

Appendix two – How our performance affects your bill (bill impact)

In-period adjustment – For most of our performance commitments, the penalties and rewards that apply as a result of our performance will be added up at the end of each financial year and reported in our Annual Performance Report. If we receive an overall reward, we can make a small increase to customer bills in the following financial year (2024/25). If we are in an overall penalty position, we will reduce customer bills in the following financial year (2024/25).

End of period – For a small number of our performance commitments we will measure and report our performance across the full five years of AMP7 and then work out whether we have met or failed our targets. Any penalties and rewards generated from these performance commitments will be added to or taken off customers' bills in the last year of AMP7 and the first year of the next AMP.

We have met or beaten 83% of the targets in year three, improving the services that we provide to customers. Our performance has generated financial penalties of –£23.921 million and outperformance payments of £49.197 million. Ofwat (the economic regulator for the water industry) has decided that the underperformance payments that relate to

the per capita consumption target should be deferred until year five of AMP7.

This means that the net outperformance payment for year three of AMP7 is expected to be £25.277 million. Ofwat will now review our calculations and reported performance and will decide the final value of these payments for year two of AMP7. These will then be reflected in customers' bills for the 2024/25 charging year.

The total level of customers' bills in 2024/25 will also depend on a number of other factors which have yet to be decided or reported. These include the level of inflation recorded for November 2023 (which is not reported until December 2023). This means that we cannot publish final information about changes to bills in 2024/25 until late 2023 and early 2024.

However, if Ofwat confirms our estimate of an outperformance payment of £25.277 million, we estimate that this will represent an increase of approximately £11 to £12 in the average household bill in 2024/25, reflecting the level of performance we have achieved. This is approximately £1 higher than in 2022/23, when average bills were £416.

