United Utilities 2022/23

Annual Performance Report

United Utilities

Water for the North West

Contents

Introduction

A regulated water and wastewater company

United Utilities Water Limited (UUW) provides regulated water and wastewater services in the North West of England, serving over seven million people and 200,000 businesses. Its ultimate parent company is United Utilities Group PLC, a publicly listed company on the London Stock Exchange. We are regulated by Ofwat, the economic regulator of the water sector in England and Wales; the Drinking Water Inspectorate, regulator of public water supply companies in England and Wales; and the Consumer Council for Water, the independent voice for water consumers in England and Wales; the Environment Agency, the environmental regulator for England; Natural England, responsible for ensuring that England's natural environment is protected and improved; and the Department for Environment, Food and Rural Affairs (DEFRA), the primary government department in relation to the water and wastewater industry.

Our purpose

We are a purpose led organisation. As a provider of an essential service in our region, our purpose is providing great water for a stronger, greener and healthier North West. This is the reason we exist, and is what drives us to continually improve our performance. Our purpose highlights how environmental, social and governance considerations are integral to everything we do.

Our strategic themes

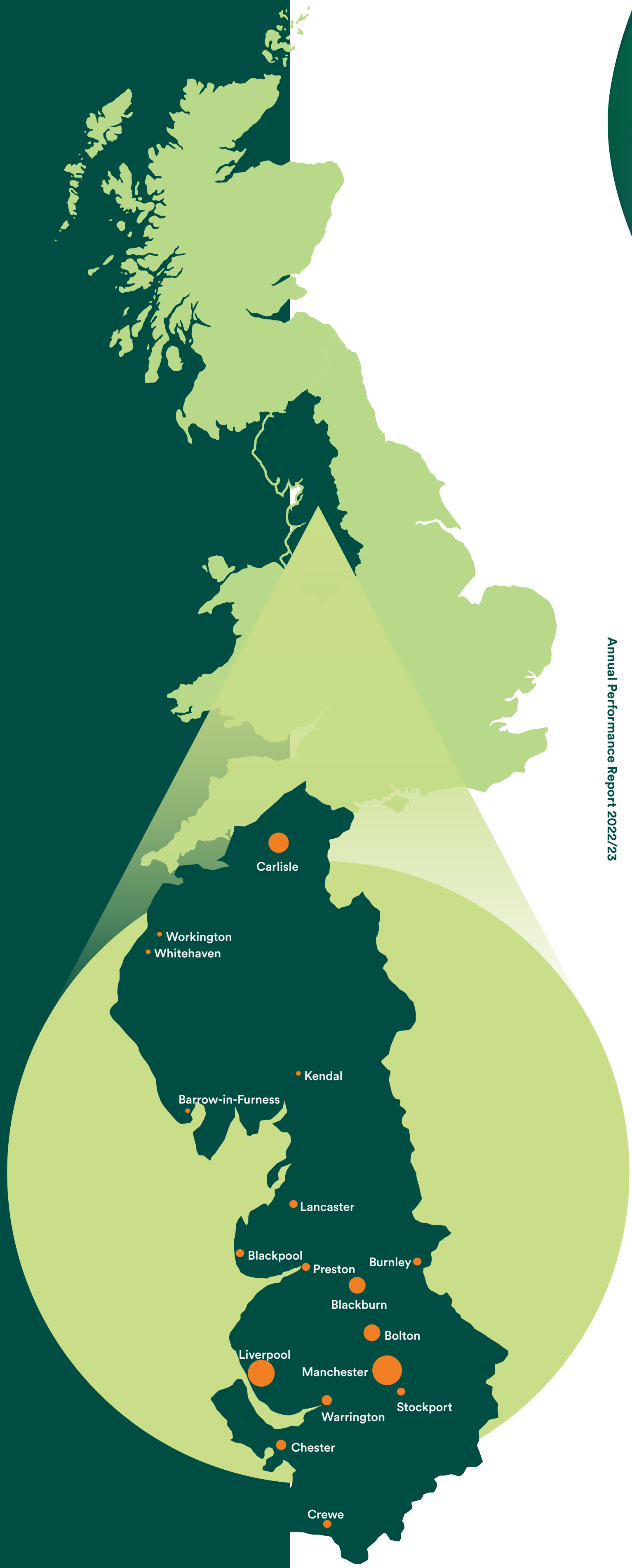
Our strategy is broken down into six strategic themes, which form the framework that enables us to deliver our purpose:

- Provide a safe and great place to work
- Deliver great service for all customers
- Improving our rivers
- Create a greener future
- Spending customers' money wisely
- Contribute to our communities

Our core values

Our core values provide the cultural framework within which we operate.

- **Do the right thing** – First and foremost, as a responsible business, we want our people to always focus on doing the right thing. This means always putting safety first, delivering for the benefit of our stakeholders, championing fairness, acting with courage and speaking up if they come across anything that doesn't feel right. This is vital for building and maintaining trust with the public and all our stakeholders, and for delivering our purpose.
- **Make it happen** – We are focused on supporting each other and working as a team to make things happen, taking accountability and putting progress over perfection. We want to celebrate successes, for individuals and for the company, and learn when we don't get things right first time.
- **Be better** – Ultimately, everything we do is about improving things and creating a better tomorrow for everyone. We want to be better as a company, and this means encouraging our colleagues to live this value as well. We want our people to be curious, ambitious, and solution-focused, seeking out new and innovative ways to deliver our services more efficiently and effectively. We want to ensure we are learning from the best people that are available to us, which is why we embrace diversity and inclusion, collaboration and partnership opportunities, innovation and best practice ideas from other companies, other industries, and the wider world.



Introduction

Performance reporting

Like all large water and wastewater companies in England and Wales, we report performance against a price and service package for customers and the environment. This package was determined through a price review process. The business plan we proposed was subject to scrutiny and changes following an extensive review by the economic regulator, Ofwat. This resulted in a final determination (FD), which set benchmarks for the services we should deliver and the cost for delivering them. We report against targets set in the FD.

The FD covers the five-year period running from April 2020 to March 2025. This five-year period is often referred to as AMP7, and this report has been produced to reflect performance up to the end of year three of AMP7.

The Annual Performance Report

This Annual Performance Report (APR) tracks performance against the AMP7 FD. It provides an update on the delivery of our performance commitments at the end of year three and a forward looking view of performance anticipated for future years. It also includes information about our financial performance, our assurance approach and the board's approach to leadership, transparency and governance.

We publish a suite of documents that support the APR. This helps to provide a wide range of information for a variety of different stakeholders, regulators and customers in formats that help them access the data they want. We actively seek and act on feedback we receive on our publications and this helps us to support engagement with our reporting. Any comments about this or any other of our publications can be sent to: myview@uuplc.co.uk.

The summary below outlines the key information that we publish:

The Annual Performance Report

Annual Performance Report:
(this document) A comprehensive, detailed and assured account of our performance

Customer focused summary:
An overview of our performance structured around seven key outcomes. This customer focused document is presented so as to achieve a Crystal Mark for plain English

Performance infographic:
A graphic that highlights our key deliverables and is published on our website and on social media platforms

Summary animation:
A short, narrated animation describing our performance highlights

Accounting methodology statement:
An overview of the process used to prepare the upstream services tables in the APR, with commentary on significant movements

YourVoice independent challenge group reflections:
Independent reflections and feedback on UUW's performance during year three from the YourVoice group

United Utilities Water Limited's ultimate parent company is United Utilities Group PLC, a company listed on the London Stock Exchange. Additional information about UUW and the group and how we deliver water and more for the North West can be found in the United Utilities Group PLC Annual Report and Financial Statements. This is an integrated strategic, governance and financial report which is available at:

www.unitedutilities.com/corporate/investors/results-and-presentations/annual-reports

The report is designed to provide detailed information on the strategy, performance and governance of the group from a financial and non-financial position. It provides extensive disclosure on the performance metrics we use to measure how we are creating value for communities, customers, employees, the environment, investors and suppliers. It contains useful information for anyone wanting to understand more about UUW, its work and how it is governed and should be read in conjunction with this report.

We also publish other key performance information on our corporate responsibility website which can be found at: www.unitedutilities.com/corporate/responsibility

This website is designed to describe the way that the group has fulfilled its purpose and demonstrate the extent to which we have upheld the highest standards of performance with respect to the way we work.

Together, the reports and our website provide a clear and comprehensive view of our purpose, performance, delivery and governance, which is reliable, accurate and transparent.

Price review

We are now over halfway through the 2020–2025 AMP7 period and development of plans for the next business plan for 2025–2030 are well underway. We are reaching out to customers and stakeholders from across the region to ask for their views on what is most important to them. This feedback will help to shape our future plan and ambition to improve services, provide more help to those that need it and safeguard water supplies and the environment for generations to come. We will publish our proposed business plan for the next five–year period, April 2025 to March 2030 (AMP8) in October 2023. Ofwat will scrutinise these proposals and is expected to determine the price, investment and service package that customers should receive for this period in 2024.

Transparent reporting

The provision of reliable, accurate and transparent information and data is an essential part of building and maintaining trust with customers and other stakeholders who rely on the services we provide.

Given our position as a provider of essential public services, we have a responsibility to provide accurate and easily accessible information about performance. We pride ourselves on publishing trusted information and have a proven track record of providing open, transparent and high quality information about our performance to customers, stakeholders and regulators.

We have a sound approach to assurance, which is a key enabler to high quality data provision. We intend to maintain and, where appropriate, evolve our approach to assurance throughout AMP7 to build further on the trust we have earned, make improvements where shortcomings are identified and to enhance the confidence that customers, regulators and other stakeholders can have in United Utilities' performance reporting.

We have applied our assurance approach to the data and information that is within this document and the supporting APR publications. This helps to ensure that the information we provide receives the appropriate level of challenge, review and approvals.

We have published details of our final assurance plan for year three of AMP7 and a description of our assurance framework, which can be found at: www.unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020-25/

Introduction

YourVoice

The YourVoice independent challenge group plays an important role in monitoring, challenging and reporting on the delivery of our AMP7 business plan commitments.

As an independent panel of individuals from different sectors and backgrounds and with a variety of different areas of expertise, YourVoice looks at how the company can continue to capture and strengthen the views and engagement of customers in our activities.

You can read more about the work of the panel on our website at:
https://yourvoiceicg.co.uk/

Structure of the Annual Performance Report

We have structured our report so that we can meet Ofwat's reporting requirements and provide a comprehensive overview of financial and non-financial performance. The main sections of the document are outlined below.

Introduction
Overview and navigation of the document

Executive summary
Sets out the key messages of this report

Risk and compliance statement
Board confirmation that UUW has complied with its relevant obligations in year three

Performance summary
Summary of our year three performance structured around our seven outcomes

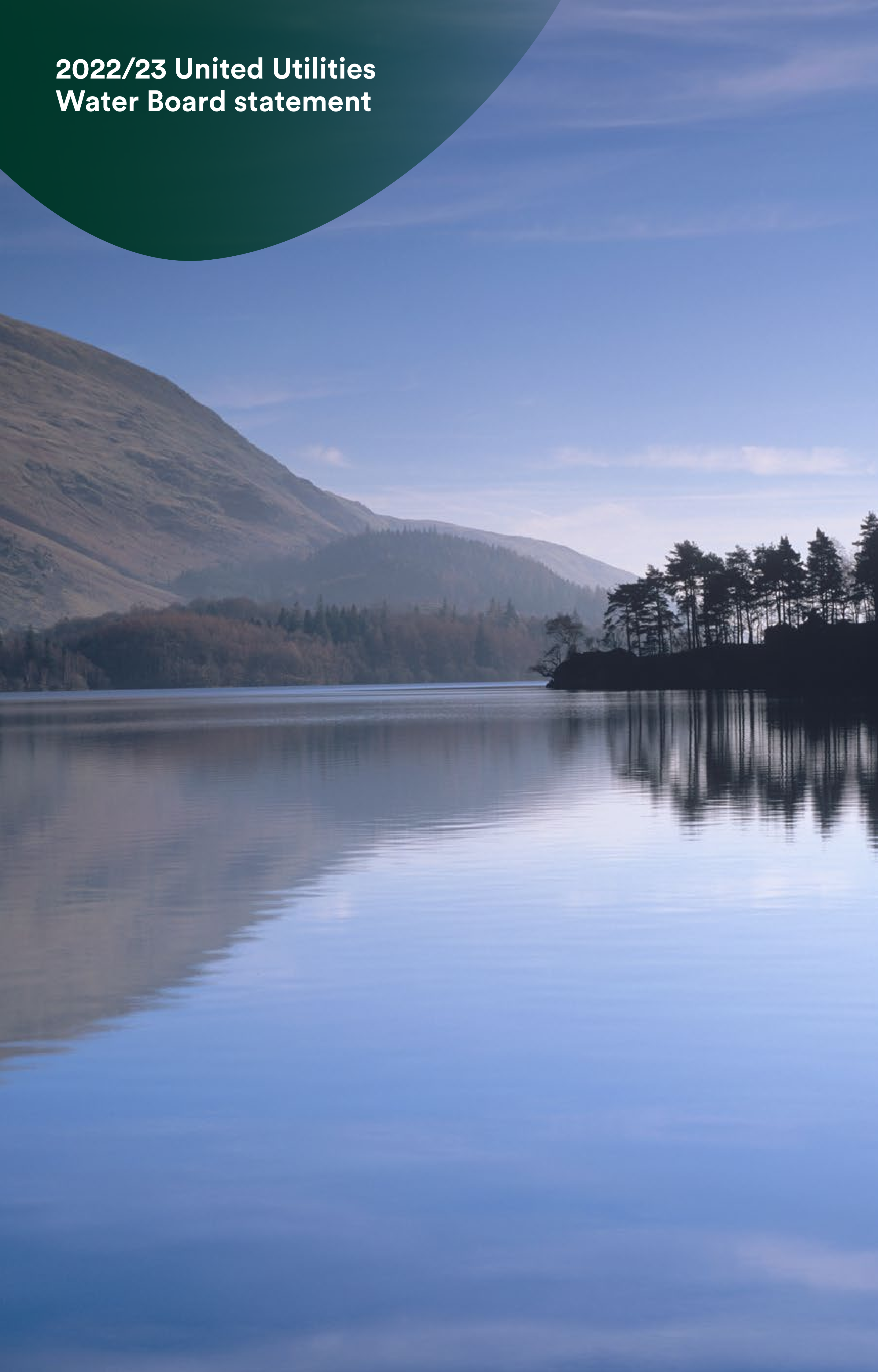
Regulatory accounts
Detailed regulatory accounting data and disclosures, including copies of the pro forma data tables

Appendix 1
A summary of the assurance undertaken to support this report, including a summary of the assurance findings

Appendix 2
Certificate to demonstrate the delegated authority to sign off Condition I (ring fencing)

Appendix 3
Non-standard performance commitments calculations

2022/23 United Utilities Water Board statement



2022/23 United Utilities Water Board statement

Ofwat's revised board leadership, transparency and governance (BLTG) principles came into effect on 1 April 2019 and were embedded into the licence on 1 August 2019. These require UUW to meet the objectives of the principles and to explain in an effective, accessible and clear manner how this has been achieved.

This statement demonstrates how United Utilities Water Limited's board of directors 'the board' has met the BLTG objectives during 2022/23. It references the provisions set out within the guidance when explaining how we are delivering against these objectives.

This statement briefly summarises how, by implementing this approach, the company is delivering for its customers and other stakeholders. Further detail to support this statement is set out within the UUW Annual Performance Report, the United Utilities Water Limited Annual Report and Financial Statements, and the United Utilities Group PLC Annual Report and Financial Statements. We provide references to this material below.

