

UUWR26-07R

Cost Change Draft Determination: UUW Representation

Area of representation: Upgrading Boreholes

September 2026

This document sets out UUW's response to Ofwat's draft determination for the boreholes asset health cost change and explains why certain excluded interventions should remain within scope. It provides further evidence that the proposed investments are primarily driven by asset health needs and the management of risks to existing operational assets.

Reference to Draft Determination documents:

'Notification of the PR24 cost change process draft determination for United Utilities'

'PR24 cost change process – Asset health cross cutting issues appendix'

'PR24 cost change process – Price control deliverables appendix'

'CCP 2026 DD Cost Change model - United Utilities'

'PR24CCP12 Cost Change Draft Determinations 2026 - Asset health PCDs'

1. Key points

- We accept Ofwat’s decision to exclude [X].
- We provide further and extended evidence on other site exclusions and believe that a borehole at [X] should be brought back in scope. The evidence that supports this change is:
 - [X] – All three boreholes on site are in poor condition. We propose that we swap borehole one (non-operational) for borehole three (operational) in our case. Whilst we put forward in our cost change submission the worst condition borehole, the site requires a borehole to be renewed or a new borehole to be drilled outside of the existing building in order to maintain the yield and deployable output within a tolerable level of risk to service.
 - [X] – We demonstrate that this borehole has been in operation since July 2026 and should therefore be included in the scope of the asset health cost change.
 - [X] borehole – The well and the bore on the same site are connected via an adit (underground horizontal tunnel.) This means that **both** should receive upgraded headworks in order to manage the [X].
- Our representation has been independently assured by Deloitte’s to confirm that data and other information is accurate, complete and not misleading. Please see the associated memo, UUWR26-08 - Asset Health DD response – assurance report.
- We ask that Ofwat reinstates the scope for these three boreholes with cost allowances that sum to £2.3 million for [X]. We also propose that appropriate PCDs for these boreholes are also adopted to protect customers. The revised totex allowance for the programme should be £13.0 million.

2. UUW's Cost Change proposal

In its Cost Change 2026 submission UUW proposed £13.3 million of investment in AMP8 across 24 boreholes where there is evidence of deterioration, material risk to service and interventions can be deliverable alongside existing AMP8 commitments. The proposed programme comprises of:

- replacement of headworks at 18 boreholes,
- cleaning of five boreholes; and,
- renewal of four boreholes through relining or redrilling.

Our totex submission is summarised in Table 1 below.

Table 1: UUW’s AMP8 totex cost change proposal for boreholes (£million, 2022-2023 CPIH)

	AMP8 totex
Capital expenditure across 24 boreholes	13.464
Opex savings	(0.129)
Cost change proposal	13.336

Source: UUW estimates

This shows the capital expenditure across the 24 boreholes as reported in Table 9 in our original submission “UUW26-14 Asset Health Business Case – Upgrading Boreholes” and the value of £13.3 million included in our submitted data table which is net of the £0.1 million opex savings.

3. Draft determination position

In the draft determination Ofwat concludes that there is sufficient and convincing evidence that the proposed investment meets the need for a step change in investment criteria. However, Ofwat excludes investment associated with four non-operational boreholes on the basis that they have not been in supply for more than three years. The reason for their exclusion is that bringing these assets back into service would be deemed as a resilience, rather than asset health, driven investment and as such it should not form part of the cost change process.

Ofwat excluded £2.5 million of investment associated with the four boreholes in the draft determination. As subsequently clarified in query response “CCP26-UUW-IBQ-003”, the investment excluded for the four boreholes was in fact £2.7 million, as shown in Table 2 below. As set out in the draft determination Ofwat explains that it “considered the primary driver for sites not currently in use and identified that returning them to service is primarily associated with increased resilience to supply and not asset health. This is because, if an asset has already failed, then there is limited likelihood of further direct consequence of deterioration on supply.”¹

Table 2: AMP8 capital expenditure for excluded boreholes in Ofwat’s draft determination (£million, 2022-2023 CPIH)

Borehole	AMP8 capital expenditure
[X]	1.745
[X]	0.333
[X]	0.333
[X]	0.265
Total for 4 boreholes	2.676

Source: UUW estimates

Table 3 below shows Ofwat’s original draft determination allowance and the restated allowance of £10.7 million clarified by Ofwat’s query response “CCP26-UUW-IBQ-003”.

