lower than forecast capital contributions from connection and infrastructure charge revenue due to the impact of the Covid-19 pandemic.

Wholesale Wastewater

Wholesale wastewater revenue (including the Company's delivered element of the Thames Tideway Tunnel) is £42.5m (3.9%) lower than the FD, driven by:

- core tariff revenue being lower than forecast due to significantly lower revenues from non-household customers as a result of the Covid-19 pandemic which was partially offset by higher than anticipated revenues from household customers; and
- lower than forecast capital contributions from connection and infrastructure charge revenue due to the impact of the Covid-19 pandemic.

The unrecovered revenue in 2020/21 attributable to variances in our customer base between outturn and the forecasts used when tariffs were set will be recovered from customers during the 2022/23 charging year under Ofwat's Revenue Forecasting Incentive ("RFI") mechanism.

The wholesale 20/21 results included redistribution income of £0.14m received in relation to prior year performance charges and performance charges related to 20/21 of £1k.

2N. Residential retail – social tariffs

This table shows the social tariffs and other forms of assistance we provide to improve affordability and accessibility for vulnerable customers.

		Revenue £m	Number of customers 000s	**Average amount per customer £**
	Number of residential customers on social tariffs			
2N.1	Residential water only social tariffs		0.189	
2N.2	Residential wastewater only social tariffs		50.566	
2N.3	Residential dual service social tariffs		130.346	
	Number of residential customers not on social tariffs			
2N.4	Residential water only no social tariffs		53.432	
2N.5	Residential wastewater only no social tariffs		1,949.631	
2N.6	Residential dual service no social tariffs		3,402.434	
	Social tariff discount			
2N.7	**Average discount per water only social tariffs customer**			**1.344**
2N.8	**Average discount per wastewater only social tariffs customer**			**0.003**
2N.9	**Average discount per dual service social tariffs customer**			**0.222**
	Social tariff cross-subsidy – residential customers			
2N.10	Total customer funded cross-subsidies for water only social tariffs customers	0.254		
2N.11	Total customer funded cross-subsidies for wastewater only social tariffs customers	0.152		
2N.12	Total customer funded cross-subsidies for dual service social tariffs customers	28.891		
2N.13	**Average customer funded cross-subsidy per water only social tariffs customer**			**4.737**
2N.14	**Average customer funded cross-subsidy per wastewater only social tariffs customer**			**0.076**
2N.15	**Average customer funded cross-subsidy per dual service social tariffs customer**			**8.178**
	Social tariff cross-subsidy–company			
2N.16	Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	–		
2N.17	Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	–		
2N.18	Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	–		
2N.19	Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			–
2N.20	Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			–
2N.21	Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			–
	Social tariff support – willingness to pay			
2N.22	**Level of support for social tariff customers reflected in business plan**			**7.994**
2N.23	**Maximum contribution to social tariffs supported by customer engagement**			**11.724**

Use of social tariffs (RAG 3, 4.47)

We support our low-income households with the WaterHelp social tariff. If customers qualify, we offer a 50% discount on their whole bill. Further information is available on our website.

Section 2 Price review and other segmental reporting continued

20. Historic cost analysis of intangible fixed assets

This table shows the value of fixed assets across our price control units.

		Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	TTT £m	Retail Residential £m	Retail non-household £m	**Total £m**
	Cost								
20.1	At 1 April 2020	1.644	48.510	270.560	12.759	–	135.539	–	**469.012**
20.2	Disposals	(0.446)	(11.419)	(63.402)	(13.474)	–	–	–	**(89.014)**
20.3	Additions	0.516	6.785	36.594	10.903	–	(0.062)	–	**54.736**
20.4	Adjustments	–	0.027	0.028	0.001	–	(0.002)	–	**0.054**
20.5	Assets adopted at nil cost	–	–	–	–	–	–	–	**–**
20.6	**At 31 March 2021**	**1.714**	**43.903**	**243.780**	**9.916**	**–**	**135.475**	**–**	**434.788**
	Amortisation								
20.7	At 1 April 2020	(1.682)	(31.412)	(136.353)	(25.190)	–	(16.022)	–	**(210.659)**
20.8	Disposals	0.727	13.550	56.024	18.714	–	–	–	**89.015**
20.9	Adjustments	–	–	–	–	–	–	–	**–**
20.10	Charge for year	(0.368)	(6,809)	(21.686)	(7.263)	–	(13.756)	–	**(49.882)**
20.11	**At 31 March 2021**	**(1.323)**	**(24.671)**	**(102.015)**	**(13.739)**		**(29.778)**	**–**	**(171.526)**
20.12	**Net book amount at 31 March 2021**	**0.391**	**19.232**	**141.765**	**(3.823)**	**–**	**(105.697)**	**–**	**263.262**
20.13	**Net book amount at 1 April 2020**	**(0.038)**	**17.098**	**134.207**	**(12.431)**	**–**	**119.517**	**–**	**258.353**
	Amortisation for year								
20.14	Principal services	(0.368)	(6.810)	(21.686)	(7.263)	–	(13.756)	–	**(49.883)**
20.15	Third-party services	–	–	–	–	–	–	–	**–**
20.16	**Total**	**(0.368)**	**(6.810)**	**(21.686)**	**(7.263)**	**–**	**(13.756)**	**–**	**(49.883)**

The net book value includes £46m in respect of assets in the course of development.

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Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited

Report on the Regulatory Accounting Statements contained within the Annual Performance Report

Opinion on Regulatory Annual Performance Report

In our opinion, Thames Water Utilities Limited's (the Company's) Regulatory Accounting Statements within the Annual Performance Report (the Regulatory Accountings Statements) have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2) set out on page 50.

What we have audited

The tables within Thames Water Utilities Limited's Annual Performance Report that we have audited ("the Regulatory Accounting Statements") comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cashflows (table 1D), the net debt analysis (appointed activities) (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis – wholesale (table 2B), the cost analysis (table 2C), the historical cost analysis of tangible fixed assets (table 2D), the analysis of 'grants and contributions' – water resources, water network+ and wastewater network+ (table 2E), the residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation – wholesale (table 2M), residential retail – social tariffs (table 2N) and historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (tables 3A to 3I) and the additional regulatory information in tables 4A to 4R, 5A-5B, 6A-6D, 7A-7E, 8A-8D and 9A.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Annual Performance Report below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purpose. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 42 to 114 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical integrity of the cash flow forecasts and the models and reconciling these to Board approved budgets.
- Understanding the key assumptions management have applied in developing their base case and downside scenarios. These can be split as those that are more judgemental in nature and those that are less judgemental. For those less judgemental assumptions such as revenue growth, we verified this to published tariffs for FY22 in compliance with Ofwat's policies and where assumptions were made such as in respect of non-repeating costs we verified that this was a reasonable assumption, for example the one off pension deficit repayment which we expect to cover deficit payments for the whole of AMP7. For those more judgemental assumptions we understood the basis on which management had made these assumptions.
- Developing our own stress test scenario based on taking the FY21 operating cashflow and adjusting for those positive cashflow movements we considered to be less judgemental and factoring in the costs management had assessed in their base case scenario. This showed that there was reasonable headroom on the PMICR covenant before a breach would occur. We note that were costs as per the downside applied then there would still be reasonable headroom over the Event of Default level on the PMICR covenant.
- Obtaining covenant compliance certificates and verifying the mathematical accuracy, and testing inputs back to either the year end financial numbers or for forecasted information to the Board approved budget.
- Verifying liquidity forecasts to the Board approved budget and testing that contractual debt principal and interest payments had been appropriately included within the forecasts. We considered the headroom of expected cash outflows in the going concern period again available liquidity, identifying a reasonable level of expenditure to allow for unexpected spend.

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Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited continued

- Performing a comparison of budget versus actual for the year ended 31 March 2021 and understanding where variances had arisen. Through this testing we obtained reasonable assurance over management's ability to forecast accurately.
- Obtaining the latest credit ratings for the TWUL group and verifying that the group maintained an investment grade rating.
- Obtaining and understanding the terms of the financing agreements, particularly in the context of financial covenants and ensured these had been appropriately considered in assessing available borrowing and facilities over the going concern period.
- Assessing the disclosure given in the financial statements in respect of going concern and whether it gives a fair and balanced view.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities for the Regulatory Annual Performance Report and the audit

Responsibilities of the Directors for the Regulatory Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Regulatory Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, Listing rules, Pension legislation, Tax legislation and UK Companies Act; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited continued

In addition to the above, our procedures to respond to the risks identified included the following:

- Discussions and inquiries of management, internal audit function and legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions made by management in determining significant accounting estimates and judgments. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative information where available along with considering the appropriateness of the related disclosures in the financial statements;
- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance and reviewing internal audit reports.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Regulatory Accounting Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WRSA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2021 on which we reported on 05 July 2021, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
05 July 2021

Section 3 Performance summary

3A. Outcome performance – Water performance commitments (Financial)

RAG Rating and Description

- Performance at, or above our committed performance level
- Performance within the range allowed without a penalty (the 'deadband') if defined or, if not, within 5% of our committed performance level
- Performance below the deadband (if defined) or more than 5% adverse to our committed performance level
- Performance information either not available, not applicable or not relevant

				Performance level – actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
				Previous reporting year	Current reporting year		£m	£m
		Common performance commitments – Water (Financial)	Unit					
3A.1	BW06a	Water quality compliance (CRI)	number	0.66	2.42	No	(0.898)	(0.898)
3A.2	BW03	Water supply interruptions	hh:mm:ss	00:17:59	00:13:39	No	(10.122)	(51.487)
3A.3	BW04	Leakage	%	N/A	5.4	Yes	2.671	11.666
3A.4	BW05	Per capita consumption	%	N/A	(1.5)	No	(2.645)	(33.965)
3A.5	BW01	Mains repairs	number	246.6	269.6	No	(1.058)	1.358
3A.6	BW02	Unplanned outage	%	1.60	1.76	Yes	0.000	0.000
		Bespoke performance commitments – Water and Retail (Financial)						
3A.7	BW07	Properties at risk of receiving low pressure	nr	10	15	Yes	0.000	0.000
3A.8	BW08	Acceptability of water to consumers	nr	0.62	0.54	Yes	0.000	0.000
3A.9	BW09	Water quality events	nr	3	5	Yes	0.000	0.000
3A.10	BW10	Reducing risk of lead	nr	12,887	10,919	Yes	0.015	2.127
3A.11	DW02	Security of supply index SoSI	score	100	100	Yes	0.000	0.000
3A.12	DWS01	Power resilience	nr	N/A	2	No	0.000	(1.186)
3A.13	DWS02	SEMD – Securing our sites (2020-25 projects)	%	N/A	0.0	Yes	0.000	0.000
3A.14	DWS03	SEMD – Securing our sites (legacy projects)	%	N/A	34.5	Yes	0.000	0.000
3A.15	ER01	Unregistered Household Properties	text	N/A	Process not completed	No	(0.211)	(0.211)
3A.16	ER02	Empty household properties	%	N/A	3.70	No	(0.308)	(0.308)
3A.17	EW01	Abstraction Incentive Mechanism (AIM)	nr	(1,017.1)	(31.8)	Yes	0.000	0.000
3A.18	EWS08	Empty business properties	nr	N/A	5,690	Yes	0.549	1.921
3A.19	M01	Installing new smart meters in London	nr	N/A	53,129	No	0.000	0.000
3A.20	M02	Replacing existing meters with smart meters in London	nr	N/A	20,740	No	0.000	0.000
3A.27		Financial water performance commitments achieved	%			55		
3A.28		Overall performance commitments achieved (excluding C-MEX and D-MEX)	%			57		

Section 3 Performance summary continued

Table 3B. Outcome performance – Wastewater performance commitments (Financial)

				Performance level – actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
				Previous reporting year	Current reporting year		£m	£m
		Common performance commitments – Wastewater (Financial)	Unit					
3B.1	CS03	Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connection	N/A	2.31	No	(10.560)	(9.387)
3B.2	ES01	Pollution incidents	Pollution incidents per 10,000 km of sewer length	N/A	26.67	No	(2.739)	(2.739)
3B.3	CS02	Sewer collapses	Number of sewer collapses per 1,000 km of all sewers	5.90	3.96	Yes	0.030	0.030
3B.4	CS01	Treatment works compliance	%	N/A	99.74	No	0.000	0.000
		Bespoke performance commitments – Wastewater (Financial)						
3B.5	CS04	Clearance of blockages	nr	77,220	76,223	No	(5.223)	8.783
3B.6	CS05	Sewage pumping station availability	%	N/A	98.2	Yes	0.000	0.000
3B.7	DS02	Surface water management	number	21.00	0.00	No	0.000	0.000
3B.8	ES02	Environmental measures delivered	nr	N/A	182	Yes	0.000	0.000
3B.9	ES03	Sludge treated before disposal	%	N/A	99.6	Yes	0.000	0.000
3B.10	ET01	Readiness to receive tunnel flow at Beckton STW	nr	N/A	N/A	-	0.000	0.000
3B.11	ET04	Critical asset readiness for the London Tideway Tunnels	text	N/A	N/A	-	0.000	0.000
3B.12	EWS01	Enhancing biodiversity	nr	N/A	97	No	0.000	0.000
3B.13	EWS02	Smarter Water Catchment Initiatives	nr	N/A	0	Yes	0.000	0.000
3B.14	EWS03	Renewable energy produced	nr	N/A	476	No	(1.370)	4.836
3B.15	ET07	Managing early handback of Tideway project land	months	N/A	3	Yes	0.000	5.480
3B.19		Financial wastewater performance commitments achieved	%			46		

Section 3 Performance summary continued

3C. Customer measure of experience (C-MeX) table

3C.1	Annual customer satisfaction score for the customer service survey	Number	65.65
3C.2	Annual customer satisfaction score for the customer experience survey	Number	80.18
3C.3	Annual C–MeX score	Number	**72.91**
3C.4	Annual net promoter score	Number	6.50
3C.5	Total household complaints	Number	186,969
3C.6	Total connected household properties	Number	5,818,072
3C.7	Total household complaints per 10,000 connections	Number	**321.359**
3C.8	Confirmation of communication channels offered	TRUE or FALSE	TRUE

Line 3C.5 – This lines reports the total number of household complaints. It is broken down as follows – written complaints: 39,530, telephone complaints: 145,470 and other real time channels: 1,969. For further information on C-MeX and written complaints see page 18.

Section 3 Performance summary continued

3D. Developer services measure of experience (D-MeX) table

3D.1	Qualitative component annual results	Number	68.79
3D.2	Quantitative component annual results	Number	86.33
3D.3	D-MeX score	Number	**77.56**
3D.4	Developer services revenue (water)	£m	31.353
3D.5	Developer services revenue (wastewater)	£m	16.103

Calculating the D-MeX quantitative component

Water UK performance metric		Unit	First reported period (1 April to 30 September	Second reporting period (1 October to 31 March)
3D.W1	W1.1 Pre-development enquiry – reports issued within target	%	96.49%	98.88%
3D.W2	W3.1 s45 quotations – within target	%	94.71%	90.02%
3D.W3	W4.1 s45 service pipe connections – within target	%	97.03%	98.14%
3D.W4	W6.1 Mains design <500 plots – quotations within target	%	56.67%	62.57%
3D.W5	W7.1 Mains design >500 plots – quotations within target	%	66.67%	46.15%
3D.W6	W8.1 Mains construction within target	%	91.40%	99.24%
3D.W7	W17.1 Mains diversions (without constraints) – quotations within target	%	55.56%	75.00%
3D.W8	W17.2 Mains diversions (with constraints) – quotations within target	%	100.00%	100.00%
3D.W9	W18.1 Mains diversions – construction/commissioning within target	%	92.86%	94.74%
3D.W10	W20.1 Self lay Point of Connection report < 500 plots etc – reports issued within target	%		
3D.W11	W21.1 Self lay Point of Connection reports >500 plots etc – reports issued within target	%		
3D.W12	W23.1 Self lay design and terms request <500 plots etc – quotations within target	%	41.67%	36.36%
3D.W13	W24.1 Self lay design and terms request >500 plots etc – quotations within target	%		
3D.W14	W26.1 Self lay water for pressure/bacteriological testing – provided within target	%	52.63%	66.67%
3D.W15	W27.1 Self lay permanent water supply – provided within target	%	80.00%	100.00%
3D.W16	W30.1 Self lay plot references and costing details – issued within target	%	100.00%	100.00%
3D.W17	S1.1 Pre-development enquiry – reports issued within target	%	98.04%	98.98%
3D.W18	S3.1 Sewer requisition design – offers issued within target	%	100.00%	100.00%
3D.W19	S4.1 Sewer requisition – constructed and commissioned within agreed extension	%	100.00%	100.00%
3D.W20	S7.1 Adoption legal agreement – draft agreements issued within target	%	100.00%	
3D.W21	SN2.2 % Bulk discharge offer letters issued to the applicant within target period	%		97.73%
3D.W22	SN4.1 % of main laying schemes constructed and commissioned within the target period	%		
3D.W23	WN1.1 Pre-development enquiry – reports issued within target	%		100.00%
3D.W24	WN2.2 % Bulk supply offer letters issued to the applicant within target period	%		91.67%
3D.W25	WN4.1 % of main laying schemes constructed and commissioned within the target period	%		
3D.W26	WN4.2 % of testing supplies provided within target period	%		100.00%
3D.W27	WN4.3 % of permanent supplies made available within the target period	%		
3D.W28	SAM 3/1 Update draft agreement	%		100.00%
3D.W29	SAM 4/1 Inspections and construction period	%		100.00%

3D.6, 3D.7	D-MeX quantitative score (for the relevant reporting period)	%	**83.75%**	**88.92%**
3D.8	D-MeX quantitative score (annual)	Number		**0.86**

Section 3 Performance summary continued

3E. Outcome performance – Non-financial performance commitments

				Performance level – actual		
				Previous reporting year	Current reporting year	PCL met?
		Common performance commitments	Unit			
3E.1	DW01	Risk of severe restrictions in a drought	%	77.9	88.5	No
3E.2	AR06	Priority services for customers in vulnerable circumstances – PSR reach	%	N/A	3.5	Yes
3E.3	AR06	Priority services for customers in vulnerable circumstances – Attempted contacts	%	N/A	56.8	Yes
3E.4	AR06	Priority services for customers in vulnerable circumstances – Actual contacts	%	N/A	18.3	Yes
3E.5	DS01	Risk of sewer flooding in a storm	%	10.25	10.25	Yes
		Bespoke performance commitments				
3E.6	AR05	Percentage of satisfied vulnerable customers	%	N/A	85	No
3E.7	AWS02	Proactive customer engagement	nr	N/A	37,095	No
3E.8	BW11	Responding to major trunk mains bursts	time	N/A	00:05:15	No
3E.9	ER03	Households on the Thames Water social tariff	nr	150,372	210,731	Yes
3E.10	ET02	Effective stakeholder engagement	score	N/A	5.1	Yes
3E.11	ET05	Establish an effective system operator for the London Tideway Tunnels	%	N/A	19	Yes
3E.12	ET06	Maximising the value of Tideway project land sales	£m	N/A	0.0	Yes
3E.13	EWS04	Natural Capital Accounting	%	N/A	100.0	Yes
3E.14	AR07	BSI for fair, flexible inclusive services	text	N/A	Achieved	Yes
3E.15	NEP01	WINEP Delivery	text	N/A	Not met	No
3E.16	DWMP	Delivery of DWMPs	%	N/A	0	Yes
3E.17	CC	Understanding the risk of flooding in the Counters Creek catchment	text	N/A	N/A	–
3E.29		Non-financial performance commitments achieved	%			69