A) The regulated company board establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

The board, supported by the executive team, is committed to achieving the very best results for the company, the customers it serves and its wider stakeholders.

We believe our purpose, strategy and values promote the long-term sustainable success of the company, further customers' interests, and create value for all stakeholders, including shareholders. Our intention is to hand over the business to our successors in a better and more resilient position for the future. Our purpose, strategy and values are set out on page 38 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements. As individual directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to S172 (1) (a-f) of the Companies Act 2006.

Provisions:

i. **The board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.**

We have taken the opportunity to refresh our purpose, strategic priorities and core values to ensure these clearly reflect key areas of focus and our ongoing commitment to environment, social and governance matters. As a provider of an essential service in our region, our purpose is providing great water for a stronger, greener, healthier North West.

- **Stronger**: we deliver an essential service, help customers in vulnerable situations, invest in local communities, and support jobs and the economy, giving the North West resilience in a changing world.
- **Greener**: we protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.
- **Healthier**: we provide great quality water that people love to drink, safely remove and recycle used water, while taking care of beautiful landscapes in the North West everyday.

Our three core values – do the right thing, make it happen and be better – provide the cultural framework through which we operate. Behaving responsibly has been part of the United Utilities ethos for many years and aligns with our purpose.

The ESG (environment, social and governance) committee has a principal role in the group's governance structure. It leads, on behalf of the board, in the review and challenge process to ensure management's activities in the increasingly broad area of environment, social and governance matters, are consistent with that of a business behaving in a responsible manner. The report of this committee, which includes a look forward in to the next year, can be found on pages 204 to 207 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements.

We work to deliver our purpose through six strategic priorities:

- provide a safe and great place to work;
- deliver great service for all our customers;
- improve of our rivers;
- create a greener future;
- spend customers money wisely; and
- contribute to our communities.

In defining the company's purpose, the board took into account information and views from stakeholders through utilising research and engagement – including that which has informed our AMP7 and AMP8 business plans and the other feedback and intelligence obtained from customers through both programmatic research and day-to-day interactions. It is a standing item for the board's committee to discuss engagement with national and regional stakeholders each time it meets. For the year ended 31 March 2023, the board is satisfied that the formulation of our aspirations in terms of our purpose, values and culture have been informed by our stakeholders and we operate our business in such a way that will create long-term value for all. We believe the company has played its part in contributing to the region and has demonstrated its commitment to providing great water for a stronger greener, healthier North West.

ii. **The board makes sure that the company's strategy, values and culture are consistent with its purpose.**

Our purpose is providing great water for a stronger, greener and healthier North West. To ensure that we deliver our purpose, we have six strategic priorities, which define the way we work, and three core values, which provide the cultural framework within which we operate.

- **Provide a safe and great place to work:** We invest in our colleagues' training and development and maintain high levels of health, safety and wellbeing. We want to attract, develop and engage great talent across the organisation, we support and encourage a diverse and inclusive culture, and we want colleagues to be empowered to contribute to making things better. To facilitate this, we are launching new 'Call it out' and 'Tell me' initiatives, which enable everyone across the business to raise things directly with the CEO and receive a response within 48 hours.
- **Deliver great service for all customers:** Delivering great service means we are continually improving our ways of working, for example improving water quality, minimising interruptions, leakage and sewer flooding, and supporting customers with affordability and vulnerability. Engagement helps us understand what matters most to customers and we act on their feedback. This can be seen in the way we redesigned our bills based on customer research, and the early investment we are making to improve customer and environmental performance faster.
- **Improving our rivers:** We are a sector leader in minimising pollution, and continue to protect bathing waters across the North West. River health in the UK has received a lot of public interest. The industrial legacy and high rainfall in our region means we have a bigger task than many to deliver the significant reduction in storm overflow activations required by the Environment Act 2021. This will form a significant component of our 2025–30 business plan, and we are accelerating investment with good progress already made.
- **Create a greener future:** We are committed to protecting nature and biodiversity, and reducing water consumption. We have six carbon pledges underpinned by ambitious science-

based targets and a net zero transition plan. We generate around a quarter of our energy from bioresources and through partners. We are looking at how we can make the best use of our land to deliver clean energy, be that through our pledges to create woodland and restore peatland or increasing our renewable energy generation capacity.

- **Spend customers' money wisely:** We continuously challenge ourselves to improve cost efficiency in a sustainable way, so we can keep customer bills as low as possible in the long term without compromising on service or resilience. We look to minimise whole-life cost and deliver the best value solutions, using Systems Thinking and innovation to find better ways of working, leveraging partnerships and driving value in our supply chain, capitalising on digital and automation opportunities and removing areas of duplication or waste.
- **Contribute to our communities:** Our work means we are working closely with communities across the North West and we want to ensure we are visible and trusted. We actively engage and make use of partnerships to drive value for communities, such as our participation in the Love Windermere initiative. With much to deliver in the years ahead, we have appointed regional stakeholder managers for each of the North West's five counties to help manage these relationships and ensure we can deliver improvements that local communities want to see.

Our culture and core values are:

Culture: Our culture drives the interactions we have with our stakeholders, and our commitment to responsible business and sustainability is reflected in the way we measure and report the value we create as a business. Metrics are monitored and targets set for the greener, stronger and healthier ambitions within our purpose, closely aligned to Environment, Social Governance. When assessing our culture, we look at four categories – our core values, our purpose, our strategic priorities and our people. We monitor a number of key metrics relating to our people, such as engagement, health and wellbeing, diversity and development.

Our culture is underpinned by three core values, which cascade down the business from our board to every one of our colleagues, guiding how we expect our people to behave in a way that drives a high performance and innovative culture.

Our core values are:

Do the right thing: First and foremost, as a responsible business, we want our people to always focus on doing the right thing. This means always putting safety first, delivering for the benefit of our stakeholders, championing fairness, acting with courage and speaking up if they come across anything that doesn't feel right. This is vital for building and maintaining trust with the public and our stakeholders, and for delivering our purpose: doing the right thing for the natural environment helps us to create a greener North West; doing the right thing for customers, communities, colleagues and suppliers helps us to build a stronger and healthier North West.

Make it happen: We are focused on supporting each other and working as a team to make things happen, taking accountability and putting progress over perfection. We want to celebrate successes, for individuals and for the company, and learn when we don't get things right first time. This can already be seen across the business, for example:

- Enabling and fostering new ways of working through our Innovation Lab process.
- Being able to act quickly and capitalise on pockets of efficient financing opportunity.
- Our decisions to accelerate investment where we can deliver improvements for customers and the environment faster.

Be better: Ultimately, everything we do is about improving things and creating a better tomorrow for everyone. We want to be better as a company, and this means encouraging our colleagues to live this value as well. We want our people to be curious, ambitious, and solution focused, seeking out new and innovative ways to deliver our services more efficiently and effectively. We want to ensure we are learning from the best people that are available to us, which is why we embrace equity, diversity and inclusion, collaboration and partnership opportunities, and innovation and best practice ideas from other companies, other industries and the wider world.

The United Utilities Group PLC Annual Report and Financial Statement sets out additional information about these strategic themes and how they run through everything we do. For further information and explanation of our approach, we would refer in particular to the 2022/23 Strategic Report (pages 10 to 120).

iii. The board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment it takes corrective action.

Our values demonstrate how we behave, individually and collectively, as the board and how we ask our employees to behave. Our employees are fundamental to delivering our strategy and achieving our purpose.

Our core values of doing the right thing, make it happen and be better underpin our culture of behaving as a responsible business in the way we interact with the stakeholders we serve. We must continually reinforce these values so that the right behaviours cascade throughout the organisation, ensuring our culture of behaving responsibly drives what we do.

Key to this is taking action to address any issues where there is misalignment with the company's values. As well as our engagement survey, we run regular employee barometers to ask employees what they are seeing, hearing and feeling. This approach allows us to act quickly if there are any areas of misalignment and take immediate actions. We have recently launched two new initiatives: 'Call it out' and 'Tell me'. This allows anyone in the company to raise any topics directly with the CEO and to receive a response within 48 hours. Our Whistleblowing Policy and a confidential whistleblowing line are widely promoted and encourage our colleagues or contractors to raise concerns about any possible wrongdoing on an anonymous basis. Amongst the tools we use to measure culture and corporate behaviour, we use cyclical surveys to measure whether people say they feel safe to speak up in the organisation.

As part of monitoring and assessing culture and behaviour in the company, management has developed a dashboard of cultural metrics to provide a comprehensive overview to support the board in fulfilling its role in monitoring and assessing culture. The dashboard comprises relevant metrics derived from the annual colleague engagement survey; human resources policies in relation to equity, diversity along with associated training; whistleblowing reporting; health, safety and wellbeing policies and practices; and other key performance indicator measures underpinning our purpose of 'providing great water for a stronger, greener and healthier North West'.

We are pleased to have received external validation of our approach to monitoring culture, featuring as a best practice case study with the Financial Reporting Council 'Creating Positive Culture Opportunities and Challenges Report', December 2021. A recent independent audit found our approach to be a "pragmatic and effective model for supporting the board in its role of monitoring and assessing culture and a useful framework for driving improvements and interventions" (PwC, February 2021).

2022/23 United Utilities Water Board statement

Our colleagues are at the heart of the culture of our business and their 'lived experience' is a key part of the board's assessment and monitoring of culture. Alison Goligher, the current designated non-executive director for engagement with the workforce, facilitates two-way dialogue between the board and the wider workforce. There is an open invitation to all board members to attend meetings of the panel and, during this year, Liam Butterworth and Doug Webb each attended a panel meeting and participated in a question and answer session with panel members. Alison chairs the Colleague Voice panel (the panel) formed from representatives of a number of colleague groups and networks from within the business and with representatives drawn from around the region.

During the year, the panel met four times (including the AGM in July 2022). Meetings alternate between in-person and virtual meetings, providing a flexible approach to enable colleagues to attend. Alison has regular meetings with senior trade union representatives as part of the agreed panel approach.

Throughout the year, the panel has been provided with business updates and information sessions to broaden its knowledge of board and corporate governance, including governance around executive remuneration.

The panel has three key subgroups, focused on actively providing business insights on three key areas:

- continuous improvement and feedback on how we measure colleague engagement;
- helping our colleague networks to promote support and enable a more inclusive culture across the company; and
- exploring the drivers and measures of organisation culture. The culture subgroup has focused its energies on obtaining grass-roots view of changes implemented across the organisation.

Colleagues' views are measured annually through the engagement 'Your Opinion Survey' with the objective of taking any required action to improve how permanent colleagues feel about the company and understand its direction. Colleagues are provided with information through briefings and access to online materials to enable them to understand the financial and economic factors affecting the group's performance.

Alison has regular meetings with senior trade union representatives as part of the agreed panel approach. Furthermore, along with our employee relations team, our CEO holds regular face-to-face meetings with senior trade union representatives to facilitate two-way communication and engagement with the views of colleagues' representatives.

United Utilities has a commercial arrangement with a third party for the provision of agency staff and contractors. Engagement and communication, in relation to these members of the wider workforce, is managed directly by the third party via a dedicated third-party account manager who liaises directly with the company's human resources team. If there is any significant change activity, a representative of the third party joins the project team, thereby ensuring consistency when communicating key information to colleagues, agency staff and contractors.

The board remains committed to embedding a health and safety culture to ensure employees go home safe and well, and regularly receives updates on health, safety and wellbeing activities and health and safety incidents of employees and contractors.

Taken together, the board is satisfied that policies, practices and behaviours within the business are aligned with the company's purpose, values and strategy. Further information about how the board monitors culture and employee engagement are set out on page 135 of the 2022/23 United Utilities Group PLC Annual Report and Financial statements.

B) The regulated company has an effective board with full responsibility for all aspects of the regulated company's business for the long term.

The group operates a structure that allows directors to be members of the boards of both UUW and its ultimate holding company, United Utilities Group PLC (UUG). These arrangements have been in place since March 2011 and were in place throughout the year ended 31 March 2023.

As a listed company, United Utilities Group PLC has applied the principles and reported against the provisions of the 2018 UK Corporate Governance Code (the code) for the year ended 31 March 2023.

Further detail on the reporting on the application of the principles, and against the provisions of the 2018 UK Corporate Governance Code, is provided on pages 120 to 215 of the 2022/23 United Utilities Group PLC Annual Report and Financial statements.

The boards of both UUG and UUW fully support Ofwat's drive for the highest standards of board leadership, transparency and governance in the industry. We are satisfied that current practices and the application of the code at both holding company and regulated company levels are entirely consistent with the Ofwat principles.

On pages 39 to 41 of the 2022/23 United Utilities Group PLC Annual Report and Financial statements, we set out our planning for the short, medium and long term. The board has full visibility as plans are presented to the board throughout the year.

Provisions:

i. **The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.**

The UUW board has full responsibility for all aspects of its business as an appointee. Furthermore, there are no items/topics relating to the regulated activities of UUW contained within UUG board's schedule of matters reserved for its own decision.

UUW and UUG are distinct legal entities and are operated as such. Notwithstanding that the same individuals are directors for both companies and scheduled board meetings of each company are held on the same day, they are held as separate meetings with board packs and agendas being prepared for each company's meeting, thereby creating distinction between meetings. Given that UUW represents approximately 99 per cent of UUG's revenues, decisions taken for UUW are unlikely to be in conflict with those of UUG. Were that to be the case, the directors would be responsible for taking decisions on behalf of each entity in accordance with S172 of the Companies Act 2006, and acting in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The company secretary would advise on any potential conflict of interest, and the board would seek independent advice on any matter if thought necessary.

Matters that have been reserved for decision by the UUG board can be found on our website: www.unitedutilities.com/globalassets/documents/pdf/03---schedule-of-matters-reserved-for-decision-by-the-board.pdf

ii. **Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.**

The UUW board has delegated specific powers, subject to certain limits, relating to the capital investment programme, to the UUW capital investment committee and in relation to financing, by way of power of attorney, to the Chief Financial

Officer and/or the Treasurer. UUW does not duplicate board committees already in operation at the UUG level (the board committees). The activities of the board committees, as required in accordance with the code, whose members are made up entirely of independent non-executive directors (in accordance with provisions 9 and 10 of the code who are directors of the company) are necessarily targeted towards UUW matters, given that UUW represents approximately 99 per cent of UUG's revenues. The alignment of the interests of UUW and UUG ensures that the interests of UUW and its customers are safeguarded, and avoids unnecessary duplication. The group has operated in this manner since 2011.

Further information about the UUG committees and approach to board governance can be found in the 2022/23 United Utilities Group PLC Annual Report and Financial Statements on pages 120 to 215. This includes reports from the Nomination committee (pages 140 to 148), the Treasury committee page 169, the Audit committee (pages 153 to 168), the Environment, Social and Governance committee (pages 204 to 207) as well as the Annual Statement from the Remuneration committee chair (pages 170 to 173).

iii. The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

Meetings of the board are fully focused on the company's regulated obligations and activities as an appointee in accordance with its licence as a provider of water and wastewater services and the board is supported by the director of strategy, policy and regulation. Typically, board meetings receive the following standing items: operational activities and incidents; review of performance against operational and financial KPIs; regulatory updates; and customer updates.

The board, whose directors' biographies can be found on pages 122 to 125 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements, includes a strong independent non-executive representation with a diverse range of backgrounds, skills and experience. As part of the director recruitment process, potential conflicts of interest would be assessed to ensure the suitability of the candidate in this respect (amongst others). A register of directors' interests is maintained and directors are asked to identify any potential conflicts of interest on any subject matter on the board's agenda at each meeting.

