

UUWR26-01R

Cost Change Draft Determination: UUW Representation

UUW representation on 2026 cost change

September 2026

This document contains a summary of our representations on Ofwat's draft determination and provides signposting to each of our representation documents.

Reference to Draft Determination documents:

- 'Notification of the PR24 cost change process draft determination for United Utilities'
- 'PR24 cost change process – Price control deliverables appendix'
- 'CCP 2026 DD Cost Change models'
- 'CCP 2026 DD Price Control Deliverable models'

Executive Summary

We welcome Ofwat's draft determination of our 2026 Cost Change submission covering Growth, Asset Health and Windermere. This new Cost Change framework can facilitate timely investment where additional needs emerge during the regulatory period, providing greater flexibility to accelerate infrastructure projects in support of regional economic priorities while maintaining strong protections for customers.

This response reflects several areas where we are able to provide additional evidence that we believe Ofwat should consider before proceeding to a final determination. There are also some areas where we have revised our approach compared to our initial proposals and we believe they should also be given consideration by Ofwat ahead of the final determination. In particular, we believe that the draft determination approach in relation to industrial growth should be reconsidered in order to support the outcomes that UUW needs to deliver and that our stakeholders want to see. We trust that Ofwat will give consideration to our proposals in this regard. In summary, our response covers matters in relation to the following cases:

- **Asset Health – Boreholes**

We provide further evidence on the asset health needs, the management of risks to existing operational assets and the scope of the sites.

- **Asset Health – Network Storage**

We provide additional evidence on the asset health need of the investment, the scope of the sites included in the programme and new customer research. We have provided additional information explaining why the investments represent a proactive, risk-based approach to managing deterioration and reducing service risks.

- **Industrial Growth – Supporting growth for data centres**

We have revised our funding proposals to allow downstream network connections for developers to be paid for upfront by the relevant developers. We have updated the demand evidence and infrastructure assessment, funding developer-specific assets through developers and treating strategic assets as wider system investments. We have also proposed moving strategic schemes into a staged / gated process so development can continue while we refine the detailed investment solutions as demand and specific requirements are confirmed.

We are not requesting an in-period revenue adjustment for AMP8. This ensures no upward pressure on customer bills from our industrial growth investment in AMP8. Where third-party investment is delivered in AMP8, this will result in lower customer bills in the short-term compared to a no-investment scenario.

- **Industrial Growth – Clean energy growth in Ellesmere Port**

We have revised our funding proposals to allow direct dedicated connections for developers to be paid for upfront by the relevant developers. We have proposed that the remaining non-potable infrastructure enters a staged / gated process so development can continue while we refine the detailed investment solutions as demand and specific requirements are confirmed.

We are not requesting an in-period revenue adjustment for AMP8. This ensures no upward pressure on customer bills from our industrial growth investment in AMP8. Where third-party investment is delivered in AMP8, this will result in lower customer bills in the short-term compared to a no-investment scenario.

- **Growth at Sewage Treatment Works**

This case supports our wastewater treatment works capacity for new homes and provides further evidence on efficient costs, dry weather flow (DWF) adjustments and scheme-specific investment needs. We have accepted most of the draft determination adjustments and explained why certain adjustments should be revised, including through updated evidence on maintenance activity, revised growth requirements and the inclusion of additional scope where this better reflects future demand.

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1. Guide to reading our representation

This document contains our representation to Ofwat's Notification of the PR24 cost change process draft determination for United Utilities Water, published in August 2026.

Guide to reading representation

As our representation is presented across multiple documents this document – '*UUWR26-01 UW representation on 2026 cost change*' – provides an accessible guide that details the structure of our documentation and supporting appendices. We also provide a brief description of the representation area, and have included where appropriate, the details of the supporting documents and appendices.

Document naming convention

We have adopted a naming convention for all our documentation where all documents start with company acronym (UW), followed by 'R' for representation, followed by the document number, followed by the title of the document.

Redaction

We want to be as transparent as possible in the information we present as part of our representation. However, we have needed to anonymise or redact some details in versions of appendices and tables published on our website. This has been done where they contain commercially sensitive information or is in the interests of security. We have populated '*UUWR26-01a*' UW representation on 2026 cost change – redaction log with the details of necessary redactions.

Publication on the company website

We are publishing our representations on our company website alongside our submission to Ofwat.

Guide to the document

The following sections of this document provide an accessible guide to aid the navigation of our representations in response to Ofwat's draft determination. Throughout this document, we have provided a brief description of the representation area and, where appropriate, have detailed the supporting documents and appendices.