Section 3 Performance summary continued

3F. Underlying calculations for common performance commitments – water and retail

	Performance commitments set in standardised units – Water		Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	**Performance level – Calculated (i.e. standardised)**
3F.1	Mains repairs – Reactive	Mains repairs per 1000 km	Mains length in km	31,750.00	4,824	**151.94**
3F.2	Mains repairs – Proactive	Mains repairs per 1000 km	Mains length in km	31,750.00	3,735	**117.64**
3F.3	Mains repairs	Mains repairs per 1000 km	Mains length in km	31,750.00	8,559	**269.57**
3F.4	Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (Ml/d)	10,216.71	1,559	**152.59**

	Performance commitments measured against a calculated baseline		Performance level – actual (2017-18)	Performance level – actual (2018-19)	Performance level – actual (2019-20)	**Baseline (average from 2017-18 to 2019-20)**	Performance level – actual (2020-21)	Performance level – actual (2021-22)	Performance level – actual (2022-23)	Performance level – actual (2023-24)	Performance level – actual (2024-25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs
3F.5	Leakage	Ml/d	698.1	690.7	626.6	**671.8**	589.6					635.6	5.4
3F.6	Per capita consumption (PCC)	lpd	145.8	146.9	144.6	**145.8**	152.6					148.0	(1.5)

	Water supply interruptions		Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	**Calculated performance level**
3F.7	Water supply interruptions	Average number of minutes lost per property per year	Number of properties	3,955.79	54,010,410	128,195	**00:13:39**

	Unplanned or planned outage	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	**Outage proportion of PWPC %**
3F.8	Unplanned outage	3,481.98	61.43	**1.76%**

	Priority services for customers in vulnerable circumstances	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	Attempted contacts %	Number of actual contacts over a 2 year period	**Actual contacts %**
3F.9	Priority services for customers in vulnerable circumstances	5,620.98	197,324	3.5%	44,999	25,547	56.8%	8,230	**18.3%**

Section 3 Performance summary continued

3G. Underlying calculations for common performance commitments – wastewater

	Performance commitments set in standardised units			Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	**Calculated performance level**
3G.1	Internal sewer flooding – customer proactively reported	CS03	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	6,037.73	1,281	**2.12**
3G.2	Internal sewer flooding – company reactively identified (ie neighbouring properties)	CS03	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	6,037.73	111	**0.18**
3G.3	Internal sewer flooding	CS03	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	6,037.73	1,392	**2.31**
3G.4	Pollution incidents	ES01	Pollution incidents per 10,000 km of sewer length	Sewer length in km	109,474.75	292	**26.67**
3G.5	Sewer collapses	CS02	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	109,223.18	433	**3.96**

Section 3 Performance summary continued

3H. Summary information on outcome delivery incentive payments

		Initial calculation of performance payments (excluding C-MeX and D-MeX)
	Initial calculation of in period revenue adjustment by price control	**£m (2017-18 prices)**
3H.1	Water resources	(0.02)
3H.2	Water network plus	(11.75)
3H.3	Wastewater network plus	(18.35)
3H.4	Bioresources (sludge)	(1.23)
3H.5	Residential retail	(0.52)
3H.6	Business retail	0.00
3H.7	Dummy control	0.00
	Initial calculation of end of period revenue adjustment by price control	
3H.8	Water resources	0.00
3H.9	Water network plus	0.00
3H.10	Wastewater network plus	0.00
3H.11	Bioresources (sludge)	0.00
3H.12	Residential retail	0.00
3H.13	Business retail	0.00
3H.14	Dummy control	0.00
	Initial calculation of end of period RCV adjustment by price control	
3H.15	Water resources	0.00
3H.16	Water network plus	0.00
3H.17	Wastewater network plus	0.00
3H.18	Bioresources (sludge)	0.00
3H.19	Residential retail	0.00
3H.20	Business retail	0.00
3H.21	Dummy control	0.00

Section 3 Performance summary continued

3I. Supplementary outcomes information

	Unplanned or planned outage	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %
3I.1	Planned outage	3,481.98	126.46	3.63%

	Risk of severe restrictions in drought	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk
3I.2	Risk of severe restrictions in drought	2,944.29	113.79	2,715.79	92.46	10,320.56	9,134.84

								Vulnerability risk grade		
								Low	Medium	High
	Risk of sewer flooding in a storm	Total pe served	Total pe in excluded catchments	Percentage of total pe in excluded catchments	Total pe Option 1a	Percentage of total pe Option 1a	Total pe Option 1b	Percentage of total pe Option 1b	Percentage of total population served	
3I.3	Risk of sewer flooding in a storm	15,018,284.00	24,303.00	0.16%	936,720.00	6.24%	603,269.00	4.02%	89.75%	0.00%	10.25%

	Sewer collapses	Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.
3I.4	Sewer collapses	2,072

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Independent Limited Assurance Report to the Directors of Thames Water Utilities Limited

The Board of Directors of Thames Water Utilities Limited ('Thames Water') engaged us to provide limited assurance on the Selected Information as defined below and set out in Annual Performance report for the year ended 31 March 2021.

This report, including our conclusion, has been prepared solely for the Board of Directors of Thames Water in accordance with the agreement between us dated 21 January 2021, in order to assist the Directors in reporting Thames Water's performance and activities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Thames Water for our work or this report except where terms are expressly agreed between us in writing.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 March 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the following information in Thames Water's Annual Performance Report 2020-21 (the "Selected Information").

- 3A – Water common performance commitments – column 'Performance level – actual – Current reporting year' and column 'PCL met?';
- 3B – Wastewater common performance commitments – 'Performance level – actual – Current reporting year' and column 'PCL met?';
- C-Mex score reported within table 3C – Customer measure of experience (C-Mex) – Line: '3C.3': Annual C-Mex score;
- D-Mex score reported within table 3D – Developer services measure of experience (D-Mex) – Line: '3D.3': D-Mex score; and
- 3E – Non-financial performance commitments – 'Performance level – actual – Current reporting year' and column 'PCL met?'.

The Selected Information is presented in Appendix 1 and the Reporting Criteria against which it was assessed are summarised in https://www.thameswater.co.uk/about-us/investors/our-results.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Thames Water Annual Performance Report 2020-21.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour that are at least as demanding as the applicable provisions of the IESBA Code of Ethics.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Thames Water is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria (version 1.0) used for the reporting of the Selected Information are as at 31 March 2021.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. Materiality needs to be understood in the context of each Performance Commitment individually. In doing so, we:

- Checked the calculation of the performance level arising from Thames Water's PCs in the year against Thames Water's reporting criteria;
- Through limited testing on a selective basis, verified the underlying data or supporting information used to calculate each PC in 'selected information';
- Made enquiries of relevant company management, personnel and third parties; and
- Considered significant estimates and judgements made by management in the preparation of the selected information.

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Independent Limited Assurance Report to the Directors of Thames Water Utilities Limited continued

Thames Water's responsibilities

The Directors of Thames Water are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- Establishing objective Reporting Criteria for preparing the Selected Information and ensuring that the Reporting Criteria are available to the users of the Selected Information;
- Measuring and reporting the Selected Information based on the Reporting Criteria; and
- The content of the Thames Water Annual Performance Report 2020-21.

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Directors of Thames Water.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
5 July 2021

Appendix 1: Selected Information subject to limited assurance procedures

Performance Commitments

Line	Ref	Performance Commitment	Units*	Performance level actual – Current reporting year	Performance Committed Level (PCL) met?**
3A.1	**BW06a**	Water quality compliance (CRI)	number	2.42	No
3A.2	**BW03**	Water supply interruptions	hh:mm:ss	00:13:39	No
3A.3	**BW04**	Leakage	%	5.4	Yes
3A.4	**BW05**	Per capita consumption	%	-1.5	No
3A.5	**BW01**	Mains repairs	number	269.6	No
3A.6	**BW02**	Unplanned outage	%	1.76	Yes
3A.7	**BW07**	Properties at risk of receiving low pressure	nr	15	Yes
3A.8	**BW08**	Acceptability of water to consumers	nr	0.54	Yes
3A.9	**BW09**	Water quality events	nr	5	Yes
3A.10	**BW10**	Reducing risk of lead	nr	10,919	Yes
3A.11	**DW02**	Security of supply index SoSI	score	100	Yes
3A.12	**DWS01**	Power resilience	nr	2	No
3A.13	**DWS02**	SEMD – Securing our sites (2020-25 projects)	nr	0	Yes
3A.14	**DWS03**	SEMD – Securing our sites (legacy projects)	%	34.5	Yes
3A.15	**ER01**	Unregistered Household Properties	text	'Process not completed'	No
3A.16	**ER02**	Empty Household Properties	%	3.70	No
3A.17	**EW01**	Abstraction Incentive Mechanism (AIM)	nr	-31.8	Yes
3A.81	**EWS08**	Empty business properties	nr	5,690	Yes
3A.19	**M01**	Installing new smart meters in London	nr	53,129	No
3A.20	**M02**	Replacing existing meters with smart meters in London	nr	20,740	No
3B.1	**CS03**	Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connection	2.31	No
3B.2	**ES01**	Pollution incidents	Pollution incidents per 10,000 km of sewer length	26.67	No
3B.3	**CS02**	Sewer collapses	Number of sewer collapses per 1,000 km of all sewers	3.96	Yes

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Independent Limited Assurance Report to the Directors of Thames Water Utilities Limited continued

Line	Ref	Performance Commitment	Units*	Performance level actual – Current reporting year	Performance Committed Level (PCL) met?**
3B.4	**CS01**	Treatment Works Compliance	%	99.74	No
3B.5	**CS04**	Clearance of blockages	nr	76,223	No
3B.6	**CS05**	Sewage pumping station availability	%	98.2	Yes
3B.7	**DS02**	Surface water management	number	0	No
3B.8	**ES02**	Environmental measures delivered	nr	182	Yes
3B.9	**ES03**	Sludge treated before disposal	%	99.6	Yes
3B.10	**ET01**	Readiness to receive tunnel flow at Beckton STW	nr	N/A	N/A
3B.11	**ET04**	Critical asset readiness for the London Tideway Tunnel	text	N/A	N/A
3B.12	**EWS01**	Enhancing biodiversity	nr	97	No
3B.13	**EWS02**	Smarter Water Catchment Initiatives	nr	0	Yes
3B.14	**EWS03**	Renewable energy produced	nr	476	No
3B.15	**ET07**	Managing early handback of Tideway project land	months	3	Yes
3C.3	**AR01**	C-MeX	Number	72.91	N/A
3D.3	**AWS01**	D-Mex	Number	77.56	N/A
3E.1	**DW01**	Risk of severe restrictions in a drought	%	88.5	No
3E.2	**AR06**	Priority services for customers in vulnerable circumstances – PSR reach	%	3.5	Yes
3E.3	**AR06**	Priority services for customers in vulnerable circumstances -– Attempted contacts	%	56.8	Yes
3E.4	**AR06**	Priority services for customers in vulnerable circumstances – Actual contacts	%	18.3	Yes
3E.5	**DS01**	Risk of sewer flooding in a storm	%	10.25	Yes
3E.6	**AR05**	Percentage of satisfied vulnerable customers	%	85	No
3E.7	**AWS02**	Proactive customer engagement	nr	37,095	No
3E.8	**BW11**	Responding to major trunk mains bursts	time	00:05:15	No
3E.9	**ER03**	Households on the Thames Water social tariff	nr	210,731	Yes
3E.10	**ET02**	Effective stakeholder engagement	score	5.1	Yes
3E.11	**ET05**	Establish an effective system operator for the London Tideway Tunnels	%	19	Yes
3E.12	**ET06**	Maximising the value of land sales	£m	0.0	Yes
3E.13	**EWS04**	Natural Capital Accounting	%	100	Yes
3E.14	**AR07**	BSI for fair, flexible inclusive services	text	Achieved	Yes
3E.15	**NEP01**	WINEP Delivery	text	Not met	No
3E.16	**DWMP**	Drainage and wastewater management plans (DWMPs)	%	0	Yes
3E.17	**CC**	Understanding the risk of flooding and level of resilience within the Counters Creek catchment	text	N/A	N/A

* The units of measurement are presented in detail in the Reporting Criteria used for the reporting of the Selected Information.
** "PCL Met?" is marked as N/A, where no target performance commitment level has been set for the performance commitment for the reporting year.

Section 4 Additional regulatory information – service level

4A. Water bulk supply information for the 12 months ended 31 March 2021

This table shows the value and volume of bulk supply imported and exported.

		Volume Ml	Operating costs £m	Revenue £m
	Bulk supply exports			
4A.1	Affinity Water	3,333.000	0.591	1.370
4A.2	Albion Water	153.937	0.055	0.120
4A.3	Anglian Water	43.416	0.015	–
4A.4	Essex & Suffolk Water	31,000.000	1.611	2.156
4A.5	Independent Water Networks	2,429.580	0.438	1.742
4A.6	Leep Utilities	3,208.160	0.677	2.395
4A.7	Severn Trent	12.420	0.004	0.017
4A.11	**Total bulk supply exports**	**40,180.513**	**3.391**	**7.800**
	Bulk supply imports			
4A.12	Northumbrian Water (Essex & Suffolk–Abberton)	25.000	1.800	
4A.13	RWE Generation UK	23.000	2.600	
4A.22	**Total bulk supply imports**	**48.000**	**4.400**	

We've chosen to publish the 2020/21 regulatory table 4B as a separate document to this Annual Performance Report due to the size of the table. This has been prepared in line with regulatory guidelines and follows the principles set out in this Annual Performance Report. You can view this table on our website.

Section 4 Additional regulatory information – service level continued

4C. Impact of price control performance to date on RCV

Table 4C shows the projected adjustments to the Regulatory Capital Value that are expected at PR24.

		12 months ended 31 March 2021					Price control period to date				
		Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m	TTT £m	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m	TTT £m
	Totex (net of business rates, abstraction licence fees and grants and contributions)										
4C.1	Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	80.309	838.351	741.664	–	23.677	80.309	838.351	741.664	–	23.677
4C.2	Actual totex (net of business rates, abstraction licence fees and grants and contributions)	66.817	809.289	648.070	–	51.121	66.817	809.289	648.070	–	51.121
4C.3	Transition expenditure	–	–	–	–	1.620	–	–	–	–	1.620
4C.4	Disallowable costs	0.022	0.288	14.914	–	33.492	0.022	0.288	14.914	–	33.492
4C.5	**Total actual totex (net of business rates, abstraction licence fees and grants and contributions)**	**66.795**	**809.001**	**633.156**	**–**	**19.249**	**66.795**	**809.001**	**633.156**	**–**	**19.249**
4C.6	**Variance**	**(13.514)**	**(29.350)**	**(108.508)**	**–**	**(4.428)**	**(13.514)**	**(29.350)**	**(108.508)**	**–**	**(4.428)**
4C.7	Variance due to timing of expenditure	(13.513)	(29.349)	(108.507)	–	(4.427)	(13.513)	(29.349)	(108.507)	–	(4.427)
4C.8	**Variance due to efficiency**	**(0.001)**	**(0.001)**	**(0.001)**	**–**	**(0.001)**	**(0.001)**	**(0.001)**	**(0.001)**	**–**	**(0.001)**
4C.9	Customer cost sharing rate	67.730%	67.730%	55.779%	–	57.800%	67.730%	67.730%	55.779%	–	57.800%
4C.10	**Customer share of totex over/underspend**	**(9.153)**	**(19.879)**	**(60.525)**	**–**	**(2.559)**	**(9.153)**	**(19.879)**	**(60.525)**	**–**	**(2.559)**
4C.11	**Company share of totex over/underspend**	**(4.361)**	**(9.471)**	**(47.983)**	**–**	**(1.869)**	**(4.361)**	**(9.471)**	**(47.983)**	**–**	**(1.869)**
	Totex – business rates and abstraction licence fees										
4C.12	Final determination allowed totex – business rates and abstraction licence fees	17.097	73.920	27.489	9.494	–	17.097	73.920	27.489	9.494	–
4C.13	Actual totex – business rates and abstraction licence fees	20.937	79.034	37.650	0.477	–	20.937	79.034	37.650	0.477	–
4C.14	**Variance – business rates and abstraction licence fees**	**3.840**	**5.114**	**10.161**	**(9.017)**	**–**	**3.840**	**5.114**	**10.161**	**(9.017)**	**–**
4C.15	Customer cost sharing rate – business rates and abstraction licence fees	75.000%	75.000%	75.000%	75.000%	57.800%	75.000%	75.000%	75.000%	75.000%	57.800%
4C.16	**Customer share of totex over/underspend – business rates and abstraction licence fees**	**2.880**	**3.836**	**7.621**	**(6.763)**	**–**	**2.880**	**3.836**	**7.621**	**(6.763)**	**–**
4C.17	**Company share of totex over/underspend – business rates and abstraction licence fees**	**0.960**	**1.279**	**2.540**	**(2.254)**	**–**	**0.960**	**1.279**	**2.540**	**(2.254)**	**–**
	Totex not subject to cost sharing										
4C.18	Final determination allowed totex – not subject to cost sharing	11.971	101.125	3.004	0.125	–	11.971	101.125	3.004	0.125	–
4C.19	Actual totex – not subject to cost sharing	7.223	42.900	32.191	7.850	–	7.223	42.900	32.191	7.850	–
4C.20	**Variance – 100% company allocation**	**(4.748)**	**(58.225)**	**29.187**	**7.725**	**–**	**(4.748)**	**(58.225)**	**29.187**	**7.725**	**–**
4C.21	**Total company share of totex over/under spend**	**(8.149)**	**(66.418)**	**(16.256)**	**5.471**	**(1.869)**	**(8.149)**	**(66.418)**	**(16.256)**	**5.471**	**(1.869)**
	RCV										
4C.22	**Total company share of totex over/under spend**	**(8.149)**	**(33.227)**	**(16.256)**	**5.471**	**(1.869)**	**(8.149)**	**(33.227)**	**(16.256)**	**5.471**	**(1.869)**
4C.23	PAYG rate	62.351%	44.076%	49.401%	47.069%	2.558%	62.351%	44.076%	49.401%	47.069%	2.558%
4C.24	**RCV element of totex over/underspend**	**(3.068)**	**(37.143)**	**(8.225)**	**2.896**	**(1.821)**	**(3,068)**	**(37.143)**	**(8.225)**	**2.896**	**(1.821)**
4C.25	Adjustment for ODI outperformance payment or underperformance payment						(0.000)	(0.000)	(0.000)	(0.000)	–
4C.26	RCV determined at FD at 31 March						339.326	6,421.533	5,323.481	1,569.556	1,371.451
4C.27	**Projected 'shadow' RCV**						**336.258**	**6,384.390**	**5,315.256**	**1,562.383**	**1,369.630**

Section 4 Additional regulatory information – service level continued

4C. Impact of price control performance to date on RCV continued

The RCV element of the Totex over/(under)spend is a calculated value which reflects the company's share of the difference between allowed and actual Totex, multiplied by (1 – the average AMP7 Pay As You Go Rate)% to arrive at the capitalised portion.

Different customer cost sharing rates are applied to the allowance/actuals variance based on individual price control and type of expenditure (i.e. subject to cost sharing, business rates, not subject to cost sharing).

We are not subject to any ODI rewards or penalties with an RCV impact; all are taken through allowed revenues.

For the avoidance of doubt we have followed RAG guidance and adjusted the stated RCV with the company share of the totex over/underspend rather than customer. We expect this to change to the customer share for FY22 reporting.