C) The board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions.

Excellent governance is part of who we are and United Utilities was delighted to be accredited with the Fair Tax Mark for the past five years. We participate in a range of global Environment, Social and Governance (ESG) ratings and indices to benchmark our approach against best practice and emerging sustainability challenges. We target being 'upper quartile across a suite of investor indices' to demonstrate our performance, measured through an operational KPI. We adhere to the highest levels of corporate governance. Fairness and transparency is key to the way we report, the way we operate, and the way we interact with our stakeholders. In the last reporting year, the board approved the proposal to establish a board committee with delegated responsibility to oversee compliance with regulatory and statutory reporting requirements and to be kept abreast of any changes to the requirements. The subcommittee has been established and is chaired by Alison Goligher.

Our human rights policy can be found on our website:

www.unitedutilities.com/corporate/responsibility/our-approach/human-rights/

with links to other related policies including our modern slavery policy and our approach to a sustainable supply chain called United Supply Chain. We work with suppliers and contractors whose business principles, conduct and standards align with our own. We support the appointment of a small business commissioner to investigate companies who do not treat suppliers fairly, are a signatory to the Prompt Payment Code, and fully comply with rules on reporting payments to suppliers.

In recent years, the UK water sector has faced challenges to its legitimacy, and questions raised about the ownership structure of the sector. We have been open and transparent in reporting our equity and debt financing arrangements and do not use offshore financing vehicles. Throughout AMP6, we developed a sound approach to assurance, which is a key enabler to providing high quality data provision. We are maintaining and, where appropriate, evolving our approach to assurance through AMP7 to build further on the trust we have earned, making improvements where shortcomings are identified and to enhance the confidence that customers, regulators and other stakeholders can have in our performance reporting.

Each year the board reviews and discusses the evaluation of the board, its committees and individual directors and conflicts of interest. Once every three years this process is undertaken by an external organisation and in the intervening years the evaluation is facilitated by the company secretary. An external review was last undertaken in February 2021; the review this year was facilitated by the company secretary in consultation with the Chair. This process identified action points and any ongoing training needs. Further details can be found on pages 145 to 147 of the 2022/23 United Utilities Group Annual Report and Financial Statements. As part of its annual governance processes, the terms of reference for the audit, remuneration, treasury and ESG committees were reviewed by each committee and the board received post-meeting reports from the chairs of each committee summarising discussions and actions. It implemented matters arising from its biannual updates on changes and developments in corporate governance as thought fit. Further details of the company's approach to transparency and governance can be found in the corporate governance report contained within pages 120 to 215 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements.

Provisions:

i. A detailed explanation of the structure of the United Utilities group is set out on page 145 of the 2022/23 United Utilities Water Limited Annual Report and Financial Statements.

ii. An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).

The board considers that there is substantial evidence that the company's overall performance is, at least, in line with the final determination, including the obligations and commitments embedded within our business plan and set out in the final determination for AMP7. Evidence supporting this view and of the company's delivery for customers includes the following:

- 83 per cent of performance commitments met or exceeded resulting in a net reward of £25.3 million
- UUW continues to make good progress in AMP7 on internal sewer flooding and water quality performance, although these are areas where performance is not achieving the Ofwat final determination targets. To improve performance in these areas, and to get closer to achieving targets, the company is delivering additional actions and investment. More details on this activity is included in the APR Section 1.1

2022/23 United Utilities Water Board statement

- The company expects to achieve 5th position for C-MeX in 2022/23. The company expects to achieve 8th position in the D-MeX survey for developer customers in 2022/23.
- Table 1F of the APR shows that return on regulated equity – a key measure of performance versus the final determination - is 10.91% in 2022/23 compared to an assumed level of 3.97% in the final determination. These returns have been adversely impacted by the additional re-investment the company has made in order to improve operational performance for the benefit of customers and the environment.
- UUW is expected to maintain a robust set of investment grade credit ratings with current credit ratings of A-, A3 and BBB+ with Fitch, Moody's and Standard and Poor's respectively.

  Taking all the above into account, the board considers that the payment of base dividends in respect of performance so far in AMP7 is appropriate. Further detail on the dividend policies and dividends paid, and how these take account of delivery for customers and other obligations is provided on pages 129 to 132 of this Annual Performance Report.

iii. An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

The principal risks and uncertainties to the success of the business and the ways in which these risks are managed, monitored and mitigated are set out on pages 60 to 75 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements.

iv. The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.

The table below sets out, for the year ended 31 March 2023, the number of scheduled meetings of the United Utilities Water Limited board that were attended and the maximum number of scheduled meetings that could have been attended.

Sir David Higgins	8/8
Steve Mogford	8/8
Louise Beardmore (1)	7/7
Phil Aspin	8/8
Mark Clare (2)	4/4
Alison Goligher (3)	7/8
Liam Butterworth	8/8
Stephen Carter (2)	4/4
Kath Cates	8/8
Paulette Rowe	8/8
Doug Webb	8/8

(1) Louise Beardmore was appointed to the board on 1 May 2022.
(2) Mark Clare and Stephen Carter stepped down from the board at the conclusion of the AGM in July 2022.
(3) Alison Goligher was unable to attend one board meeting due to a personal matter.

Memberships of board committees and attendance at these is set out in the Governance section of the 2022/23 United Utilities Group PLC Annual Report (pages 120 to 215).

v. An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

A detailed explanation of the group's directors' remuneration policy and its application during 2022/23 is set out on pages 195 to 203 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements. Details of remuneration for the directors of UUW is set on pages 146 to 153 of the Annual Performance Report and pages 146 to 149 of the United Utilities Water Limited Annual Report and Financial Statements. The criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied, with executive pay arrangements aligned to our purpose, values and strategy, thereby incentivising great customer service and the creation of long-term value for all.

D) Boards and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

As detailed above, the group operates a structure with the same directors sitting on the boards of both UUW and UUG, thereby, increasing the efficiency and effectiveness of the corporate governance structure. As a result, and given that UUW represents approximately 99 per cent of UUG's revenues, the company does not duplicate the board committees already operating at the UUG level. Full details of the UUG board and board committees are set out within the Governance section of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements (pages 120 to 215).

Provisions:

i. Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify which customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

The board and the board committees have an appropriate combination of skills, experience and knowledge, biographies of the directors are set out on pages 122 to 125 and the skills matrix of directors is set out on page 144 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements. Consideration is given to the length of service of the board as a whole and membership is regularly refreshed, non-executive directors would, normally, only serve a term of up to nine years in accordance with the code (the tenure of board directors is set out on page 142 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements). Appointments to the board are subject to a formal, rigorous and transparent procedure. The board diversity policy (see page 144) of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements is taken into account during the recruitment process. The policy incorporates targets for gender and ethnic diversity, which are to maintain at least 40 per cent female representation and to have at least one director from a minority ethnic background* and to have at least one of the positions of: chair, CEO, senior independent director or CFO held by a female. These targets were first met in July 2022 and in place at 31 March 2023. An effective succession plan is maintained for board and senior management. Improving diversity and inclusion within the group has been high on the board agenda. Further detail is set out on pages 143 to 144 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements.

*Defined by reference to categories recommended by the Office for National Statistics (ONS) excluding those listed by ONS as coming from a white ethnic background.

ii. Independent non-executive directors are the largest single group on the board.

Throughout the year independent non-executive directors made up the majority of the board. Steve Mogford retired as CEO on 31 March 2023. Louise Beardmore was appointed as CEO designate in May 2022 taking over as CEO from 31 March 2023. Mark Clare and Stephen Carter stepped down from the board at the conclusion of the AGM in July 2022. Michael Lewis was appointed as non-executive director from May 2023.

2022/23 United Utilities Water Board statement

The biographies of the full board can be found on pages 122 to 125 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements. Independence is tested against the criteria set out in the code.

iii. **The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.**

Sir David Higgins was appointed to the board in May 2019 as chair designate and in line with the BLTG provisions, he was independent on appointment when assessed against the circumstances set out in the code. He was appointed as Chair of the board on 1 January 2020. The roles and responsibilities of the Chair are set out as part of the group's governance framework.

iv. **There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.**

A board evaluation is conducted annually, with an independent assessment every third year, as has been the case for a number of years. This year the evaluation was facilitated internally by the company secretary, in consultation with the Chair and the board committee chairs. The most recent external evaluation was conducted during 2020/21. Full details can be found on page 145 of the 2022/23 United Utilities Group PLC Annual Report and Financial Statements.

v. **There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.**

Details of the approach to board succession can be found on pages 143 to 144 of the 2022/23 United Utilities Group PLC Annual Report and financial Statements.

vi. **To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.**

All non-executive directors appointed since April 2016 have met with Ofwat prior to appointment to the board.

vii. **There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.**

Independent non-executive directors form the members of the board committees and chair the audit, remuneration, treasury and ESG committees.

E) Delivering for customers and stakeholders.

We believe that we have delivered another strong performance for customers and stakeholders delivering or outperforming 83% of our performance commitments. A full description of this, as well as our plans to improve performance in performance commitments we did not achieve, are set out both in Section 1.1 of this Annual Performance Report and in the strategic report pages 10 to 120 of the 2022/23 United Utilities Group PLC Annual Report.

We benefit from a strong balance sheet and over AMP7 are investing £500 million more than our regulatory allowance, with £250 million supporting improved operational performance and £250 million to improve environment outcomes (principally through the Better Rivers programme). We are committed to providing great water for a stronger, greener and healthier North West and this year we have made sustained improvements in our water, wastewater and customer performance commitments.

We have met our leakage target for the 17th consecutive year, and our advice and support to customers about water usage in the home is helping to reduce per capita consumption. Over AMP7, we have made additional investment to help improve water quality and have seen over a 20 per cent improvement in contacts about the taste, smell and appearance of water. We have embedded our Water Quality first programme, across the business, delivering benefits in water quality. In recognition of the improvements already delivered through the programme, the Drinking Water Inspectorate (DWI) has confirmed we are no longer in transformation with regards to our drinking water quality performance.

We are dedicated to improving our environment performance and continue to lead the sector on reducing pollution incidents and have had zero category 1 or 2 incidents in three of the last four years, reducing pollution incidents by over 30 per cent since the beginning of AMP7. This year, we have sustained our investment in our Dynamic Network Management approach and are seeing further improvements across our wastewater performance, reporting our lowest ever performance in sewer flooding.

We want to deliver great service to customers which is reflected in our C-MeX performance. We have improved our C-MeX performance this year, expecting to achieve a position of fifth, our best ever performance for customers. Over AMP7, we are continuing to support over 330,000 customers providing support for households struggling to pay their bills, increasing the number of customers registered for our Priority Services scheme to over 294,000 and working with other utilities to provide the best level of service. We expect to achieve a position of eighth for our D-MeX performance and will continue to invest in our systems to give us improved control over the end-to-end customer journey.

We recognise that this is a very challenging time for United Utilities and the water industry and we understand people's concerns about river health. We want to contribute to the North West, making it stronger, greener and healthier through the delivery of our plan and, as described above, we are investing an additional £250 million in our Better Rivers programme. This investment, along with applied focus of teams within the business, has supported a reduction in spills of 39 per cent since 2020, together with a 41 per cent reduction in both the average and recorded spill frequency and spill duration.

Since October last year, we have been working with regulators on an accelerated plan. We have been given provisional approval to accelerate over £900 million of our AMP8 investment. This will enable us to deliver nearly £200 million of investment in AMP7. This investment will allow early work to commence on our storm overflow investment programme and to tackle nutrients in sensitive water catchments by upgrading our wastewater treatment works with advanced nutrient removal technology.

Our remuneration arrangements for executive directors are aligned to our purpose and strategy, thereby incentivising delivery for customers and the environment, and the creation of long-term value for all of our stakeholders. The table on page 150 summarises how our incentive arrangements are aligned to our business strategy.

Following a thorough review of our remuneration arrangements in 2021/22 and the approval of a new directors' remuneration policy at the 2022 UUG AGM, we believe our current approach demonstrates a strong link to delivery for customers and the environment, along with our other stakeholders. There are extensive disclosures in relation to executive remuneration on pages 146 to 153 of this Annual Performance Report. Additional information and context is available in the remuneration committee report on pages 170 to 173 of the United Utilities Group PLC Annual Report and Financial Statements.

2022/23 United Utilities Water Board statement

The board recognises that the water sector has been subject to significant scrutiny during the year. We understand why, and we share the concerns of our customers and wider society in relation to environmental performance in particular. On the topic of the use of storm overflows specifically, whilst the company has materially reduced the number of storm overflow activations since 2020, it is clear there is a lot more to do and we have an ambitious plan to improve performance in this area.

The committee has a robust track record of making sure that executive performance pay outcomes are aligned with the interests of all our stakeholders. The majority of our performance-related pay is linked to customer-related objectives, with 75 per cent of the annual bonus and 50 per cent of our Long Term Plan (LTP) being based on stretching targets related to our delivery for customers, including environmental commitments and obligations. The company's strong performance in key areas meant that many of these environmental targets were achieved, however, the executive directors informed the committee of their intention to waive their eligibility for environmental elements of their 2022/23 performance-related pay outcomes as a demonstration of their personal commitment to a reset across the sector. The board supported their decision. This affected the Better Rivers component of the annual bonus and five of the measures in the customer basket component of the Long Term Plan, reducing their performance-related pay outcomes by around 25 per cent. Performance Related Pay (PRP) for executive directors, which is in respect of performance in the financial year 2022/23, will be paid by United Utilities PLC (UUPLC), a group holding company, and will not, therefore, be funded by customers of UUW, the regulated company. The costs associated with the executive directors' bonuses and LTIPs in respect of the financial year 2022/23 will be excluded from the 2022/23 regulatory accounts for UUW, specifically wholesale totex reported in table 2B. As such, these costs are, therefore, automatically excluded from the totex customer cost sharing mechanism, and will not, therefore, be paid for by customers of UUW.

In respect of the annual bonus scheme specifically, performance is measured over a one-year period, but half of the outcome is deferred, typically into shares, and only becomes available to the directors three years after the cash bonus is paid.

For the performance year 2022/23, many aspects of company performance were strong. We are a sector leader at minimising pollution, achieved our best ever performance against our leakage performance commitment despite difficult weather conditions over the winter, supported vulnerable customers during the cost of living crisis, and delivered all of this year's Better Rivers programme milestones. Details about how this performance has impacted the executives directors' bonuses are shown on pages 146 to 153 of this Annual Performance Report, including, as noted above, their decision to waive the Better Rivers commitments outcome.

In respect of our long-term incentives (LTIs), performance is measured over at least a three-year period, but outcomes only become available to the directors after at least five years from grant. Since 2020, half of the overall outcome available for our LTI is based on key performance indicators including operational, service resilience and, since 2022, have reflected our performance on specific carbon measures, all of which capture the stretching delivery of performance in the interests of customers and the environment. The other half is related to our performance against return on regulated equity targets, where performance is influenced by the extent to which we deliver for customers. Overall, since 2020, at least 50 per cent of our LTIs have been based on customer and environmental objectives.

Pages 152 and 153 of this Annual Performance Report provide details about the outcome of the LTI that was granted in 2020 and had a performance period that ended on 31 March 2023. Whilst the final outcome will only be confirmed in the summer of 2023 when the outcomes of certain measures are confirmed, we believe we have performed very well. Details about the estimated outcomes of the executives directors' LTIs are shown on pages 146 to 153 of this Annual Performance Report, and again reflect their decision to waive the outcomes of five environmental measures.