In summary:

- Section 2 provides signposting to our substantive representation documents;
- Section 3 sets out our representation on revenue, RCV and financeability; and,
- Section 4 sets out our data tables and models.

2. Our representations

Table 1 below summarises our original cost change request, Ofwat's draft determination¹ and our draft determination response (DDR). The table includes all expenditure associated with delivering each case, irrespective of eventual funding route i.e. it includes expenditure that we will recover upfront from third parties for direct connections and downstream network connections. The final column of the table excludes the expenditure associated with third party connections.

Table 1: UW's original request, Ofwat draft determination, UW's draft determination response including and excluding third party costs (AMP8 totex plus AMP9 capex) (£million, 2022-2023 CPIH)

Cost change category	Business case	UW's original submission	Ofwat's draft determination ¹	UW's draft determination response	UW's draft determination response excl third-party costs
Growth	Sewage Treatment Works	309.4	224.8	292.1	292.1
	Water Resources - data centres	178.9	178.9	169.0	91.5
	Water Resources - clean energy	251.0	251.0	251.0	247.0
	Subtotal	739.3	654.8	712.2	630.6
Asset Health	Boreholes	13.3	10.7	13.0	13.0
	Rapid Gravity filters	17.9	17.9	17.9	17.9
	Water network storage	78.2	48.4	58.8	58.8
	Trickle Filters	41.4	41.4	41.4	41.4
	Gravity sewers	188.0	187.2	187.2	187.2
	Subtotal	338.8	305.5	318.3	318.3
Gated	Windermere	92.7	92.7	92.7	92.7
Total		1,170.8	1,053.0	1,123.1	1,041.6

Source: UW's Cost Change submission, Ofwat draft determination document, UW estimates

Table 2 below shows UW's draft determination response totex split between AMP8 and AMP9 excluding the third-party funded elements in the data centres and clean energy cases.

Table 2: UW's draft determination response excluding third parties split between AMP8 & AMP9 (£million, 2022-2023 CPIH)

Cost change category	Business case	AMP8	AMP9	Total
Growth	Sewage Treatment Works	274.2	17.9	292.1
	Water Resources - data centres	88.9	2.6	91.5
	Water Resources - clean energy	173.0	73.9	247.0
	Subtotal	536.2	94.4	630.6
Asset Health	Boreholes	13.0	-	13.0
	Rapid Gravity filters	17.9	-	17.9
	Water network storage	58.8	-	58.8
	Trickle Filters	41.4	-	41.4
	Gravity sewers	187.2	-	187.2
	Subtotal	318.3	-	318.3
Gated	Windermere	92.7	-	92.7
Total		947.2	94.4	1,041.6

Source: UW estimates

¹ Draft determination restated for query response 'CCP26-UW-IBQ-003' and includes AMP9 third party costs for comparison

The next section summarises the key representations and the named documents that we have submitted in our draft determination response.

2.1 Growth

Growth at Sewage Treatment Works - WwTW capacity for new homes

We provide additional evidence and analysis on wastewater treatment works capacity for new homes on the efficient costs through a deep dive and scheme-specific investment requirements.

We have set out proposed revisions to the DWF adjustments based on evidence of maintenance, revised growth requirements and the inclusion of additional scope where this better reflects future demand.

Growth in Water Resources - Clean energy growth at Ellesmere Port

We have strengthened the evidence supporting the investment programme and how it should be progressed. We have updated our assessment of industrial demand, costed alternative solutions and reviewed the risk of each part of the infrastructure.

We have revised our proposals to allow direct dedicated connections for developers to be paid for upfront by the relevant developers and have proposed that the remaining non-potable infrastructure enters a “gated” process. This will allow us to continue to develop investment solutions through a gated process in AMP8 as demand and specific requirements are progressively confirmed.

We are not requesting an in-period revenue adjustment for AMP8. This ensures no upward pressure on customer bills from our industrial growth investment in AMP8. Where third-party investment is delivered in AMP8, then this will also contribute to the single till immediately, resulting in lower customer bills in the short-term compared to a no-investment scenario.

Growth in Water Resources - Enabling data centres growth

We have updated the evidence on data centre demand, assessed the maturity of each development and tested the effect of this growth on the wider water supply system. We have also reviewed the purpose of the proposed infrastructure and clarified which assets provide strategic system capability and which are required solely to connect or serve individual developments.

