

Our Year in Review 2022/23



AffinityWater

Welcome to Affinity Water's Year in Review for 2022/23

About us

We're a 'Water Only' company. That means we supply clean water to our customers, but we do not manage or process wastewater or sewage. In fact, we're the largest water-only company in the United Kingdom, owning and managing the water assets and network in an area of approximately 4,500km².

We've been supplying water to the community in our three supply regions in the South East of England for more than 170 years.

Our Performance Highlights

We've had a challenging year with the summer drought and winter freeze/thaw events and pressure from inflation rates. However, our underlying performance for interruptions to supply was strong and we've made significant progress in other areas including beating our leakage target plus achieving one of the best water quality scores in the industry.

We've also met all the requirements set to us by the Water Industry National Environment Programme (WINEP) for our river restoration schemes and biodiversity improvement projects.

948mld

million litres of drinking water supplied daily

3.89m

customers

1.49m

household properties

£323.3m

revenue

16,900km

of mains network

1,517

employees

91

treatment works

£14m

operating profit

£1.44bn

planned investment for 2020-2025

£100.9m

Net loss [after tax]



15.8%

leakage reduction. Beating our target of 14% for the year and we're on track to reduce leakage by 20% by 2025.

12mins, 53secs

average interruptions to supply, against a target of 5 minutes, 45 seconds.

97,000

customers helped with their bills through our social tariffs, such as our discounted rates for customers on low incomes or with additional support requirements.

75%

customer satisfaction. We achieved a 75% satisfaction rating from customers answering the Customer Experience Industry Measure. We're working hard to improve on this and make sure we meet our customers' expectations and deliver the right outcomes for them.