Looking ahead, we are committed to making sure that at least 30 per cent of performance-related pay outcomes are related to environmental performance, including reducing storm overflow activations. We have amended the composition of the bonus scorecard and introduced a new measure to reflect our commitment to tackling storm overflow activations and improve river quality, as shown on page 153 of this report. The measures and targets for the 2023 LTI will be set later in the summer, and will, again, be based on Return on Regulated Equity and a customer basket of measures, with each component being equally weighted at 50 per cent.

Details of our performance against these performance-related pay schemes will be included in our 2023/24 Annual Performance Report.

Signed on behalf of the board

Sir David Higgins
Chair

Louise Beardmore
Chief Executive Officer

This statement was approved at a meeting of the United Utilities Water Limited board on 27 June 2023 and signed off on its behalf by Sir David Higgins Chair and Louise Beardmore, Chief Executive Officer.

Executive summary

Executive summary

This is our third Annual Performance Report of AMP7, the five–year price control period running from April 2020 to March 2025. In this document we set out information about both our financial and non-financial performance against the targets and commitments set for the period. This report covers year three of the AMP, running from April 2022 to March 2023.

This year, despite significant challenges in the economic environment, we continued to deliver strong sustained operational and financial performance. We have met or exceeded over 80 per cent of our performance commitments delivering our best ever performance on important measures to customers, including leakage, water quality and serious pollution incidents. We continue to make investments beyond the scope of our AMP7 Final Determination to drive sustainable performance and growth. Recognising the evolving situation in the United Kingdom with regards to the use of storm overflows, we have won support from regulators and are able to make an early start on over £900 million of investment allowing us to commence work now on our AMP8 plans.

We are now realising benefits our Dynamic Network Management programme, which is our ground-breaking £100 million Systems Thinking network, the first of its type in the world. We have installed more than 8,000 sensors on our sewer network linked to an innovative artificial intelligence platform. The data and information produced by this system means we are proactively finding and fixing issues within the sewer system before they cause an incident or have an impact on customers or the environment. This helps us to improve our performance for flooding, blockages, collapses and pollution incidents.

The resilience of our water supply remains a key priority for us. This year we achieved our leakage target for the 17th consecutive year with average leakage over the last three years at its lowest ever level. Our successful Water Quality First Programme, alongside targeted network investment, has resulted in a reduction in customer contacts for taste, smell and appearance. In recognition of the Water Quality First Programme, the DWI has confirmed we are no longer in "transformation" with regards to our drinking water quality performance, recognising the significant progress we have made in this area.

Supporting customers who are struggling to pay their bills is extremely important to us. We serve many of the most deprived areas in England, so it is more important than ever that we are doing what we can to help customers. To help ease cost of living pressures, we have provided financial support to over 330,000 customers so far this regulatory period and have continued to play a key role in the wider economy of the North West, supporting 22,000 jobs across the region. We are passionate about protecting customers in vulnerable circumstances through our comprehensive suite of support schemes and a £280 million package of affordability support across AMP7. We were once again the top performing listed company for customer satisfaction as assessed by Ofwat's C-MeX measure.

We have delivered a strong set of financial results during what has been a challenging year for businesses. Revenue is in line with guidance but is slightly down on the previous year largely reflecting lower consumption, however this will be recovered through the revenue control process. We made an underlying operating profit of £441 million, down from £610 million driven by lower revenue and the inflationary impact on operating costs, in particular procurement of electricity and chemicals. Return on regulated equity (RoRE) has increased by 3 per cent to 11 per cent real for 2022/23, reflecting strong financing, customer ODI and tax outperformance.

Ten highlights from this year's performance:

01 We met or exceeded over 80 per cent of all of our performance commitments

02 We achieved our leakage target for the 17th consecutive year

03 Supporting over 330,000 households through our extensive range of affordability schemes so far in AMP7

04 Reduced pollution incidents by 39 per cent since the beginning of AMP7

05 Reducing blockages, collapses, flooding and pollution through our innovative dynamic network management programme

06 Over a 20 per cent improvement in water quality contacts

07 Increased the number of customers signed up to our Priority Services to over 294,000

08 Supporting over 22,000 jobs across the region

09 We expect to achieve our best ever performance in C-MeX

10 Progress against our six carbon pledges has reduced our scope 1 and 2 greenhouse gas (GHG) emissions by a further 1.5 per cent this year

Executive summary

This is a critical time for the water sector, with many challenges facing us, especially around river health. Whilst we have delivered significant environmental improvements in recent years in areas such as improving beaches, reducing pollution and reducing leakage, we acknowledge there is significant work to do to address the impact of storm overflow activations. We have already made four pledges to deliver improvements ahead of AMP8, having delivered a 39 per cent reduction in reported activations from storm overflows compared to the 2020 baseline and a 41 per cent reduction in both average recorded frequency and duration. We are committed to working as fast as we can to reduce activations further and quicker.

More details of our plan can be found on our website at www.unitedutilities.com/corporate/responsibility/environment/reducing-pollution/storm-overflows/our-commitments-to-river-health/

In year three we have focused on investing in sustainable operational performance and customer service whilst delivering value for our stakeholders. Customer satisfaction and employee engagement remain high and our performance has been strong across water, wastewater and retail and we have achieved or exceeded over 80 per cent of our performance commitments for the year.

In wastewater, we continue to see the benefits of our Pollution Incident Reduction Plan. This focuses on culture, systems thinking training and maintenance. Over AMP7 we have reduced pollution incidents by 39 per cent and we have had zero serious pollution incidents. The additional investment we have made in our Dynamic Network Management programme is helping us to reduce numbers of flooding incidents, blockages and collapses. This approach uses information gathered by thousands of monitors in our network alongside artificial intelligence to understand changes in the performance of the wastewater system and to proactively intervene before customers and stakeholders experience a problem.

Our focus and targeted investment is helping us to deliver great service to customers. We have improved our performance in C-MeX and expect to achieve fifth position, delivering our best ever performance for customers. For D-MeX we aim to deliver improved performance for developers as we realise the benefits of updating our operating model in line with a new IT system over the remainder of the AMP. We have provided affordability support to more than 330,000 households in this regulatory period with our industry leading financial assistance support, helping customers who are struggling financially whilst the cost of living increases.

We have achieved our leakage targets for the 17th consecutive year with average leakage over the last three years at its lowest ever level. Alongside our Water Quality First programme, our investment in the water network to improve performance on customer contacts for taste, smell and appearance has resulted in a reduction of over 20 per cent this year. We are continuing to work with customers to help their understanding of efficient water use and make informed choices where possible, and although we did not meet our target for per capita consumption in year three we did improve our performance.

Delivering our promised outcomes

Over AMP7 we will be delivering across seven different outcomes. Each outcome consists of a number of different performance commitments. In section 1.1 of this document we have provided further narrative around each of these outcomes, explaining why each is important to customers. This section details each of the 46 different performance commitments which sit within the outcomes, describing the actions we have taken in delivering our performance and targets for year three. The table below outlines each of the seven outcomes, the number of performance commitments in the outcome, how many performance commitments we have successfully delivered in year three and the net outcome delivery incentive (ODI) position. In Appendix 1 we outline our approach to assuring our data and information. We also provide details on any areas where we are not fully compliant with reporting methodologies, including the reason for non-compliance, its impact and the actions we are taking to address the issue.

Outcome description	Number of performance commitments passed per outcome	Net ODI position (£m)
Your drinking water is safe and clean	4/5	4.245
You have a reliable supply of water now and in the future	9/11	-9.069
The natural environment is protected and improved in the way we deliver our services	7/9	5.203
You're highly satisfied with our service and find us easy to do business with us	4/5	3.062
We will improve the way we work to keep bills down and improve services	8/8	12.288
We collect and recycle wastewater	1/2	-0.295
The risk of flooding for homes and businesses is reduced	5/6	9.843
Total	**38/46**	**25.276**

Our expenditure and revenues

Our expenditure and revenues

Introduction

The PR19 price review process was structured around four wholesale price controls and two retail price controls.

The wholesale business undertakes the operational activities of collecting, treating and distributing water to customers and then collecting and treating the wastewater and managing the bioresources produced by the wastewater treatment process. At PR19, the two previous wholesale price controls (water and wastewater) were further split out to create four distinct price controls: water resources, water network plus, wastewater network plus and bioresources.

The retail business undertakes the customer contact and billing activities and this continues to be split into two separate price controls. One of these is for retail services for residential customers, which we continue to operate. The other retail services is for business and other non-household customers.

The non-household retail market opened to competition in April 2017, following which UUW exited the non-household retail market and non-household customers have been able to obtain their retail services from a number of retailers. Further details of the non-household retail market can be found on the Open Water website.

The remainder of this section of the APR sets out how we have performed against the PR19 expenditure and revenue assumptions for wholesale price controls and the residential retail price control.

Wholesale

Overview of the wholesale price controls (assumed expenditure and allowed revenue)

In Section 1.1 of this document, we set out that the performance expectations of the wholesale services are captured by performance commitments with associated outcome delivery incentives. The PR19 process determined the assumed levels of total expenditure (totex) that were required to deliver these performance levels and to continue to meet our other regulatory and statutory obligations.

These expenditure assumptions across the four wholesale price controls were then used to determine the amount of revenue that would need to be recovered from customers to allow the business to finance the delivery of the operational and capital expenditure programmes for AMP7, to provide ongoing finance for the previous investment programmes and to pay tax on our operations.

Totex incentivisation

The totex investment regime takes a holistic view of capital and operating expenditure (capex and opex) to generate a total expenditure level (totex).

Any variance between the initial totex assumptions and actual expenditure over the full five-year period will be assessed through the cost reconciliation mechanism at the end of the regulatory period. This mechanism ensures that if we have been able to make greater efficiencies than assumed in the final determination, then, for the majority of spend, half of the saving would be retained by the company and half would be returned to customers. Similarly, if our expenditure is higher than the determined allowance, half of the increased expenditure would be recovered from customers and half would be paid for by the company.

The impact of any net variance will be assessed as part of the PR24 price review process, which concludes in 2025, and will then be reflected in customer bills during subsequent periods.

Interaction of operational and financial incentives

The totex incentive regime is designed to work alongside the outcome delivery incentive regime to ensure that companies are incentivised to strike the right balance between expenditure and performance. This approach is designed to encourage companies to innovate and to achieve efficiencies or improved service levels, rather than simply setting fixed (or capped) expenditure allowances and performance requirements.

Wholesale expenditure

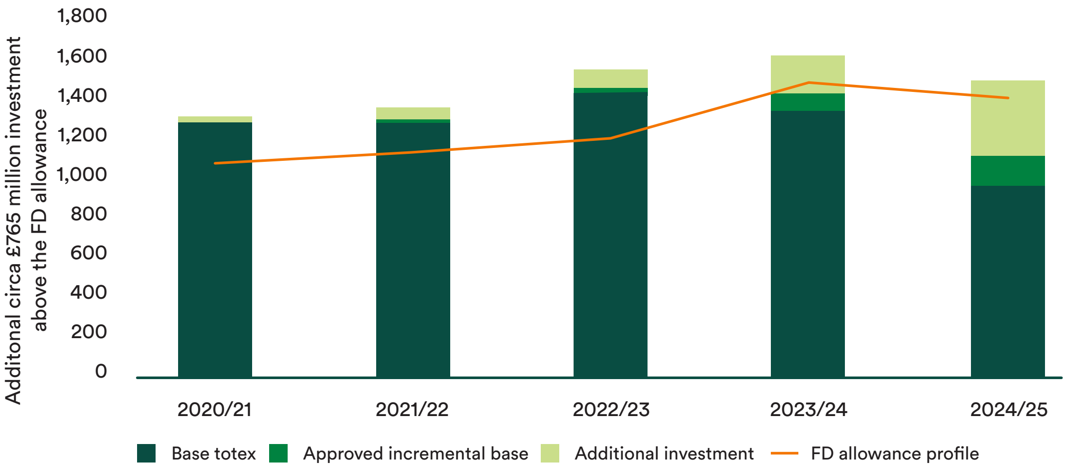
Our wholesale totex expenditure, as compared with the totex expenditure levels set out in the PR19 final determination, is shown in the table below.

	Spend – year ending 31 March 2023		
Financial measure	FD assumption[(1)] (£m)	Actual (£m)	Variance (£m)
Water resources totex	103	99	-4
Water network plus totex	506	646	140
Wastewater network plus totex	502	698	196
Bioresources totex	84	76	-9
Total totex	1,195	1,518	323
Shadow RCV (March 2022)	13,414	13,452	38

(1) Inflated from FD allowances (presented in 17/18 prices) to out-turn applying 22/23 average CPIH. Includes allowance for Green Recovery schemes.
Information from APR table 4C and 4U

Our expenditure and revenues

Net regulatory totex



Total expenditure in 2022/23 was significantly higher than assumed within the PR19 FD, with total actual totex spend of £1,518 million compared to £1,195 million assumed in the FD.

The key reason for this increased expenditure is because we have chosen to accelerate our AMP7 investment programme. In addition to accelerated spend of just over £350 million across 2020/21 and 2021/22, we chose to accelerate further spend of just over £250 million in 2022/23 to enable us to deliver benefits sooner – including improved customer service, outcome delivery incentive performance and efficiencies.

As the above chart shows, we expect equivalent reductions in totex spend in the later years of this AMP and that we should be able to deliver our overall AMP7 FD programme of work at the allowed level of expenditure across the five-year regulatory period. This means that this element of overspend, across the first three years of the AMP, relates to timing differences only, with more spend earlier in the period and less spend later in the period.

In addition to the accelerated spend, we announced our intention to invest a total of £765 million beyond the FD allowance over AMP7 (shown in the above chart). This reflects circa £250 million investment to improve service for customers (including circa £100 million investment in Dynamic Network Management, circa £100 million investment in drink water quality improvements, and spend to save opportunities), circa £250 million investing outperformance for environmental improvements to ensure delivery of our 'Better Rivers: Better North West' programme and the new Environment Act 2021 requirements, and circa £265 million approved incremental base investments for projects where regulatory allowances and mechanisms have been secured following the FD. In 2022/23, we incurred £91 million of spend in relation to additional projects outside of the FD scope. This is in addition to the £109 million of overspend reported in 2020/21 and 2021/22, resulting in a cumulative overspend of £200 million across the first three years of the 2020–25 period.

Our capital delivery continues to be achieved in an effective and efficient manner, scoring 92.9 per cent against our internal Capital Programme Delivery incentive (CPDi) measure.

Household retail

Overview of the retail price control and incentives 2022/23 performance – household retail

The PR19 process determined an allowed 'cost to serve', plus an assumed margin that could be recovered for providing retail services to household customers. The allowed cost reduces through the AMP7 period in real terms, as no direct allowance is made for inflation.

The initial cost to serve allowance was based upon assumed numbers of customers through the period. Total allowed cost to serve levels for each year, therefore, vary depending upon actual customer numbers.

Measure	Ofwat FD assumption	Allowance based on actual customer numbers	2022/23 actual	Variance
Cost to serve excluding margin	£94.8m	£97.9m	£106.3m	£8.4m

Actual household customer numbers at 3.19 million (table 2F) were 101,198 higher than assumed in the PR19 FD. This change has, primarily, been driven by a reduction in void premises. Taking account of an increase in customer numbers, allowed operating costs for 2022/23 were £97.9 million.

Actual operating costs in the year (as set out within APR table 2C) were £106.3 million, which is £8.4 million higher than the retail cost allowance. The increase in cost above the original FD assumptions is attributable to the impacts of COVID-19 and the cost of living crisis on cash collection and, therefore, bad debt and higher than expected levels of inflation. The costs are £0.2 million higher than in 2021/22, as detailed in the retail expenditure chapter (Section 1.5).