Based on this work, we have refined the proposal so that developer-specific infrastructure would be funded directly by developers, while strategic investment would receive regulatory treatment reflecting its wider system role. We propose using the large schemes gated process for the strategic interventions. This will allow us to continue to develop investment solutions through a gated process in AMP8 as demand and specific requirements are progressively confirmed.

We are not requesting an in-period revenue adjustment for AMP8 for our proposed gated investment. This helps ensure no upward pressure on customer bills from our industrial growth investment in AMP8. Where third-party investment is delivered in AMP8, then this will also contribute to the single till immediately, resulting in lower customer bills in the short-term compared to a no-investment scenario.

Table 3: Growth representations

Document ID	File Name
UUWR26-02	Representation - Growth in Water Resources – Enabling data centre growth
UUWR26-03	Representation - Growth in Water Resources – Clean energy growth in Ellesmere Port
UUWR26-04	Representation - Growth at Sewage Treatment Works – WwTW capacity for New Homes
UUWR26-04a	Representation - Growth at Sewage Treatment Works – Warrington North - Deep Dive
UUWR26-05	Growth Submission DD response – Assurance report
Total: 5	

2.2 Asset Health

Upgrading Boreholes

We have provided further evidence around the scope of our interventions and on asset health purposes and the management of risks to existing operational assets associated with our investment programme.

Enhancing Water Network Storage

We have provided additional evidence supporting the network storage programme including asset-specific assessments, inspections and deterioration forecasts. This work explains why intervention is required now and how the proposed work will reduce future risks to water quality and customer service. We have supplemented this with dedicated customer research demonstrating support for our proposed investment programme.

We have also refined the investment programme using the latest operational and feasibility evidence. These changes ensure that the programme remains risk-based, deliverable and focused on improving sustainable asset health.

Protecting Trickling Filters

We support the decisions set out in the draft determination in relation to Trickling Filters and have therefore not provided specific representations.

Supporting Gravity sewers

We support the decisions set out in the draft determination in relation to Gravity Sewers and have therefore not provided specific representations.

Protecting Rapid Gravity Filters

We support the decisions set out in the draft determination in relation to Rapid Gravity Filters and have therefore not provided specific representations.

Table 4: Asset Health representations

Document ID	File Name
UUWR26-06	Representation - AH business case – Enhance our Water Network Storage Assets
UUWR26-06a	Representation - AH business case – Enhance our Water Network Storage Assets appendix
UUWR26-06b	Representation - AH business case – Enhance our Water Network Storage Assets customer research appendix
UUWR26-07	Representation - AH business case – Upgrade our Boreholes
UUWR26-08	Asset Health DD response – assurance report
Total: 5	

2.3 Windermere

We have provided additional evidence supporting the Windermere programme by providing additional information on protected landscapes, power resilience and the purpose of the proposed storm overflow investment.

This work explains why the resilience measures are linked specifically to the upgraded assets, confirms that the storm overflow schemes enhance performance beyond existing permit requirements, and sets out how the detailed assurance requirements will be addressed.

Table 5: Windermere representations

Document ID	File Name
UUWR26-09	Representation - Windermere gated programme
Total: 1	

2.4 Supporting Documents

We have updated the evidence supporting our AMP8 delivery position using the latest independently assured Delivery Plan information. We have clarified why movements from earlier milestones and expenditure forecasts reflect deliberate programme optimisation, including any resequencing of work, improved solution understanding and closer alignment with supply-chain delivery plans.

We have supplemented this with industry benchmarking and further evidence of project mobilisation, design progress, procurement readiness and construction forecasts. This demonstrates that our programme has continued to mature, that delivery risks are being actively managed and that we remain well placed to deliver our AMP8 commitments alongside the additional investment proposed through the Cost Change submission.

In response to Ofwat's request that we should confirm which proposed schemes could impact sites of special scientific interest (SSSIs) or land in National Parks, or areas of outstanding natural beauty we have included a UUWR26-16 Site location environmental assessment.

Table 6: Supporting Documents

Document ID	File Name
UUWR26-14	Evidence on AMP8 delivery
UUWR26-16	Site location environmental assessment
Total: 2	

2.5 PCDs

We have included our updated Price Control Deliverables across all of the Cost Change proposal in the 'UUWR26-15 Cost change DD response – PCDs' document.