Wholesale Water

In 2020/21, our total actual Totex (net of business rates, abstraction licence fees and grants and contributions) for water of £875.796 million was £42.864 million lower than the FD allowance of £918.660 million (in 2020/21 prices). Variances to our FD are as follows:

- Lower capital programme investment due to the impact of Covid-19 (in particular during the first lockdown) on our supply chain including reduced manufacturing activities, access issues with customer interactions and resource impacts due to Covid-19 restrictions.
- Lower capital programme investment as we transitioned into a new capital delivery model in the year and needed time to embed it to deliver an efficient and effective programme.
- Lower spend of conditional allowances compared to Final Determination as we gain clarity on scope, delivery routes and regulatory mechanism. Our plans assume spend in later periods of the AMP as compared to the FD which is front loaded.

Disallowable costs include costs associated with customer compensation. Within our statutory accounts we classify certain business restructuring and transformation spend as exceptional this included a programme of work to review our water networks business. These have therefore been included as atypical expenditure in table 4D.

The most material balance within "actual totex – not subject to cost sharing" relates to pension deficit repair payments during the year for wholesale water this equated to £36.466m.

Wastewater network plus

In 2020/21, our total actual Totex (net of business rates, abstraction licence fees and grants and contributions) for waste of £633.156 million was £108.508 million lower than our FD allowance of £741.664 million (in 2020/21 prices). Variances to our FD are as follows:

- Lower capital programme investment due to the impact of Covid-19 (in particular during the first lockdown) on our supply chain including reduced manufacturing activities, access issues with customer interactions and resource impacts due to Covid-19 restrictions.
- Lower capital programme investment as we transitioned into a new capital delivery model in the year and needed time to embed it to deliver an efficient and effective programme.
- Increased costs due to lower power generation in our large London waste treatment sites as there was less commuting from suburban London and Thames Valley.
- Increased costs due to higher reactive spend in waste networks driven by prolonged wet weather conditions.
- Disallowable costs include costs associated with environmental fines and provisions. Within our statutory accounts we classify certain business restructuring and transformation spend as exceptional. These have therefore been included as atypical expenditure in table 4E.

The most material balance within "actual totex – not subject to cost sharing" relates to pension deficit repair payments during the year for wastewater network plus this equated to £25.572 million.

4D. Totex analysis for the 12 months ended 31 March 2021 – water resources and water network+

This table provides information about the different activities undertaken as part of delivering upstream services with a breakdown of the total expenditure for carrying out the supply of water services.

			Network+				
		Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	**Total £m**
	Operating expenditure						
4D.1	Base operating expenditure	55.140	9.422	–	89.666	318.476	**472.704**
4D.2	Enhancement operating expenditure	0.961	0.122	0.122	0.509	5.218	**6.932**
4D.3	Developer services operating expenditure	–	–	–	–	1.206	**1.206**
4D.4	**Total operating expenditure excluding third party services**	**56.101**	**9.544**	**0.122**	**90.175**	**324.900**	**480.842**
4D.5	Third-party services	1.571	0.388	–	0.486	1.652	**4.097**
4D.6	**Total operating expenditure**	**57.672**	**9.932**	**0.122**	**90.661**	**326.552**	**484.939**
	Grants and contributions						
4D.7	Grants and contributions – operating expenditure	–	–	–	–	0.275	**0.275**
	Capital expenditure						
4D.8	Base capital expenditure	20.206	6.219	–	87.179	250.573	**364.177**
4D.9	Enhancement capital expenditure	14.058	0.470	–	7.855	87.120	**109.503**
4D.10	Developer services capital expenditure	–	–	–	–	63.705	**63.705**
4D.11	**Total gross capital expenditure (excluding third party)**	**34.264**	**6.689**	**–**	**95.034**	**401.398**	**537.385**
4D.12	Third-party services	–	0.245	–	–	6.941	**7.186**
4D.13	**Total gross capital expenditure**	**34.264**	**6.934**	**–**	**95.034**	**408.399**	**544.571**
	Grants and contributions						
4D.14	Grants and contributions – capital expenditure	–	–	–	–	39.502	**39.502**
4D.15	**Net totex**	**91.936**	**16.866**	**0.122**	**185.695**	**695.114**	**989.733**
	Cash expenditure						
4D.16	Pension deficit recovery payments	3.041	0.69	–	8.619	24.116	**36.466**
4D.17	Other cash items	–	–	–	–	–	**–**
4D.18	**Totex including cash items**	**94.977**	**17.556**	**0.122**	**194.314**	**719.230**	**1,026.199**
	Atypical expenditure						
4D.19	Transformation spend	0.355	0.081	–	1.007	6.194	**7.637**
4D.24	**Total atypical expenditure**	**0.355**	**0.081**	**–**	**1.007**	**6.194**	**7.637**

Section 4 Additional regulatory information – service level continued

4E. Totex analysis for the 12 months ended 31 March 2021 – wastewater network+ and bioresources

This table provides information about the different activities undertaken as part of delivering upstream services with a breakdown of the total expenditure for carrying out the supply of sewerage services.

		Network+ Sewage collection		Network+ Sewage treatment			Bioresources			
		Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Imported sludge liquor treatment £m	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	**Total £m**
	Operating expenditure									
4E.1	Base operating expenditure	132.423	22.904	4.902	215.228	0.501	11.036	22.808	18.413	**428.215**
4E.2	Enhancement operating expenditure	5.117	0.809	0.134	1.597	–	–	–	–	**7.657**
4E.3	Developer services operating expenditure	1.125	–	–	–	–	–	–	–	**1.125**
4E.4	**Total operating expenditure excluding third party services**	**138.665**	**23.713**	**5.036**	**216.825**	**0.501**	**11.036**	**22.808**	**18.413**	**436.997**
4E.5	Third-party services	0.214	–	–	0.714	–	0.031	0.145	0.055	**1.159**
4E.6	**Total operating expenditure**	**138.879**	**23.713**	**5.036**	**217.539**	**0.501**	**11.067**	**22.953**	**18.468**	**438.156**
	Grants and contributions									
4E.7	Grants and contributions–operating expenditure	1.393	–	–	–	–	–	–	–	**1.393**
	Capital expenditure									
4E.8	Base capital expenditure	129.071	3.498	0.900	107.361	0.070	1.104	59.865	1.375	**303.244**
4E.9	Enhancement capital expenditure	12.095	0.839	–	47.098	–	–	1.120	–	**61.152**
4E.10	Developer services capital expenditure	20.193	–	–	–	–	–	–	–	**20.193**
4E.11	**Total gross capital expenditure (excluding third party)**	**161.359**	**4.337**	**0.900**	**154.457**	**0.070**	**1.104**	**60.985**	**1.375**	**384.589**
4E.12	Third-party services	4.030	0.006	–	–	–	–	–	–	**4.036**
4E.13	**Total gross capital expenditure**	**165.389**	**4.343**	**0.900**	**154.459**	**0.070**	**1.104**	**60.985**	**1.375**	**388.625**
	Grants and contributions									
4E.14	Grants and contributions–capital expenditure	15.379	0.009	–	1.704	–	–	–	–	**17.092**
4E.15	**Net totex**	**287.496**	**28.047**	**5.936**	**370.294**	**0.571**	**12.171**	**83.938**	**19.843**	**808.296**
	Cash expenditure									
4E.16	Pension deficit recovery payments	11.036	1.788	0.468	12.242	0.037	0.571	6.546	0.503	**33.191**
4E.17	Other cash items	–	–	–	–	–	–	–	–	**–**
4E.18	**Totex including cash items**	**298.532**	**29.835**	**6.404**	**382.536**	**0.608**	**12.742**	**90.484**	**20.346**	**841.487**
	Atypical expenditure									
4E.19	Transformation spend	1.447	0.235	0.061	1.605	0.005	0.075	0.858	0.066	**4.352**
4E.24	**Total atypical expenditure**	**1.447**	**0.235**	**0.061**	**1.605**	**0.005**	**0.075**	**0.858**	**0.066**	**4.352**

Section 4 Additional regulatory information – service level continued

4F. Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2021

This table shows wholesale water major projects operating, and capital expenditure split by purpose category.

		Expenditure in report year						Cumulative expenditure on schemes completed in the report year					
			Water network+						Water network+				
		Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	**Total £m**	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	**Total £m**
	Major project capital expenditure by purpose												
4F.1	Resilience Conditional Allowance	–	–	–	0.945	0.555	**1.500**	–	–	–	–	–	**–**
4F.2	Strategic Resourcing Options – Effluent Reuse in London	–	–	–	2.162	–	**2.162**	–	–	–	–	–	**–**
4F.3	Strategic Resourcing Options – Transfer TW-Affinity Water	–	0.179	–	–	–	**0.179**	–	–	–	–	–	**–**
4F.4	Strategic Resourcing Options – Transfer TW-Southern	–	0.233	–	–	–	**0.233**	–	–	–	–	–	**–**
4F.5	Strategic Resourcing Options – Abingdon Reservoir (SESRO)	1.473	–	–	–	–	**1.473**	–	–	–	–	–	**–**
4F.6	Strategic Resourcing Options – Severn Thames Transfer	0.942	–	–	–	–	**0.942**	–	–	–	–	–	**–**
4F.7	London Water Network Conditional Allowance	–	–	–	–	–	**–**	–	–	–	–	–	**–**
4F.11	**Total major project capital expenditure**	**2.415**	**0.412**	**–**	**3.107**	**0.555**	**6.489**	**–**	**–**	**–**	**–**	**–**	**–**
	Major project operating expenditure by purpose												
4F.22	**Total major project operating expenditure**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Section 4 Additional regulatory information – service level continued

4G. Major project expenditure for wholesale wastewater by purpose for the 12 months ended 31 March 2021

This table shows wholesale wastewater major projects operating, and capital expenditure split by purpose category.

		Expenditure in report year £m									Cumulative expenditure on schemes completed in the report year £m								
		Wastewater network+					Bioresources				Wastewater network+					Bioresources			
		Sewage collection									Sewage collection								
		Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	**Total**	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	**Total**
	Major project capital expenditure by purpose																		
4G.11	**Total major project capital expenditure**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Major project operating expenditure by purpose																		
4G.22	**Total major project operating expenditure**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

No spend is disclosed in relation to this table (4G) as there are no waste-related projects within the Business that meet the RAG 4.09 definition of 'major projects'.

Section 4 Additional regulatory information – service level continued

4H. Financial metrics for the 12 months ended 31 March 2021

This table shows our key financial metrics: measures of financial performance and financial position, revenue earned, earnings before interest, tax, depreciation and amortisation and an analysis of our borrowings in terms of interest payable and the maturity profile of those borrowings.

		Units	Current year	AMP to date
	Financial indicators			
4H.1	Net debt	£m	12,508.509	
4H.2	Regulatory equity	£m	2,516.838	
4H.3	Regulatory gearing	%	83.25%	
4H.4	Post tax return on regulatory equity	%	6.21%	
4H.5	RORE (return on regulatory equity)	%	3.88%	3.88%
4H.6	Dividend yield	%	1.31%	
4H.7	Retail profit margin – Household	%	(45.38)%	
4H.8	Retail profit margin – Non household	%	349.59%	
4H.9	Credit rating – Fitch	Text	n/a	
4H.10	Credit rating – Moody's	Text	Corporate Family Rating: Baa2 (stable) Class A: Baa1 (stable) Class B: Ba1 (stable)	
4H.11	Credit rating – Standard and Poor's	Text	Class A: BBB+ (negative) Class B: BBB- (negative)	
4H.12	Return on RCV	%	2.90%	
4H.13	Dividend cover	dec	(9.599)	
4H.14	Funds from operations (FFO)	£m	753.785	
4H.15	Interest cover (cash)	dec	4.43	
4H.16	Adjusted interest cover (cash)	dec	1.51	
4H.17	FFO/Net debt	dec	0.06	
4H.18	Effective tax rate	%	6.64%	
4H.19	RCF	£m	720.885	
4H.20	RCF/Net debt	dec	0.06	
	Revenue and earnings			
4H.21	Revenue (actual)	£m	2,039.167	
4H.22	EBITDA (actual)	£m	3,159.613	
	Borrowings			
4H.23	Proportion of borrowings which are fixed rate	%	38.82%	
4H.24	Proportion of borrowings which are floating rate	%	2.52%	
4H.25	Proportion of borrowings which are index linked	%	58.66%	
4H.26	Proportion of borrowings due within 1 year or less	%	7.24%	
4H.27	Proportion of borrowings due in more than 1 year but no more than 2 years	%	1.78%	
4H.28	Proportion of borrowings due in more than 2 years but no more than 5 years	%	25.99%	
4H.29	Proportion of borrowings due in more than 5 years but no more than 20 years	%	40.59%	
4H.30	Proportion of borrowings due in more than 20 years	%	24.40%	

Section 4 Additional regulatory information – service level continued

4I. Financial derivatives

This table provides an analysis of our portfolio of financial derivatives

		Nominal value by maturity (net) at 31 March			Total value at 31 March			Interest rate (weighted average for 12 months to 31 March 2021)	
		1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to Market £m	Total accretion at 31 March £m	Payable %	Receivable %
	Interest rate swap (sterling)								
4I.1	Floating to fixed rate	–	150.000	2,100.000	2,250.000	(162.539)	–	1.933%	0.113%
4I.2	Floating from fixed rate	–	–	1,920.902	1,920.902	13.624	–	0.113%	1.083%
4I.3	Floating to index linked	–	–	520.000	520.000	(456.089)	34.649	2.520%	1.427%
4I.4	Floating from index linked	96.203	–	–	96.203	4.332	(8.518)	1.002%	2.802%
4I.5	Fixed to index-linked	–	940.000	2,158.901	3,098.901	(407.248)	254.871	2.276%	4.620%
4I.6	Fixed from index-linked	–	–	–	–	–	–	0.000%	0.000%
4I.7	**Total**	**96.203**	**1,090.000**	**6,699.803**	**7,886.006**	**(1,007.920)**	**281.002**		
	Foreign Exchange								
4I.8	Cross currency swap USD	135.268	329.219	418.053	882.540	7.088	–		
4I.9	Cross currency swap EUR	100.000	453.230	44.053	597.283	1.453	–		
4I.10	Cross currency swap YEN	–	–	153.551	153.551	(46.008)	–		
4I.11	Cross currency swap Other	–	143.554	–	143.554	0.909	–		
4I.12	**Total**	**235.268**	**926.003**	**615.657**	**1,776.928**	**(36.558)**	**–**		
	Currency interest rate								
4I.13	Currency interest rate swaps USD	–	–	–	–	–	–		
4I.14	Currency interest rate swaps EUR	–	–	–	–	–	–		
4I.15	Currency interest rate swaps YEN	–	–	–	–	–	–		
4I.16	Currency interest rate swaps Other	–	–	–	–	–	–		
4I.17	**Total**	**–**	**–**	**–**	**–**	**–**	**–**		
	Forward currency contracts								
4I.18	Forward currency contracts USD	–	–	–	–	–	–		
4I.19	Forward currency contracts EUR	–	–	–	–	–	–		
4I.20	Forward currency contracts YEN	–	–	–	–	–	–		
4I.21	Forward currency contracts CAD	–	–	–	–	–	–		
4I.22	Forward currency contracts AUD	–	–	–	–	–	–		
4I.23	Forward currency contracts HKD	–	–	–	–	–	–		
4I.24	Forward currency contracts Other	–	–	–	–	–	–		
4I.25	**Total**	**–**	**–**	**–**	**–**	**–**	**–**		
	Other financial derivatives								
4I.26	Other financial derivatives	–	–	–	–	–	–		
4I.27	**Total financial derivatives**	**331.471**	**2,016.003**	**7,315.460**	**9,662.934**	**(1,044.478)**	**281.002**		

* Interest rate payable and receivable for floating leg of derivatives has been determined using 31 March 2021 6 month Libor, 3 month Libor and 3 month Euribor.
** Instruments which change from "fixed to index linked" to "floating to index linked" during their life have been classified according to their interest rate characteristics as at 31 March 2021.
*** Mark to Market is presented from Thames Water's Perspective.

Section 4 Additional regulatory information – service level continued

4J. Base expenditure analysis for the 12 months ended 31 March 2021 – water resources and water network+

This table shows our base expenditure for wholesale water split by cost categories.

			Water network+				
		Water resources £m	Raw water distribution £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	**Total £m**
	Operating expenditure						
4J.1	Power	16.352	0.691	–	18.750	31.001	**66.794**
4J.2	Income treated as negative expenditure	(0.114)	–	–	0.003	(0.003)	**(0.114)**
4J.3	Bulk supply	4.400	–	–	–	–	**4.400**
4J.4	Renewals expensed in year (infrastructure)	–	–	–	–	86.937	**86.937**
4J.5	Renewals expensed in year (non-infrastructure)	–	–	–	–	–	**–**
4J.6	Other operating expenditure	13.566	2.062	–	65.178	111.756	**192.562**
4J.7	Local authority and Cumulo rates	3.807	6.669	–	5.735	66.630	**82.841**
	Service Charges						
4J.8	Canal & River Trust abstraction charges/ discharge consents	4.141	–	–	–	–	**4.141**
4J.9	Environment Agency / NRW abstraction charges/ discharge consents	12.824	–	–	–	–	**12.824**
4J.10	Other abstraction charges/ discharge consents	0.164	–	–	–	–	**0.164**
	Other operating expenditure						
4J.11	Costs associated with Traffic Management Act	–	–	–	–	21.296	**21.296**
4J.12	Costs associated with lane rental schemes	–	–	–	–	0.859	**0.859**
4J.13	Statutory water softening	–	–	–	–	–	**–**
4J.14	**Total base operating expenditure**	**55.140**	**9.422**	**–**	**89.666**	**318,476**	**472.704**
	Capital expenditure						
4J.15	Maintaining the long term capability of the assets – infra	11.002	5.902	–	1.720	128.853	**147.477**
4J.16	Maintaining the long term capability of the assets – non-infra	9.204	0.317	–	85.459	121.720	**216.700**
4J.17	Total base capital expenditure	20.206	6.219	–	87.179	250.573	**364.177**
	Traffic Management Act						
4J.18	Projects incurring costs associated with Traffic Management Act	–	–	–	–	55,039	**55,039**

Section 4 Additional regulatory information – service level continued

4K. Base expenditure analysis for the 12 months ended 31 March 2021 – wastewater network + and bioresources

This table shows our base expenditure for wholesale wastewater split by cost categories.