Our expenditure and revenues

Our financial performance

Overview of the PR19 determination

Consistent with prior regulatory periods, Ofwat developed the PR19 determinations for all companies based upon a notional capital structure (rather than basing them on company specific capital structures). It applied a common weighted average cost of capital (WACC) for all companies of 2.96 per cent real (CPIH), inclusive of 0.04 per cent retail allowance. This excludes the 'fast-track' reward given to some companies.

To demonstrate that the plan was financeable, the anticipated performance against a key suite of equity and debt financial indicators was set out as part of each company's determination. In addition, Ofwat set out the assumed notional base case return against the company's regulatory equity (RORE). For UUW, this value was 3.86 per cent (real, RPI/CPIH blended), on average, across AMP7.

UUW was one of only three companies across the industry fast-tracked through the PR19 process during 2019/20. As well as allowing us to achieve a flying start on our investment programme for this AMP, our fast-track status provided a reward equivalent to an annual 0.1 per cent of regulated equity, worth around £25 million across the 2020–25 period.

The overall determination and incentive package was, therefore, positioned to be sufficiently broad and challenging that companies needed to manage diverse risks and utilise available opportunities in order to earn a balanced return for investors, whilst delivering the best possible package of price and service to customers and the environment.

2022/23 performance – UUW financial performance

Overall, we have delivered a strong set of financial results for the year ended 31 March 2023, despite the challenges faced by the business. Operating profit levels were reduced compared with last year, reflecting a decrease in revenue mainly driven by lower than expected consumption and inflationary pressures on core costs, particularly on power and chemicals. We continue to maintain a strong balance sheet, with RCV gearing of around 66 per cent, which supports our strong credit ratings.

In total, over 2020/25, we expect to raise around £2.7 billion to cover refinancing and incremental debt, supporting our five-year investment programme. So far, in AMP7, we have raised around £1.8 billion, taking advantage of attractive funding opportunities available and extending our liquidity out to August 2025. In the year to March 2023, we raised £638 million of term funding, including new/renewed bank facilities. Following the year end we issued a further £400 million of term funding, with the proceeds of a £300 million sustainable public bond being received on 6 April and executing a £100 million nine-year maturity bilateral loan with one of the group's relationship banks during April 2023.

Our treasury management secured a low cost of debt compared with industry wide regulatory assumptions for AMP7, with an appropriate mix of index-linked and nominal debt. Our hedging policy means we are well placed to manage future financing costs. We have a robust liquidity position with £621 million of available liquidity as at 31 March 2023 and have published a seven year long-term viability statement.

We have a responsible and sustainable dividend policy, with consideration given to a broad range of stakeholders who have interests in the performance of the company. For 2022/23, UUW dividend payments totalled £454 million, which comprised of £194 million reflecting a 4% return on the actual equity portion of the Shadow RCV, £2 million in respect to the non-appointed activities of UUW, £250 million demonstrable outperformance versus the final determination, and £8 million true up from 2021/22. Further details on the dividend policy can be found on pages 129 to 132 of the APR.

The following pages provide commentary on our financial performance through an overview of our income statement, our financial position and a range of key financial metrics. The overall impact of this performance upon return is assessed through our return on regulatory equity (RORE) and financial flows.

Additional detail is provided within the UUW Regulatory accounts in Section 2.

Income statement

Our income statements for the years ending 31 March 2023 and 31 March 2022 are summarised in the table below. This should be read in conjunction with the high level commentary following the table and the detailed information provided within Section 2: Regulatory accounts.

Income statement measures for the years ending 31 March 2023 and 31 March 2022

Income statement measure (£m)	2022/23	2021/22	Movement
Revenue	**1,790.0**	1,822.0	-32.0
Operating profit	**434.3**	593.9	-159.6
Profit before tax	**92.5**	399.0	-306.5
Profit after tax	**81.2**	-110.9	192.1

Information from APR table 1A

In 2022/23, regulated revenue decreased by £32 million to £1.79 billion, largely reflecting lower consumption across both customer groups (£80 million non-household impact and £22 million household impact), more than offsetting the allowed regulatory revenue increase of £70 million.

Operating profit of £434 million is lower than last year, largely reflecting the decrease in revenue, inflationary pressures on our core cost base, and the impact of operational incidents as a result of extreme weather during the year. The largest inflationary increases have been to power and chemicals, where we have incurred an additional £27 million and £25 million, respectively. Extreme weather events adversely impacted operating costs by £20 million, and £5 million additional expenditure driving improvement to ODI performance, primarily in relation to infrastructure renewals expenditure investment in Dynamic Network Management – our innovative approach to managing our sewer network and improving water quality.

Profit before tax of £93 million was down £307 million. This reflects a £160 million reduction in operating profit and a £227 million increase in net interest expense due to the impact of higher inflation on our index-linked debt, partially offset by a £92 million increase in net fair value gains on financial instruments (from a gain of £143 million in 2021/22 to £235 million in 2022/23).

UUW has a reported profit after tax of £81 million this year, compared with a £111 million reported loss after tax last year. This £192 million difference reflects the £307 million decrease in reported profit before tax, and a £571 million decrease in deferred tax largely due to a one-off charge in the prior year to restate the brought forward deferred tax liability at the new 25 per cent future headline rate.

Our expenditure and revenues

Financial position

Our financial position for the years ending 31 March 2023 and 31 March 2022 is summarised in the table below. This should be read in conjunction with the high level commentary following the table and the detailed information provided within Section 2: Regulatory accounts.

Financial position for the years ending 31 March 2023 and 31 March 2022

Financial position	2022/23	2021/22	Movement
Total assets (£m)	**13,802**	13,739	63
Total liabilities (£m)	**12,456**	11,733	723
Net asset value and total equity (£m)	**1,346**	2,006	-660
Decrease in net cash (£m)	**64**	-477	541
Net debt (£m)	**8,886**	7,987	899
Ofwat RCV (£m)	**13,414**	12,336	1,078
'Shadow' Regulatory Capital Value (£m)	**13,452**	12,357	1,095
Gearing (%)	**66.2**	64.8	1.4

Information from APR tables 1C, 1D, 1E and 4C

Net assets were down £660 million, with total assets up by £63 million and liabilities up £723 million, impacted by the £899 million increase in net debt (described below). Net cash generated has increased by £541 million to £64 million, which represents net cash generated from continuing operating activities, supporting the dividends paid for the year and partially funding some of the group's net capital expenditure, with the balance being funded by net borrowing. Year on year movements are, principally, due to the timing of finance raised and dividends paid.

Reported net debt (table 1E) was up by £899 million, largely as a result of net operating cash inflows offset by our net capital expenditure, UUW's capital structure continues to support an A3 credit rating with Moody's. Reported gearing (which uses the RCV published by Ofwat) increased to circa 66 per cent, as the relative increase in net debt exceeded RCV growth, as described above. Based on the adjusted shadow RCV of £14,000 million which reflects the full expected value of our AMP7 ex-post adjustment mechanisms, gearing would be lower at 64 per cent. We expect to remain above the nominal gearing level of 60 per cent assumed by Ofwat in setting the PR19 FD, largely due to the discretionary expansion of totex to drive performance improvements.

Financial metrics

Our performance against the key financial measures set out in the FD for the years ending 31 March 2023 and 2022 is summarised in the table below. This should be read in conjunction with the high level commentary following the table and the detailed information provided within Section 2: Regulatory accounts.

Financial metrics for the years ending 31 March 2023 and 31 March 2022

Financial ratios	Notes	Ofwat PR19 FD assumption	2022/23 actual	2021/22 actual
Interest cover ratio (ICR) (cash)	1	4.58	**7.55**	6.57
Adjusted cash interest cover ratio (ACICR)	1	1.52	**1.44**	2.42
Funds from operations (FFO)/debt	1	10.83%	**9%**	11%
Gearing (net debt/RCV)	1	56.98%	**66.2%**	64.8%
Dividend cover	1	1.56	**0.18**	-0.33
Retained cash flow (RCF)/Net debt	1	8.58%	**3%**	7%
Return on capital employed (ROCE)	1	4.32%	**3.63%**	5.85%
Credit ratings	2	Investment grade	**A3; BBB+; BBB+**	A3; BBB+; BBB+

Information from PR19 final determination: United Utilities and APR table 4H

Notes:

(1) Ofwat FD ratios are derived on a notional capital structure with a notional cost of debt and reflect 100 per cent of IRE expensed in the income statement.

(2) Minimum credit rating as required in UUW licence.

The interest cover ratios illustrate a company's ability to pay interest on its outstanding debt. The cash interest cover looks at the ratio of funds from operations (FFO) before the payment of interest, to cash interest paid, which remains comfortably above the assumption made in the PR19 final determination. The adjusted cash interest cover adjusts the numerator by subtracting regulatory depreciation, which is an approximation of the capital cost that would be incurred if companies were to maintain the RCV at the same level, which is slightly below the FD assumption due to regulatory depreciation growth as a result of high inflation.

The FFO/Debt ratio is calculated by taking the net cash generated from operating activities, adjusting for changes in working capital and dividing by net debt. This ratio is often used by credit rating agencies to look at the ability of companies to repay their debt and to fund their capital expenditure requirements. It should be noted, however, that each credit rating agency has its own approach to the calculation of these ratios, which may differ from the Ofwat calculation method used here. For example, applying Standard & Poor's (S&P's) usual methodology, which deducts all interest to derive FFO compared to Ofwat's method, which deducts cash interest only, S&P's FFO/Debt for 2022/23 would be lower at around 2 per cent due to higher inflation increasing the indexation charges on our index linked debt. The 9 per cent reported under Ofwat's method is below Ofwat's PR19 FD assumption due to lower net cash generated from continuing operating activities, principally, due to the reduced revenue and inflationary impacts on core costs.

Our expenditure and revenues

The debt to RCV gearing ratio measures the proportion of debt in a company's capital structure relative to its regulatory capital value. This ratio is often used by credit rating agencies to assess a company's level of leverage and capital strength. The movement on this metric is explained on the previous page.

Our credit ratings with Moody's (A3), S&P (BBB+) and Fitch (BBB+), all on stable outlook, remain unchanged from the prior year. These are all well above the minimum investment grade and at or above PR19 business plan targets for Moody's (BAA1) and S&P (BBB+) on a notional basis. No PR19 business plan target was provided for Fitch.

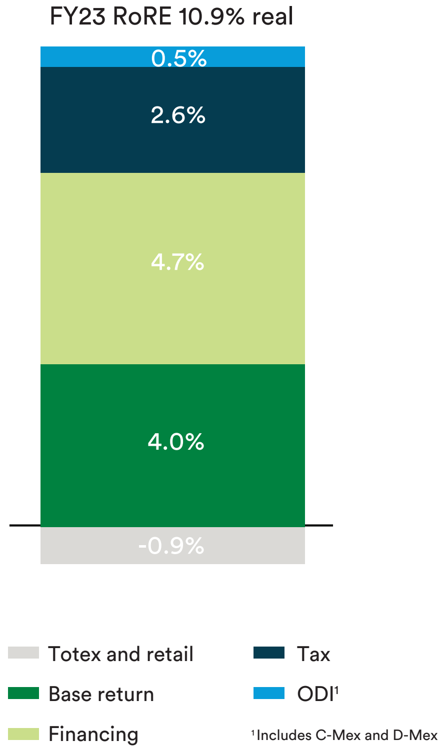
Dividend cover shows the number of times the dividend can be paid from the distributable profits earned in each year. This is below the FD assumption, predominately due to the £250 million outperformance dividend relating to performance earned across the first three years of the AMP. If we normalise the dividends paid, then dividend cover would improve. However, profits are low due to the high inflation environment increasing our core cost base and net interest expense.

RCF/Net debt shows FFO retained by the business post dividend payments as a percentage of net debt. Similarly RCF/net debt of 3 per cent reported in 2022/23 is below the PR19 FD assumption, largely as a result of reduced FFO as described above and the outperformance dividend payment which relates to performance earned across the first 3 years of the AMP.

ROCE measures profit before interest less current tax divided by RCV. ROCE of 3.63 per cent in 2022/23 is lower compared to last year, reflecting lower operating profits and increased RCV growth as a result of high inflation.

Return on Regulatory Equity (RORE)

The UUW final determination set out the theoretical range of returns that UUW could expect to earn, dependent on its actual performance in the period, with this return being expressed as a return on the regulated equity of the business (RORE).



The RORE value reported in our APR is designed to measure the returns (after tax and interest) that a company has earned by reference to the notional regulated equity, where regulatory equity is calculated from the RCV and notional net debt (60 per cent of RCV).

The notional base case RORE that was assumed in the FD was 3.86 per cent (real, CPIH/RPI blended) and was assumed to be able to vary between -0.1 per cent and 8.0 per cent, depending upon actual performance in the period.

UUW reported a RORE of 10.91 per cent in 2022/23, reflecting strong financing, customer ODI and tax outperformance, which more than outweighed total expenditure (totex) underperformance driven by additional investment in service and environmental improvements.

Although reported RORE exceeds the assumed base case and the expected range published by Ofwat, comparisons between these two values need to be made with care. The assumed return within the FD is based on a theoretical, efficient company with a notional capital structure and a notional cost of debt, whereas the actual values reflect the UUW actual company-specific position. The RORE measure has changed to align to financial flows reporting with one key change being that this now includes all tax out/under performance on a new line, whereas previously the components within RORE were all presented post-tax. This means that the numbers are not directly comparable.

Our expenditure and revenues

The impact of our operational and financial performance on the key factors that are used to determine RORE is set out below.

Base return – The actual base return of 3.97 per cent (real, RPI/CPIH blended) was enhanced by a 0.11 per cent uplift as a result of UUW successfully securing fast-track status at PR19. Note that the Ofwat assumed base return of 3.86 per cent is an AMP7 average and UUW's base return, pre fast-track uplift, was 3.86 per cent for 2022/23.

Operating costs (totex and retail) – Whilst we have incurred significantly more wholesale totex across the year than was assumed in the FD, this has been impacted by the acceleration of AMP7 spend in the period, which has been adjusted for in this metric. Our current plans indicate that we should be able to deliver our AMP7 FD programme of work at the allowed level of expenditure across the five-year regulatory period.

Totex underperformance reflects the impact of £91 million additional investment we are making outside the scope of our FD, equivalent to -0.68 per cent of RORE. This includes, for example, our investment in Dynamic Network Management and investment as part of our Better Rivers programme.

Costs incurred in household retail have been higher than the FD allowance in 2022/23, as we are incurring higher bad debt costs (due to the impact of COVID-19 and an increase in costs of living on cash collection rates) and inflationary cost pressures.

Outcome delivery incentives – Our good performance opposite performance commitment targets has delivered net ODI outperformance payments of £19.7 million across the wholesale and retail services, equivalent to 0.44 per cent of RORE. This includes an assumed underperformance payment of £2.5 million against the per capita consumption ODI, although this will only be determined by Ofwat later in AMP7.

C-MeX/D-MeX – This is a measure of relative intercompany performance, and reported in the APR one year in arrears, as the final position is confirmed by Ofwat following the publication of companies' APRs. In 2021/22, we outperformed peers on C-MeX and D-MeX, receiving rewards of £2.2 million and £0.8 million, respectively.

Tax – Outperformance within 2022/23 RORE of 2.55 per cent reflects the tax credit in the current year (primarily due to the inflationary impact on operating costs and increased non-cash interest expense on our index-linked debt) and higher capital allowances driven by UUW's accelerated capital programme and the temporary 'super deductions'.