Table 7: PCD documents

Document ID	File Name
UUWR26-15	UUWR26-15 Cost change DD response – PCDs
Total: 1	

3. Revenues, RCV and financeability

This section details the adjustments to revenues and the RCV resulting from the proposed expenditure, as well as any actions required to ensure that the (notional) company can remain financeable at the target credit ratings so that it can borrow the amount not paid for by customers in AMP8 from investors.

We are not requesting an in-period revenue adjustment for AMP8 for our proposed gated investment. This helps ensure no upward pressure on customer bills from our industrial growth investment in AMP8. Where third-party investment is delivered in AMP8, then this will also contribute to the 'single-till' immediately, resulting in lower customer bills in the short-term compared to a no-investment scenario.

Consistent with the approach taken in our original submission, the financeability assessment and resulting equity issuance allowance assumes that no additional revenues are sought during AMP8 in this submission. We will however seek in-period adjustments, covering both 2026 and 2027, in our 2027 submission. The bill impacts presented in section 3.2.3 are therefore only an indicative view of what would be presented next year.

3.1 Reconciliation of expenditure within data tables and financial model

To support Ofwat in undertaking cost assessment, the data tables ('UUWR26-10') include all expenditure associated with each case, irrespective of the eventual funding route. In line with the guidance and Ofwat's approach to modelling the PR24 Final Determination, we have only included the allowed expenditure in the inputs to the financial model. We have therefore excluded the following expenditure items from the financial model:

- Any expenditure that we will recover upfront from third parties for direct connections and downstream network connections to data centres and clean energy during AMP8, rather than being recovered over time (as set out in 'UUWR26-02 Representation - Enabling data centres growth' or 'UUWR26-03 Representation - Clean energy growth in Ellesmere Port').
- The cost efficiency adjustments for wastewater sites detailed with the 'UUWR26-04 Representation - Growth at Sewage Treatment Works – WWTW capacity for New Homes' case;
- The dry weather flow adjustments for wastewater sites within the 'UUWR26-04 Representation - Growth at Sewage Treatment Works – WWTW capacity for New Homes' case; and,
- Any expenditure that we have proposed to be included within a gated process, other than the development allowances (as set out in 'UUWR26-02 Representation: Enabling data centres growth' or 'UUWR26-03 Representation: Clean energy growth in Ellesmere Port').

Table 8 below reconciles the expenditure included in our draft determination representation, the data tables and the inputs to the financial model.

Table 8: Reconciliation of AMP8 totex and AMP9 capex between the draft determination representation, the data tables and financial model (£million, 2022-23 CPIH)

Cost Change case	DDR	Third party costs	Data tables ¹	less: cost efficiency	less: DWF adjustment	less: staged/gated allowance	plus: 6% development costs	Financial model
Growth at sewage treatment works	292.1	-	333.5 ⁽²⁾	-3.4	-37.9	-	-	292.1
Data centres	169.0	-77.5	91.5	-	-	-38.0	2.3	55.8
Green Energy	251.0	-4.1	247.0	-	-	-247.0	14.8	14.8
Growth – subtotal	712.2	-81.6	672.0	-3.4	-37.9	-285.0	17.1	362.7

Cost Change case	DDR	Third party costs	Data tables ¹	less: cost efficiency	less: DWF adjustment	less: staged/gated allowance	plus: 6% development costs	Financial model
Upgrading boreholes	13.0	-	13.0	-	-	-	-	13.0
Protecting rapid gravity filters	17.9	-	17.9	-	-	-	-	17.9
Enhancing water network storage	58.8	-	58.8	-	-	-	-	58.8
Protecting trickling filters	41.4	-	41.4	-	-	-	-	41.4
Gravity sewers inspect	4.3	-	4.3	-	-	-	-	4.3
Supporting gravity sewers	182.9	-	182.9	-	-	-	-	182.9
Asset health – subtotal	318.3	-	318.3	-	-	-	-	318.3
Windermere	92.7	-	92.7	-	-	-	-	92.7
2026 Submission – total	1,123.1	-81.6	1,082.9	-3.4	-37.9	-285.0	17.1	773.7

¹We have excluded any expenditure that we will recover upfront from third parties for direct and downstream network connections.

²This represents the full scheme cost before the adjustments for cost efficiency and DWF adjustment.