Table 3: Ofwat’s AMP8 totex draft determination allowance for boreholes alongside restated allowance following confirmation in query response “CCP26-UUW-IBQ-003” (£million, 2022-2023 CPIH)

	Ofwat’s view	Restated view following query response
Capital investment across 24 boreholes	13.464	13.464
Excluded scope of 4 boreholes	(2.499)	(2.676)
Subtotal	10.965	10.789
Opex savings	(0.129)	(0.129)
Draft determination allowance	10.837	10.660

Source: UUW estimates

¹ From Ofwat’s [“PR24 cost change process – Asset health cross cutting issues appendix”](#) on page 26.

4. Issues and implications

We accept Ofwat's decision to exclude [REDACTED], on the basis that the asset has not been operational for more than three years.

However, in view of the draft determination, we are providing further evidence in relation to [REDACTED] as follows:

- [REDACTED] - All three boreholes on site are in poor condition. Whilst we put forward the worst condition borehole, the site still requires a borehole to be renewed or a new borehole to be drilled outside of the existing Victorian building in order to maintain the current yield and deployable output with a tolerable level of risk to service as included within our Water Resources Management Plan;
- [REDACTED] - This borehole has been operational since July 2026 and therefore investment should be considered within the scope of this cost change process; and,
- [REDACTED] - The well and the bore on site at [REDACTED] are connected via an adit (underground horizontal tunnel) and therefore it is essential that **both** assets receive upgraded headworks in order to manage the surface water risk.

We have set out below the detailed justification for why these three interventions are primarily driven by asset health considerations. We have also obtained independent assurance over the key representations relating to borehole scope. This assurance is provided in the *"UUWR28-08 Asset Health DD Response - Assurance Report"*.

4.1 [REDACTED]

4.1.1 Our submission

There are three boreholes on the [REDACTED] site, all located within a Victorian building. Borehole 1 has not been used since March 2023 whereas borehole 2 and borehole 3 are currently in supply.

We put forward borehole 1 given this was the most degraded of the three. However, we now understand from the draft determination that returning capacity provided by an asset out of service back into service is deemed out of scope. It is also important to note that the proposed option to renew/redrill set out in our original submission would provide asset health remediation for any of the three existing boreholes, as explained below. Only one of the three boreholes was put forward in our submission for remediation as this was considered the most cost-efficient approach for customers and assessed as deliverable in the period.

4.1.2 Further considerations

Borehole 1 is out of supply due to poor borehole condition, primarily associated with sand ingress (148m of infill). Consistent with the condition assessment methodology set out in Ofwat's guidance², we rated [REDACTED] Borehole 1 as Condition Grade (CG) 5 (very poor) and included it in our proposals for renewal/redrill.

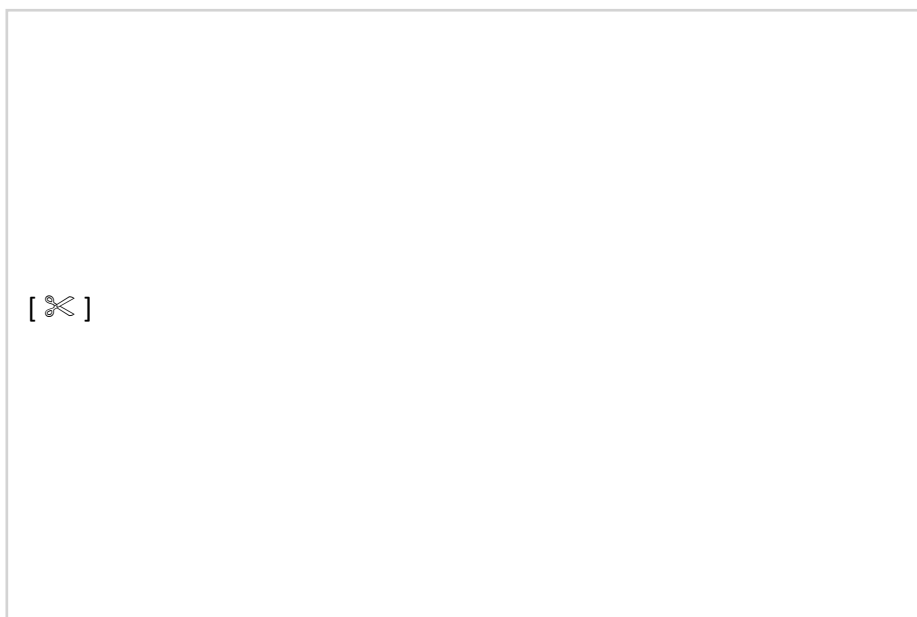
Borehole 2 has been rated as CG4 (poor) and borehole 3 has been rated as CG5 (very poor). Both boreholes are currently operational and are able to meet the required deployable output, however, there is a high risk to yield and the required DO if either borehole degrades further. This risk is considerable, since borehole 1 on site has already functionally failed due to sand ingress and we believe this failure mode to be highly likely for the remaining two boreholes in light of their current condition.