Financing – Financing outperformance is mainly attributable to the embedded cost of debt UUW has locked in at lower rates than Ofwat's PR19 FD-assumed cost of debt. Ofwat's assumed cost of debt was based on a water industry average and, under the regulatory model, companies with below-average debt can expect to outperform on financing. In addition, we have consistently issued debt at efficient rates that compare favourably with the industry average, due to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise. Our financing outperformance this year has been supported by the recent high level of inflation, which increases the benefit of the roughly £3 billion fixed rate debt we have locked in.

Please see page 135 of the Annual Performance Report for more narrative on reported RORE.

Financial flows

RORE represents the real return for each water company assuming a notional capital structure (i.e. 60 per cent PR19 notional gearing level). Financial flows expands on reported RORE by presenting the actual return on the actual capital structure of the company. It includes the inflationary return to derive total shareholder returns as well as presenting retained value, net of dividend distributions.

A summary of our 2022/23 performance is provided below. Table 1F of this APR provides more detail.

Financial measure	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Return on regulatory equity	3.97%	3.34%	3.97%
• Financing	0.00%	7.91%	9.47%
• Operational performance	0.00%	-0.34%	-0.41%
RORE	3.97%	10.91%(1)	13.03%
Total shareholder return	**14.72%**	**21.45%**	**23.54%**
Net dividend	-3.00%	-8.60%	-10.23%
Retained value	**11.72%**	**12.85%**	**13.30%**

(1) Equals reported RORE as presented in table 4H.

On a notional equity basis, actual RORE at 10.91 per cent is consistent with the reported RORE metric described in the RORE section above. On an actual equity basis, reported RORE is higher at 13.03 per cent, reflecting the impact of slightly higher actual gearing than the assumed 60 per cent notional level. Total shareholder return includes the inflationary return on RCV of 10.75% (not reflected in RORE, which is on a real return basis) and voluntary sharing arrangements, which reflect the amount of revenue forgone by the company to fund social tariff discounts for retail customers. Actual retained value of 12.85 per cent on a notional equity basis, and 13.30 per cent on an actual equity basis, is consistent with total shareholder return and dividends paid. Please see page 135 of the Annual Performance Report for more narrative on reported financial flows.

Risk and compliance statement

Risk and compliance statement

UUW board's Risk and Compliance Statement 2022/23

This statement is made by the board of United Utilities Water Limited (the company or UUW, where the context requires) and confirms the company's compliance with the relevant statutory, licence and regulatory obligations for the provision of services to its customers. This statement reflects the reporting year 2022/23 and is complementary to other statutory board statements.

The Statement

The board considers that the company has applied its processes and internal systems of control in a manner that has enabled it to satisfy itself, to the extent that it is able to do so from the facts and matters available to it, that the company:

- has a full understanding of and has complied with its relevant statutory, licence and regulatory obligations in all material respects in 2022/23;
- has taken appropriate steps to understand and meet customer expectations;
- has sufficient processes and internal systems of control to fully meet its obligations;
- has appropriate systems and processes in place to identify, manage, mitigate and review its risks; and
- has confidence that the data and information provided to Ofwat and published in the reporting of 2022/23 performance was accurate and complete.

Where there are known material departures from this statement – for example, if there are ongoing significant identified legislative or licence breaches or where systemic issues arose with management controls or processes – then these exceptions are set out and explained in the Table of Departures, which immediately follows this Risk and Compliance Statement. In addition, at any given time there may be matters under ongoing discussion or investigation with regulators or others to determine whether a material departure occurred. Where relevant, these matters will generally be disclosed following the conclusion of such processes.

Managing compliance with our obligations

The primary statutory and regulatory obligations relevant to our functions as a Water and Sewerage Undertaker are set out in either the Water Industry Act 1991 or in our Instrument of Appointment – the 'licence'. The licence requires us to meet the requirements imposed under any other statutory and regulatory obligations as necessary to fully discharge our duties as a Water and Sewerage Undertaker.

The company has an established compliance working group, chaired by the company's Senior Solicitor, with representation from relevant business areas. The group formed in 2015 in order to formally determine how the company's diverse obligations are identified and discharged. The group maintains a log of the company's key obligations, together with a list of the internal policies, associated risk assessment and assurance activities for each obligation. Each obligation also has an owner who is a member of the working group and a named owner of each obligation's linked policy, who usually is more senior and often at executive or board level. The group carries out horizon scanning to identify new legislation and identifies any areas of potential non-compliance against obligations.

The board manages the effective and efficient delivery of its obligations and operation of everyday activities within the business by the interaction of:

- **Authorisations, approvals and procedures:** These are set out in the United Utilities Group PLC (UUG) Internal Control Manual (ICM) to provide employees with a clear system of internal controls that they must follow when acting on behalf of UUW and UUG as a whole. The ICM sets out a framework within which underlying detailed procedures and policies operate.
- **Policies:** A range of underlying policies provide guidance to employees as to how they should conduct themselves when acting on behalf of UUW and UUG as a whole. Everybody working for, or on behalf of, UUW must comply with the policies (to the extent they are applicable to their roles). Failure to do so may result in disciplinary action being taken. This could lead to dismissal and possible civil or criminal proceedings in serious cases.
- **Governance and control:** The board delegates responsibility for specific matters to a number of committees and working groups. This provides a framework that employees are expected to be aware of and comply with, where relevant to their role, to ensure business decisions are taken with sufficient governance and oversight.

To oversee and take decisions affecting the execution of its obligations, the UUW board:

- receives and reviews performance reports from the Chief Executive Officer;
- receives and reviews reports and presentations from the Capital Delivery, Commercial, Corporate Affairs, Customer Service, Engineering, Environment Planning and Innovation, Finance, Health and Safety, Legal, People, Strategy, Policy, and Regulation and Water, Wastewater and Digital Services directorates;
- receives and reviews reports and presentations from the UU Corporate Audit Team, the financial and technical auditors; and
- has access to executive and senior managers in the company to verify information.

Should a significant regulatory risk or issue materialise during the year, then UUW will update Ofwat, accordingly, to demonstrate that the company is aware of and is responding appropriately to manage that risk or issue.

Understanding and meeting customer expectations

Our investment priorities and performance targets for the 2020–25 period were shaped by listening to customers and stakeholders and understanding their priorities for the years ahead. This work informed a series of outcomes, which represent what we are aiming to achieve in the areas that customers and stakeholders told us were most important to them.

Each outcome is underpinned by specific performance commitments that allow customers and stakeholders to judge our performance. The performance commitments are an important mechanism that allows us to demonstrate to customers whether the performance they have received from us has met, or not met, expectations. Some of these measures contain outcome delivery incentives (ODIs), with performance against these measures potentially resulting in financial incentives for outperformance or underperformance.

The performance commitment and outcome delivery incentive framework is designed to reflect customer priorities and provide strong incentives for companies to become more innovative and effective, both protecting customers against under-delivery and where merited, rewarding companies for outperformance in areas specified by the regulator as part of a customer focused price review process.

Risk and compliance statement

The independent challenge group for the North West, YourVoice, has continued to play a valuable role in scrutinising our customer engagement, improving the transparency of our reporting and challenging on the development of our AMP8 business plan. Throughout the year, we have continued to work with YourVoice to demonstrate how we are delivering on our performance commitments during year three of AMP7. YourVoice's comments on our performance during the year are published on its dedicated website.

https://yourvoiceicg.co.uk

We believe that it is important to be transparent and to provide information to customers and stakeholders that they can trust and that enables them to understand how the company is performing. The summary of the assurance that has been undertaken and the findings from that assurance are set out in Appendix 1 of this Annual Performance Report.

Processes and systems

The directors have a reasonable expectation that the processes and systems of control the company uses are adequate for it to meet its obligations.

This statement takes into account the relatively stable and regulated nature of the business, and is based, on amongst other matters, a review of the company's performance for 2022/23, the results of the annual management control self-assessment, the work of Corporate Audit and a review of the company's risk management process and register.

In respect of this statement, assurance is provided by:

- **Using UUW's established processes and methodologies for reporting performance.** This requires data providers, their managers and business unit directors to produce and approve Performance and Compliance Statements that set out the evidence to support the reported performance and control checks that have been applied. Operational performance data is collected at month six, month nine and at year end.
- **Comparing the reported outturn performance with our company business plan targets, regulatory targets and predicted future performance.** This exercise allows variances to be identified and explored. Where required, explanatory statements are sought from business managers. These statements are analysed and assessed by the Regulatory Contract team (within Strategy, Policy and Regulation) and findings are reported to the relevant executive directors, with any material issues highlighted to the UU board.
- **Requiring Business Unit Directors and Senior Managers to complete an annual management control self-assessment questionnaire.** The self-assessment is overseen by UU Corporate Audit and serves as one of many inputs to the board's annual review of the effectiveness of risk management and internal control systems in accordance with good governance principles. The self-assessment questions are intended to assess the application of key internal controls, highlighting the incidence of significant weaknesses or failures in controls during the period that have had, or could have, a material impact on the company's performance or condition. The questionnaire covers compliance with both Licence and Water Industry Act obligations.
- **Reviews are undertaken by the UU Corporate Audit team and technical auditor of the company's processes, risks and controls.** In 2022/23, Corporate Audit continued to review the company's risks, processes and controls, covering operational areas and support functions (such as finance, digital services and health and safety). The team reviewed regulatory reporting information and submissions, the disclosures made in the Corporate Governance section, and elements of the non-financial information disclosed within the Strategic Report and Directors' Report sections of the Annual Report and Financial Statements. The scope of the audit work is consistent with the company's documented assurance framework. Findings are reported to aid the board's decision to approve these reports. The team reviewed UUW's compliance with Ofwat's board leadership, transparency and governance principles as part of their annual review of corporate governance. Their findings are reported to the board to aid the board's decision to approve the annual Risk and Compliance Statement. The effectiveness of the Corporate Audit team is continually monitored through assurance reports, a quality dashboard, an annual stakeholder survey and a periodic external assessment. The technical auditor provides a summary report about year end reporting to the board each June. A copy of this can be found in Appendix 1.
- **The Group Audit & Risk Board (GARB) reviews and monitors compliance with governance processes, risk management and the internal control framework to identify emerging themes and trends.** GARB provides an executive review of governance processes, risk management and internal control, their adequacy, effectiveness and performance. GARB monitors compliance as part of the governance framework, identifying emerging themes and trends. Meeting on a quarterly basis, GARB regularly reviews issues and summary level reporting (typically by exception) arising in relation to:
- Corporate Audit activities;
- management control self-assessment activities;
- risk management framework, process and reporting, and effectiveness thereof;
- fraud and whistleblowing framework, process and incident reporting, and effectiveness thereof;
- data protection, competition, Environmental information regulations and Bribery Act compliance;
- security, including IT, cyber and operational security;
- overall resilience, including asset resilience; and
- operational compliance and assurance activities.

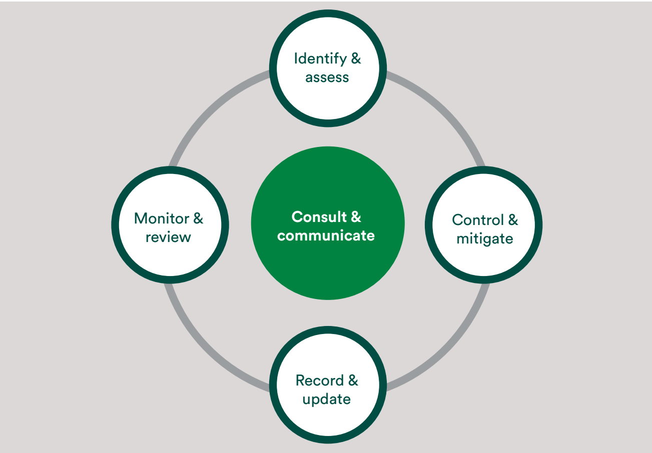
Where material issues are identified and/or the board considers it is unable to support the expectations of the Statement, then exceptions are set out in a table following the compliance statement.

Risk and compliance statement

Risk management

Successful management of risks and uncertainties enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West.

Our emphasis is on our capacity and capability to manage risk and uncertainty and to build and maintain long-term resilience across our corporate, financial and operational structures.



Key components of the framework include:

- an embedded enterprise-wide risk management process that is aligned to ISO 31000:2018;
- a board-led approach to the company's risk appetite and tolerance framework;
- a strong and well-established governance structure giving the board oversight of the nature and extent of risks the group faces, as well as the effectiveness of risk management processes; and
- a portfolio of policies, procedures, guidance and training to enable consistent, group-wide participation by our people.

As an enterprise wide approach, the accountability for the assessment and management of risk is across the entire organisation, taking account of interdependencies and interrelationships of both internal and external factors and stakeholders. The identified risks cover a wide range of potential events relating to our objectives and obligations, including regulatory, legal, core operations, service and hazard risks. Horizon scanning is an inherent part of our risk assessment processes and a key focus of multiple cross business forums, which take a holistic view of the organisation, system or production line. This enables a forward-looking consideration of new and emerging areas of concern, the long-term impact of risks (including knock on and cascading impacts), and either specific or integrated cross business control/mitigation as appropriate.

The process involves group level evaluation, benchmarking and calibration to enable a consistent approach, an appreciation of the most significant risks from a financial and reputational context, together with an evaluation relative to our risk appetite and tolerance.

Oversight and governance process

The board ensures that its oversight of risk remains effective through a number of established reporting routes. Twice yearly, the board receives a full update on the risk profile as part of the full and half-year reporting cycle. This provides an overview of the nature and extent of risk exposure in the context of the group's principal risks, and emphasises the most significant risks in both their current state and the target state of acceptable exposure.

This practice is in compliance with the UK Corporate Governance Code (2018), and enables reports to be provided to the board for each full and half-year statutory accounting period. The board is, therefore, able to:

- make decisions on the level of risk it is prepared to manage in order to deliver on its strategy;
- engage with the business to put appropriate controls in place, and to ask questions and test the appropriateness of plans;
- report externally on the long-term viability of the company in an informed manner; and
- monitor and review the effectiveness of procedures, systems and risk management thinking.

Our approach to corporate risk management and principal risks and uncertainties are set out in the United Utilities Group PLC 2022/23 Annual Report and Financial Statements.

www.unitedutilities.com/corporate/investors/results-and-presentations/annual-reports

In respect of regulatory reporting UUW has maintained its tailored risk management and assurance approach that has been used in our previous regulatory reporting periods.

This process identifies high-risk elements of our reporting and ensures that action plans are established to manage or mitigate the risks and appropriate governance and assurance is in place.

The regulatory reporting risk assessment process and final assurance plan for our 2022/23 regulatory reporting are set out on the United Utilities website: www.unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020–25/

Appendix 1 of the Annual Performance Report provides confirmation that this assurance plan has been implemented and sets out the findings of that assurance.

Data and information provision

The accountability for operational performance and regulatory reporting sits within the relevant business units responsible for the day-to-day management of the associated processes. The data that underpins the reporting of performance commitments and other operational performance has an executive sponsor, with their team being responsible and accountable for the end-to-end process from delivery to performance reporting.

The AMP7 assurance framework has been reviewed and challenged by the board and has been published on the company website at: www.unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020–25

Data reporting

The accountability for operational performance and regulatory reporting sits within the relevant business units responsible for the day-to-day management of the associated processes. The data that underpins the reporting of performance commitments and other operational performance has an executive sponsor, with their team being responsible and accountable for the end-to-end process from delivery to performance reporting.