Source: UUW analysis

Table 9: Reconciliation of AMP8 totex between the data tables and financial model (£million, 2022-23 CPIH)

Cost Change case	DDR	Third party costs	Data tables ¹	less: cost efficiency	less: DWF adjustment	less: staged/gated allowance	plus: 6% development costs	Financial model
Growth at sewage treatment works	274.2	-	313.3 ⁽²⁾	-3.3	-35.7	-	-	274.2
Data centres	165.1	-76.2	88.9	-	-	-35.4	2.3	55.8
Green Energy	175.6	-2.6	173.0	-	-	-173.0	14.8	14.8
Growth – subtotal	615.0	-78.7	575.3	-3.3	-35.7	-208.5	17.1	344.8
Upgrading boreholes	13.0	-	13.0	-	-	-	-	13.0
Protecting rapid gravity filters	17.9	-	17.9	-	-	-	-	17.9
Enhancing water network storage	58.8	-	58.8	-	-	-	-	58.8
Protecting trickling filters	41.4	-	41.4	-	-	-	-	41.4
Gravity sewers inspect	4.3	-	4.3	-	-	-	-	4.3
Supporting gravity sewers	182.9	-	182.9	-	-	-	-	182.9

Cost Change case	DDR	Third party costs	Data tables ¹	less: cost efficiency	less: DWF adjustment	less: staged/gated allowance	plus: 6% development costs	Financial model
Asset health – subtotal	318.3	-	318.3	-	-	-	-	318.3
Windermere	92.7	-	92.7	-	-	-	-	92.7
2026 Submission – total	1,025.9	-78.7	986.2	-3.3	-35.7	-208.5	17.1	755.8

¹ We have excluded any expenditure that we will recover upfront from third parties for direct and downstream network connections

² This represents the full scheme cost before the adjustments for cost efficiency and DWF adjustment.

Source: *UW analysis*

The following section details the revenue and RCV adjustments as well as the financeability assessment. They are based on the expenditure set out in the ‘Financial model’ column of Table 9. As the packages of the proposed gated schemes in ‘UUWR26-02 Representation - Enabling data centres growth’ or ‘UUWR26-03 Representation - Clean energy growth in Ellesmere Port’ are approved through future cost change submissions, the appropriate additional revenue, RCV and equity adjustments would be made at that point in time. This approach is in line with how Windermere has been accounted for within the Large Schemes Gated Process in PR24 and the Cost Change draft determinations.

3.2 Revenue, RCV and average bills

3.2.1 Summary of revenue and RCV adjustments

Our representation on 2026 Cost Change results in the following additional revenues and RCV adjustments. As explained in section 3.2.2, we have mirrored Ofwat’s approach to inputting the equity issuance allowance within the cost change model. The result is that all adjustments are now presented as ‘end of period’ for this submission. The figures in Table 10 also reflect the reallocation of some Water Resources expenditure to Water Network plus, as detailed in our original cost change submission Data tables commentary document (*UUW26-22 Cost change tables commentary*).

Table 10: Summary of the proposed initial adjustments to revenue and RCV (£million, 2022-23 CPIH)

	2026 revenue	2027 revenue	2028 revenue	2029 revenue	2030 revenue	End of period revenue ²	End of period RCV
Water Resources	-	-	-	-	-	1.2	13.6
Water Network plus	-	-	-	-	-	26.4	134.3
Wastewater Network plus	-	-	-	-	-	86.3	559.0
Bioresources	-	-	-	-	-	-	-
Total	-	-	-	-	-	114.0	706.8

Source: ‘UUWR26-12 - Cost change DD response financial model’

It is critical that **Ofwat formally updates the RCV during the period for any Cost Change process determinations**, rather than its stated approach to only include a reconciling item within the RCV publication each year. If it does

² Including TVM adjustment

not change its approach, in addition to presenting the total end of period RCV adjustment³, **we believe that Ofwat should present the profiled RCV adjustment within the final determination documentation.** This will give companies and investors the necessary visibility of the upcoming adjustments for each year of AMP8 without needing to extract the information from the cost change model.

Our submission results in the following 'shadow' RCV adjustments during AMP8, in line with the profiling of expenditure and not including future adjustments for gated approvals.

Table 11: 'Shadow' RCV additions over AMP8 (£million, 2022-23 CPIH)

	2026	2027	2028	2029	2030
Water Resources	-	-	1.6	11.1	13.6
Water Network plus	-	2.7	40.4	96.8	134.3
Wastewater Network plus	5.5	32.7	175.0	393.7	559.0
Bioresources	-	-	-	-	-
Total	5.5	35.3	217.0	501.5	706.8

Source: 'UUWR26-12 - Cost change DD response financial model'

Revenues have been calculated in line with our original submission, using the RCV run-off rates and the real wholesale cost of capital (3.97 per cent) from the PR24 final determination. Although this submission is currently for an end of period adjustment, the annual revenues generated by the building blocks within the cost change model are as shown in Table 12 (including adjustments for timing).