In March 2025 a CCTV survey was carried out on borehole 3. At this time the water level within the borehole was below the base of the plain steel lining and water could be seen cascading from behind the liner, as shown in [REDACTED] below. [REDACTED].

² [Asset-Health-Assessment-Guidance.pdf](#)

[✂]

]



[✂]

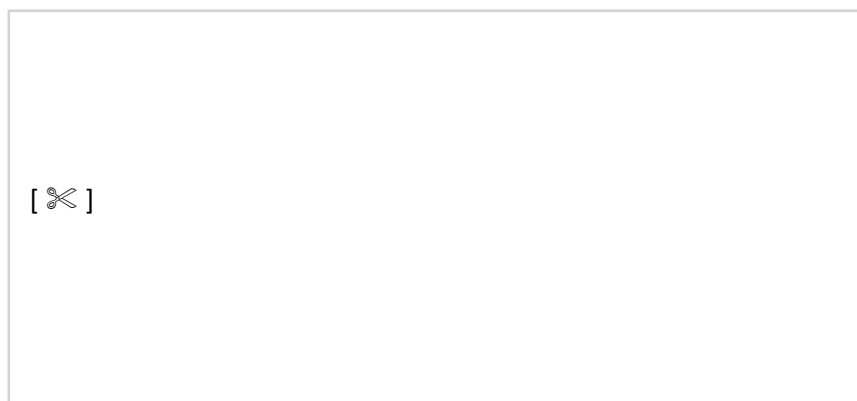
[✂]

]

Another borehole inspection was conducted on borehole 3 in December 2025 showing a 0.9m increase in sand infill at the base of the borehole in the nine months between the surveys, as shown in [✂] below (note that the depths in the CCTV images denote camera position, rather than exact depth of sand infill). The borehole is now more than 22 metres shallower than its original drilled depth, with a worsening trend in the rate at which the borehole is infilling. If this infill trend continues the borehole yield will fall and eventually the pump will fail.

[✂]

]



[✂]

Source: Left - [✂]

] CCTV footage recorded 05/03/2025.

Right - Report on the CCTV survey and geophysical logging of [✂]
03/12/2025

] logged

The deployable output for the site is constrained to 8Ml/d due to network capacity restrictions, whilst the daily abstraction licence across the site is around 9Ml/d. Our current Water Resources Management Plan and Drought Plan both assume a DO of 8Ml/d and our recent abstraction flow records evidence that we can produce 8Ml/d without borehole 1 by operating the remaining two boreholes. It is therefore reasonable to maintain the current number of operational bores through the cost adjustment investment, rather than increasing the operational number from two to three as implied in our original case.

4.1.3 Our recommendation

We propose that rather than retaining the existing borehole 2 and borehole 3 in service alongside a renewed or redrilled borehole 1 as per our original proposal, we instead renew or redrill borehole 3. This would require the same proposed scope as our original proposal, as the intervention and associated costs to redrill or renew either

borehole 1 or borehole 3 are the same. We would continue to be able to meet the required deployable output using the original borehole 2 in conjunction with the renewed or redrilled borehole 3. This solution would also provide overall improved asset health and reduced risk for the site.

Representation:

We propose to include the renew/redrill of borehole 3 at [REDACTED] instead of the originally proposed borehole 1 given that both these boreholes are CG5 and are housed together in the same building. This will result in no change in our requested allowance while delivering the same customer benefit at the same cost.

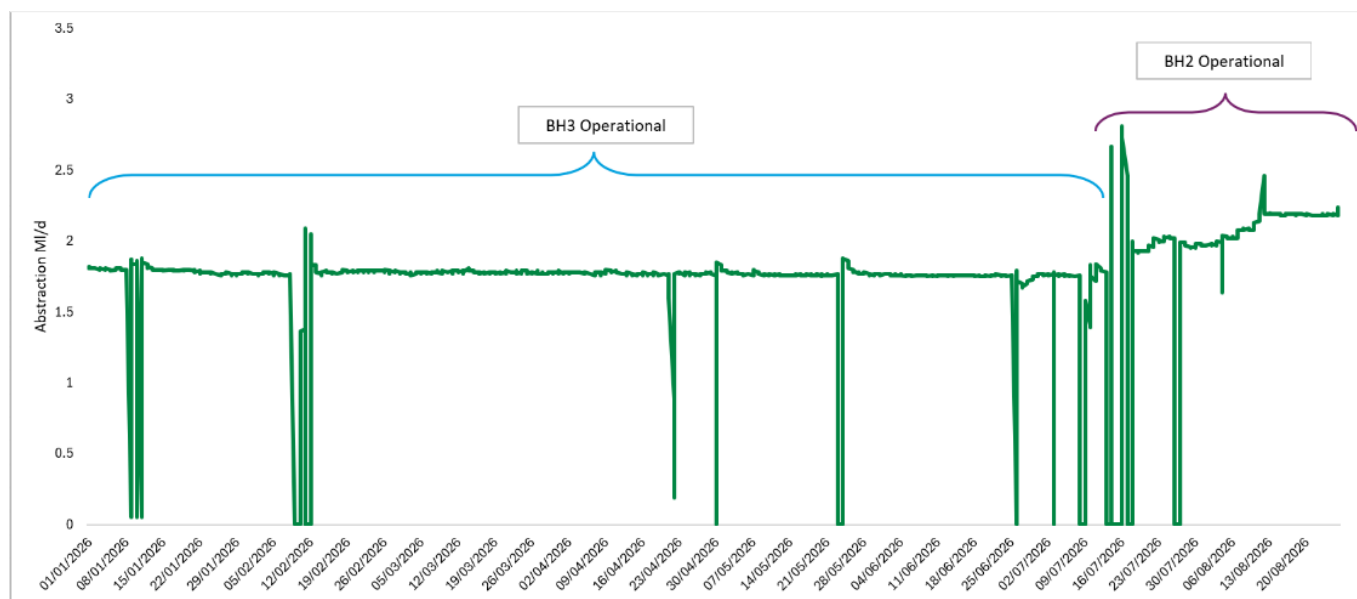
4.2 [REDACTED]

There are three boreholes at [REDACTED]: borehole 1 has been mothballed while borehole 2 and borehole 3 are both operational. Whilst [REDACTED] borehole 2 had not been used for some years it has been maintained as an operational source throughout this period. Indeed, borehole 2 has been in supply routinely since July 2026 whilst the pump in borehole 3 is awaiting replacement, as shown in Figure 1 below. The fact that the bore operated as a standby asset for some years should not preclude inclusion in the cost change process as it was operationally available and used, as demonstrated by the abstraction data this year. Borehole 3 is typically used in preference to borehole 2 due to the known degraded condition of borehole 2, but both are operational.

The condition of [REDACTED] borehole 2 was assessed by applying the condition assessment methodology provided with the asset health cost change guidance³. Both the borehole and headworks have been rated CG4 (poor). [REDACTED]

[REDACTED]. The headworks for the other operational borehole 3 was also rated CG4 and has been accepted in the draft determination.

Figure 1: [REDACTED] borehole abstraction data. Borehole 2 has been in operation since 09/07/2026



Source: UUW telemetry abstraction data

Representation:

Borehole 2 is currently operational. Therefore the proposed remediation is associated with an asset health driver, rather than improving resilience. We ask that the original scope is reinstated in full for the [REDACTED] borehole 2 headworks replacement and borehole cleaning for a total of £0.3 million.