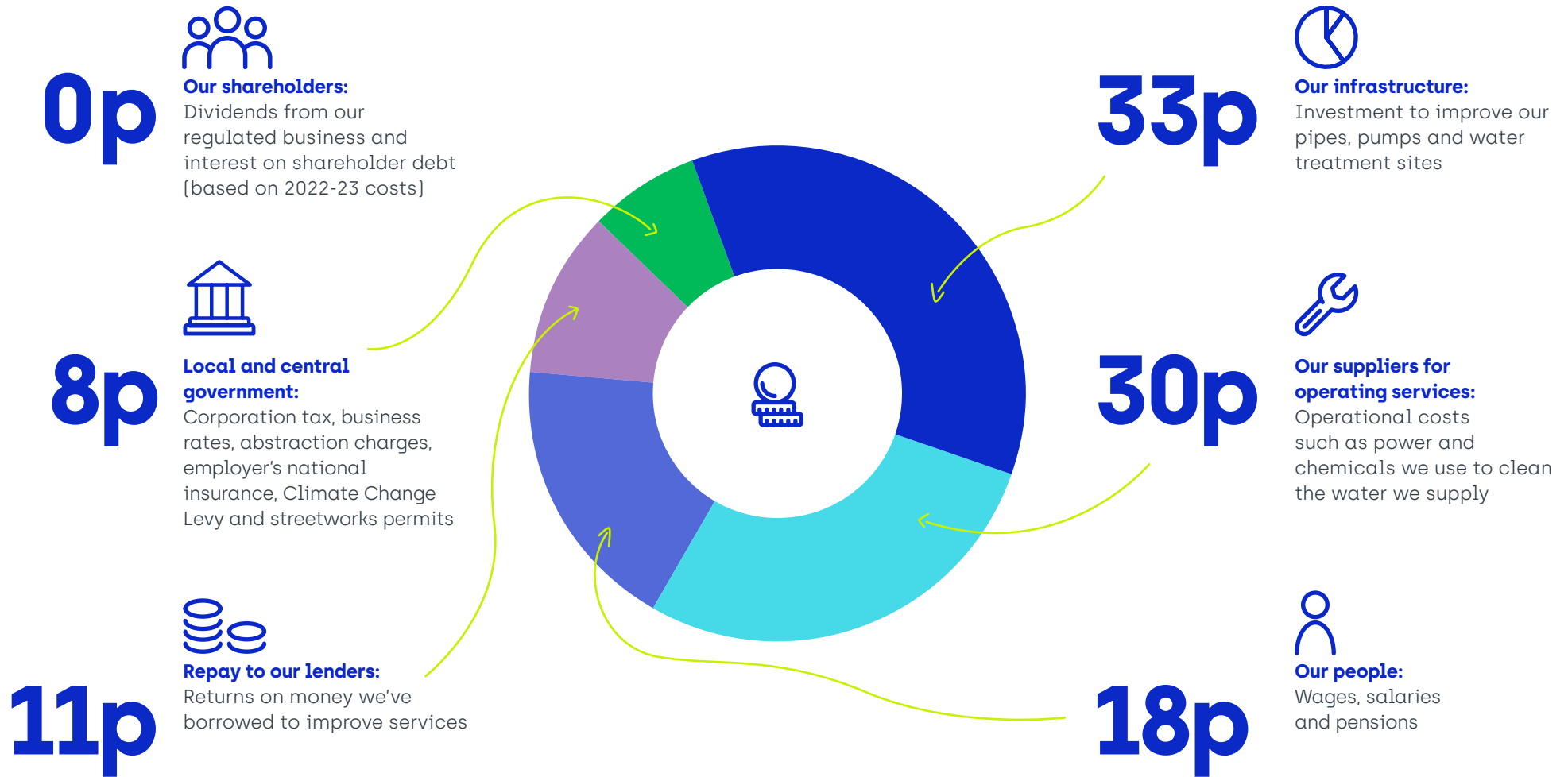
4.3%

increase in the volume of water used; this year our customers have used 4.3% more water per person. We're working to provide a range of tools with the aim to reduce water demand, such as Save Our Streams and free water-saving devices.

1.092

Compliance Risk Index [the measurement we use for water quality.] All water companies in the U.K. are measured for their level of water quality. We've continued to achieve a high water quality score, making sure that we're one of the best nationally.

How every £1 is spent*



The Fair Tax Foundation is an independent, not for profit community benefit society. The certification scheme was launched in 2014 and seeks to encourage and recognise organisations that pay the right amount of corporation tax, at the right time and in the right place. Affinity Water has been accredited for the fifth year in a row.

* Please note, the amounts in pence are rounded figures.

Welcome

Welcome to Affinity Water's Year in Review. This report summarises our performance over the past year, highlighting both the challenges we faced and the achievements we made in key areas.

Within the year, we faced extreme weather events and a rise in costs from inflation. Both factors impacted our finances and several important parts of our operations. We did, however, make significant progress in other areas:

- We **exceeded our leakage target** by achieving a 15.8% reduction. This means we're on track to reach our five-year goal of reducing leakage by 20% before 2025.
- Preserving the environment and providing high-quality drinking water have remained at the core of our mission. We've **continued to rank among the top performers** in the industry as measured by the Compliance Risk Index.
- Although we solely provide drinking water and don't manage sewage networks, we're committed to improving rivers and the broader environment. We've successfully **met all targets** set by the WINEP.
- We're making progress towards our five-year target of reducing how much water we take from chalk groundwater sources by **36 million litres per day** by 2025.
- Construction of a **new treatment facility** is underway helping us to achieve our goal of taking less water from groundwater sources.

Over the last few years, we've all faced unprecedented challenges worldwide. The Covid-19 pandemic caused disruption to water consumption patterns with more people being at home. This led to an increase in water use and impacted our costs and operational metrics.

Water treatment and distribution are energy-intensive processes. The rise in the cost of energy has become one of our major expenses. Although our energy hedging strategy has provided protection, higher-than-expected prices have posed a challenge.

Inflation has reached its highest level in four decades; this has resulted in additional expenses to maintain and operate our network.

We know that many of our customers are struggling with the rising cost of living. We currently have over 97,000 customers receiving assistance with their bills and we'll continue to promote our social tariff schemes.

In the past year, our region has faced record-breaking summer temperatures and an uncommon freeze-thaw event. Heatwaves increase water demand which puts a test on our network and drought conditions lead to more bursts due to ground movement.

The freeze-thaw event we faced in December 2022 led to more bursts as the sudden temperature changes caused pipes to expand and contract.

These challenges have impacted our Interruptions to Supply performance commitment, and unfortunately, we didn't meet the target this year, despite our previous industry-leading performance. However, our underlying performance was strong, and without the extreme weather, we would've surpassed last year's results.