Data assurance

The process by which we capture and report data is defined in a suite of methodology statements, which are developed by subject matter experts. The methodology outlines how we comply with reporting requirements and sets out the systems used to capture and report data, role accountabilities and the processes used to analyse and calculate the resultant performance levels. Additionally the methodology statements include key process controls and checks that assure the resulting data. Each of the methodology statements is reviewed during the year and signed off appropriately by the relevant senior manager or member of the executive, dependent on the associated level of risk. All data relating to our performance commitments is signed off by an executive owner. In addition to these methodology statements, Performance and Compliance Statements (P&CS) are compiled that evidence the reported performance and control checks that have been applied. Operational performance data is collected and reported in this way at month six, month nine and at year-end as part of our regulatory reporting process. This informs management actions to address in-year performance issues. The P&CS is signed off appropriately based upon the risk level assessed. An electronic sign off process has been established, which provides a robust audit trail of all interactions in the approvals process.

Risk assessment

Reported information is risk assessed to determine the minimum level of assurance applied. This is based on the significance of the data (both financial and reputation) and the materiality of potential risks or issues. The risk assessment ensures that issues are escalated to, and signed off by, the appropriate accountable manager or executive. This risk assessment is usually undertaken at least twice annually in order to ensure emerging risks are taken into account during the year.

Targeted assurance

The process for capturing and assuring our regulatory data is underpinned by a 'three lines of assurance' approach to the analysis, review and assurance of the reporting of regulatory information. In the first line of assurance, management has accountability for developing and maintaining sound processes, systems and controls in the normal course of its operations. In the second line of assurance, the Strategy, Policy and Regulation team or Finance team has accountability for providing the framework and governance for regulatory reporting and ensure that methodologies have been complied with. The UU Corporate Audit team provides an independent review of the effectiveness and application of the assurance framework and undertake a number of targeted reviews. A report is presented to the board outlining its findings and any areas of non-compliance. The third line of assurance provides independent audit and assurance activity through independent technical auditors and in some cases specially appointed third party providers. A report is presented to the board outlining its findings and any areas of non-compliance.

Data review

Performance data is used to report performance throughout the business up to board level. Performance data produced either monthly for scorecards or the regular reporting processes outlined above is compared against regulatory targets and predicted future performance. Monthly scorecards are shared widely throughout the business as part of the monthly briefing process. This exercise allows variances to be identified and explored. Following reviews at month six and month nine, where required, explanatory statements are sought from business managers. These statements are analysed and assessed by the Strategy, Policy and Regulation team and findings are reported to the relevant executive directors, with any material issues highlighted to the UUW board. This scrutiny supports understanding of our performance so that it can be explained and challenged. Where necessary, corrective action can be taken to try to bring performance back on track.

Board engagement and challenge

The board has considered and challenged our published assurance approach which supports the publication of its performance data; and the risk and assurance processes, governance structures and individual accountabilities which support the provision of information to the board and other stakeholders. The board is also fully engaged with understanding – and where, appropriate, challenging – how we perform against our performance commitments, receiving detailed regular performance reports at board meetings, with particular focus at half-year and year-end. At year-end Corporate Audit and the independent technical assurer separately present the results of their assurance findings and any areas of non-compliance.

Other key regulatory submissions are approved by the board during the year. These are subject to a clearly defined assurance process including risk based assessment, prior to being submitted to the board for consideration. This process includes detailed scrutiny from senior management, first and second line risk and assurance teams, as well as independent experts for third line assurance where required. Exceptions and issues identified from the assurance process and the actions taken to resolve or mitigate them are raised with the board for consideration.

Independent challenge and review

We regularly discuss our performance against targets with the YourVoice panel. Actions and plans to deliver against our targets are reviewed and discussed together with the impacts that these actions have on customers, performance and financial incentives. As part of the year-end process the YourVoice Chair reports the panel's findings directly to the board. We work with the panel to ensure that performance outcomes are communicated clearly and transparently to customers alongside the main Annual Performance Report in a customer focused summary.

Confirmation of key reporting requirements

Corporate governance (Licence condition P3)

United Utilities continues to fully support Ofwat's drive for the highest standards of board leadership, transparency and governance in the industry. United Utilities Group PLC applies the principles and reports against the provisions of the UK Corporate Governance Code (2018) as disclosed most recently in the UUG PLC 2022/23 Annual Report and Financial Statements.

Ofwat's board leadership, transparency and governance (BLTG) principles came into effect in 2019. These require UUW to meet the objectives of the principles and to explain in an effective, accessible and clear manner how they have done so. The board is satisfied that its current practices and application of the BLTG objectives at regulated company level are entirely consistent with the principles published by Ofwat.

In addition, and as required by licence condition P3, the board has developed a board statement that aims to explain how it is meeting the BLTG objectives in a manner that is effective, accessible and clear. This statement is published on pages 7 to 13 of this year's Annual Performance Report.

Links between directors' pay and standards of performance (Water Industry Act Section 35A)

As required by Section 35A of the Water Industry Act 1991 UUW has published a statement of directors' remuneration and standards of performance, which can be found on pages 146 to 153 of our Annual Performance Report. Included within this statement are details of the arrangements and the remuneration that have been paid or become due during 2022/23 to the directors of the company as a result of arrangements for linking the remuneration of the directors of the company to standards of performance in connection with the carrying out, by the company, of the functions of a relevant undertaker.

Ring-Fencing Certificate (Licence condition P30)

The directors have issued a 'Ring-Fencing Certificate' under paragraph P30 of licence condition P, stating that the company will have available to it: i) sufficient financial resources and facilities; ii) sufficient management resources and systems of planning and; iii) sufficient rights and resources other than financial resources, to enable it to carry out the regulated activities, for at least the next twelve months. This certificate also confirms that all contracts entered into between UUW and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to UUW, to ensure that it is able to carry out the regulated activities. This certification statement can be found on pages 154 to 155 of our 2022/23 Annual Performance Report.

Risk and compliance statement

Transactions with associated company (Licence condition P19)

The directors of UUW have declared, to the best of their knowledge that: i) every transaction between the appointed business and any associated company is at arm's length, so that neither the appointed business nor the associated company gives a cross-subsidy to the other; and ii) that the appointed business neither gives nor receives any cross-subsidy from any other business or activity of the appointee. Information in respect of transactions between UUW and any other business or activity of the appointee or associated company is set out in Section 2 of our 2022/23 Annual Performance Report.

Maintaining investment grade credit rating (Licence condition P26)

UUW has current long-term issuer credit ratings of A3/BBB+ with Moody's and S&P, respectively, and a long-term issuer default rating of BBB+ with Fitch, all on stable outlook. Additionally, UUW's current senior unsecured debt ratings are A3/BBB+/A- with Moody's, S&P and Fitch, respectively all on stable outlook. Assuming no significant changes to existing ratings agencies' methodologies or sector risk assessments, UUW aims to maintain long-term issuer credit ratings of at least A3/BBB+ with Moody's and S&P, respectively, and a senior unsecured debt rating for UUW of at least A- with Fitch.

Long-term viability statement

As set out in the long-term viability statement on pages 141 to 142 of this Annual Performance Report, the directors have assessed the viability of UUW, taking account of UUW's current position, the potential impact of the principal risks facing the business in severe, but reasonable, scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of UUW's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2030.

Outcome delivery

Performance against the outcomes and performance commitment targets, set out in the PR19 final determination, is monitored on a monthly basis throughout the business as part of internal company scorecard reporting. Annual and longer-term performance summaries are reported on a regular basis through the year to the UUW board and to the customer challenge group YourVoice.

Full details of the 2022/23 performance against these outcomes is included within Section 1.1 of our 2022/23 Annual Performance Report. Actions that are being undertaken to address any measures where we have not met the target are also set out within the report.

Compliance with sanctions against Russia and Belarus related to the conflict in Ukraine

Our obligations with regard to the sanctions against Russia and Belarus related to the conflict in Ukraine have been reviewed by Legal, Corporate Audit, Supply Chain and Customer teams. We undertook a series of checks to ensure that we are compliant with sanctions. No material issues or concerns have been identified to date and we will continue to monitor and check against sanctions.

Signed on behalf of the board

Sir David Higgins
Chair

Louise Beardmore
Chief Executive Officer

This statement was approved at a meeting of the board of directors of United Utilities Water Limited on 27 June 2023 and signed off on its behalf by Sir David Higgins, Chair and Louise Beardmore, Chief Executive Officer.

Risk and compliance statement

2022/23 departures from the Risk and Compliance statement

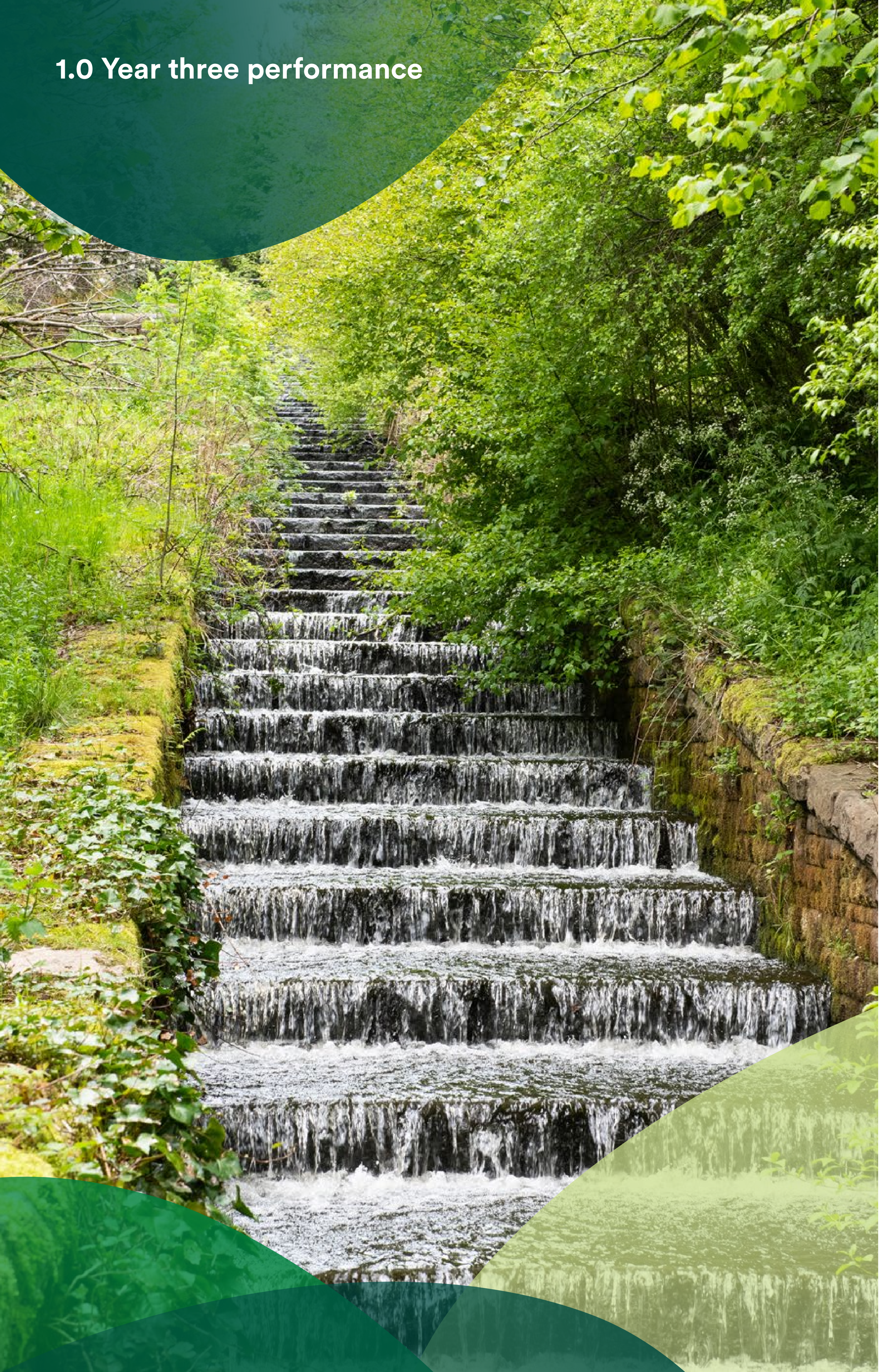
The board considers that the company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations or exceptions in data accuracy or completeness as set out below:

Description of duty/obligation	Purpose of duty/obligation	Reason for departure	Disclosure
Environmental Permitting (England and Wales) Regulations	Compliance with environmental permits	Breach of obligation and compliance with flow to full treatment permit conditions across the water industry is under investigation by Ofwat and the EA.	**Environmental permit conditions** Monitoring compliance with environmental permits is an ongoing process which is embedded in our operating activities. Approaches to monitoring and assessment of compliance risks are subject to continuous improvement through – for example – investments in monitoring and telemetry technologies and enhancements to data analysis. We continue to work with regulators on an ongoing basis to ensure that identified exceptions to existing and evolving methodologies and requirements are understood, investigated and progressed towards resolution on a timely basis. **Environmental permit conditions relating to quality standards** Six treatment works (out of a population of 388 with relevant permits) have been classified as failing their environmental permit at the end of the year due to not achieving the quality standards required from their discharges. Two failures (Northwich and Sandbach) are being appealed with the EA through their complaints process as we have evidence to confirm these fails were as a result of unusual weather and therefore should be discounted. The other four failing works are associated with Operator Self-Monitoring (OSM) sample failures during 2022. This element of compliance is reported within the Environment Agency's Environment Performance Assessment (EPA) % discharge compliance and this performance will result in an overall discharge permit compliance score of 98.4% if the unusual weather claims are rejected or 99.0% if they are accepted. **Environmental permit conditions relating to flow to full treatment (FFT) standards** As part of the National Environment Plan, a programme of work is underway across the industry to improve measurement of flow to full treatment compliance through use of U_MON3 (spill to storm) and U_MON4 (instantaneous flow) monitors. This rollout is ongoing and is part of the water industry national environment programme (WINEP) requirements and will allow monitoring to take place in line with a new compliance methodology for FFT issued by the Environment Agency. UUW is on track to install these monitors in line with the delivery plan agreed with the EA and as the monitors are brought into service, they are issued a certificate of conformance, and we are monitoring flow using the new equipment in line with the EA's methodology. Monitors also require a certificate of accuracy from an independent, accredited company (under the Environment Agency's MCERT scheme). As this type of monitoring is so new, the certification standards were only issued by the Environment Agency during 2022 leading to a national backlog of certification activity for the MCERT companies. We anticipate that all UUW devices will be able to receive certification and we are working with the MCERT companies to progress the certification process. As the roll out of U_MON3 and U_MON4 devices progresses through AMP7 and the monitors are certified as accurate, we are in a period of transition whereby sites with available data from the new devices are assessed for FFT compliance, using the new Environment Agency methodology. We are working with the Environment Agency to develop performance reporting mechanisms and other processes, for example, how to handle missing data, before FFT compliance formally becomes part of the Environmental Performance Assessment in 2025. In the absence of these monitors across all sites, our historic approach to assessing flow to full treatment seeks to identify risks of non-compliance at our treatment works and then to undertake investigations and actions to remove or reduce the risk of non-compliance. In 2021, we reported six treatment works at risk of non-compliance; five with an action plan in place to address the risk of non-compliance by December 2022; and an action plan in place for the one remaining site, for delivery by December 2024. In 2022, these six sites have reduced to one in line with those plans. In addition, four new sites were identified as being at risk of non-compliance, bringing the total for 2022 to five sites at risk of non-compliance. Of these five sites, one remains due for completion by December 2024, two have already been addressed since December 2022 and two remain under investigation with an expectation for resolution by December 2023.