		Expenditure in report year								
		Wastewater network+					Bioresources			
		Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Sludge liquor treatment £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	**Total £m**
	Operating expenditure									
4K.1	Power	12.008	2.161	0.412	62.790	0.402	0.050	(13.318)	0.037	**64.542**
4K.2	Income treated as negative expenditure	(0.017)	(0.003)	–	–	–	–	(10.812)	(0.894)	**(11.726)**
4K.3	Bulk discharge	–	–	–	2.953	–	–	–	–	**2.953**
4K.4	Renewals expensed in year (infrastructure)	54.668	9.539	1.579	–	–	–	–	–	**65.786**
4K.5	Renewals expensed in year (non-infrastructure)	–	–	–	–	–	–	–	–	**–**
4K.6	Other operating expenditure	62.693	10.672	2.822	107.447	0.099	10.985	46.451	19.010	**260.179**
4K.7	Local authority and Cumulo rates	–	–	–	37.650	–	–	0.441	0.036	**38.127**
	Service Charges									
4K.8	Canal & River Trust discharge consents	0.774	0.135	0.022	–	–	–	–	–	**0.931**
4K.9	Environment Agency / NRW discharge consents	0.608	0.106	0.018	4.366	–	–	–	–	**5.098**
4K.10	Other discharge charges / permits	0.347	0.060	0.010	0.022	–	0.001	0.004	0.224	**0.668**
	Other expenditure									
4K.11	Costs associated with Traffic Management Act	1.177	0.205	0.034	–	–	–	–	–	**1.416**
4K.12	Costs associated with lane rental schemes	0.165	0.029	0.005	–	–	–	–	–	**0.199**
4K.13	Costs associated with Industrial Emissions Directive	–	–	–	–	–	–	0.042	–	**0.042**
4K.14	**Total base operating expenditure**	**132.423**	**22.904**	**4.902**	**215.228**	**0.501**	**11.036**	**22.808**	**18.413**	**428.215**
	Capital expenditure									
4K.15	Maintaining the long term capability of the assets – infra	74.920	0.003	–	–	–	0.008	–	–	**74.931**
4K.16	Maintaining the long term capability of the assets – non-infra	54.151	3.495	0.900	107.361	0.070	1.096	59.865	1.375	**228.313**
4K.17	**Total base capital expenditure**	**129.071**	**3.498**	**0.900**	**107.361**	**0.070**	**1.104**	**59.865**	**1.375**	**303.244**
	Traffic Management Act									
4K.18	Projects incurring costs associated with Traffic Management Act	5,610	979	162	–	–	–	–	–	**6,751**

We've chosen to publish the 2020/21 regulatory tables 4L and 4M as a separate document to this Annual Performance Report due to the size of the tables. These have been prepared in line with regulatory guidelines and follow the principles set out in this Annual Performance Report. You can view these tables on our website.

Section 4 Additional regulatory information – service level continued

4N. Developer services expenditure for the 12 months ended 31st March 2021 – water resources and water network+

This table shows our developer services expenditure for wholesale water split by cost categories.

			Expenditure in report year					
				Water network+				
			Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	**Total £m**
4N.1	New connections	Capex	–	–	–	–	27.791	**27.791**
4N.2	New connections	Opex	–	–	–	–	0.045	**0.045**
4N.3	Requisition mains	Capex	–	–	–	–	19.088	**19.088**
4N.4	Requisition mains	Opex	–	–	–	–	0.663	**0.663**
4N.5	Infrastructure network reinforcement	Capex	–	–	–	–	11.082	**11.082**
4N.6	Infrastructure network reinforcement	Opex	–	–	–	–	–	**–**
4N.7	s185 diversions	Capex	–	–	–	–	5.744	**5.744**
4N.8	s185 diversions	Opex	–	–	–	–	0.498	**0.498**
4N.9	Other price controlled activities	Capex	–	–	–	–	–	**–**
4N.10	Other price controlled activities	Opex	–	–	–	–	–	**–**
4N.11	**Total developer services expenditure – capex**	**Capex**	**–**	**–**	**–**	**–**	**63.705**	**63.705**
4N.12	**Total developer services expenditure – opex**	**Opex**	**–**	**–**	**–**	**–**	**1.206**	**1.206**
4N.13	**Total developer services expenditure**	**Totex**	**–**	**–**	**–**	**–**	**64.911**	**64.911**

Capital expenditure reported in this table includes asset payments made to Self-Lay Providers/Developers. These relate to work quoted under Charging Arrangements prior to April 2020 where the Discounted Aggregate Deficit ("DAD") model was used to determine the value of Thames Water contributions to these schemes. This table excludes the fair value of adopted assets.

Section 4 Additional regulatory information – service level continued

4O. Developer services expenditure for the 12 months ended 31st March 2021 – wastewater network+ and bioresources

This table shows our developer services expenditure for wholesale wastewater split by cost categories.

			Expenditure in report year								
			Wastewater network+					Bioresources			
			Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Sludge liquor treatment £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	**Total £m**
4O.1	New connections and requisition sewers	Capex	4.323	–	–	–	–	–	–	–	**4.323**
4O.2	New connections and requisition sewers	Opex	0.087	–	–	–	–	–	–	–	**0.087**
4O.3	Infrastructure network reinforcement	Capex	14.266	–	–	–	–	–	–	–	**14.266**
4O.4	Infrastructure network reinforcement	Opex	–	–	–	–	–	–	–	–	**–**
4O.5	s185 diversions	Capex	1.604	–	–	–	–	–	–	–	**1.604**
4O.6	s185 diversions	Opex	0.040	–	–	–	–	–	–	–	**0.040**
4O.7	Other price controlled activities	Capex	–	–	–	–	–	–	–	–	**–**
4O.8	Other price controlled activities	Opex	0.998	–	–	–	–	–	–	–	**0.998**
4O.9	**Total developer services expenditure**	**Capex**	**20.193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20.193**
4O.10	**Total developer services expenditure**	**Opex**	**1.125**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.125**
4O.11	**Total developer services expenditure**	**Totex**	**21.318**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21.318**

Capital expenditure reported in this table includes asset payments made to Self-Lay Providers/Developers. These relate to work quoted under Charging Arrangements prior to April 2020 where the Discounted Aggregate Deficit ("DAD") model was used to determine the value of Thames Water contributions to these schemes. This table excludes the fair value of adopted assets.

Section 4 Additional regulatory information – service level continued

4P. Expenditure on non-price control diversions for the 12 months ended 31 March 2021

This table shows our expenditure on diversions not covered by a price control.

		Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	**Total £m**
	Non-price control diversions					
4P.1	Diversions–NRSWA	–	1.428	(0.063)	–	**1.365**
4P.2	Diversions–other non-price control	–	4.152	4.100	–	**8.252**
4P.3	**Total expenditure on non-price control diversions**	**–**	**5.580**	**4.037**	**–**	**9.617**

This table includes all expenditure attributable to work delivered under the High Speed Rail (London – West Midlands) Act 2017, which may include an element of new assets. This table excludes the fair value of adopted assets.

4Q. Developer services – New connections, properties and mains

This table reports on the new connections, properties and new mains laid within the developer services part of the business split by water and wastewater.

			Water	Wastewater	Total
	Connections volume data				
4Q.1	New connections (residential – excluding NAVs)	nr	11,122	1,908	13,030
4Q.2	New connections (business – excluding NAVs)	nr	1,170	500	1,670
4Q.3	**Total new connections served by incumbent**	nr	**12,292**	**2,408**	**14,700**
4Q.4	New connections – SLPs	nr	3,496		
	Properties volume data				
4Q.5	New properties (residential–excluding NAVs)	nr	25,695	43,772	69,467
4Q.6	New properties (business–excluding NAVs)	nr	1,237	908	2145
4Q.7	**Total new properties served by incumbent**	nr	**26,932**	**44,680**	**71,612**
4Q.8	New residential properties served by NAVs	nr	1,461	1,897	3,358
4Q.9	New business properties served by NAVs	nr	10	10	20
4Q.10	**Total new properties served by NAVs**	nr	**1,471**	**1,907**	**3,378**
4Q.11	**Total new properties**	nr	**28,403**	**46,587**	**74,990**
4Q.12	New properties – SLP connections	nr	3,496		
	New water mains data				
4Q.13	Length of new mains (km)–requisitions	nr	24		
4Q.14	Length of new mains (km)–SLPs	nr	59		

4R. Connected properties, customers and population

This table reports our connected properties, and our customer and population numbers.

			Unmeasured	Measured	**Total**	Voids
	Customer numbers – average during the year					
4R.1	Residential water only customers	000s	27.181	26.440	**53.621**	2.067
4R.2	Residential wastewater only customers	000s	736.328	1,263.869	**2,000.197**	78.764
4R.3	Residential water and wastewater customers	000s	1845.560	1687.220	**3,532.780**	133.804
4R.4	**Total residential customers**	000s	**2,609.069**	**2,977.529**	**5,586.598**	**214.635**
4R.5	Business water only customers	000s	1.210	10.204	**11.414**	7.236
4R.6	Business wastewater only customers	000s	15.072	57.940	**73.012**	22.459
4R.7	Business water & wastewater customers	000s	25.499	110.231	**135.730**	60.986
4R.8	**Total business customers**	000s	**41.781**	**178.375**	**220.156**	**90.681**
4R.9	**Total customers**	000s	**2,650.850**	**3,155.904**	**5,806.754**	**305.316**

			Water			Wastewater		
			Unmeasured	Measured	**Total**	Unmeasured	Measured	**Total**
	Property numbers – average during the year							
4R.10	Residential properties billed	000s	1,872.741	1,713.660	**3,586.401**	2,581.888	2,951.089	**5,532.977**
4R.11	Residential void properties	000s			**135.871**			**212.567**
4R.12	**Total connected residential properties**	000s			**3,722.272**			**5,745.544**
4R.13	Business properties billed	000s	26.702	120.462	**147.164**	40.560	168.318	**208.878**
4R.14	Business void properties	000s			**68.204**			**83.311**
4R.15	**Total connected business properties**	000s			**215.368**			**292.189**
4R.16	**Total connected properties**	000s			**3,937.640**			**6,037.733**

Section 4 Additional regulatory information – service level continued

Table 4R: Connected properties, customers and population

			Water								
			Unmeasured				Measured				
			No meter	Basic meter	Smart meter	**Total**	No meter	Basic meter	Smart meter	**Total**	**Total**
	Property and meter numbers- at end of year										
4R.17	**Total new residential properties connected in year**	000s	0.000	0.000	0.000	**0.000**	0.000	0.000	25.695	**25.695**	**25.695**
4R.18	**Total new business properties connected in year**	000s	0.000	0.000	0.000	**0.000**	0.000	0.000	1.237	**1.237**	**1.237**
4R.19	Residential properties billed at year end	000s	1,847.328	0.000	0.000	**1,847.328**	0.000	1,370.281	406.040	**1,776.321**	**3,623.649**
4R.20	Residential void properties at year end	000s				**45.168**				**72.775**	**117.943**
4R.21	**Total connected residential properties at year end**	000s				**1,892.496**				**1,849.096**	**3,741.592**
4R.22	Business properties billed at year end	000s	31.960	0.000	0.000	**31.960**	0.000	121.120	28.210	**149.330**	**181.290**
4R.23	Business void properties at year end	000s				**8.838**				**24.072**	**32.910**
4R.24	**Total connected business properties at year end**	000s				**40.798**				**173.402**	**214.200**
4R.25	**Total connected properties at year end**	000s				**1,933.294**				**2,022.498**	**3,955.792**

			Water	Wastewater
	Population data			
4R.26	Resident population	000s	10,320.556	15,505.394
4R.27	Business population	000s		73.323

In order to calculate the resident population for both water and wastewater we use the mid-year population estimates published by ONS (Office for National Statistics) and GLA (Greater London Authority). These are derived from 2011 Census estimates; each shire will re-calculate their administrative area population every year based on their own population trends and models and submit the results to ONS for the final data collation. The mid-year estimates are at local authority level, and we have apportioned them to Water Resource Zones (WRZs) pro rata to the Census estimates.

Edge Analytics have produced a report to apportion the ONS mid-year estimates into water and wastewater output areas but using COAs (Census Output Area). The data is combined to produce a best view mid-year population total.

The estimates are then updated to an average for the reporting year by using the plan-based projection produced by Experian in September 2012 and latest available SHLAA (Strategic Housing Land Availability Assessment) capped average household size (AHS) short-term GLA projections. GLA growth projections are only utilised for London WRZ.

Resident population is reported including an estimate for hidden population considered to be missing from National Statistics estimates, and an allowance for short-term migrants. These have been taken from a new report by Edge Analytics . A very small additional component taken from the same report is an estimate of the impact of people with working second addresses in our area.

For the 2020/21 period, domestic and overseas tourism was significantly impacted by Covid-19 lockdown restrictions. To account for this, percentage adjustments were applied to our non-resident data.

For domestic visitor nights, the ONS report published in February 2021 was used to estimate the impact on our non-resident population. This report provided monthly regional analysis of how industries related to travel and tourism in the UK have been affected by the Covid-19 pandemic, using data on business performance and the labour market. From this dataset, the 2020/21 average as a percentage of the 2019/20 average was then calculated to be applied to 'Domestic visitor nights'.

For overseas visitor nights, UK airport passenger numbers were sourced from the UK Civil Aviation Authority (www.caa.co.uk). The 2020/21 average as a percentage of the 2019/20 average was then calculated, to be applied to 'Overseas visitor nights'.

This adjustment has led to a decrease from AR20 to AR21:

- AR20 non-resident population: 428,110
- AR21 non-resident population: 73,723

Section 5 Additional regulatory information – water resources

5A. Water resources asset and volumes data for the 12 months ended 31st March 2021

This table reports a breakdown of assets and their volumes for the water resources price control.

	Water resources		
5A.1	Water from impounding reservoirs	Ml/d	90.26
5A.2	Water from pumped storage reservoirs	Ml/d	2,013.71
5A.3	Water from river abstractions	Ml/d	54.56
5A.4	Water from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes	Ml/d	642.80
5A.5	Water from artificial recharge (AR) water supply schemes	Ml/d	0.70
5A.6	Water from aquifer storage and recovery (ASR) water supply schemes	Ml/d	0.00
5A.7	Water from saline abstractions	Ml/d	0.00
5A.8	Water from water reuse schemes	Ml/d	0.00
5A.9	Number of impounding reservoirs	nr	1
5A.10	Number of pumped storage reservoirs	nr	21
5A.11	Number of river abstractions	nr	13
5A.12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	104
5A.13	Number of artificial recharge (AR) water supply schemes	nr	3
5A.14	Number of aquifer storage and recovery (ASR) water supply schemes	nr	0
5A.15	Number of saline abstraction schemes	nr	0
5A.16	Number of reuse schemes	nr	0
5A.17	**Total number of sources**	**nr**	**142**
5A.18	**Total number of water reservoirs**	**nr**	**22**
5A.19	Total volumetric capacity of water reservoirs	Ml	218,347
5A.20	Total number of intake and source pumping stations	nr	171
5A.21	Total installed power capacity of intake and source pumping stations	kW	43,698
5A.22	Total length of raw water abstraction mains and other conveyors	km	11.21
5A.23	Average pumping head – raw water abstraction	m.hd	16.19
5A.24	Energy consumption–raw water abstraction	MWh	128,789.404
5A.25	Total number of raw water abstraction imports	nr	1
5A.26	Water imported from 3rd parties' raw water abstraction systems	Ml/d	0.00
5A.27	Total number of raw water abstraction exports	nr	0
5A.28	Water exported to 3rd parties' from raw water abstraction systems	Ml/d	0.00
5A.29	Water resources capacity (measured using water resources yield)	Ml/d	3,147.40

Section 5 Additional regulatory information – water resources continued

5B. Water resources operating cost analysis for the 12 months ended 31st March 2021

This table shows our operating expenditure for water resources split by source categories.

		Impounding Reservoir £m	Pumped Storage £m	River Abstractions £m	Groundwater, excluding MAR water supply schemes £m	Artificial Recharge (AR) water supply schemes £m	Aquifer Storage and Recovery (ASR) water supply schemes £m	Other £m	**Total £m**
	Opex analysis								
5B.1	Power	0.589	11.571	0.306	3.854	0.033	–	–	**16.353**
5B.2	Income treated as negative expenditure	(0.004)	(0.081)	(0.002)	(0.027)	–	–	–	**(0.114)**
5B.3	Abstraction charges/discharge consents	–	–	13.361	3.768	–	–	–	**17.129**
5B.4	Bulk supply	0.158	3.113	0.082	1.037	0.009	–	–	**4.399**
	Other operating expenditure								
5B.5	Renewals expensed in year (Infrastructure)	–	–	–	–	–	–	–	**–**
5B.6	Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–	**–**
5B.7	Other operating expenditure excluding renewals –direct	0.360	7.072	0.067	2.356	0.020	–	–	**9.875**
5B.8	Other operating expenditure excluding renewals – indirect	0.133	2.612	0.069	0.870	0.007	–	–	**3.691**
5B.9	Local authority and Cumulo rates	0.137	2.694	0.071	0.897	0.008	–	–	**3.807**
5B.10	**Total operating expenditure (excluding 3rd party)**	**1.373**	**26.981**	**13.954**	**12.755**	**0.077**	**–**	**–**	**55.140**

Section 6 Additional regulatory information – water network plus

6A. Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 2021

This table reports raw water transport and storage data along with the breakdown of water treatment works (WTWs) by treatment type and size. It also contains additional data associated with the water treatment business area.

	Raw water transport and storage		
6A.1	Total number of balancing reservoirs	nr	4
6A.2	Total volumetric capacity of balancing reservoirs	Ml	585
6A.3	Total number of raw water transport stations	nr	11
6A.4	Total installed power capacity of raw water transport pumping stations	kW	12,423
6A.5	Total length of raw water transport mains and other conveyors	km	261.23
6A.6	Average pumping head ~ raw water transport	m.hd	18.30
6A.7	Energy consumption ~ raw water transport	MWh	5,683.383
6A.8	Total number of raw water transport imports	nr	0
6A.9	Water imported from 3rd parties' raw water transport systems	Ml/d	0.00
6A.10	Total number of raw water transport exports	nr	2
6A.11	Water exported to 3rd parties' raw water transport systems	Ml/d	102.77
6A.12	Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	3.79

		Surface water		Ground water	
		Water treated Ml/d	Number of works nr	Water treated Ml/d	Number of works nr
	Water treatment – treatment type analysis				
6A.13	All SD simple disinfection works	0.00	0	0.00	0
6A.14	W1 works	0.00	0	0.00	0
6A.15	W2 works	0.00	0	211.63	45
6A.16	W3 works	0.00	0	41.67	8
6A.17	W4 works	16.85	1	331.54	29
6A.18	W5 works	1,952.54	10	55.19	3
6A.19	W6 works	0.00	1	0.00	0

		% of total DI	Number of works nr
	Water treatment – works size		
6A.20	WTWs in size band 1	0.9	22
6A.21	WTWs in size band 2	1.4	12
6A.22	WTWs in size band 3	2.6	11
6A.23	WTWs in size band 4	4.6	12
6A.24	WTWs in size band 5	9.1	12
6A.25	WTWs in size band 6	8.6	5
6A.26	WTWs in size band 7	6.3	2
6A.27	WTWs in size band 8	66.5	4

	Water treatment – other information		
6A.28	Total water treated at more than one type of works	Ml/d	0.00
6A.29	Number of treatment works requiring remedial action because of raw water deterioration	nr	1
6A.30	Zonal population receiving water treated with orthophosphate	000's	9,305.92
6A.31	Average pumping head – water treatment	m.hd	8.55
6A.32	Energy consumption ~ water treatment	MWh	251,143.332
6A.33	Total number of water treatment imports	nr	0
6A.34	Water imported from 3rd parties' water treatment works	Ml/d	0.00
6A.35	Total number of water treatment exports	nr	2
6A.36	Water exported to 3rd parties' water treatment works	Ml/d	3.51

Table 6A lines 13 – 27 report the breakdown of % of distribution input (DI) and number of water treatment works (WTW) by treatment type and size. We report all WTWs even if they have not been used in the year as long as they are still in commission. The total number of WTWs has not changed since AR20. The sites that have not been used in AR21 but have not been decommissioned or that have changed treatment type are detailed below:

- Eight Ground Water 2 (GW2) sites out of service. One WTW has had a UV treatment process added and so has been reclassified from GW2 to GW4. One WTW has been reclassified from a GW3 to a GW2.
- Four GW3 sites out of service. One WTW has been reclassified from a GW3 to a GW2.
- Two GW4 sites out of service. One WTW has had a UV treatment process added and so has been reclassified from GW2 to GW4. One WTW has been reclassified from a GW5 to a GW4 due to removal of granulated activated carbon (GAC) stage.
- One Surface water 5 (SW5) site out of service . One WTW has been reclassified from a GW5 to a GW4 due to removal of GAC stage.
- One SW6 site out of service.

