UUWR26-14R

Cost Change Draft Determination: UUW Representation

Area of representation: Evidence on AMP8 delivery

September 2026

This document sets out UUW's response to Ofwat's draft determination and its deliverability assessment for UUW's cost change submission based on the May 2026 Delivery Plan progress report. It provides further evidence and explanation based on the 2026 assured Delivery Plan progress report and analysis of the industry's published 2026 assured Delivery Plan progress reports.

Reference to Draft Determination documents:
'Notification of the PR24 cost change process draft determination for United Utilities'
'PR24 cost change process - Sector Overview'

United Utilities

Water for the North West

1. Key points

- **We welcome Ofwat's assessment that we remain on track to deliver our AMP8 programme.**
- **UUW is delivering AMP8 at scale and pace**, with 93 per cent of major capital projects mobilised, mature design activity underway, and supply-chain partners fully engaged through our embedded frameworks.
- **Our representation explains movements from baseline milestones and expenditure profiles using the August 2026 assured evidence.**
- **Delivery confidence is independently assured**, with 95 per cent of PCD value rated Green/Blue by third-party assurers. UUW is industry leading as the only water and sewerage company with no PCDs rated Red by either the company itself or the assurer.
- **UUW is outperforming the sector on key delivery metrics**, including forecasting 63 per cent of all schemes will be released to supply chain by the end of 2026-27 (vs 50 per cent sector aggregate) and 94 per cent of wastewater schemes in construction or delivered by the end of 2027-28 (industry leading, vs 67 per cent sector aggregate).

2. UUW's Cost Change proposal

In its Cost Change 2026 submission, section 7 of document UUW26-02 '*Growth Unlocked: Water for the New Economy*', UUW demonstrated that we are already delivering AMP8 at scale and pace, providing evidence of capability, capacity and controls to deliver the proposed cost change programme. We have mobilised our largest ever investment portfolio, with mature programme management, early design mobilisation, strategic procurement and strong supply-chain engagement already in place. This has enabled us to meet our regulatory commitments, maintain alignment to PR24 delivery and expenditure profiles, and proactively re-sequence and bundle work to maximise efficiency and minimise customer disruption.

We also evidence that our supply chain is fully prepared for the additional investment in our cost change proposal, supported by detailed deliverability assessments, risk registers and independent assurance. Our approach smooths investment across AMPs, reduces long-term cost pressures, and ensures that new infrastructure can be delivered without compromising existing commitments. Overall, section 7 provides evidence of UUW's capability, readiness and resilience to deliver the proposed programme efficiently and on time.

3. Draft determination position

Ofwat's delivery assessment in its draft determination Notification section A2.1 relies on UUW's unassured May 2026 Delivery Plan update.

Ofwat considers that UUW's May 2026 update provides sufficient and convincing evidence that we remain on track to deliver our PR24 commitments by the end of the 2025-30 period.

Ofwat noted that UUW shows good progress against water and wastewater PCD deliverables, in particular:

- 90 per cent of our wastewater 2025-26 interim milestones were delivered;
- 63 per cent of water 2025-26 interim milestones were delivered; and,
- 84 per cent of our water capital schemes will be in construction or delivered by the end of 2027-28;
- 72 per cent of wastewater capital schemes will be in construction or delivered by the end of 2027-28

Ofwat concludes that this provides the company with sufficient headroom to respond to unforeseen events and manage any delivery risks. Ofwat does, however, identify concerns in relation to delivery forecasts including:

- UUW is meeting 63 per cent of 2025-26 water interim milestones. This is below the sector average.

- UUW forecasts that by the end of 2026-27, 54 per cent of water capital schemes will not yet be released to the supply chain. This is above the sector average.
- By year end 2025-26 UUW has underspent its wastewater allowances by 37 per cent, with forecast catch-up by the end of 2028-29 and slight overspend by the end of AMP8.
- 53 per cent of wastewater capital schemes forecast have not yet been released to supply chain by the end of 2026-27. This is above the sector average. Ofwat is therefore concerned that this could lead to slippage later in the period.

4. Issues and implications

Ofwat's draft determination relies on UUW's May 2026 unassured Delivery Plan progress update, which reflected early-stage programme maturity. UUW's August 2026 assured Delivery Plan progress update provides a more accurate evidence base as it is supported by independent third party assurance.

Using this updated information alongside comparative analysis of published industry assured 2026 Delivery Plan progress updates[1], we provide additional evidence in the main areas of concern identified by Ofwat.