Despite inflation and extreme weather difficulties, we're confident in our ability to meet most of our five-year performance commitments by 2025. We're also well-prepared to enter the next asset management period (2025-2030) in a strong position, ensuring the continued delivery of high-quality, reliable water supply to our customers while prioritising environmental stewardship.

Keith Haslett
Affinity Water CEO



What we stand for

We're taking care of your water now and for the future.



Stewards of the local environment

Our purpose

We supply high quality drinking water and take care of our environment, for our communities now and in the future.

Our vision

Our vision is to be the UK's leading community-focused water company.

Our region is like nowhere else in the world as it's home to some of the world's rare chalk streams. Chalk streams are under threat from the impacts of climate change, demand for water, pollution, population growth and centuries of river alterations to service societal needs.

Our aspiration

- To provide a **long-term sustainable supply** of water by reducing leakage, reducing demand, and creating new sources of water.
- To **take care of the environment** by ending unsustainable abstraction from chalk groundwater sources, and working with our communities to restore rivers and improve biodiversity in our supply area.
- To achieve **net-zero carbon** from operations by 2030.

Revitalising chalk rivers, improving flow and restoring habitats

Since 2015, we've been working with the Environment Agency and a range of other partners to protect and revitalise 14 chalk streams across our supply area.

This will mean we would have reduced the amount of water we take from the chalk aquifer by almost 100 million litres of water a day since the 1990s.

We also have our Biodiversity Programme, which aims to **protect, restore, and enhance the species and habitats** present on our land holdings, and our wider communities through partnership programmes.

However, we know there's much more that needs to be done. In 2022/23, we met all of our obligations for the WINEP, which includes various river restoration projects and biodiversity improvements. We've worked to **restore over 125km of chalk streams**.

Our extensive programme to restore our rare chalk streams is working to improve environmental resilience, recreation value and the local habitats for wildlife.

River restoration involves creating resilient river systems by restoring the rivers and enhancing habitats. We've removed obstacles like weirs, created bypasses around obstacles that cannot be removed, narrowed channels to increase the speed of water, created meanders, and carried out tree management work to allow more light into the channel.

This programme **reduces the amount of water we take from the chalk aquifer** (through groundwater abstraction). Our aim is to further reduce groundwater abstraction by 36 million litres of water a day by 2025.

You can read more about our work on the [River Ivel](#).

We are



What we stand for



We're working on several projects that are investing in our pipe infrastructure to help modernise the network. This modernisation helps to reduce leaks and leaves more water in the environment. We're also making sure we give customers the tools and information they need so that every single one of us can use water better and leave more in the environment.

Our aspiration

- We aim to **reduce people's daily water use** by 12.5% by 2025 through metering, and inspiring our customers to use less through our award-winning Save Our Streams campaign.
- We'll continue to work with government, regulators and across sectors to campaign for the changes we need to **make saving water simpler**.

Our industry-leading water saving campaign Save Our Streams

In 2022, we launched the next phase of our award-winning [Save Our Streams \(SOS\)](#) initiative, which aims to help customers use water wisely, save money, and support the local environment.

Our new My Water Footprint tool helps customers understand their water usage easily, **provides tips to reduce the amount they use as well as providing free water-saving devices** for their homes. The new creative campaign, featuring Duck, succeeded in reaching customers, with an 88% awareness level. We also teamed up with high-profile campaigner Ben Fogle and local school children for a lesson on the River Chess. **More than 240,000 people have now joined our Save Our Streams** water saving campaign, and hundreds of thousands more households who have seen the campaign have started their water saving journey. Our calculations show that our customers water saving efforts reached more than 23 million litres a day last year.

The programme will continue this year and focus on water usage behaviours that are easiest for customers to change in day-to-day life. We'll also be running a campaign to empower customers to identify and fix home leaks, and a new educational programme across schools, to help children and their families understand their water use, and encourage them and schools to save water, save money, and help Save Our Streams.



What we stand for



Giving customers an exceptional experience

We're a local company, which means we don't just serve our customers, we live alongside them, which is why we're always asking how we can do more to give our customers an exceptional experience and be part of local life.

Our aspiration

- We'll continue to produce **high-quality affordable water**.
- Improve our **customer experience** by investing in digitisation and customer service.
- We'll continue to **reduce disruption** by using the latest methods and technology to keep water flowing.
- To **support more customers** who are struggling to pay and provide extra support to vulnerable customers through our Priority Services Register.
- We'll continue to invest in **building our brand**, to increase awareness of who we are and what we do.