Section 6 Additional regulatory information – water network plus continued

6B. Treated water distribution – assets and operations for the 12 months ended 31st March 2021

This table reports the assets and operational data for the treated water distribution business area.

	Assets and operations		
6B.1	Total installed power capacity of potable water pumping stations	kW	127,891
6B.2	Total volumetric capacity of service reservoirs	Ml	3,256.8
6B.3	Total volumetric capacity of water towers	Ml	17.6
6B.4	Distribution input	Ml/d	2,589.39
6B.5	Water delivered (non-potable)	Ml/d	0.00
6B.6	Water delivered (potable)	Ml/d	2,149.25
6B.7	Water delivered (billed measured residential)	Ml/d	703.76
6B.8	Water delivered (billed measured business)	Ml/d	356.17
6B.9	Total annual leakage	Ml/d	589.60
6B.10	Distribution losses	Ml/d	423.23
6B.11	Water taken unbilled	Ml/d	69.61
6B.12	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.035
6B.13	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.702
6B.14	Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.019
6B.15	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.244
6B.16	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	0.000
6B.17	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	0.000
6B.18	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
6B.19	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
6B.20	Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	312
6B.21	Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	66
6B.22	Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	11
6B.23	Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	235
6B.24	Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0
6B.25	Total number of service reservoirs	nr	241
6B.26	Number of water towers	nr	29
6B.27	Energy consumption – treated water distribution	MWh	144,786.386
6B.28	Average pumping head – treated water distribution	m.hd	95.78
6B.29	Total number of treated water distribution imports	nr	14
6B.30	Water imported from 3rd parties' treated water distribution systems	Ml/d	0.35
6B.31	Total number of treated water distribution exports	nr	4
6B.32	Water exported to 3rd parties' treated water distribution systems	Ml/d	0.42

Line 9: Total annual leakage

Total average leakage in Table 6B is derived from the same data sources as the reporting for our leakage performance commitment and our annual WRMP update to the Environment Agency. We have outperformed against both our business plan and WRMP proposals. (See pages 24 and 25 for further information).

6C. Water network+ – Mains, communication pipes and other data for the 12 months ended 31st March 2021

This table reports the mains analysis, mains age profile, number of communication pipes and additional data for the water network plus price control.

	Treated water distribution – mains analysis		
6C.1	Total length of potable mains as at 31 March	km	31,750.0
6C.2	Total length of potable mains relined	km	0.0
6C.3	Total length of potable mains renewed	km	28.8
6C.4	Total length of new potable mains	km	100.7
6C.5	Total length of potable water mains (≤320mm)	km	28,709.8
6C.6	Total length of potable water mains >320mm and ≤ 450mm	km	934.4
6C.7	Total length of potable water mains >450mm and ≤610mm	km	1,068.5
6C.8	Total length of potable water mains > 610mm	km	1,037.3

	Communication pipes		
6C.9	Number of lead communication pipes	nr	1,172,771
6C.10	Number of galvanised iron communication pipes	nr	266,693
6C.11	Number of other communication pipes	nr	1,220,328

	Treated water distribution – mains age profile		
6C.12	Total length of potable mains laid or structurally refurbished pre-1880	km	4,670.0
6C.13	Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	3,112.9
6C.14	Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	3,841.6
6C.15	Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	5,214.1
6C.16	Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	2,799.8
6C.17	Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	4,381.3
6C.18	Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	2,821.8
6C.19	Total length of potable mains laid or structurally refurbished post 2001	km	4,908.5

	Other		
6C.20	Company area	km2	8,008
6C.21	Number of lead communication pipes replaced for water quality	nr	10,919
6C.22	Supply-side improvements delivering benefits in 2020-25	Ml/d	24.00
6C.23	Demand-side improvements delivering benefits in 2020-25 (excluding leakage and metering)	Ml/d	9.31
6C.24	Leakage improvements delivering benefits in 2020-25	Ml/d	36.97
6C.25	Internal interconnectors delivering benefits in 2020-25	Ml/d	0.00
6C.26	Event Risk Index	nr	137

Section 6 Additional regulatory information – water network plus continued

6C. Water network+ – Mains, communication pipes and other data for the 12 months ended 31st March 2021 continued

Line 25: Internal interconnectors delivering benefits in 2020-25

We expect to deliver the output relating to this line towards the end of AMP7 as forecast in our WRMP and business plan proposals. Therefore we have a zero entry for 2020/21.

6D. Demand management – Metering and leakage activities for the 12 months ended 31 March 2021

This table reports the metering and leakage activities broken down by totex and explanatory variables.

		Units	Basic meter	Smart meter
	Metering activities – Totex expenditure			
6D.1	New optant meter installation	£m	–	7.242
6D.2	New selective meter installation	£m	–	21.026
6D.3	New business meter installation	£m	–	0.009
6D.4	Residential meters renewed	£m	0.001	3.527
6D.5	Business meters renewed	£m	0.063	4.309
	Metering activities – Explanatory variables			
6D.6	New optant meters installed	000s	–	12.353
6D.7	New selective meters installed	000s	–	44.137
6D.8	New business meters installed	000s	0.001	0.023
6D.9	Residential meters renewed	000s	0.008	25.842
6D.10	Business meters renewed	000s	0.156	11.204
6D.11	New residential meters installation – supply-demand balance benefit	Ml/d	0.00	0.40
6D.12	New business meters installation – supply-demand balance benefit	Ml/d	0.00	0.00
6D.13	Residential meters renewed – supply-demand balance benefit	Ml/d	–	0.00
6D.14	Business meters renewed – supply-demand balance benefit	Ml/d	–	0.00
6D.15	Residential properties – meter penetration	%	36.6	10.9

		Units	Maintaining leakage	Reducing leakage	**Total**
	Leakage activities – Totex expenditure				
6D.16	Total leakage activity	£m	209.342	35.121	**244.463**
	Per capita consumption (excluding supply pipe leakage)				
6D.17	Per capita consumption (measured customers)	l/h/d	140.32		
6D.18	Per capita consumption (unmeasured customers)	l/h/d	163.06		

Within our London Water Zone which is covered by our wide area radio network we deploy meters that can work in Automatic Meter Read (AMR) mode where they can be read by driving by the meters. When combined with a Local Communication Device (LCE) these meters can alternatively operate in Advanced Meter Infrastructure Mode (AMI), this is our preferred deployment mode as it allows meter reads to be collected remotely through our wide area network. This allows us to receive daily a profile of either 15 minute or hourly read data, this rich source of data allows us to better understand water usage in our supply area and identify leakage and wastage, enabling us to work with customers to help reduce demand and leakage. Outside of our wide area network coverage the same meter is installed but operates in AMR mode.

We have outperformed against both our business plan and WRMP proposals for leakage (see pages 24 and 25 for further information). We have not delivered the number of new and replacement meters forecast in our business plan and WRMP. Both the progressive and optant metering programmes were suspended for the first three months of the year (April, May and June) due to Covid-19 lockdown and Government restrictions impacting Year 1 delivery against target. The restrictions also led to a reduction in customers requesting a meter under the optional metering programme. For replacement household, new business and replacement business meters we have reported 0 ML/d saving. For replacement household meters, there is currently minimal evidence of the consumption savings from moving from a basic to smart meter. We are currently investigating the data around this as we start to replace more basic meters with smart meters.

Section 7 Additional regulatory information – wastewater network plus

7A. Wastewater network+ – Functional expenditure for the 12 months ended 31st March 2021

This table shows functional expenditure for our sewage treatment works split by site size.

		£'000
	Costs of STWs in size bands 1 to 5	
7A.1	Direct costs of STWs in size band 1	1,027.373
7A.2	Direct costs of STWs in size band 2	1,219.678
7A.3	Direct costs of STWs in size band 3	3,717.649
7A.4	Direct costs of STWs in size band 4	8,348.751
7A.5	Direct costs of STWs in size band 5	7,822.339
7A.6	General & support costs of STWs in size bands 1 to 5	3,776.383
7A.7	**Functional expenditure of STWs in size bands 1 to 5**	**25,912.173**
	Costs of large STWs (size band 6)	
7A.8	Service charges for STWs in size band 6	2,991.000
7A.9	Estimated terminal pumping costs size band 6 works	1,206.000
7A.10	Other direct costs of STWs in size band 6	125,701.000
7A.11	Direct costs of STWs in size band 6	129,898.000
7A.12	General & support costs of STWs in size band 6	22,264.000
7A.13	Functional expenditure of STWs in size band 6	152,162.000
	Costs of STWs – all sizes	
7A.14	**Total Functional expenditure for Sewage treatment**	**178,074.173**

We've chosen to publish the 2020/21 regulatory table 7B as a separate document to this Annual Performance Report due to the size of the table. This has been prepared in line with regulatory guidelines and follows the principles set out in this Annual Performance Report. You can view this table on our website.

7C. Wastewater network+ – Sewer and volume data for the 12 months ended 31st March 2021

This table reports the sewer and volume data for the wastewater network plus price control.

	Wastewater network		
7C.1	Connectable properties served by s101A schemes completed in the report year	nr	0
7C.2	Number of s101A schemes completed in the report year	nr	0
7C.3	Total pumping station capacity	kW	138,450
7C.4	Number of network pumping stations	nr	5,145
7C.5	Total number of sewer blockages	nr	76,223
7C.6	Total number of gravity sewer collapses	nr	336
7C.7	Total number of sewer rising main bursts	nr	97
7C.8	Number of combined sewer overflows	nr	427
7C.9	Number of emergency overflows	nr	24
7C.10	Number of settled storm overflows	nr	247
7C.11	Sewer age profile (constructed post 2001)	km	10,515
7C.12	Volume of trade effluent	Ml/yr	17,073.98
7C.13	Volume of wastewater receiving treatment at sewage treatment works	Ml/yr	1,704,674.53
7C.14	Length of gravity sewers rehabilitated	km	20
7C.15	Length of rising mains replaced or structurally refurbished	km	1
7C.16	Length of foul (only) public sewers	km	37,413
7C.17	Length of surface water (only) public sewers	km	23,356
7C.18	Length of combined public sewers	km	6,016
7C.19	Length of rising mains	km	2,036
7C.20	Length of other wastewater network pipework	km	354
7C.21	**Total length of "legacy" public sewers as at 31 March**	km	**69,175**
7C.22	Length of formerly private sewers and lateral drains (s105A sewers)	km	40,058

Line 15: Length of rising mains replaced or structurally refurbished

The figures reported in this line provide insight into how much of our pumped sewer network has been repaired during the year. Our interpretation of "structurally refurbished" is that it is intended to capture any pipeline rehabilitation technique which results in an improvement in the structural integrity of the pipe such that its expected service life has been materially extended.

In order to complete this line, we've used the exact length of the section of repaired rising main where we have it. For the 111 jobs where we don't have exact information we've calculated the average of the known lengths, excluding the nine largest to avoid skewing the average. This average is then used as a proxy for all the jobs where we don't have exact lengths.

Section 7 Additional regulatory information – wastewater network plus continued

7D. Wastewater network+ – Sewage treatment works data for the 12 months ended 31st March 2021

This table reports the sewage treatment works load and numbers categorised by size bands and the population equivalent data.

			Treatment categories							
				Secondary			Tertiary			
			Primary	Activated Sludge	Biological	A1	A2	B1	B2	**Total**
	Load received at sewage treatment works									
7D.1	Load received by STWs in size band 1	kg BOD5/day	4	55	255	34	0	147	15	**509**
7D.2	Load received by STWs in size band 2	kg BOD5/day	0	59	310	20	0	428	119	**934**
7D.3	Load received by STWs in size band 3	kg BOD5/day	0	339	1,858	352	0	2161	337	**5,046**
7D.4	Load received by STWs in size band 4	kg BOD5/day	0	3,241	3,730	1,182	1,005	8,269	5,481	**22,907**
7D.5	Load received by STWs in size band 5	kg BOD5/day	0	634	0	0	8,893	2,226	13,855	**25,608**
7D.6	Load received by STWs above size band 5	kg BOD5/day	0	484,791	0	0	368,302	4,205	41,759	**899,056**
7D.7	**Total load received**	**kg BOD5/day**	**4**	**489,118**	**6,153**	**1,588**	**378,199**	**17,434**	**61,565**	**954,061**
7D.8	Load received from trade effluent customers at treatment works	kg BOD5/day								**20,824**

			Treatment works consents															
			Phosphorus					BOD5						Ammonia				
			<=0.5mg/l	>0.5 to <=1mg/l	>1mg/l	No permit	**Total**	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	**Total**	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	**Total**
	Load received at sewage treatment works																		
7D.1	Load received by STWs in size band 1	kg BOD5/day	0	15	0	495	**509**	0	5	63	388	54	**509**	0	0	66	71	372	**509**
7D.2	Load received by STWs in size band 2	kg BOD5/day	72	74	21	768	**934**	0	43	207	643	41	**934**	0	43	307	148	437	**934**
7D.3	Load received by STWs in size band 3	kg BOD5/day	357	567	37	4,084	**5,046**	0	602	1,669	2,722	53	**5,046**	0	510	2,303	836	1,398	**5,046**
7D.4	Load received by STWs in size band 4	kg BOD5/day	708	1,946	892	19,361	**22,907**	1,018	3,475	14,210	3,745	459	**22,907**	0	9,410	10,811	1,230	1,456	**22,907**
7D.5	Load received by STWs in size band 5	kg BOD5/day	614	2,016	22,803	2,827	**28,260**	3,838	11,852	11,365	1,205	0	**28,260**	0	15,510	11,669	1,082	0	**28,260**
7D.6	Load received by STWs above size band 5	kg BOD5/day	19,933	297,180	92,186	487,106	**896,404**	118,700	167,626	547,402	62,676	0	**896,404**	126,283	661,139	101,156	7,826	0	**896,404**
7D.7	**Total load received**	**kg BOD5/day**	**21,684**	**301,797**	**115,939**	**514,641**	**954,061**	**123,556**	**183,604**	**574,915**	**71,379**	**607**	**954,062**	**126,283**	**686,612**	**126,311**	**11,193**	**3,663**	**954,061**
7D.8	Load received from trade effluent customers at treatment works	kg BOD5/day																	

Section 7 Additional regulatory information – wastewater network plus continued

7D. Wastewater network+ – Sewage treatment works data for the 12 months ended 31st March 2021 continued

			Treatment categories							
				Secondary		Tertiary				
			Primary	Activated Sludge	Biological	A1	A2	B1	B2	**Total**
	Number of sewage treatment works									
7D.9	STWs in size band 1	nr	2	9	42	5	0	14	1	**73**
7D.10	STWs in size band 2	nr	0	3	14	1	0	20	5	**43**
7D.11	STWs in size band 3	nr	0	6	32	4	0	32	6	**80**
7D.12	STWs in size band 4	nr	0	10	13	4	2	30	17	**76**
7D.13	STWs in size band 5	nr	0	1	0	0	9	3	14	**27**
7D.14	STWs above size band 5	nr	0	5	0	0	36	2	12	**55**
7D.15	**Total number of works**	**nr**	**2**	**34**	**101**	**14**	**47**	**101**	**55**	**354**

			Treatment works consents															
			Phosphorus					BOD5						Ammonia					
			<=0.5mg/l	>0.5 to <=1mg/l	>1mg/l	No permit	**Total**	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	**Total**	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	**Total**
	Number of sewage treatment works																		
7D.9	STWs in size band 1	nr	0	1	0	72	**73**	0	1	9	48	15	**73**	0	0	8	7	58	**73**
7D.10	STWs in size band 2	nr	3	3	1	36	**43**	0	2	9	30	2	**43**	0	2	13	7	21	**43**
7D.11	STWs in size band 3	nr	5	9	1	65	**80**	0	9	24	46	1	**80**	0	7	32	15	26	**80**
7D.12	STWs in size band 4	nr	3	7	2	64	**76**	3	12	44	16	1	**76**	0	28	37	4	7	**76**
7D.13	STWs in size band 5	nr	1	2	22	4	**29**	4	12	12	1	0	**29**	0	16	12	1	0	**29**
7D.14	STWs above size band 5	nr	3	18	28	6	**55**	6	25	20	4	0	**55**	6	31	17	1	0	**55**
7D.15	**Total number of works**	**nr**	**15**	**40**	**54**	**247**	**356**	**13**	**61**	**118**	**145**	**19**	**356**	**6**	**84**	**119**	**35**	**112**	**356**

Line 15: Total number of works

The treatment works consents have a total of 356 compared to 354 for the treatment work categories. This is because Abingdon New and Lagoon and Little Marlow and High Wycombe are split out separately as different consents.

Section 7 Additional regulatory information – wastewater network plus continued

7D. Wastewater network+ – Sewage treatment works data for the 12 months ended 31st March 2021 continued

	Population equivalent		
7D.16	Current population equivalent served by STWs	000s	15,852.158
7D.17	Current population equivalent served by filter bed or activated sludge STWs with tightened/new P consents	000s	0.000
7D.18	Current population equivalent served by STWs with tightened/new N consents	000s	0.000
7D.19	Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	6.194
7D.20	Current population equivalent served by STWs with tightened/new UV consents	000s	0.000
7D.21	Population equivalent treatment capacity enhancement	000s	2.164
7D.22	Current population equivalent served by STW with tightened/new consents for chemicals	000s	0.000
7D.23	Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	l/s	0.000
7D.24	Additional storm tank capacity provided at STWs	m3	0.000
7D.25	Additional volume of network storage at CSOs etc to reduce spill frequency	m3	0.000

Lines 17-20: Current population equivalent served by STWs with tightened/new consents

These lines show how many people have benefited from improvements to our STWs to meet tighter consents set by the Environment Agency.

During the year five sites were given tighter sanitary consents. We didn't need to make any capital investment to deliver improvements as the sites were already able to meet the new standards.

7E. Wastewater network+ – Energy consumption and other data for the 12 months ended 31st March 2011

This table reports the energy consumption and additional data for the wastewater network plus price control.

	Other		
7E.1	Total sewerage catchment area	km2	2,650
7E.2	Designated coastal bathing waters	nr	0
7E.3	Number of intermittent discharge sites with event duration monitoring	nr	0
7E.4	Number of monitors for flow monitoring at STWs	nr	16
7E.5	Number of odour related complaints	nr	2,675

	Other		
7E.6	Energy consumption–sewage collection	MWh	122,386.559
7E.7	Energy consumption–sewage treatment	MWh	663,172.244
7E.8	**Energy consumption–wastewater network +**	**MWh**	**785,558.803**

Section 8 Additional regulatory information – bioresources

8A. Bioresources sludge data for the 12 months ended 31st March 2021

This table reports the Bioresources sludge data for the company.