Table 12: Appointee allowed revenue building blocks, including adjustments for timing (£million, 2022-23 CPIH)

	2026	2027	2028	2029	2030	AMP8
PAYG revenue ⁴	-	0.5	4.2	16.8	4.5	26.2
RCV run-off	0.1	0.9	5.2	13.9	22.8	42.9
Return on capital	0.1	0.9	5.3	14.7	23.9	45.0
Total revenue	0.2	2.3	14.8	45.4	51.2	114.0

Source: 'UUWR26-12 - Cost change DD response financial model'

3.2.2 Equity issuance allowance (notional company)

We welcome Ofwat's recognition and approach for calculating the additional equity requirements and the associated issuance allowances. In our previous submission, we had to include the equity issuance allowance as an in-period adjustment, as the model was unable to apply it as an end of period adjustment. Ofwat has also recognised this and in the draft determination stated that it will "amend the model for our final cost change decisions to include the functionality for these adjustments to be applied at the end of period against the respective category"⁵.

Rather than continue to apply the equity issuance allowance as an in-period adjustment, we have mirrored Ofwat's draft determination approach and included it within operating expenditure. We suggest that Ofwat shares the updated version of the cost change model prior to the final determination, so that companies can review the amendments.

³ As per table 3 of 'Notification of the PR24 cost change process draft determination for United Utilities', Ofwat, August 2026, https://consult.ofwat.gov.uk/consultations/cost-change-2026-draft-determinations/user_uploads/cost-change-draft-determination-2026---united-utilities_redacted.pdf

⁴ Includes equity issuance allowances

⁵ 'CCP 2026 DD Cost Change model – United Utilities.xlsx', 'EOP funding adjustments' worksheet.

Table 13 below presents the equity requirements for the cost change allowances in addition to the equity injections made in the PR24 Final Determination. We evidence the need for the additional equity injection in the notional company in section 3.3.1.

Table 13: Additional equity requirements for the notional company and associated equity issuance allowance (£million, 2022-23 CPIH)

	2026	2027	2028	2029	2030	AMP8
Equity injection (nominal)	-	21.5	116.2	654.9	-	792.5
Equity injection (real)	-	18.9	99.8	550.0	-	668.7
Equity allowance at 2.5% (real)	-	0.5	2.5	13.7	-	16.7

Source: 'UUWR26-13 - PR24 financial model DD response update'

3.2.3 The impact on average household bills

This representation remains an end-of-period adjustment, but we welcome Ofwat's recognition in its draft determination that we will request in-period funding as part of a future cost change process⁶. Since the draft determination, we have engaged with Ofwat on the third-party elements of our submission. To minimise any timing impact on customer bills as much as possible, we now do not propose to seek AMP8 in-period adjustments in a future submission for the proposed staged or "gated" investment in water resources for our two industrial cases 'UUWR26-02 Representation - Enabling data centres growth' or 'UUWR26-03 Representation - Clean energy growth in Ellesmere Port'. Indeed, by utilising the third-party reconciliation mechanism for the recovery of third-party revenues in AMP8 for directly attributable connections, customers will instead experience a **bill decrease** in the short term, as those revenues form part of the "single till".

The cost change model does not have the functionality to only claim in-period revenues for individual elements of a specific case; it is a binary option for an entire case i.e. 'Growth'. Therefore, for transparency, in Table 14 below we present the projected bill impact of the 2026 submission excluding the impact of the gated investment for our two industrial cases 'UUWR26-02 Representation - Enabling data centres growth' and 'UUWR26-03 Representation - Clean energy growth in Ellesmere Port'.