4.1.1 Overall delivery confidence

We welcome and agree with Ofwat's assessment that we remain "on track" to deliver our AMP8 programme. We have provided additional evidence in the areas of concern identified by Ofwat covering UUW's milestone progress and programme maturity.

Our assured August 2026 Delivery Plan submission demonstrates significant delivery maturity, supported by third party assurance. Delivery confidence continues to strengthen as a result of early mobilisation and front-loaded design activity across the AMP8 programme. This is evidenced by:

- At year-end 2025-26, we had fully mobilised 93 per cent of major capital projects, with design teams in place and supply chain construction partners engaged through our fully embedded frameworks.
- Over half of the schemes have now completed the solution shortlisting to identify a single option (i.e. interim milestone 2 'IM2'). This early maturity provides greater certainty in delivery schedules, cost profiles and risk management.

4.1.2 2025-26 interim milestone completion

Whilst Ofwat notes some concern on the progress of milestones in 2025-26 for specific water PCDs, we remain confident in our delivery programme. We have delivered 85 per cent on average across all interim milestones (IM1 to IM6) included in the August 2025 baseline forecast for 2025-26.

The smaller population of water PCD schemes has seen more resequencing of interim milestones than wastewater. As we explain in the August 2026 assured Delivery Plan, the interim milestone movement in water is a result of proactive re-sequencing and bundling of works – not delivery slippage. PCDW16c Reservoir Safety provides an example of this where we have proactively reprofiled projects to drive programme level efficiency across the 18 sites, aligning with other packages of work. Such proactive programme management allows us to maximise supply chain capacity and minimise customer disruption during an unprecedented sector-wide investment period.

The programme adjustments reflect improved solution understanding, programme maturity, refined sequencing assumptions, and deliberate front-loading – strengthening delivery confidence later in AMP8. This delivery confidence is reflected in sector-leading RAG ratings from the third party assurer, with 95 per cent of PCDs by value rated Green or Blue. Such active programme management adjustments are consistent with Ofwat's own

[1] As at the time of writing, no data was publicly available for Portsmouth Water and not all companies had made company and/or third party assurer RAG ratings publicly available.

guidance in its recently published Delivery Plan assessment framework that milestone movement can reflect programme optimisation.

4.1.3 PCD RAG assessments and confirmation of them by third party assurers

UUW's third party assurer supports our view of the delivery risk and profiling, having fully assured the August 2026 Delivery Plan progress report and concurring with UUW's view on the RAG assessment for all but one PCD and one line of a further PCD.

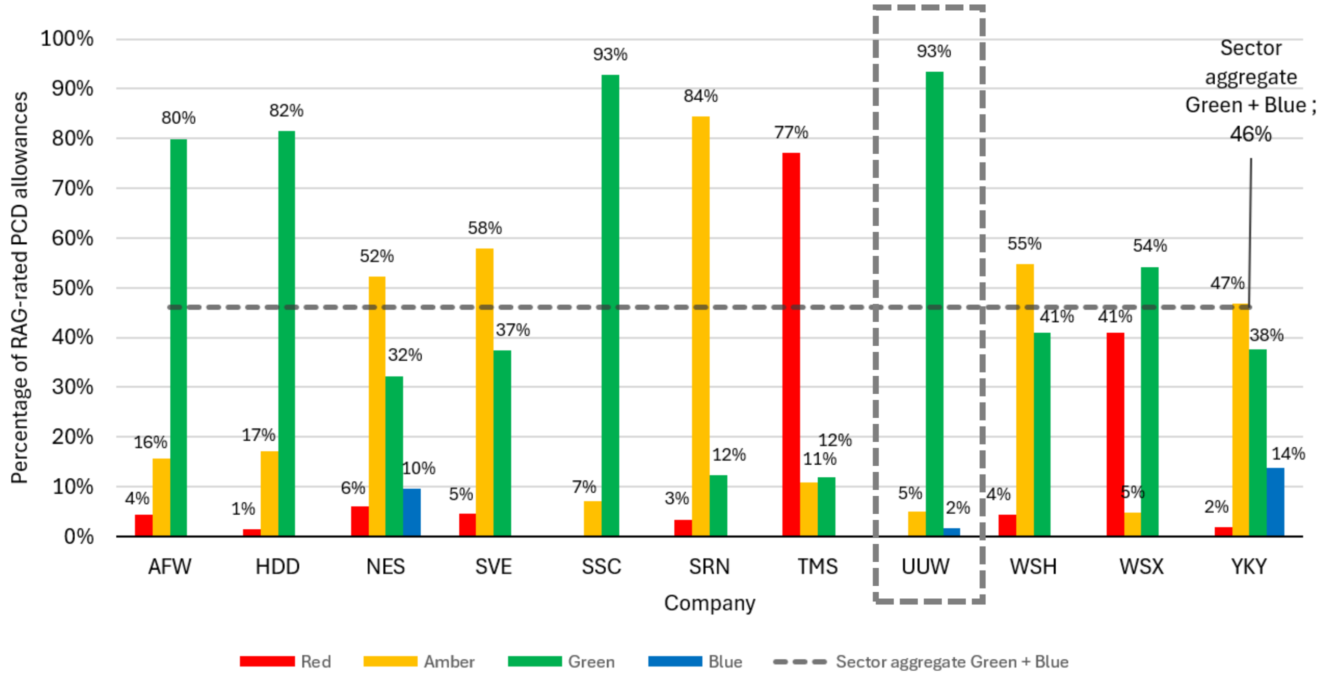
UUW's third party assurer broadly supports the company's view of delivery forecasts. The assurer rates 95 per cent of the total value of UUW's PCDs as Green or Blue; UUW's own assessment of the deliverability of the PR24 PCDs rates 96 per cent as Green or Blue. Both assurer and UUW have confidence that the PR24 FD PCDs are deliverable.