8A.1	Total sewage sludge produced, treated by incumbents	ttds/ year	345.3
8A.2	Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/ year	0.0
8A.3	**Total sewage sludge produced**	**ttds/ year**	**345.3**
8A.4	Total sewage sludge produced from non-appointed liquid waste treatment	ttds/ year	0.4
8A.5	Percentage of sludge produced and treated at a site of STW and STC co-location	%	90.94
8A.6	Total sewage sludge disposed by incumbents	ttds/ year	207.2
8A.7	Total sewage sludge disposed by 3rd party sludge service provider	ttds/ year	0.0
8A.8	**Total sewage sludge disposed**	**ttds/ year**	**207.2**
8A.9	Total measure of intersiting 'work' done by pipeline	ttds*km/year	101
8A.10	Total measure of intersiting 'work' done by tanker	ttds*km/year	771
8A.11	Total measure of intersiting 'work' done by truck	ttds*km/year	757
8A.12	**Total measure of intersiting 'work' done (all forms of transportation)**	**ttds*km/year**	**1,629**
8A.13	Total measure of of intersiting 'work' done by tanker (by volume transported)	m3*km/yr	22,850,906
8A.14	Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	0
8A.15	Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	0
8A.16	Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	13,756
8A.17	**Total measure of 'work' done in sludge disposal operations (all forms of transportation)**	**ttds*km/year**	**13,756**
8A.18	Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m3*km/yr	0
8A.19	Chemical P sludge as % of sludge produced at STWs	%	45.10

In table 8A we provide data on how much sludge we produce and treat. All sludge produced was treated by in-house sludge treatment activities. No third parties were engaged to undertake any bioresource activities during 2020/21. The volume of sludge produced was lower than predicted due to reduced numbers of people visiting the region during the period as a result of Covid-19. This was mainly seen by the reduced number of tourists and commuters in London.

All cess waste (which includes cesspits, septic tank, portaloo and commercial liquid waste) imported into our sewage treatment facilities discharges via cess loggers, which record volume and solids content of the cess. The majority of incoming cess is too dilute to record a solids content, so these volumes did not contribute to our calculation. As such, only imports that recorded solids above the recording limit of the meters within the cess loggers were used. Therefore, the mass of solids due to non-appointed (cess) waste was negligible compared to the overall tonnage of sludge produced through the appointed business.

In table 8A lines 10,11,13, 15, 16 & 17 we provide data on intersiting work done by tanker or truck and sludge disposal operations by tanker or truck . Actual road distances were not available, so radial distance inflated by a multiplier of 1.4 was applied. This factor was calculated from a sample set of data where radial distance between sites was compared to actual road distance.

8B. Bioresources operating expenditure analysis for the 12 months ended 31st March 2021

This table shows the bioresources operating expenditure for the upstream services, processes and disposal routes.

		Pipeline £m	Tanker £m	Truck £m	**Total £m**
	Sludge transport method				
8B.1	Power	0.001	0.032	0.017	**0.050**
8B.2	Income treated as negative expenditure	–	–	–	**–**
8B.3	Discharge consents	–	–	–	**–**
8B.4	Bulk discharge	–	–	–	**–**
	Other operating expenditure				
8B.5	Renewals expensed in year (Infrastructure)	–	–	–	**–**
8B.6	Renewals expensed in year (Non-Infrastructure)	–	–	–	**–**
8B.7	Other operating expenditure excluding renewals–direct	0.097	5.950	3.200	**9.247**
8B.8	Other operating expenditure excluding renewals–indirect	0.019	1.079	0.640	**1.738**
8B.9	**Total functional expenditure**	**0.117**	**7.061**	**3.857**	**11.035**
8B.10	Local authority and Cumulo rates	–	–	–	**–**
8B.11	**Total operating expenditure (excluding 3rd party)**	**0.117**	**7.061**	**3.857**	**11.035**

Section 8 Additional regulatory information – bioresources continued

8B. Bioresources operating expenditure analysis for the 12 months ended 31st March 2021 continued

		Untreated Sludge £m	Raw Sludge liming £m	Conventional AD £m	Incineration of raw sludge £m	Incineration of digested Sludge £m	Photo-conditioning/ composting £m	Advanced Anaerobic Digestion £m	Other £m	**Total £m**
	Sludge treatment type									
8B.12	Power	(0.040)	(0.173)	(4.608)	3.712	0.407	–	(12.616)	–	**(13.318)**
8B.13	Income treated as negative expenditure	(0.032)	(0.141)	(3.741)	(0.541)	–	–	(6.357)	–	**(10.812)**
8B.14	Discharge consents	–	–	0.003	0.033	–	–	0.005	–	**0.041**
8B.15	Bulk discharge	–	–	–	–	–	–	–	–	**–**
	Other operating expenditure									**–**
8B.16	Renewals expensed in year (Infrastructure)	–	–	–	–	–	–	–	–	**–**
8B.17	Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	–	–	–	**–**
8B.18	Other operating expenditure excluding renewals – direct	0.096	0.418	11.123	1.607	–	–	18.902	–	**32.146**
8B.19	Other operating expenditure excluding renewals – indirect	0.043	0.186	4.950	0.715	–	–	8.411	–	**14.305**
8B.20	**Total functional expenditure**	**0.067**	**0.290**	**7.727**	**5.526**	**0.407**	**–**	**8.345**	**–**	**22.362**
8B.21	Local authority and Cumulo rates	0.001	0.006	0.152	0.022	–	–	0.259	–	**0.440**
8B.22	**Total operating expenditure (excluding 3rd party)**	**0.068**	**0.296**	**7.879**	**5.548**	**0.407**	**–**	**8.604**	**–**	**22.802**

Section 8 Additional regulatory information – bioresources continued

8B. Bioresources operating expenditure analysis for the 12 months ended 31st March 2021 continued

		Landfill, raw £m	Landfill, partly treated £m	Land restoration/ reclamation £m	Sludge recycled to farmland £m	Other £m	**Total £m**
	Sludge disposal route						
8B.23	Power	–	–	–	0.036	–	**0.036**
8B.24	Income treated as negative expenditure	–	–	–	(0.894)	–	**(0.894)**
8B.25	Discharge consents	–	–	–	0.223	–	**0.223**
8B.26	Bulk discharge	–	–	–	–	–	**–**
	Other operating expenditure						
8B.27	Renewals expensed in year (Infrastructure)	–	–	–	–	–	**–**
8B.28	Renewals expensed in year (Non-Infrastructure)	–	–	–	–	–	**–**
8B.29	Other operating expenditure excluding renewals – direct	–	–	0.072	17.982	–	**18.054**
8B.30	Other operating expenditure excluding renewals – indirect	–	–	0.005	0.951	–	**0.956**
8B.31	**Total functional expenditure**	**–**	**–**	**0.077**	**18.298**	**–**	**18.375**
8B.32	Local authority and Cumulo rates	–	–	–	0.036	–	**0.036**
8B.33	**Total operating expenditure (excluding 3rd party)**	**–**	**–**	**0.077**	**18.334**	**–**	**18.411**

8C. Bioresources energy and liquors analysis for the 12 months ended 31st March 2021

This table shows the energy generated and income received for our biosources price control.

		Electricity MWh	Heat MWh	Biomethane MWh	**Total MWh**	Electricity £m	Heat £m	Biomethane £m	**Total £m**
	Energy								
8C.1	Energy consumption – bioresources								**32.899**
8C.2	Energy generated by and used in bioresources control	130,080	158,541	–	**288,621**	16.283	4.423	0	**20.706**
8C.3	Energy generated by bioresources and used in network plus control	176,563	1,028	–	**177,591**	(22.222)	0.146	0	**(22.076)**
8C.4	Energy generated by bioresources and exported to the grid or third party	18,207	–	–	**18,207**	(1.065)	0	0	**(1.065)**
8C.5	Energy generated by bioresources that is unused	–	208,621	–	**208,621**				
8C.6	Energy bought from grid or third party and used in bioresources control	94,701	65,579	–	**160,280**	11.379	1.880	0	**13.259**

Section 8 Additional regulatory information – bioresources continued

8C. Bioresources energy and liquors analysis for the 12 months ended 31st March 2021 continued

		Value (£m)
	Income from renewable energy subsidies	
8C.7	Income claimed from Renewable Energy Certificates (ROCs)	(8.659)
8C.8	Income claimed from Renewable Heat Incentives (RHIs)	–
8C.9	Income claimed from ROC Recycle	(1.058)
8C.12	**Total income claimed from renewable energy subsidies**	**(9.717)**
8C.13	% of total number of renewable energy subsidies due to expire in the next 2 financial years	–
8C.14	This year's value of renewable energy subsidies due to expire in the next 2 financial years	–

		Value
	Bioresources liquors treated by network plus	
8C.15	BOD load of liquor or partially treated liquor returned from bioresources to network plus (kg/d)	22,515
8C.16	Ammonia load of liquor or partially treated liquor returned from bioresources to network plus (kg Amm-N/d)	17,739
8C.17	Recharge to Bioresources by network plus for costs of handling and treating bioresources liquors (£m)	–

8D. Bioresources sludge treatment and disposal data for the 12 months ended 31st March 2021

This table reports the percentage of sludge treatment processes and percentage of (un-incinerated) sludge disposal and recycling routes.

			By incumbent	By 3rd party sludge service providers
	Sludge treatment process			
8D.1	% Sludge–untreated	%	0.2	0.0
8D.2	% Sludge treatment process – raw sludge liming	%	1.3	0.0
8D.3	% Sludge treatment process – conventional AD	%	34.7	0.0
8D.4	% Sludge treatment process – advanced AD	%	58.8	0.0
8D.5	% Sludge treatment process – incineration of raw sludge	%	5.0	0.0
8D.6	% Sludge treatment process – other (specify)	%	0.0	0.0
8D.7	**% Sludge treatment process – Total**	**%**	**100.0**	**0.0**
	(Un-incinerated) sludge disposal and recycling route			
8D.8	% Sludge disposal route – landfill, raw	%	0.0	0.0
8D.9	% Sludge disposal route – landfill, partly treated	%	0.0	0.0
8D.10	% Sludge disposal route – land restoration/ reclamation	%	0.4	0.0
8D.11	% Sludge disposal route – sludge recycled to farmland	%	99.6	0.0
8D.12	% Sludge disposal route – other (specify)	%	0.0	0.0
8D.13	**% Sludge disposal route – Total**	**%**	**100.0**	**0.0**

Section 9 Additional regulatory information – innovation competition

9A. Innovation competition

This table shows how much we have collected from customers for the innovation fund and how the funds will be spent.

		Current year £m
	Allowed	
9A.1	Allowed innovation competition fund price control revenue	7.188
	Revenue collected for the purposes of the innovation competition	
9A.2	Price control revenue collected from customers	7.005
9A.3	Non-price control revenue (e.g. royalties)	–
9A.4	Revenue collected from customers and transferred into the innovation competition fund	7.005

		Line description Units	Bids accepted and awarded funding for innovation competition nr	Forecast expenditure on innovation projects funded through the innovation competition £m	Actual expenditure on innovation projects funded through the innovation competition in year £m	Difference between actual and forecast expenditure £m	Cumulative spend on innovation projects £m	Allowed future expenditure on innovation projects funded through the innovation competition £m	Expenditure on innovation projects funded by shareholders £m
9A.20	**Total**		**0**	**–**	**–**	**–**	**–**	**–**	**–**

		Value (£m)
	Administration	
9A.21	Administration charge for innovation partner	–

Regulatory statements

Transactions with associates and the non-appointed business

We have disclosed transactions with both associated companies and our non-appointed business in accordance with the guidance provided in RAG 5.07. Although our appointed business applies IFRS, an associated company for the purposes of this disclosure is any company within the Group or a related company as defined by Financial Reporting Standard 102. The following disclosures comply with RAG 3.12. (The Group means the group of companies headed by Kemble Water Holdings Limited, the ultimate parent company).

During the year there were no single contracts in excess of 0.5% (£10.3 million) of the Company's appointed income with any subsidiary of the Kemble Group of companies or related companies.

The Company has also chosen to voluntarily disclose all transactions with companies for which there is a common Director. The Directors of the Company and their connection to other Group companies is shown on the Directors' interest table.

Services provided by the Company and recharged to associated companies

Associate Company	Company principal activity	Service Provided	Turnover of Associate during 2020/21	Terms of supply 2019/20	Value £'000
Thames Water Limited	Holding Company	Director costs, Treasury, Insurance, Tax and Financial Control support services	–	No market – costs allocated by time	1,300.0
Thames Water Utilities Finance	Financing Company	Amounts Receivable for Group relief	–	No market – actual cost	863.0*
Kennet Properties Limited	Property Company	Director costs, Treasury, Insurance, Tax and Financial Control support services	–	No market – costs allocated by time	6.1
Kennet Properties Limited	Property Company	Payroll Costs	–	No market – costs allocated by time	24.0
Thames Water Commercial Services Limited	Commercial Company	Support Services	–	No market – costs allocated by time	53.8
					2,246.9

* The tax receivable relates to the sale of tax losses from the Company's immediate subsidiary company, Thames Water Utilities Finance Plc. 100% of the tax losses have been sold by the non-appointed business. In addition, the appointed business is sharing tax losses worth £10.3 million with the non-appointed business for which not payment is made as both are within the same company.

Services provided to the Company by associated companies

Associate Company	Company principal activity	Service Provided	Turnover of Associate during 2020/21 £'000	Terms of supply 2019/20	Value £'000
Thames Water Property Services Limited	Property Company	Payroll Costs	195.5	No market – actual costs recharged	183.7
Dunelm Energy Limited	Management consultancy company	Administrative services	Not available – small company exemption	Negotiated	25.5
					209.2

Payments to companies with common Directors

Company	Common Director	Service Provided	Terms of supply 2020/21	Value (£'000)
Cadent Gas Limited	Perry Noble	Liquid and Gas Distribution services	Negotiated	1.1
Energy Networks Association Limited	John Morea	Memberships & Subscriptions	Mandatory Fee	4.7
Omers Infrastructure Europe Limited	Alastair Hall	Directors Fees	Negotiated	192.0
Southern Gas Networks Plc	Michael McNicholas, Guy Lambert and Peter McCosker	Liquid and Gas Distribution services	Negotiated	24.1
Water UK	Sarah Bentley	Memberships & Subscriptions	Mandatory Fee	549.7
Infinity Investments S.A.	Guy Lambert	Directors Fees	Negotiated	85.0
Arqiva Limited	Paul Donovan (Director of Parent)	Smart Metering	Negotiated	14,882.0
				15,678.6

Note that as Non-Executive Directors are not deemed to exercise control, as such they have not been included in the above analysis.

Regulatory statements continued

Directorships held in Group Companies

The Company discloses the following information as part of its compliance with RAG 5.07, listing those Directors of the Company who are also Directors of the following Group companies during the year ended 31 March 2021 and up to the date of signing this report:

Director	Thames Water Utilities Limited	Thames Water Utilities Holdings Limited	Thames Water Limited	Kemble Water Finance Limited	Kemble Water Eurobond PLC	Kemble Water Holdings Limited	Thames Water Commercial Ventures Holdings Limited	Thames Water Commercial Ventures Finance Limited
Executive Directors								
Sarah Bentley	A - 01/09/2020	✔						
Brandon Rennet	✔						✔	✔
Non-Executive Directors								
Paul Donovan	✔							
Michael McNicholas	✔	✔	✔	✔	✔	✔		
John Morea	✔							
Gregory Pestrak	✔	✔	✔	✔	✔	✔		
Independent Non-Executive Directors								
Ian Marchant	✔							
Alistair Buchanan	R – 03/07/2020							
Nick Land	✔							
Catherine Lynn	✔							
Ian Pearson	✔							
Jill Shedden	✔							
David Waboso	✔							
Hannah Nixon	A – 14/01/2021							

Key: R – resigned A – appointed

Thames Water Utilities Limited conducts its appointed business so as to ensure arm's length trading and avoidance of cross-subsidy in the spirit of Condition F of the Instrument of Appointment.

Borrowings and loans

All borrowings from our wholly owned subsidiaries are disclosed in note 36 of our Annual Report and Sustainability Report.

All loans to our wholly owned subsidiaries are disclosed in note 32 of the Annual Report and Sustainability Report.

Transfer of assets by or to the appointee

There were no transfers of assets or liabilities by or to our Company in excess of the materiality limit (2020: £nil).

Guarantees or other forms of security by the appointee

The Company, as part of the Whole Business Securitisation ('WBS') capital structure, guarantees unconditionally and irrevocably all the borrowings and derivatives of Thames Water Utilities Finance plc.

Omissions of rights

There were no omissions of rights during the year (2020: none).

Waiver of any consideration, remuneration or other payment by the appointee

There were no waivers of any consideration, remuneration or other payments by the appointee during the year (2020: none).

Dividends paid to associated undertakings

Our dividend policy, which was in place during the year, is to pay a progressive dividend commensurate with long-term returns and business performance, after considering the business' current and expected regulatory and financial performance, regulatory restrictions, management of economic risks and debt covenants.

During the year, we paid an interim dividend of £32.9 million (2020: £56.5 million) to our immediate parent company, Thames Water Utilities Holdings Limited. Of these dividend payments, none were made to external shareholders of the Group (2020: none).

Our group structure

Strategic and operational oversight of Thames Water is led by our Board. The Board's primary responsibility is to promote the company's long-term success for the benefit of our customers, employees, shareholders and other stakeholders.

Kemble Water Holdings ("KWH") Limited is our ultimate parent company. Its primary activity is to act as a holding company. Approval of certain matters is specifically reserved for the Board of KWH, including approval of the annual budget, significant investment, material transactions such as major acquisitions and divestment and certain strategic decisions. You can find the full list on our website.

The group structure chart on page 64 of our Annual Report and Sustainability Report sets out the ownership of Thames Water and our subsidiary.

Directors' Ring-fencing Certificate under Condition P of the Company's Instrument of Appointment

This is to certify that at their meeting on 30 June 2021, the Directors of Thames Water Utilities Limited ("the Appointee") resolved that, in their opinion, for at least the next 12 months:

- the Appointee will have available to it sufficient:
  - financial resources and facilities;
  - management resources;
  - systems of planning and internal control; and
  - rights and resources other than financial resources

  enabling it to carry out the Regulated Activities necessary to fulfil the Appointee's obligations under the Licence of Appointment without being dependent upon the discharge of another person of any obligation under, or arising from, any agreement or arrangement under which that other person has agreed to provide any services to the Appointee in its capacity as a Relevant Undertaker.
- the Appointee will ensure that, as far as reasonably practicable, it has available to it sufficient rights and resources other than financial resources, so that if, at any time, a special administration order were to be made in relation to it, the special administrator would be able to manage the affairs, business and property of the Appointee in accordance with the purposes of the special administration order;
- all contracts entered into between the Appointee and any Associated Company include the necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities; and
- any issues or circumstances that may materially affect the Appointee's ability to carry out its Regulated Duties are noted below and/or within the Risk and Compliance Statement on pages 111 – 114.

This Ring-fencing Certificate is an annual requirement under Condition P of the Instrument of Appointment (also known as the 'Licence').

The Board notes that the latest Ofwat guidance set out in IN20/01 for completion of the Ring-fencing Certificate requires the Board to state its opinion on whether the Appointee has 'sufficient' resources to deliver its regulated activities for the next 12 months. Condition P of our Licence requires that we have 'adequate' resources in place. The Board is satisfied that its stated opinion set out above regarding the sufficiency of the Appointee's resources also addresses its Licence obligation to maintain 'adequate' resources.

The Licence also requires a statement of the main factors which the Board has taken into account in giving its opinion for the Ring-fencing Certificate.