³ [Asset-Health-Assessment-Guidance.pdf](#)

4.3 [REDACTED]

[REDACTED] is an operational abstraction well located within the grounds of [REDACTED]. A borehole is located approximately 23 metres to the East of the well as show in [REDACTED] below. Both the well and the borehole intersect the same adit which connects them to a number of shafts across the catchment. These assets contribute to the yield and therefore provide more flow than would be achieved via the well alone.

The current headworks of both [REDACTED] have been rated CG5 using the condition assessment methodology provided with the asset health cost change guidance. In the draft determination Ofwat accepts the need to upgrade the headworks on the well but has excluded the borehole headworks refurbishment on the basis that the borehole is currently non-operational. However, as illustrated in [REDACTED], the borehole and the operational well are directly connected by the adjoining adit. [REDACTED]

].

[REDACTED]

]

[REDACTED]

Source: Report on the CCTV survey and geophysical logging of the [REDACTED]

Representation:

The [REDACTED] is directly connected to the operational well by an adit. Any deterioration in asset health of the borehole therefore has a potential impact upon the well [REDACTED]. Upgrading the headworks on the borehole would therefore improve the asset health of the abstraction well. We ask that the original scope is reinstated in full for the [REDACTED] headworks replacement and alongside the cost allowances of £0.3 million.

4.4 [REDACTED]

We recognise that [REDACTED] borehole 2 has not been used for an extended period and that recommissioning a second borehole on the site would primarily provide additional water resource resilience rather than improve the asset health of the existing operational asset base.

We therefore accept the removal of this intervention from the scope.

5. Approach for final determination

We request that Ofwat includes in the scope our proposed investment at [REDACTED]

[REDACTED] boreholes. We believe that there is a primary asset health driver for all three assets and that these sites are compliant with Ofwat's cost change guidance. We also recommend that the proposed price control deliverables for these interventions are included to ensure appropriate customer protection.

We also request that [REDACTED] Borehole 3 is substituted for Borehole 1 within the approved scope. This would retain the asset health intervention on a CG5 operational asset while maintaining the original cost allowance and customer benefit. This would result in retaining two operational boreholes on this site on completion of the work (the existing borehole 2 and a renewed or redrilled borehole 3).

On this basis, we propose that the overall allowance for the borehole programme should be **£13.0 million** as shown in Table 4 below. This is the restated draft determination allowance of £10.7 million per Table 3 above plus the investment for the three boreholes that we are requesting to be brought back into scope.

Table 4: UUW's AMP8 totex final determination request for boreholes (£million, 2022-2023 CPIH)

	AMP8
Restated draft determination allowance per Table 3	10.660
<i>Boreholes proposed to be brought back into scope:</i>	
[REDACTED]	1.745
[REDACTED]	0.333
[REDACTED]	0.265
Total of 3 boreholes to be brought back into scope	2.343
Final determination request	13.003

Source: UUW estimates

For completeness, we have included a full list of the 23 boreholes that make up the £13.0 million draft determination proposal as set out in Table 5 overleaf. Table 5 shows the capital expenditure for each borehole and the associated opex saving.

Table 5: UUW's AMP8 totex final determination request for boreholes split by borehole (£million, 2022-2023 CPIH)

Project	AMP8
<i>Capital expenditure:</i>	
[REDACTED]	0.245
[REDACTED]	0.245
[REDACTED]	0.138
[REDACTED]	1.745
[REDACTED]	0.245
[REDACTED]	0.245
[REDACTED]	0.174
[REDACTED]	1.765
[REDACTED]	0.224
[REDACTED]	0.224
[REDACTED]	0.333
[REDACTED]	0.245
[REDACTED]	0.245
[REDACTED]	0.313

Project	AMP8
[X]	0.224
[X]	0.265
[X]	0.265
[X]	0.245
[X]	0.245
[X]	0.224
[X]	0.224
[X]	3.310
[X]	1.745
Total capital expenditure	13.132
Opex saving	(0.129)
Final determination request	13.003

Source: UUW estimates

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unitedutilities.com



Water for the North West