Based on the published assured 2026 Delivery Plan updates[2], UUW is the only water and sewerage company with no PCDs rated Red by either the company itself or its third party assurer. This places UUW among the strongest performers in the sector and materially reduces the risk profile Ofwat describes.

We understand that, for timing reasons, third party assurance ratings could not be included in the deliverability assessment within the draft determination notification. These ratings are only included in the assured year end report submitted in August 2026, following the 2026 cost change process submission deadline.

Based on the published reports, in Figure 1 below we summarise the proportion of PCDs by each RAG rating as a percentage of total allowances with a PCD. We can conclude that UUW has the highest percentage of PCDs with a Green or Blue third party assurer RAG rating, at 95 per cent. This is significantly higher than the industry aggregate which is 46 per cent. UUW is also one of the very few companies with no PCDs rated Red by either the company or the third party assurer.

Figure 1: Percentage of rated PCD allowances by third-party assurer RAG rating - total



Source: UUW analysis of assured 2026 Delivery Plan data tables and accompanying reports

4.1.4 2026-27 projects released to supply chain / awarded

Ofwat raised concern that 54 per cent of water and 53 per cent of wastewater capital schemes were not yet forecast to be released to the supply chain by the end of 2026-27 and that this was above the sector average.

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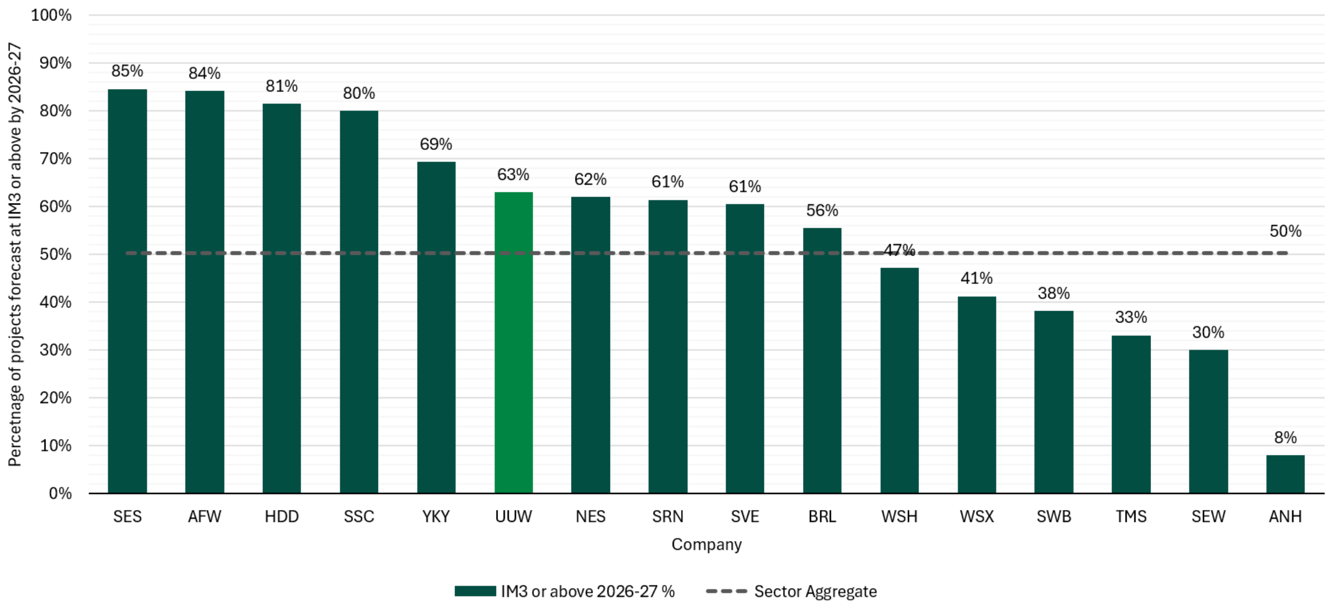
[2] As at the time of writing, no data was publicly available for Portsmouth Water and not all companies had made company and/or third party assurer RAG ratings publicly available.