In providing this opinion, the Directors have considered many factors as part of their enquiries prior to signing this certificate, including but not limited to:

Financial resources and facilities	• the Appointee's Final Determination for the 2020 to 2025 regulatory period, accepted by the Company in February 2020. See section on 'material issues and circumstances' below for further discussion; • the Appointee's available cash resources and borrowing facilities of c.£2.2bn (at June 2021) which include significant undrawn bank facilities, and take into account the Appointee's projected net cash flow for the next 12 months; • the Appointee's investment grade ratings, as shown on page 56 of the Annual Report and Sustainability Report report which retain at least one full notch headroom over minimum investment grade; • the Appointee's compliance with its financial covenants as disclosed on page 57 of the Annual Report and Sustainability Report • the Appointee's dividend policy and that it does not impair the Appointee's ability to finance the Appointed Business and takes into account the impact on all stakeholders; and • the preparation of the Appointee's statutory accounts on a going concern basis and long-term viability which also takes into account an assessment of Covid-19 impact – this is disclosed on pages 121 and 49 respectively of the Annual Report and Sustainability Report.
Management resources	• the Appointee's People Strategy and People Plans which ensure that the Appointee has access to personnel which will enable it to deliver its regulatory obligations. In particular: – the Appointee's leadership and organisational structure, operating model and human resources (succession) planning strategy; – the Appointee's training and development programme for all employees enabling its people to gain skills appropriate to their roles; – the Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate skills and experience; and – the Appointee's ongoing commitment to diversity and inclusion enables attraction and retention of diverse talent and allows us to harness the unique skills, experiences and backgrounds that each individual brings – for more detail see page 16 of the Annual Report and Sustainability Report. • the Appointee's confirmation, as shown on page 63 of the Annual Report and Sustainability Report, of how it meets the board leadership, transparency and governance objectives set out in its Instrument of Appointment. This includes: – the independence of the Appointee's Board from management, noting that the Chairman reverted to a non-Executive role following appointment of a new CEO in September 2020; and – continued review of our Board committees, their scope and composition. • the Appointee's comprehensive programme of Board and Executive meetings, including specific 'deep dives' on key risks and processes, supported by appropriate reports and information to enable high quality decision making.

Directors' Ring-fencing Certificate under Condition P of the Company's Instrument of Appointment continued

Systems of planning and internal control	• the Appointee's enterprise risk management and assurance process, which review, monitor and report on exposure to, and mitigating controls over, risks and uncertainties as disclosed on pages 41 to 48 of the Annual Report and Sustainability Report; • the Appointee's performance in respect of its performance commitments as disclosed in Section 3 on pages 66 to 74 of this report and made reference to in the Risk and Compliance Statement on pages 111 to 114; • the Appointee's generation and use of relevant, quality information in support of the functioning of internal control; • the Appointee's business continuity planning process, including plans for loss of resources, loss of corporate sites, loss of systems and loss of suppliers. Plans continued to be developed throughout the Covid-19 pandemic as well as in preparation for EU exit, further information on the Appointee's response to Covid-19, and how it works across the sector and with its regulator is provided under material issues and circumstances below; • the Appointee's incident management processes which were redeveloped in 2019/20 to align with industry best practice went live in April 2020. This approach continues to be embedded and reviewed quarterly to identify learning. The success of the new approach can be seen in the clear and effective management by the Appointee of the impact of Covid-19, managing Summer peak demand in 2020 and the Freeze Thaw experienced in February 2021; • the Appointee's Pollution Incident Reduction Plan (PIRP) and Drainage and Wastewater Management Plan (DWMP) which seek to enable delivery of its target to reduce pollutions by 30% over the 2020-25 period. This will include the installation of sewer monitors, impact of weather studies and focus on combined sewer overflows (CSO) on the network and discharges from sewage treatment works. These measures are intended to prevent and reduce pollutions going forward and to ensure that the Appointee has sufficient resources and systems of planning and internal control in place with respect to storm overflows, in line with the expectations noted by Ofwat in its June 2021 letter to Chief Executives on improving performance in this area; • the Appointee's commitment to integrity and ethical values. Its policies to prevent fraud and other unethical behaviour, mandatory training for staff on ethical matters and an anonymous whistleblowing hotline which has been supported by a proactive campaign to raise awareness; and • the Appointee's ability to meet its legal obligations. The status of two ongoing investigations by Ofwat is provided under material issues and circumstances below.
Rights and resources other than financial resources	• the Appointee's purpose, strategy, values and behaviours which set the 'tone from the top' and a clear direction for everyone across the business for the 2020 to 2025 regulatory period. The Appointee's Board engaged on the development of each component and how they align as Thames Water's 'big picture' to inspire employees and drive the right outcomes. A refreshed Code of Conduct publicly expresses the Appointee's approach to business activities, covering both what and how work is done, providing a clear legal and ethical framework for employees, customers and stakeholders; • the Appointee's digital strategy and design principles have supported transformation of IT performance and resilience – including replacement of the Appointee's billing system and significant investment in modernisation of underlying infrastructure. This is underpinned by IT policies which ensure the operation and security of the technology assets essential to service provision; • the Appointee's ability to be resilient by anticipating, coping with, recovering from and learning from disruptive events in order to maintain and improve quality of services for our customers and protecting the natural environment both now and in the future; • the Appointee's integrated planning systems and development of a systems thinking approach; • the Appointee's asset maintenance policies and systems to monitor asset health which are designed to ensure that it acts with intelligence using data from customers, operations and the environment, to make accurate and proactive business decisions that maximise productivity, prevent asset deterioration and to improve the service which it provides to its customers; and • the Appointee's insurance programmes, including terms, counterparties and cover limits which have been reviewed by an independent insurance adviser and approved by the Board.
Contracting	• the Appointee's procurement and contract management arrangements, whereby all trading arrangements, including those with associates, are appropriate for the appointee to meet its regulatory requirements, enabled through a full suite of key operational and capital contracts, framework agreements and delivery partners for AMP7; • transactions between the Appointed Business and any Associated Company being at arm's length, as made reference to in this report within the Regulatory Statements (relating to RAG5) on pages 106 – 107 of this report, and related party disclosures on pages 164 – 165 of the Annual Report and Sustainability Report; • the Appointee neither gives nor receives any cross-subsidy from any other business or activity; and • the Appointee has no agreements or other legal instruments incorporating a Cross-Default Obligation.

Directors' Ring-fencing Certificate under Condition P of the Company's Instrument of Appointment continued

Material issues or circumstances

- the Appointee's final 3-year annual average leakage for 2020/21 was 635.6Ml/d, which represents an outperformance of 8.7Ml/d against its end of 2020/21 leakage target of 644.3Ml/d. In January 2021 Ofwat confirmed that no specific actions remain outstanding for six of the undertakings under Section 19 of the Water Industry Act. The Appointee also delivered its continuing commitments under Section 19 and will continue to develop and build on these activities to improve the management and delivery of its AMP7 leakage reduction targets, including:
  - regular leakage performance updates on our website with the ability for customers to leave feedback; and
  - regular updates to our stakeholders and direct engagement with customers.
- in accepting the Final Determination for the 2020-2025 regulatory period the Appointee said that it does not necessarily expect to be able to operate within the cost and service thresholds set out in the FD. The Appointee's central expectation is that it will incur net overspends and net penalties. In accepting, the Appointee's Board did so fully understanding the challenge presented by the FD and the support provided by the shareholders in making its decisions.
- The Final Determination was accepted following detailed financial forecasting of key metrics through AMP7, factoring in both the covenants that TWUL must adhere to, and the ratio guidance provided by the rating agencies. As well as being reviewed internally, external assurance was also provided by independent financial advisors Evercore and Gleacher Shacklock.
  - All rating agencies have since concluded their analysis, with the majority of debt (Class A) now rated BBB+ (negative outlook) by S&P and its Corporate Family Rating assigned a rating of Baa2 (stable outlook) by Moody's; and
  - The Appointee has also since demonstrated its ability to access efficiently priced debt via both the bank and bond markets.
- the Appointee has continued to run a full Gold Command structure in response to the Covid-19 pandemic to enable effective management of the incident and ensure continuity of service to its customers and stakeholders, whilst protecting the welfare and safety of its people.
  The Appointee has continued to work closely with its regulators and with the rest of the Industry through the National Incident Management (NIM) and Platinum Incident Management (PIM) groups to ensure an aligned approach to support household customers and the functioning of the non-household market and to and assess and respond to concurrent risks. Throughout the period the Appointee has kept its customers informed of the latest situation and work to keep them in supply, and the services it has made available to help those in vulnerable circumstances
- Considerable risk and uncertainties still remain regarding how the pandemic will evolve over the coming months, its effect on our networks and what the ultimate impact on performance commitments, associated ODIs and cash flows (especially with regard to non-household revenues) will be. The Appointee notes Ofwat's statement regarding its consideration of ex-post adjustments and the Appointee will continue both to engage with its regulators and to document its response and the impacts on operations.
- the Appointee has provided formal commitments to Ofwat in relation to the provision of access to its smart meters and digital data services which seek to address Ofwat's competition concerns under the Competition Act 1998. Ofwat has given notice that it proposes to accept the commitments and is consulting on the proposals before making its final decision.
- the Appointee is also under investigation by Ofwat under the Water Industry Act 1991 with regard to data accuracy in the non-household market, this is ongoing and has not yet concluded.

In addition to taking all of the above into account, the Directors:

- procured a 'Review and Recommend' report from PwC, as part of their Water Industry Act section 19 Undertaking, to help inform them on their ability to sign the 2020/21 Director's Ring-fencing Certificate;
- procured a report from PwC, as the Appointee's auditor, stating whether they were aware of any inconsistencies between this Ring-fencing Certificate and the financial statements or any information obtained in the course of their work; see pages 63 – 65 for PwC's audit report on the Annual Performance Report and the PwC report on the Ring-fencing Certificate has been provided separately to Ofwat; and
- undertook quarterly reviews and enquiries during 2020/21 of compliance with the 2019/20 Ring-fencing Certificate.

Therefore, the Directors have resolved that, in their opinion, the Appointee will have available to it, for at least the next 12 months, sufficient resources to enable it to carry out and meet its regulatory obligations, as set out in the Company's Instrument of Appointment. The Directors will continue to formally monitor the factors quarterly during the coming 12 months.

Board approval

This certificate was approved unanimously at the Board meeting on 30 June 2021.

Ian Marchant
Chair

Brandon Rennet
Chief Financial Officer

Catherine Lynn
Independent Non-Executive

Ian Pearson
Independent Non-Executive

David Waboso
Independent Non-Executive

Michael McNicholas
Non-Executive

Greg Pestrak
Non-Executive

Sarah Bentley
Chief Executive Officer

Nick Land
Deputy Chairman and Senior Independent Non-Executive

Hannah Nixon
Independent Non-Executive

Jill Shedden
Independent Non-Executive

Paul Donovan
Non-Executive

John Morea
Non-Executive

Risk and compliance statement

We recognise the importance of open and honest reporting on our level of compliance with our commitments and obligations in order to build trust and confidence with our customers, stakeholders and society as a whole.

This statement sets out the processes we have in place to demonstrate to our customers, to Ofwat and to our other stakeholders, our compliance with relevant statutory, licence and regulatory obligations, where Ofwat is the relevant enforcement authority. The obligations pertinent to our functions as a statutory Water and Sewerage Undertaker are primarily set down in the Water Industry Act 1991 and our Instrument of Appointment ("Licence"). The Licence also requires us to perform duties imposed under any other statutory and regulatory guidelines as necessary to fully discharge our obligations.

Our approach to achieving compliance with our statutory, licence and regulatory obligations is based on establishing sound governance, risk management and system of internal controls. The effects of Covid-19 on the United Kingdom and on Thames Water have been present throughout the year. We were recognised as key workers and, although it is very difficult to quantify the full impact on our staff and the services we provide, we've taken steps to ensure we maintain compliance with our statutory, licence and regulatory obligations.

This statement covers the reporting year 1 April 2020 to 31 March 2021, and is set out in five sections:

Section 1: The steps we have taken to understand and meet our customers' expectations;

Section 2: The processes and assurances we have in place to achieve compliance with our obligations;

Section 3: The processes and assurance we have in place to ensure accuracy and completeness of our data and information;

Section 4: Sets out material exceptions to our compliance, data and information; and

Section 5: Our Board Assurance Statement which confirms the extent of our compliance with our obligations.

This statement was approved unanimously at the Board meeting on 30 June 2021.

1. Understanding and meeting our customers' expectations

We are committed to understanding our customers' needs and expectations and responding to them in our ongoing operations and plans. Our programme of customer engagement is led by our Retail Director and overseen by the Customer Service Committee (a sub-Committee of our Board).

In order to understand what customers want, we have a customer engagement programme that continuously gathers insights into customers' needs and behaviours. Our insights are gained from working with diverse customer groups as well as using a wide variety of information gathering techniques. This ranges from bespoke research into specific topics, regular insight gathering on brand perception and service surveys and listening to social media.

Despite a year of extensive change, customers' overarching expectations remain the same:

a. Deliver a dependable water and wastewater service, now and in the future;
b. Provide an effortless customer service;
c. Behave responsibly, in how we treat water, the environment and our communities; and
d. Deliver a value for money service, where we share costs fairly and support customers who struggle to pay.

Our performance commitments are a response to customer expectations and provide a transparent way of demonstrating the extent to which we are delivering for customers (Our performance commitments in detail, on pages 17 – 40). The Customer Measure of Experience (C-MeX) is the key measure Ofwat uses to evaluate customer satisfaction and compare water companies. The C-MeX survey uses small samples and does not give us the depth of insights we need to improve our service, so we also monitor and manage our performance against three internal measures. These are: a) Service Survey Customer Satisfaction, b) Brand Perception Survey Net Promotor Score (NPS, a widely used measure of customer advocacy), and c) Complaints.

We are number 17, at the bottom of the industry league table for C-MeX performance, and our aim remains to improve our service and so move up the table and reduce the gap between us and the industry median. We recognise there is much more to do in this space, and this is reflected in our plans to stabilise and optimise our operations while also transforming key customer journeys. Our transformation plans will build on customer demand for more effortless digital self-serve and their expectation that we always communicate clearly and proactively.

Central to these activities is empowering and developing our frontline colleagues to deliver exceptional customer service, including through enhanced coaching, capability development and clearer progression routes.

We also saw perceptions of the water industry improve, with customers valuing the work of key workers and essential service providers. Brand NPS is at -14 year to date against a target of -13. This is our best ever annual score, demonstrating the impact of the increased communication that we have done over the pandemic as well as favourable media coverage.

On household written complaints we ended the year significantly behind our target of 28,446 with a performance figure of 39,530. To reduce complaints we have, for example, redesigned our bill, are launching a new telephony platform and are focusing on repair and maintenance activities.

1 https://www.ofwat.gov.uk/publication/thames-water-utilities-limited-appointment/

Risk and compliance statement 2020/21 continued

Key areas of focus in the last year to meet our customer expectations and drive improvements in customer satisfaction, brand perceptions and complaints include:

Customer expectation	Areas of focus and achievements
Deliver a dependable water and wastewater service, now and in the future	• Replacement of 11k lead communication pipes • Year-on-year reduction in supply interruptions but still behind target • Delivered biggest ever sewer cleaning programme • Delivery of leakage performance commitment • New workforce management solution
Provide an effortless customer service	• Re-designed our bill to make it easier and more transparent • Improved incident management approach • Increased our priority services register from 82k to 197k • BSI accreditation for our provision of inclusive services • Ongoing website functionality improvement, such as 'report a problem'
Behave responsibly, in how we treat water, the environment and our communities	• Provided community partners with relief payments due to Covid • Transferred our education programme from face-to-face to online • Planted over 20k trees on our sites • Ran a water efficiency communication campaign • Re-designed streetworks signage to give better and clearer information • Published 10-year plans for three smarter water catchment initiatives
Deliver a value for money service, where we share costs fairly and support customers who struggle to pay	• 210k benefitting from our social tariff (against a target of 108k) • Introduced flexible payment scheme for those affected by Covid-19 • Doubled funding to our Trust to £1m • Relaunched our hardship fund to be a direct referral process • Continue to build our propositions to support customers

2. Processes and the assurances we have in place to achieve compliance with our obligations

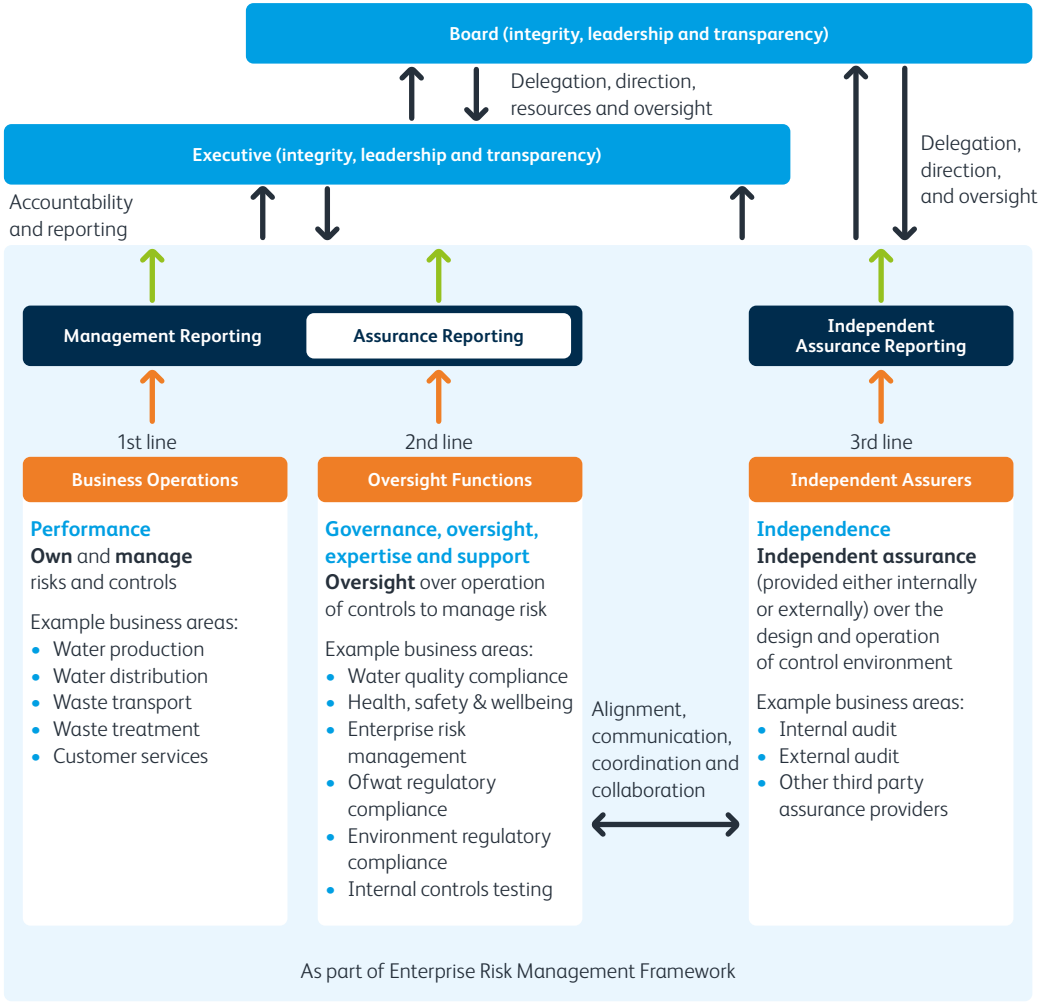
The Board is responsible for maintaining a sound system of risk management. This includes the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives, and for ensuring that an appropriate risk culture has been embedded throughout the organisation.

The Company reports to its stakeholders primarily through the Annual Report and Sustainability Report. This is where we publish our approach to risk management, principal risks and uncertainties (pages 41 – 48) and our Long-term Viability Statement (pages 49 – 50). Together these set out the material risks the Company is currently facing, together with mitigation steps it is taking. One area of focus is further improving our asset management maturity which includes even greater asset knowledge and optimising our standards regime. This will help us make better investment decisions, improve our asset maintenance and more effectively respond to incidents.