Table 14: Forecast impact on average household bills, before inflation (£/household, 2022-23 CPIH)

	2026	2027	2028	2029	2030
PR24 Final determination	519.18	561.27	565.32	573.08	584.83
2026 Cost change submission impact	-	-	+3.29	+8.93	+10.35
PR24 + Cost Change	519.18	561.27	568.61	582.01	595.18
Less Green Energy and Data centres	-	-	(0.40)	(0.91)	(1.50)
PR24 + Cost Change - Green Energy and Data centres	519.18	561.27	568.21	581.10	593.68
2027 submission impact – household	-	-	+2.89	+8.02	+8.85

Source: 'UUWR26-13 - PR24 financial model DD response update'

3.3 Financeability

3.3.1 Notional company

We have considered the financial headroom available to deliver our proposals on a notional company basis. Ofwat has not assessed financeability for end of period adjustments in its draft determination, but we have undertaken the same financeability assessment as we did in our original submission, which is in line with Ofwat's

⁶ As per page 7 of 'Notification of the PR24 cost change process draft determination for United Utilities', Ofwat, August 2026, https://consult.ofwat.gov.uk/consultations/cost-change-2026-draft-determinations/user_uploads/cost-change-draft-determination-2026---united-utilities_redacted.pdf

approach to assessing financeability at PR24⁷. **While equity on its own is sufficient to satisfy the gearing target, additional revenues would also be required to ensure all ratios achieve their minimum levels on average over the AMP.** This supports our approach to seek additional in-period revenues as part of a 2027 submission. To ensure that the notional company remains financeable within the target gearing range⁸, additional equity is required as outlined in section 3.2.2 above. Table 15 presents the updated gearing profile for the notional company with and without the additional equity injections.

Table 15: Summary of notional company gearing (RR16)

	2026	2027	2028	2029	2030	2025-30
1. PR24 FD	57.11%	55.00%	55.00%	57.10%	57.46%	56.37%
2. +Cost change with no equity	57.13%	55.12%	55.68%	58.60%	59.74%	57.40%
3. +Cost change with equity	57.13%	55.00%	55.00%	55.00%	56.28%	55.65%

Source: 'UUWR26-13 - PR24 financial model DD response update'

As we are not seeking any in-period revenues in this year's submission, revenues are unchanged from the PR24 final determination when assessing financeability. This causes debt metrics to fail to achieve their minimum threshold levels, as the final determination was not set with the headroom required to absorb the additional expenditure. However, as we are unable to change the weighted average cost of capital (WACC) (or revenues) to solve this, we only focus on what we can control – gearing through the balance of debt and equity financing. We expect that once we seek additional in-period revenues in 2027, we would be able to ensure that all metrics achieve their minimum thresholds for the target ratings. Table 16 below presents the summary of the notional company key financial ratios with and without the additional equity injections.

Table 16: Summary of notional company key financial ratios, AMP8 average 2025-30 (RR16)

	1. PR24 FD	2. +Cost change with no equity	3. +Cost change with equity
Gearing	56.37%	57.40%	55.65%
Interest cover	3.41	3.30	3.38
Adjusted cash interest cover	1.69	1.61	1.65
Adjusted cash interest cover (alternative calculation)	1.69	1.61	1.65
FFO/Net Debt	9.95%	9.45%	9.83%
FFO/Net Debt (alternative calculation)	9.04%	8.57%	8.92%
Dividend cover	0.61	0.47	0.48
RCF/Net Debt	0.06	0.06	0.06
RCF/Capex	0.41	0.36	0.36
Return on capital employed	5.12%	4.98%	4.96%
Dividend yield	4.62%	4.62%	4.79%
RORE	5.24%	5.23%	5.23%

Source: 'UUWR26-13 - PR24 financial model DD response update'

⁷ 'Creating tomorrow, together: Our final methodology for PR24 – Appendix 10 – Aligning risk and return', Ofwat, December 2022, https://www.ofwat.gov.uk/wp-content/uploads/2022/12/PR24_final_methodology_Appendix_10_Aligning_risk_and_return.pdf

⁸ "Whilst it is to be expected that gearing will fluctuate between periods as companies raise debt and equity to fund investment, we consider it appropriate for the notional company to maintain gearing close to 55% throughout the period. This ensures that companies can access debt funding on efficient terms. We consider our approach to allowing gearing to fluctuate between 55% and 57.5% for our PR24 final determinations is therefore reasonable for the notional company.", page 67 of 'PR24 final determinations: Aligning risk and return - Risk and return appendix', Ofwat, December 2024, <https://www.ofwat.gov.uk/wp-content/uploads/2024/12/PR24-final-determinations-Aligning-risk-and-return-appendix-1.pdf>

3.3.2 Cost of new debt indexation

Ofwat has confirmed that it will use a company's PR24 WACC when calculating revenue adjustments, stating that *"this is because this is the allowed return that would have applied had the costs been included in our final determination"*⁹.