From an analysis of UUW's and all publicly available companies' assured 2026 Delivery Plan data tables, we are unable to reproduce the wastewater statistic or the framing of it.

Using assured August 2026 data, 64 per cent of UUW's wastewater schemes are forecast to be released to the supply chain by the end of 2026-27 – significantly better performance than the sector aggregate of 49 per cent. UUW is the third-best performer in the industry on this metric.

Overall, as shown in Figure 2 across both water and wastewater combined (including base PCDs), UUW forecasts 63 per cent of schemes will be released by the end of 2026-27, significantly better than the 50 per cent industry aggregate.

Figure 2: Percentage of projects forecast at IM3 or above by 2026-27 - total



Source: UUW analysis of assured 2026 Delivery Plan data tables

We have mobilised our projects as early as possible in AMP8 to establish the optimal delivery strategy and engaged our supply chains who we began mobilising as part of our transitional investment in AMP7. Our approach ensures that solution refinement and sequencing decisions are made early, maintaining confidence that customer outcomes, water quality standards and regulatory commitments will be delivered as planned.

As outlined in our August 2026 assured Delivery Plan progress report, over 90 per cent of our programme is already fully released to our construction framework partners with capacity for additional cost change schemes (as evidenced in our Cost Change 2026 submissions) and AMP9 transitional investment. This gives us significantly more delivery certainty than Ofwat's assessment suggests. As such, we remain confident in the delivery of our AMP8 programme.

In addition to specific project awards and alongside our design and construction delivery frameworks, we have identified a number of strategic procurement categories for plant and equipment which is used across multiple projects. Examples of necessary equipment that we have secured includes blowers, chemical dosing rigs, centrifuges, above ground tanks, odour control, sludge screens and conveyors. Early planning for AMP8 allowed us to work with the market to secure manufacturing slots in bulk and in advance of when the equipment is needed, therefore de-risking our delivery programmes at a time of unprecedented investment, not just in the water sector but in other major UK capital investment sectors.

4.1.5 2027-28 projects in construction / delivered

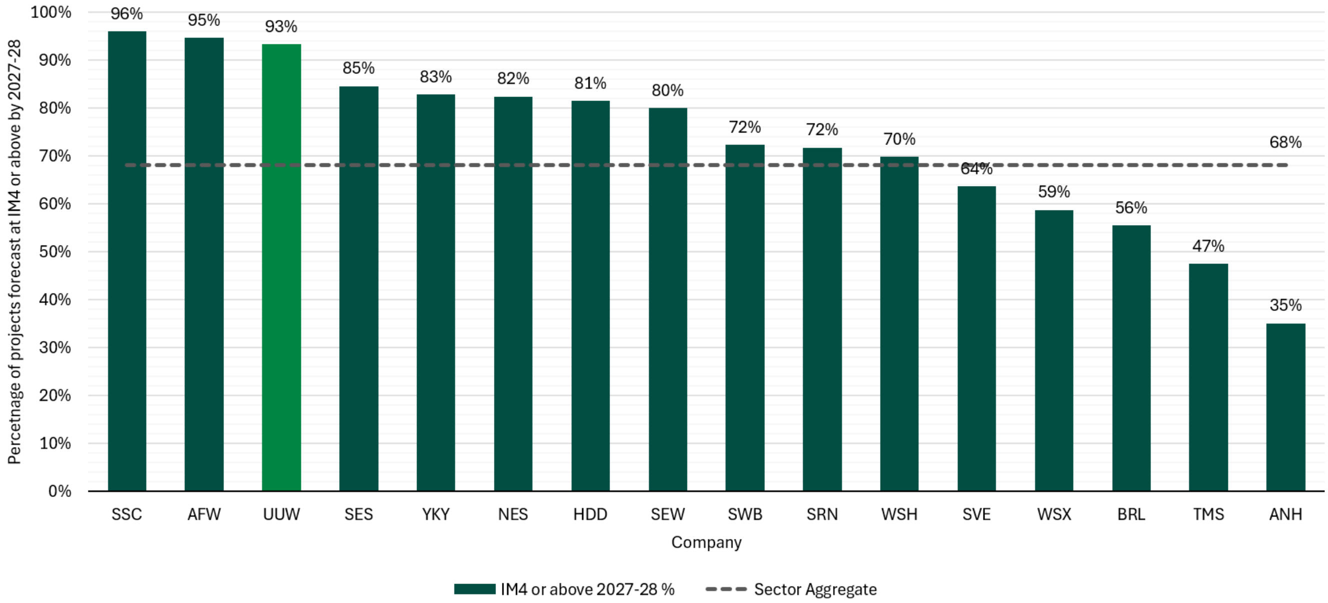
Ofwat noted positively that 84 per cent of our water and 72 per cent of wastewater capital projects are forecast to be in construction or delivered by the end of 2027-28 and this should provide the company with sufficient headroom to respond to unforeseen events and manage any delivery risks.

Based on published Delivery Plans, we are unable to reproduce the wastewater statistic or the framing of it. Instead based on our independently assured 2026 report, we forecast to have 94 per cent of wastewater capital projects in construction or delivered (at or beyond interim milestone 4) by the end of 2027-28. This is the best forecast performance in the industry, far exceeding not only the industry average of 67 per cent and also the second placed company which is at 83 per cent.

UUW's water performance of 84 per cent is also above the industry average of 78 per cent.

Overall, as shown in Figure 3 across both water and wastewater combined (including base PCDs), UUW forecasts 93 per cent of capital projects will be in construction or delivered by the end of 2027-28. This places us among the top performers nationally at third highest in the industry for publicly available data and significantly in excess of the industry average of 68 per cent.

Figure 3: Percentage of projects forecast at IM4 or above by 2027-28 - total



Source: UUW analysis of assured 2026 Delivery Plan data tables

Such robust delivery forecasts are supported by UUW's third party assurer which rated 95 per cent of the total value of UUW's PCDs as Green or Blue; UUW's own assessment of the deliverability of the PR24 PCDs rates 96 per cent as Green or Blue.

4.1.6 2025-26 cost underspend

Ofwat noted a 37 per cent underspend of cost allowances in wastewater by year end 2025-26. Ofwat acknowledged that this is because expenditure profiles have deviated from Delivery Plan assumptions and includes bundling of some projects together where it is more efficient to do so.

Ofwat's own guidance – the August 2026 Delivery Plan assessment framework[3] – recognises that underspend isn't necessarily a cause for concern, an indicator of underperformance or a delivery risk. Ofwat also considers that it can be an indicator of efficiency within a programme. We welcome Ofwat's recognition of this; as we have explained in our assured 2026 Delivery Plan progress report our expenditure profiles have matured since baseline Delivery Plans due to bundling of projects, resequencing and programme efficiency.

Our revised delivery profiles are based on a more mature understanding of our portfolio of work. Our expenditure and delivery schedules have matured from the early view shared with Ofwat in our response to the PR24 draft determination to solution-specific estimates and supply chain aligned forecasts.

[3] https://www.ofwat.gov.uk/wp-content/uploads/2026/05/PR24-Delivery-Plans-assessment-framework-1.pdf

The investment programme has transitioned from baseline assumptions (as set out in our PR24 business plan submission) to delivery-ready plans, underpinned by supply chain engagement and validated solutions with increased confidence in both expenditure and schedule while maintaining alignment to our commitments. It is therefore important to recognise this when comparing the updated totex profile against the baseline profiles. We have also completed detailed feasibility, design and commercial work since the baseline was constructed. As such, any variations to the PR24 final determination profiles reflect active programme management and a more mature understanding of delivery, rather than emerging delivery risk.

5. Approach for final determination

Alongside our wider Delivery Plan submissions and the independent assurance of our 2026 full-year progress report, we consider that the evidence set out above demonstrates that our AMP8 programme is firmly on track. This provides Ofwat with clear, assured information providing confidence in our ability to deliver the full scope of the 2026 proposed cost change.

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