Our internal control environment (or 'system of internal control') has been designed to align and be integrated with our risk management approach, as well as fully considering best practice such as Committee of Sponsoring Organisations of the Treadway Commission Internal Control – Integrated Framework and Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

We are continuing to deepen and further embed a risk-based three lines assurance model throughout our business, for example, through expansion of our formally documented system of internal control as well as reviewing some of our reporting structures. The 'three lines' model distinguishes between first line processes and controls, second line oversight and third line independent assurance.

Three lines model



Source: Thames Water

Risk and compliance statement 2020/21 continued

In addition, we employ relevant expertise to ensure that we understand our statutory, regulatory and licence obligations and can translate them into policies and procedures for colleagues to apply. This expertise includes, but is not limited to, legal, financial, regulatory, health and safety, asset and process engineers and environmental professionals. We also draw upon additional external expertise, where necessary, to ensure that any new, or changes to our existing obligations are appropriately interpreted and applied. Management and oversight teams monitor compliance with approved policies and procedures on an ongoing basis.

3. The processes and assurance we have in place to ensure accuracy and completeness of our data and information

Our external reporting process is designed to ensure we provide our customers and stakeholders with information that is easy to understand, provides transparency and can be relied on to build trust and confidence in our reporting. To achieve confidence over the quality of the information we publish, including our regulatory submissions, we again apply our "three lines" assurance model. This best practice approach means that we, and our customers can have a good level of assurance that our publications are accurate, complete and have been prepared properly.

The approach we take is also guided by our external regulatory reporting policy. This establishes the principles against which we determine the assurance checks and balances that need to be in place prior to submission to ensure that our response is on time and of quality. For example, those submissions with the highest risk require approval of the Board and external independent assurance. In all instances we use a structured approach to the roles and responsibilities of a submission to increase our confidence in the accuracy and completeness of our reported data and information.

4. Exceptions to our compliance, data and information

Within this table we set out material exceptions to our compliance with our statutory, licence and regulatory obligations:

Duty/obligation	Disclosure	Actions being taken to improve
Environmental permitting regulations	In 2016 our Henley Wastewater Treatment Works leaked untreated sewage with a high ammonia content into the Fawley Court ditch and stream that flows into the River Thames. We pleaded guilty to the Environment Agency's charge and were fined £2.3m. The judge recognised the significant steps already taken to improve since the incident. We were fined £4m after pleading guilty to a series of incidents at Hogsmill Sewage Treatment Works (in February 2016, January 2018, October 2018 and September 2019). The EA is prosecuting Thames Water for a network incident in July 2016. It relates to a blockage of rag which caused backup in the sewer to a combined sewer overflow and cross over into a surface water sewer at Hinksey Stream. We entered a guilty plea at the first hearing in March 2021.	We're creating a drainage and wastewater management plan, which will be ready for consultation in 2022. We've launched smarter water catchment management plan to improve river quality. We have set-up targeted initiatives, such as, increasing sewer cleaning, upgrading our infrastructure and using new technology like sewer level monitors. We've reduced our pollutions by 10% between 2019 and 2020.
Performance commitments	For 2020/2021, with the exception of those detailed below, we have met 26 of the 49 performance commitments which have targets that apply this year. Full details on our performance can be found on pages 17 – 40. The performance commitments with a red status this year are stated below: • Water Quality Compliance (CRI) • Water supply interruptions • Per capita consumption • Mains repairs • Power resilience • Unregistered household properties • Empty household properties • Installing new smart meters in London • Replacing existing meters with smart meters in London • Internal sewer flooding • Pollution incidents • Treatment works compliance • Clearance of blockages • Surface water management • Enhancing biodiversity • Renewable energy produced • C-MeX • D-MeX • Risk of severe restrictions in a drought • Percentage of satisfied vulnerable customers • Proactive customer engagement • Responding to major trunk mains bursts • WINEP delivery	All our performance commitments are tracked by management, supported by monthly reporting to our Board and Shareholders, enabling prompt and timely corrective action.

In addition, on 8 July 2019, Ofwat wrote to Thames Water advising that it had commenced an investigation under the Competition Act 1998 in relation to TWUL's policy of smart meters and access to data. The investigation relates to TWUL's approach when installing digital smart meters, the impact this had on providers of data logging services and their customers, the accuracy of data about customers that Thames Water made available to retailers at the time of opening of the business retail market and the fairness of certain contractual credit terms which Thames Water applies to retailers. During the investigation process, Ofwat opened a separate investigations under the Water Industry Act where some of their concerns were not related to the Competition Act. Additional information is available in our Ring-fencing Certificate.

Furthermore, our annual Control Self-Assessment process, by which all senior leaders across the business confirm their awareness and compliance with our obligations, has not identified any other incidences of material non-compliance for reporting.

Risk and compliance statement 2020/21 continued

Within this table we set out material exceptions to the accuracy or completeness of our Ofwat reported data and information:

Description of data or information	Explanation
Mains rehabilitation	As part of our AMP6 Asset Health performance commitment, we committed to complete 650km of mains rehabilitation. In our 2019/20 Annual Performance Report, we reported successful delivery of 650.9km of mains rehabilitation based on the information we had available at the time. We have since completed the mapping of our projects in our geographic information system resulting in a downward adjustment of 23.4km to give a reportable length of 627.6km. There were delays in the mapping of our projects before our 2019/20 reporting. Without these delays our reported figure would have shown us in a penalty position and therefore we are in the process of agreeing with Ofwat on how best the penalty could be retrospectively imposed.
C-MeX	During the year we provide Ofwat with details of customer contacts for independent survey. As part of this data set we are required to include contacts where we do not have details for them. We found that one of our process was excluding some of these contacts resulting in a reduction in the total volume of contacts reported. This error did not affect the C-MeX survey and has been corrected.
D-MeX	The new D-MeX performance commitment had shadow reporting to enable alignment with the common methodology. In preparation for formal annual reporting it was identified that the time stamp being used to report the date and time of the first contact from a customer was unreliable. This error was corrected for annual reporting; however, it also affected our in-year reporting to CCW.
Leakage	Within our 2019/20 Annual Performance Report and monthly Section 19 performance reporting we use a water balance formula to calculate leakage. One of the components of the water balance formula requires the determination of minimum night use. We found an error in a small proportion of the night use data that has meant we've had to revise our reported leakage last year to 600Ml/d. This is still ahead of our target of 606Ml/d for 2019/20.

5. Board Assurance Statement

The Board of Thames Water Utilities Limited is satisfied that we have, except where otherwise detailed:

- Taken appropriate steps to understand and meet the expectations of our customers;
- A full understanding of, and have complied, in all material respects, with our statutory, licence and regulatory obligations;
- Appropriate systems and processes in place to identify, manage and review our material risks;
- Sufficient processes and systems of internal control to deliver our services to customers and meet our obligations; and
- Provided data and information to Ofwat which is accurate and complete in all material respects.

We also confirm that we have:

- Provided Ofwat with assurance that we have sufficient financial and management resources to enable us to carry out our regulated activities for at least the next 12 months (as detailed within our Ring-fencing Certificate on pages 108 – 110);
- Sufficient rights and resources to enable a special administrator to run our Company if such an order were to be made (as detailed within our Ring-fencing Certificate);
- Made sure that all trade with associated companies in the year has been at arm's length, as set out in Regulatory Accounting Guidance (RAG 5 – Guideline for transfer pricing and RAG3.12 – Transactions with associates and the non-appointed business as found within the Supply of Trade disclosure on pages 106 – 107);
- Maintained the investment grade credit rating Baa1 (as detailed in our CFO's statement on page 56 of our Annual Report and Sustainability Report);
- A principles based dividend policy in place (details of which can be found in the Directors' Report on page 104 of our Annual Report and Sustainability Report)
- Considered the financial impact of a range of severe, but plausible risk scenarios materialising to enable us to provide reasonable assurance that we will be able to continue in operation and meet our liabilities as they fall due over the next ten years, to 2030, as set out in our Long-term Viability Statement (which can be found on pages 49 – 50 of our Annual Report and Sustainability Report);
- Explained how we link Directors' pay to standards of performance as set out in section 35A of the Water Industry Act 1991 (further details can be found in the Directors' Remuneration Report on pages 87 – 103 of our Annual Report and Sustainability Report);
- Made our auditor aware of all relevant information (as required under the Companies Act 2006);
- Engaged and challenged management on their data and information assurance approaches through, for example, review and approval of the Statement of Risks, Strengths and Weaknesses and Final Regulatory Reporting Assurance Plans;
- Taken action to ensure that any exceptions and weaknesses in the data and information assurance approaches have been addressed, such as through the use of external independent assurance;
- Satisfied ourselves that the assurance approaches have appropriately identified and addressed any risks to the provision of accurate and complete data through reports from management and Director deep dive sessions, predominantly with the Chairman and/or members of the Audit, Risk and Reporting Committee; and
- Reported in Section 4 where we have not achieved the level of performance agreed in our Final Determination. Further information is available within our Performance snapshot on pages 10 – 14.

During the course of its work, our independent assurer, PwC is required to report if there are any material inconsistencies between the Regulatory Accounting Statements and other information contained with the Annual Performance Report; this includes the information contained within this Risk and Compliance statement. PwC has not identified anything to report in respect of this responsibility. A copy of the Independent Auditors Report is provided on pages 63 – 65.

Board Approval

This statement was approved unanimously at the Board meeting on 30 June 2021.

Ian Marchant
Chair

Brandon Rennet
Chief Financial Officer

Catherine Lynn
Independent Non-Executive

Ian Pearson
Independent Non-Executive

David Waboso
Independent Non-Executive

Michael McNicholas
Non-Executive

Greg Pestrak
Non-Executive

Sarah Bentley
Chief Executive Officer

Nick Land
Deputy Chairman and Senior Independent Non-Executive

Hannah Nixon
Independent Non-Executive

Jill Shedden
Independent Non-Executive

Paul Donovan
Non-Executive

John Morea
Non-Executive

Glossary of regulatory terms and regulatory environment

Appointed Business – The appointed business comprises the regulated activities of the Company which are activities necessary in order for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.

Arm's-length trading – Trading in which the Company treats the other party, usually an associate company, on the same basis as an external party.

Asset Management Plan ("AMP") – An 'Asset Management Period' is the five-year period covered by a water company's business plan. These are numbered; with AMP1 referring to the first such planning period after the water industry was privatized – i.e. the period from 1990 to 1995. The current period (2020 – 2021) is known as AMP7.

Associate company – Condition A of the Licence defines an associate company to be any group or related company. Condition F of the Licence requires all transactions between the Company and its associated companies to be disclosed subject to specified materiality considerations.

Bazalgette Tunnel Limited ('BTL') – is an independent company unrelated to Thames Water Utilities Limited that was appointed in 2015 to construct the Thames Tideway Tunnel. For the year ending 31 March 2020, the Company has included construction costs of the Thames Tideway Tunnel in its bills to wastewater customers. These amounts are subsequently paid to BTL. The revenue and profit on this arrangement, which is excluded from our key performance indicators, has been disclosed as non- appointed in the regulatory tables. The cash balance included (also shown as non-appointed) reflects amounts collected and not paid over at the balance sheet date.

Capital Expenditure ("Capex") – Expenditure to acquire, build or upgrade assets such as property, pipes and treatment works.

Committed Performance Level ("CPL") – in order to measure our progress against our performance commitments, we agreed committed performance levels with Ofwat for each year of AMP 7. Our committed performance levels are published in our Final Determination.

Cost – The actual cost to the supplier, of the goods, works or services, including a reasonable rate of return on capital employed. Unless the circumstances of the transaction provide a convincing case for the use of an alternative measure, the return on capital should be consistent with the cost of capital/net retail margin as set out in Ofwat's final determination.

Cost allocation – Cost allocation is the means by which all costs are allocated to appointed and non-appointed businesses, price control units, or specific supplies, works and services, ensuring a fair share of overheads, even where costs cannot be directly attributed to specific activities and associated services.

Cost driver – A cost driver is the factor or factors which cause cost to occur. This can be further divided between the driver that causes an activity to occur, and a driver that determines how often it occurs. Costs may vary in relation to the cost driver over the short or longer term, depending on the nature of cost concerned.

Consumer Price Index ("CPI") – The Consumer Prices Index is a measure of economic inflation based on a set series of goods and services set by the Office for National Statistics. This is the headline measure of inflation used in the Government's target for inflation.

Cross-subsidy – Cross-subsidy in this context is monetary aid or contributions from the appointee to the associate, or between price control units, which does not reflect the value of the services received. It also relates to services provided by the appointee to associate companies where there has been an under-recovery of costs incurred by the appointee.

External shareholders – this is the term used to describe the ultimate owners of the company. Most of our external shareholders are pension funds. They own the shares in our ultimate parent company, Kemble Water Holdings Limited. Dividends paid to External shareholders are paid by Kemble Water Holdings Limited and not by Thames Water Utilities Limited. During the current year, Kemble Water Holdings Limited did not pay any dividends.

Final Determination ("FD") – every five years Ofwat set the price, service and incentive package for water and sewerage companies.

Full-time equivalents ("FTEs") – For the purposes of cost allocation, FTEs should include all full-time staff, and contractors/temporary staff directly employed. Where there is an existing contractual arrangement in place with an associate or third party for example a third party billing arrangement, FTEs will include all full-time staff, and contractors/temporary staff directly employed by the associate or third party involved in providing that service to the appointee.

Household – These are properties used as single domestic dwellings (normally occupied), receiving water for domestic purposes which are not factories, offices or commercial premises. These include cases where a single aggregate bill is issued to cover separate dwellings having individual standing charges. (In some instances, the standing charge may be zero.) The number of dwellings attracting an individual standing charge and not the number of bills should be counted. Mixed/commercial properties and multiple household properties – for example, blocks of flats having only one standing charge – should be excluded.

Infrastructure and non-infrastructure assets – Infrastructure assets are mainly our below-ground assets, such as pipes, water mains, sewers, dams and reservoirs. Non-infrastructure assets are those mainly found above ground, such as water and sewage treatment works, pumping stations, laboratories and workshops.

Instrument of Appointment – Water companies operating the public water networks hold appointments as water undertakers, and those operating the public wastewater networks hold appointments as sewerage undertakers, for the purposes of the Water Industry Act 1991. They also supply water and wastewater services direct to household and non-household customers who are connected to their networks.

Kemble Water Holdings Limited – this is the ultimate parent company of Thames Water Utilities Limited. The shares of Kemble Water Holdings Limited are owned by External shareholders.

Licence – The Instrument of Appointment dated August 1989 under Section 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed Thames Water Utilities Limited as a water and sewerage undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

Measured – These are properties where some or all of the charges for supplies are based on measured quantities of volumes.

Glossary of regulatory terms and regulatory environment continued

Modern Equivalent Asset Value ("MEAV") – The cost of an asset of equivalent productive capability to satisfy the remaining service potential of the asset being valued if the asset would be worth replacing or the recoverable amount if it would not. The gross MEA value is what it would cost to replace an old asset with a technically up to date new asset with the same service capability allowing for any difference both in the quality of output and in operating costs. The net MEA value is the depreciated value taking into account the remaining service potential of an old asset compared with a new asset, and is stated gross of third-party contributions.

Non-appointed business – The non-appointed business activities of the Company are activities for which the Company as a water and sewerage undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the Company (for example, the use of underground assets for cable television).

Outcome Delivery Incentive ("ODI") – ODIs is a collective term for the incentives – financial and non-financial – that Ofwat has applied to the delivery of our five-year plan. 'Rewards' allow us to charge more over the next five years (in this case, 2020-2025), while 'penalties' require us to charge less. Some of these ODIs measure performance in each of the five years of our current plan, while others apply only to the whole five years.

Ofwat – The name used to refer to the Water Services Regulation Authority (WSRA) which is the economic regulator of the water industry.

Operating Expenditure ("Opex") – Payments for the day-to-day operations of our business, such as operating and maintaining our network and treatment works, paying our staff and our energy bills. This is known as operational expenditure or Opex.

Performance Commitment ("PC") – Outcome performance commitments agreed with Ofwat that reflect customers' views and priorities of service.

Price Review ("PR") – The price determination process undertaken by Ofwat every five years. Each water and sewerage undertaker submits a Business Plan covering the five-year period for which Ofwat will determine cost and revenue allowances.

Price control units – we report our performance for each of the separate services we provided customers, these relate to Water Network Plus, Wastewater Network Plus, Water Resources, Bioresources, Retail Household and Retail Non-Household.

Regulatory Accounting Guidelines ("RAG") – The accounting guidelines for regulatory accounts issued, and amended from time to time, by Ofwat.

Regulatory Capital Value ("RCV") – The capital base used in setting price limits. The value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology.

Retail – This term refers to any water company activities that take place once water has passed to the customer's side of a property boundary. These include billing, payment handling, debt management, meter reading and handling billing related calls.

Retail Price Index ("RPI") – The RPI is compiled and published monthly by the Office for National Statistics. RPI is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the United Kingdom.

Thames Tideway Tunnel ("TTT") – The Thames Tideway Tunnel is a landmark construction project which will protect the River Thames from pollution. London's sewer system is regularly overwhelmed and spills millions of tonnes of sewage into the tidal section of the river every year. The tunnel will tackle the problem of overflows from the capital's Victorian sewers for at least the next 100 years, and enable the UK to meet European environmental standards. The Company is responsible for planning, enabling and interface works for the project; the revenue and costs associated with this part of the project are shown in the TTT price control unit in the regulatory accounting tables.

Thames Water Utilities Holdings Limited – this is the immediate parent company of Thames Water Utilities Limited. Thames Water Utilities Holdings Limited is the recipient of any dividends paid by Thames Water Utilities Limited.

Third-party contributions – Grants and third-party contributions received in respect of infrastructure assets and any deferred income relating to grants and third-party contributions for non-infrastructure assets.

Total expenditure ("Totex") – The mechanism for planning and reporting capital (for example, buying a new car) and operational (repairing an old car) spend. The object is to achieve the optimum combination to deliver the required business plan outcomes. It applies to both water and waste (i.e. our wholesale business) but not to retail.

Unmeasured – These are properties where none of the charges for supplies are based on measured quantities of volumes. These include properties which receive an assessed charge because metering is not possible or economic.

Wholesale – This term covers all water company activities that take place before water passes the customer's property boundary – resources management, abstraction, treatment, distribution (water and sewer networks), sewage collection, transportation, sewage treatment, sludge disposal and energy from waste.

Working capital – the value of current assets which the company can call upon to settle current liabilities.

About this report

This report contains the regulatory accounts and additional information to comply with Condition F of the Instrument of Appointment ("licence") of Thames Water Utilities Limited (referred to in this report as "Thames Water" or the "Company") as a water and sewerage undertaker under the Water Industry Act 1991. Our licence can be found on the Ofwat website. https://www.ofwat.gov.uk/wp-content/uploads/2020/04/Thames-Water-Consolidated-Appointment-amended-March-2021.pdf

The regulatory accounts are prepared in accordance with the Regulatory Accounting Guidelines ("RAGs") issued by Ofwat, which are based on International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and International Financial Reporting Interpretations Committee ("IFRS IC") interpretations , as ratified by the European Union. Where different treatments are specified by Ofwat, the RAGs take precedence.

The regulatory accounts have been prepared on a going concern basis and in compliance with the followings RAGs:

- RAG 1.09 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime
- RAG 2.08 – Guideline for classification of costs across the price controls
- RAG 3.12 – Guideline for the format and disclosures for the Annual Performance Report
- RAG 4.09 – Guideline for the table definitions in the Annual Performance Report
- RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors.