

UUWR26-09R

Cost Change Draft Determination: UUW Representation

Area of representation: Windermere gated programme

September 2026

This document sets out UUW's response to Ofwat's draft determination for the Windermere Large Scheme Gated submissions (packages one and two) and provides further evidence that the proposed investment scope meets Ofwat's criteria.

Reference to Draft Determination documents:

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

'CCP 2026 DD Cost Change model - United Utilities'

'PR24 cost change process - Price control deliverables appendix'

'PR24CCP13 Cost Change Draft Determinations 2026 - Large Gated Schemes PCDs - redacted''

1. Key points

- We provide further detail on impacted protected landscapes
- We provide further evidence on the need for [X]:
 - For package one we clarify that we did not propose any [X] for the phosphorus schemes at Grasmere and Ambleside WwTWs and therefore no costs have been included in the submission; and,
 - For package two we demonstrate the need for enhancement investment for [X] to ensure the sites deliver against the new permits following investment.
- We address Ofwat's request for further assurance that the proposed storm overflow works are not required to ensure compliance with current permits and funding will be used to enhance performance, and set out our plans for delivering against the detailed assurance requirements in the price control deliverables guidance.
- We ask that Ofwat introduces a 12-month grace period on the underperformance time incentives applied to these large gated scheme price control deliverables.
- We ask Ofwat to confirm the funding allowance of £92.7 million for package one and two at final determination.

2. UUW's Cost Change proposal

As part of the 2026 cost change submission for its Windermere large schemes gated submissions, UUW proposed:

- A net totex claim of £18.8 million for package one to deliver six phosphorus and sanitary schemes, to achieve tighter discharge permits to meet 2025-2030 Water Industry National Environment Programme (WINEP) requirements.
- A net totex claim of £73.9 million for package two comprising a mixture of phosphorus and sanitary (Hawkshead and Langdale) projects, and storm overflows projects (Glebe Road and Hawkshead) which UUW is looking to deliver ahead of the 2035 WINEP regulatory dates.

This is part of our wider AMP8 investment plan for Windermere, with a further package of schemes to follow through the large scheme gated process.

Table 1 below shows a summary of the net totex claim for packages one and two for our 2026 cost change submission, presenting the total expenditure less the six per cent development allowance.

Table 1: Large gated schemes net totex claim for packages one and two (£m, 2022-23 CPIH prices)

Package	Total expenditure	6% development allowance	Net totex claim
Package one - total	19.615	0.812	18.803
Package two - total	82.074	8.197	73.877
Total	101.689	9.009	92.680

Source: UUW26_22 Cost change tables commentary; Section 3.1.1 Table 5

1. Draft determination position

In the draft determination¹ Ofwat concludes submission two for both packages one and two "Meet Expectations" and that each package should progress to the delivery phase. Ofwat proposes an efficient allowance for delivery of this programme in line with UUW's gated submissions, subject to the provision of the following:

- For all cost change submissions Ofwat has requested confirmation of where sites impact national parks, sites of special scientific interest (SSSIs) and areas of outstanding natural beauty (AONB);
- For both packages one and two Ofwat has requested evidence of the need for [X], including confirmation that [X] measures apply solely to the upgrade works and that there is no overlap with works funded through base allowances or additional climate change uplift;
- For package two Ofwat has requested confirmation that the proposed storm overflow works are for going beyond current permit conditions and funding will not be used to regain permit compliance.

Ofwat has confirmed it intends to determine bespoke price control deliverables (PCDs) for the large gated schemes, separate from the PR24 final determination PCDs for the same areas of enhancement, namely storm overflows, flow to full treatment, phosphorus removal and sanitary parameters. While Ofwat's draft determination PCDs² are largely in line with our proposals, Ofwat makes one adjustment to PCD time incentives. In query response CCP26-UUW-IBQ-005 Ofwat clarified that the on-time time incentive would be removed, with the underperformance time incentive to apply.³

Ofwat also confirmed:

- The date of application of time incentives is based on WINEP obligation dates.
- The time incentives would have no 12-month grace period which is applied to some other large gated scheme PCDs and would apply immediately from 31/3/2030.

In query submission CCP26-UUW-IBQ-002 UUW proposed that the draft determination includes double funding for Windermere package one, net of development allowance, made up of two elements:

- +£19.6 million is the total expenditure request for the Windermere package one scheme. This has been added to UUW's cost change claim of £92.7 million resulting in the total request of £112.3 million in cell D14 in the "gated schemes" tab of the "CCP 2026 DD Large gated schemes model – redacted" file; and
- -£0.8 million is the deduction of the six per cent development allowance for the Windermere package one scheme resulting in the request of £111.5 million, net of development allowance.

Ofwat has confirmed that this was an error and will be corrected in final determinations.

2. Further information

2.1 Impact on protected landscapes

Ofwat requested confirmation of which proposed schemes could impact sites of special scientific interest or land in national parks, or areas of outstanding natural beauty.

¹ See appendix 'A3.3 Large schemes gated process' in Ofwat's 'Notification of the PR24 cost change process draft determination for United Utilities'

² The assessment of the PCDs related to the Windermere submissions is contained within 'Cost Change draft determinations 2026 – Price control deliverables appendix' sections 6.3.1 and 6.3.2 and quantified in PCD model 'PR24CCP13'.

³ We requested clarification due to a discrepancy between the Notification (pages 84 and 95) and the PCD model 'PR24CCP13'.

All the Windermere sites are within the Lake District National Park. As national parks and areas of outstanding natural beauty (or national landscapes) are distinct classifications, none of the sites impact an AONB. As described in our submissions we continue to work closely with the Lake District National Park Authority.

We can confirm that none of the sites sit within an SSSI, although Near Sawrey WwTW is within 100 metres of an SSSI. For completeness we note that for some sites, there is an SSSI downstream of discharges which will be treated to higher standards when these projects are complete (e.g. Hawkshead and Langdale). This is set out in Table 2 below.

Table 2: Projects categorisation

Discharge point	Watercourse	Impacted SSSI
Ambleside storm overflow	River Rothay	
Ambleside final effluent	River Rothay	
Troutbeck final effluent	Troutbeck	
Windermere final effluent	Windermere	
Glebe emergency outfall	Windermere	
Glebe storm overflow	Windermere	
Hawkshead final effluent	Black Beck	Esthwaite Water
Hawkshead storm overflow	Black Beck	Esthwaite Water
Far Sawrey final effluent	Cunsey Beck	
Near Sawrey storm and final effluent	Cunsey Beck	Esthwaite Water
Outgate final effluent	Fordwood Beck	Blelham Tarn and bog
Elterwater storm overflow	Great Langdale Beck	Elterwater
Langdale final effluent	River Brathay	Elterwater
Grasmere storm overflow	Grasmere	

Source: UUW analysis

2.2 [X]

[X]

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2.2.1 [X]

[X]

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2.2.2 [X]

[X]

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2.2.2.2 [✂]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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2.2.2.3 [REDACTED]

[REDACTED]

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2.2.3 Accounting for base and climate change uplift

[REDACTED]

[REDACTED]. For this reason, there is no overlap with existing base or climate change uplift allowances. UUW will manage climate change uplift allowance to ensure funds are applied outside of the Windermere gated programme.

2.3 Current compliance

2.3.1 Overview

Ofwat has stated that customers should not pay twice for companies to regain compliance with permits at storm overflows. In accordance with this position, through the price control deliverables (PCD) guidance,⁸ Ofwat has imposed detailed assurance requirements to ensure that any funding for regaining permit compliance is clawed back.

In its draft determination, Ofwat considered that UUW should have sufficient information to support this assessment now and requested the information in this response. We can confirm that none of the expenditure is required to regain permit compliance.

UUW has processes in place to ensure the required information is available for all schemes ahead of interim milestone 5 (IM5), as set out in the PCD guidance. Given the Windermere schemes have not yet reached this stage, and we had not anticipated any requirement to prepare this information in advance, it will be developed and made available at the appropriate point in the project lifecycle.

As agreed in a meeting with Ofwat on 9 September 2026, UUW will provide this information as part of the full year (assured) delivery plan progress report in July 2027, when we will report against the Windermere PCDs in

⁶ [REDACTED]

⁷ [REDACTED]

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⁸ Ofwat, 'Price control deliverables guidance', February 2026. pp. 21-28.

accordance with the PCD guidance. For this response, we provide some supporting commentary for each site, ahead of providing the required evidence in full.

2.3.2 Hawkshead PS is currently compliant with its permit

Hawkshead PS spills approximately 130 times per annum, when the current attenuation tanks are full. This is in accordance with our current permit. Following review we confirmed that the observed data matches the models well and the model is fit for purpose. We have modelled the removal of excess infiltration but modelled spills remain above the requirement threshold. This confirmed that the root cause of the spills is hydraulic and not related to maintenance or operation.

2.3.3 Glebe Road is currently compliant with its permit

The long-term average of spill frequency from Glebe Road PS gives a good match between reported and modelled spill frequency (2020 to 2024 – 31 spills on average for the event duration monitor (EDM) versus 39 in the model). Some of the variance can be attributed to operational interventions, emergency overflows included in the EDM return but, most significantly, due to rainfall variation. This is in accordance with our current permit.

Following review, we confirmed that the observed data matches the models well and the model is fit for purpose. We have modelled the removal of excess infiltration, but modelled spills remain above the requirement threshold. This confirmed that the root cause of the spills is hydraulic and not related to maintenance or operation.

2.4 Customer protection and price control deliverables

We consider that Ofwat has not taken a balanced approach to the application of time incentives in its proposals for the Windermere large gated scheme PCDs.

We proposed a balanced package with accelerated delivery at our risk, in conjunction with the potential reward of outperformance time incentives for meeting that ambitious delivery timeline. Ofwat has removed any outperformance incentive and retained a penalty on failing to meet our ambitious delivery dates. This results in an unbalanced incentive package that does not recognise the ambition reflected for schemes where delivery has been advanced from WINEP regulatory dates. The approach adopted at draft determination serves only to punish UUW for showing ambition on delivery timescales by increasing the jeopardy associated with an early target date. We propose this is corrected for final determinations.

We are committed to deliver the Windermere large gated scheme projects in AMP8. One option to correct the balance of the package would be to set delivery and underperformance time incentives based on the WINEP obligation date. This would be in line with Ofwat's query response CCP26-UUW-IBQ-005. However, that date is out of line with our stated ambition to deliver the environmental improvements by 2030, and specific dates for AMP9 WINEP delivery have not yet been agreed.

Our preferred option would be to apply a 12-month grace period to the underperformance time incentives. The application of a grace period to the three Windermere large gated scheme PCDs with time incentives is in line with Ofwat's PR24 FD PCD methodology for similar PCDs that contain few schemes⁹. As Ofwat has created separate PCDs for the Windermere large gated scheme, these PCDs also contain few schemes for UUW to manage delivery risk across, with not all delivery risks being within company control.

Ofwat's approach to underperformance time incentives recognised this balance of risk in the PR24 final determination and we propose that – should Ofwat apply time incentives and maintain a delivery date in line with our ambitious accelerated 2030 delivery – it consistently applies this approach to the Windermere large gated scheme PCDs, consistent with its approach to other PCDs that cover a small number of schemes. We have included a 12-month grace period in the proposed PCDs in the accompanying workbook, 'UUWR26-15 Cost change DD response – PCDs', alongside our draft determination response.

⁹ This is set out in section 4.7.2 of 'PR24 final determinations: Expenditure allowances' and reiterated in section 8.3.1 of 'PR24 final determinations: Price control deliverables appendix'.

The allowances in the four large gated scheme PCDs are stated net of the six per cent development allowance for each scheme.

3. Approach for final determination

As a result of the additional information and substantiation we have provided in section 2 we consider that we have provided sufficient evidence for Ofwat to make the draft determination allowances unconditional, and to allow the full £92.7 million.

We note that allowances for storm overflows may be subject to clawback of funding in PR29 if the conditions set out in the PCD guidance (February 2026) cannot be demonstrated. We are confident that we will be in a position to demonstrate this for package two in the assured delivery plan progress report in July 2027.

Ofwat should correct the balance of the PCD package by either applying a 12-month grace period to time incentives or basing the PCD on delivery dates in line with the WINEP obligation dates, recognising UUW's ambition and risk in delivery.

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