While we consider it would be more appropriate for Ofwat to use a WACC that reflected the current market conditions (e.g. as evidenced by the CMA redeterminations of PR24) as well as assuming no embedded debt, we recognise that Ofwat has set out its decision to use the PR24 WACC for Cost Change in its final guidance. However, for consistency with the PR24 final determination, adopting this approach **requires Ofwat to apply the cost of new debt indexation mechanism (DIM) to any allowances made through the Cost Change process**. If the DIM were not to be applied and there was no recognition of the increase in market rates since the PR24 final determination, then companies would not be receiving the required return to finance their investments. This is critical in light of any additional debt that would be taken on to finance the additional investment.

As stated in section 3.2.1, it is critical that Ofwat formally updates the RCV as part of a Cost Change determination. **If Ofwat formally updates the RCV**, not only will it avoid issues with credit ratings, but **it will also enable the cost of new debt indexation mechanism** to reconcile any differences between the iBoxx benchmark index and the new debt requirements for Cost Change additions, without needing any change to the current approach. This would be our preferred approach to dealing with this issue as it is the simplest to enact.

The impact on the DIM will not be captured within the existing reconciliation mechanism if Ofwat only updates the RCV as part of the PR29 midnight adjustment. **We therefore believe that it is critical that Ofwat either adjusts the definition of the RCV within the reconciliation to a 'shadow RCV' or undertakes a separate reconciliation of the Cost Change RCV and resulting revenue adjustments over 2025-30.**

4. Data tables and models

We have updated the supporting data tables and financial models to reflect our response to Ofwat's draft determination and the further evidence submitted as part of this representation. These documents provide the detailed information underpinning the expenditure, funding and financeability positions set out throughout this representation.

4.1 Data tables

We have updated the Cost Change data tables to reflect our response to Ofwat's draft determination and to incorporate revisions arising from the further evidence submitted as part of this representation. The tables include the expenditure, delivery and funding information supporting the proposals set out within this representation and provide the information required by Ofwat to assess the proposed adjustments.

We have also provided accompanying data table commentary explaining the principal changes made since our original submission, including updates resulting from Ofwat's assessment, further analysis and the additional evidence submitted as part of our representation.

Table 17: Data tables

Document ID	File Name
UUWR26-10	Cost change DD response tables
UUWR26-11	Cost change DD response tables commentary
Total: 2	

⁹ 'Cost change process decision document', page 18, Ofwat, November 2025, <https://www.ofwat.gov.uk/wp-content/uploads/2025/11/Cost-change-process-final-decision.pdf>

4.2 Models

We have populated both the Cost Change model and the PR24 Financial model with the additional expenditure included in this submission. The PR24 financial model is used to assess financeability and derive the additional equity and associated equity issuance allowances that are used within the Cost Change model. The Cost Change model is then used to calculate the end of period adjustments to revenue and RCV.

Table 18: Models

Document ID	File Name
UUWR26-12	Cost change DD response financial model
UUWR26-13	PR24 financial model DD response update
Total: 2	

Appendix A Full list of UW representation files

Table 19: Full list of representation files

Document ID	Document name
UUWR26-01	UW representation on 2026 cost change
UUWR26-01a	UW representation on 2026 cost change - redaction log
UUWR26-02	Representation - Growth in Water Resources – enabling data centre growth
UUWR26-03	Representation - Growth in Water Resources – clean energy growth in Ellesmere Port
UUWR26-04	Representation - Growth at Sewage Treatment Works – WwTW capacity for New Homes
UUWR26-04a	Representation - Growth at Sewage Treatment Works – Warrington North - Deep Dive
UUWR26-05	Growth Submission DD response – Assurance report
UUWR26-06	Representation - AH business case – Enhance our Water Network Storage Assets
UUWR26-06a	Representation - AH business case – Enhance our Water Network Storage Assets appendix
UUWR26-06b	Representation -AH business case – Enhance our Water Network Storage Assets customer research appendix
UUWR26-07	Representation - AH business case – Upgrade our Boreholes
UUWR26-08	Asset Health DD response – assurance report
UUWR26-09	Representation - Windermere gated programme
UUWR26-10	Cost change DD response tables
UUWR26-11	Cost change DD response tables commentary
UUWR26-12	Cost change DD response financial model
UUWR26-13	PR24 financial model DD response update
UUWR26-14	Evidence on AMP8 delivery
UUWR26-15	Cost change DD response – PCDs
UUWR26-16	Site location environmental assessment
UUWR26-17	Data Centre Growth – Confidential Supporting Evidence
Total: 21	

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