New tariff trial aims to make water bills more affordable and help customers use water better

In 2023, we announced plans to trial a new structure of charges for a group of preselected customers in order to make water bills more affordable and encourage water saving.

Our 'WaterSave' Tariff trial will look at whether the new charging system is fairer and more affordable, **including an allocation of free water**.

We'll also discover if households use less water due to the tariff structure, with lower consumption contributing to sustainability and protecting water supplies and the environment.

WaterSave will be based on a rising block charge with a different price applying to the first (which is free), middle and end blocks of consumption.

The fixed charge is also less than half of the standard rate. **We expect that 2 out of every 3 households will be better off, with lower bills on WaterSave.**

The trial will involve around 1,500 customers, selected across different income levels and water usage patterns, all of whom have water meters. Find out more about our [tariff trial](#).

Our Business Plan for 2025-2030 at a glance

What our customers want shapes what we do

Every five years, water companies update their business plans using feedback from customers and other stakeholders, and to reflect the new requirements from our regulators.

This process is known as a price review, and we're currently planning for the Price Review 24 (PR24) period. Our draft business plan for 2025-2030 was published for consultation in spring 2023 and will help shape the final plan we submit to Ofwat in autumn 2023.

Environment



Our ambition is to leave the environment in a sustainable and measurably improved state

We will:

- Reduce the amount of water taken from **chalk aquifers** in the next 5 years.
- Deliver a programme of **river restoration and catchment management**.
- We've committed to **reducing operational carbon** emissions to zero by 2034.

Resilience



Our ambition is to be prepared for change, and resilient to shocks and stresses.

£57m of leakage reduction totalling 21.6 million litres per day by 2029/30 on our path to a 50% reduction by 2050.

Reduce water consumption by 130 million litres a day in 2030 from a 2025 baseline.

Install 400,000 smart meters to help customers understand and control their water usage.

Protect key assets from single point failures.

Additional Flood Alleviation [protecting sites from climate change].

Increased network calming - an important piece of **work that not only reduces leakage but reduces the cost of investing in replacement pipes.**

Customers



Our ambition is to deliver what our customers need, ensuring affordability for all.

£83m package of **water quality treatment upgrades to improve water quality further**

Provide a broad **package of support for customers** struggling to pay, including:

Water assistance voucher scheme and **debt support** scheme

- **Simple [reduced bill](#)** tariff scheme.
- **Tariff and charges trial** to support affordability.
- **Payment breaks** and payment plans.
- **Free repairs** of customer supply pipes for vulnerable customers.

[Home water efficiency checks](#) to help reduce water and energy usage.

Communities



Our ambition is to work with our communities to create value for the local economy and society.

Enhance our programme of collaborative working with the community and local government and charitable organisations to run local events.

Staff volunteer days to help local communities and charities.

Improved visitor experience by providing public access to sites including catering and water sports by third parties and partners.

River enhancement opportunities to support biodiversity and flood management within the Colne Valley.

Planning our future, together

Our 50-year action plan for water

In autumn 2022, we published a draft plan for how we'll provide a sustainable supply of water and take care of our environment for the next 50 years.

Our plan is known as our Water Resources Management Plan (WRMP).

A growing population, increasing demand for water and climate change are all factors that put pressure on the local environment. This affects the water resources in our supply area.

Our WRMP looks at how much water we have, how much water we need and the options available to reduce the demand and increase the supply. By making sure we use the right combination of these options we can make sure we keep delivering the best value for money for our customers.

Within our WRMP, we have plans for reducing customer demand for water, driving leakage down even further, metering programmes, and investing in our network and new infrastructure to create new sources of water.

With the actions laid out in our plan, we'll be able to provide a sustainable supply of water for a growing population, leave more water in the environment for sensitive habitats such as chalk streams and improve our resilience to climate change.

If we all do nothing, the area we supply will face a possible shortfall of 449 million litres a day by 2050.

Find out more information about our [WRMP here](#).

Thank you for reading Our Year in Review!

If you'd like to find out more information about our performance, how we operate or what we do, please read our latest [Annual Report 2022/23](#).



AffinityWater