Risk and compliance statement

Description of duty/obligation	Purpose of duty/ obligation	Reason for departure	Disclosure
Water Resources Act	Compliance with permit	Breach of obligation and compliance with Section 24(1)(a) of the Water Resources Act 1991	UUW has been charged with over abstracting water between 1 January 2017 and 31 December 2019 from Franklaw and Broughton Boreholes Complex other than in accordance with the provisions of the relevant abstraction licences contrary to Section 24 (1)(a). We abstract water from the Franklaw and Broughton Boreholes complex to provide a public water supply. The case concerns five abstraction licences in relation to the complex. These licences permit the abstraction of groundwater for the Fylde Aquifer. The licences require the submission of abstraction returns data, setting out the volumes of water taken, annually. The five licences also share a joint aggregate condition which limits the volumes of water abstracted from this group over a rolling three year period. Although abstractions fell within the annual limits between 2014 and 2018, the abstraction over the rolling three year period to 2018 was above the joint aggregate limit. The over abstraction occurred due to an error in process in identifying the three yearly abstraction volume. Once UUW became aware of the breach, the matter was reported to the Environment Agency. The matter is now subject to the EA's Enforcement and Sanctions Policy and a legal process is ongoing.
UUW Instrument of Appointment (licence) Condition J	Condition J (Levels of service information and service targets) creates obligations regarding the setting, monitoring and reporting of service targets.	Legacy licence condition does not reflect current practice	Changes to the regulatory approach mean that these legacy licence requirements are no longer active. Instead in AMP7 performance is assessed through 46 individual performance commitments, with targets to achieve in each year of the AMP. A description of each performance commitment and the performance we have delivered to date can be found in Section 1.1 of this document.
UUW Instrument of Appointment (licence) Condition L	Condition L (Underground asset management plans) creates obligations regarding the preparation, review and revision of underground asset management plans.	Legacy licence condition does not reflect current practice	Changes to the regulatory approach mean that these legacy licence requirements are no longer active. Our plans for wastewater underground assets are now developed through Drainage and Wastewater Management Plans (DWMP) and for water through Water Resources Management Plans (WRMP). Our DWMP sets out our long term approach for delivering sustainable drainage and wastewater management across the North West. Details of our DWMP can be found on our corporate website at the following URL: **https://www.unitedutilities.com/corporate/about-us/our-future-plans/Our-long-term-plans/** Our WRMP defines our strategy to achieve a long-term, best value and sustainable plan for water supplies in the North West. Details of our WRMP can be found on our corporate website at the following URL: **https://www.unitedutilities.com/corporate/about-us/our-future-plans/water-resources/water-resources-management-plan/**
Water Industry Act 1991 Information provisions	Water Industry Act Section 199 places an obligation on wastewater companies to maintain maps of its sewers.	Legacy licence condition does not reflect current practice	Although a high proportion of our sewers are mapped, in common with all other wastewater companies in England and Wales, not all our sewers are mapped because the cost of doing so is widely agreed to be uneconomic. We actively and regularly update our sewer records to reflect any changes found in sewer location or attributes. We remain committed to working to continually enhance the quality of our records and where we find inaccuracies or omissions we will continue to quickly update our sewer maps.

1.0 Year three performance



1.0 Year three performance

Introduction and coverage

This section of the Annual Performance Report sets out how we have performed in year three of AMP7 against the service, expenditure and revenue expectations set in the 2019 price review. This year we present this as five sections:

- 1.1 Outcome delivery – how we have performed against the performance commitments set in our AMP7 final determination.
- 1.2 Greenhouse gas emissions – our 2022/23 greenhouse gas (GHG) performance.
- 1.3 Wholesale totex – how our actual spend compares to the totex allowances set out in our AMP7 final determination.
- 1.4 Wholesale revenue and current cost financial performance – how our actual revenues compare to the level of wholesale revenue assumed in our AMP7 final determination.
- 1.5 Retail expenditure and revenues – how our actual retail revenues compare to the allowances set out in our AMP7 final determination.

Section 2 of this document comprises the UUW Regulatory accounts for 2022/23. This contains financial and operating information required by Ofwat through both the accounting document and a series of pro forma tables.

Together with Appendix 1 and 3, this provides the information required to support the application of an in-period determination, whereby Ofwat reviews the performance information provided and then considers what – if any – changes are required to future revenue recovery in AMP7 in order to reflect the impact of our performance.

A document which sets out our Green Recovery programme is available on our website and can be found at www.unitedutilities.com/globalassets/documents/pdf/green-recovery-2023

1.1 Outcome delivery – Introduction to performance commitments and ODIs

The outcome of a price review is a defined price and service package that companies are tasked to deliver for customers, the environment and other stakeholders. Delivery of service is described through a series of customer focused outcomes which in turn are supported by more granular performance commitments.

We routinely report performance against these outcomes and performance commitments to customers, stakeholders and regulators, including to the YourVoice customer and stakeholder panel.

Having performance information that is easy to understand and navigate allows customers and other stakeholders to challenge water and sewerage companies on their performance and encourages them to deliver better levels of service. This helps everyone build trust and confidence.

We have committed to seven outcomes for the AMP7 period (2020–2025):

- Your drinking water is safe and clean;
- You have a reliable supply of water now and in the future;
- The natural environment is protected and improved in the way we deliver our services;
- You're highly satisfied with our service and find it easy to do business with us;
- We will improve the way we work to keep bills down and improve services for you and future customers;
- We collect and recycle your wastewater; and
- The risk of sewer flooding for homes and businesses is reduced.

The outcomes section of this document sets out our performance in each of the seven outcomes and provides a summary about each of the individual component performance commitments detailing the definition, targets, commentary on the performance for year three of the AMP and the financial implications of the performance that we have achieved.

Performance commitments

Underpinning each outcome is a set of performance commitments. These are service targets for specific types of activities that we undertake to deliver. If we achieve or outperform against these targets, then this supports the delivery of outcomes for customers, the environment and other stakeholders. Performance commitments are designed to be stretching and deliver an improved level of performance for customers and stakeholders compared to the levels achieved in the past.

There are 15 performance commitments that are being applied to all water and sewerage companies during AMP7. These are 'common measures' and each has a standard definition set by Ofwat. These common measures are then supplemented by 'bespoke' performance commitments, which reflect additional levels of service or focus for investment that are specific to each company's customers.

We need to deliver against 46 performance commitments in the AMP7 final determination, comprising the 15 common measures and 31 bespoke measures that are specific to United Utilities.

We have published a suite of definition documents.

Further details can be found on our website at www.unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/business-plan/amp7-performance-commitments-and-outcome-delivery-incentives---definition-document.pdf

These technical documents outline each of our performance commitments explaining our method, detailing targets and explaining any assumptions and calculations.

Further details on our performance commitments can be found in Section 1.1. We have published a high level summary of our performance which can be found on our website at www.unitedutilities.com/globalassets/documents/pdf/apr-2022-23-customer-summary

Customers can quickly and easily see how this performance compares to other water companies using the industry's comparison dashboard called 'Discover Water' at the following website www.discoverwater.co.uk

Outcome delivery incentives (ODIs)

Outcome delivery incentives or 'ODIs', are incentives that apply to performance commitments.

There are four types of outcome delivery incentive that can apply to performance commitments. These are:

Underperformance only – This is a financially driven incentive. When performance is worse than the target or deadband level, this results in an underperformance payment.

Outperformance only – This is a financially driven incentive. When performance is better than the target or deadband level, this results in an outperformance payment.

Underperformance and outperformance – This is a financially driven set of incentives. Underperformance payments are incurred when performance is worse than the target or deadband level, outperformance payments apply when performance is better.

Non-financial – This is an incentive driven by reputation only. Poor performance could cause reputational damage but good performance could enhance our reputation, but no direct financial incentives are applied.

Of our 46 performance commitments, 39 have a financial incentive. The other seven performance commitments do not have a financial incentive and are, therefore, driven by reputation only.

Some ODIs have an outperformance cap or underperformance collar. Beyond this point, no further incentive is applied.

1.0 Year three performance

Some performance commitments include a deadband. This is a narrow range of performance above and/or below the target level within which the company can operate without being subject to financial incentives. For measures without a deadband, any incentive applies as soon as our performance is above or below the target level for the performance commitment.

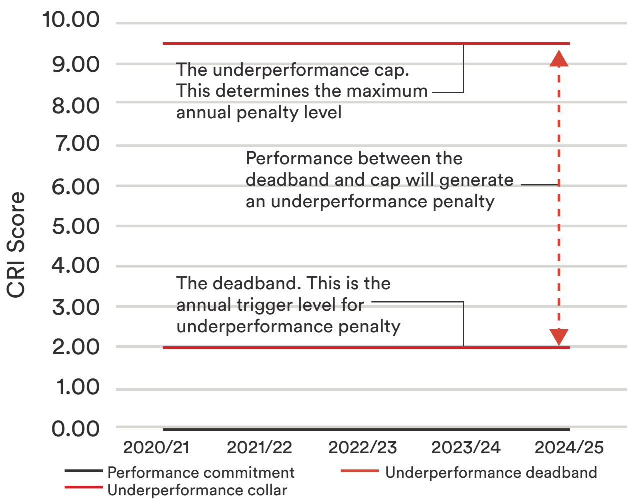
Most ODIs are applied on an annual basis during the AMP. These are referred to as 'in-period' incentives. Some ODIs, however, are applied only at the end of the AMP. These are known as 'end of period' incentives.

Examples of how performance commitments and ODIs work

Example one – water quality compliance (CRI)

Water quality compliance is a common industry measure, which supports our 'Your drinking water is safe and clean' outcome. This measure is subject to a financial incentive, which means we incur a financial penalty if we underperform against the target beyond a deadband. There is no outperformance incentive so it is not possible for us to earn an outperformance payment for meeting or beating the target. The lower our score is on CRI, the better our performance is against this measure and we are incentivised to deliver a CRI score as low as possible.

As you can see in the diagram below, this measure has a performance commitment, a deadband and an underperformance collar. If the annual company performance is between the performance commitment and deadband level, no financial incentive is applied. However, for any annual performance in between the deadband and the collar, the financial incentive rate will be applied.

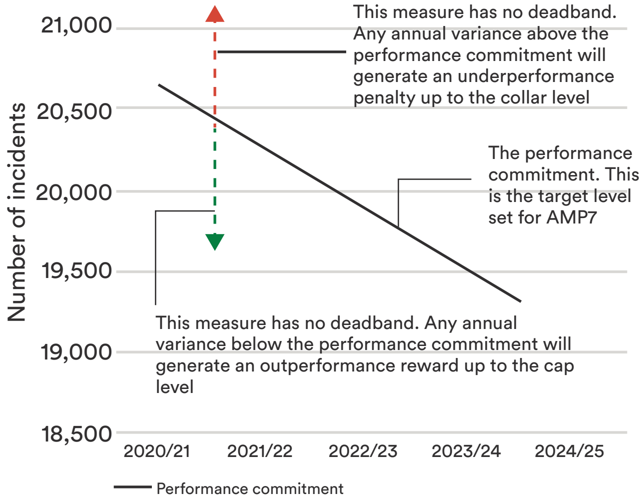


Example two – sewer blockages

Sewer blockages is a bespoke measure that supports our 'we collect and recycle your wastewater' outcome. This measure is subject to financial incentives for either underperformance or outperformance of the target. The lower the number of blockages recorded, the better our performance is against this measure and we are incentivised to deliver as low a number as possible.

As you can see in the following diagram, this measure has a performance commitment, outperformance cap, underperformance collar but no deadband.

If the annual company performance is better than the performance commitment level, a set financial incentive rate would be applied and the company would earn a financial incentive for outperforming the target. If the annual company performance is worse than the performance commitment level, then a set financial incentive rate would be applied and the company would be subject to an underperformance payment



Models

We have calculated our outperformance and underperformance incentive payments using Ofwat's ODI model and input these values into the in-period adjustments model. We have submitted a copy of both the ODI and in-period adjustment models to Ofwat. A summary of the model outputs can be found on page 89 along with a description of the impact that this will have on customer bills. We have two non standard calculations for abstraction incentive mechanism (C03), and better air quality (C10). The calculations to derive any outperformance or underperformance payments for these non standard performance commitments are outlined in Appendix 3.

Assurance

We have a well established assurance framework that we apply to our regulatory reporting submissions. We have followed this framework in assuring the data and information that supports the Annual Performance Report, supporting information and our submission for an in-period adjustment reflecting our ODI performance.

Any specific assurance requirements identified in the PR19 final determination outcomes performance index are outlined in Appendix 1 in this document. This section identifies any areas of deviation from the common methodologies.

Further details of our AMP7 assurance framework can be found on our corporate website at: www.unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020–25/ and in Appendix 1 of our 2022/23 APR.

Performance summary

A summary of our net performance for year three can be found on pages 35 to 80 of the outcomes section.

Bill impacts

The overall bill impact of this performance can be found on page 90 of the outcomes section.

1.1 Outcome delivery

Your drinking water is safe and clean

Customers want a reliable supply of high quality water that they trust. To deliver this outcome we will continue to ensure water quality is at the heart of our decision making, achieving a significant reduction in water quality events and an improvement in the aesthetic parameters that impact customers' perceptions of water quality. Our water quality vision is 100 per cent compliance with current and future drinking water quality standards, providing a reliable supply of safe, clean drinking water for future generations.

How have we done?

We have passed or are on track to deliver four out of five performance commitments which support this outcome. In year three, we have incurred a net outperformance payment of £4.245 million.

Based on the provisional score calculated by the Drinking Water Inspectorate (DWI), we have not met our performance commitment for water quality compliance (CRI) achieving 3.67 against a target of 0.00. Whilst infringements have increased in the water network we have seen a reduction in the number of infringements at water treatment works. Our Water Quality First programme, which is being delivered throughout AMP7, aims to deliver improvements that will provide our customers with industry leading water quality. In recognition of the improvements delivered the Drinking Water Inspectorate (DWI) has confirmed we are no longer in transformation with regards to our drinking water quality performance.

We met our performance commitment for reducing water quality contacts due to taste, smell and appearance this year. The Water Quality First programme is having a measurable benefit and we have seen a significant reduction in the number of customer contacts for taste, smell and appearance of drinking water.

We have been successful in increasing customer awareness of how they can look after water in the home. We are using a multi-channel approach with a particular emphasis on radio advertising, sponsorship and direct communications (email and text) underpinned by the consistent use of local TV weather sponsorship.

We have two further performance commitments that will help improve water quality.

Our programme of lead service pipe replacements has reduced lead risk at 3,487 properties during the year. This exceeded our performance commitment of 800 properties.

The second programme of work aims to reduce the risk of discolouration of water from the Vyrnwy treated water aqueduct and will require mains to be cleaned or relined. Work on this is currently being planned, which will further improve water quality later in AMP7. We are currently on track against our delivery plan.

Performance commitment	Actual performance Year three	Impact	Value (£m)
A01 – Water quality compliance (CRI)	3.67	Underperformance payment	-1.879
A02 – Contacts for taste, smell and appearance	14.1	Outperformance payment	1.246
A03 – Number of properties with lead risk reduced	3,487	Outperformance payment	3.009
A04 – Helping customers look after water in their home	31.6	Outperformance payment	1.869
A05 – Discolouration from the Vyrnwy aqueduct(1)	0	–	0.000
Your drinking water is safe and clean net position	4/5 achieved		4.245

(1) Performance commitments with no outputs to be delivered in year three.

A01

Water Quality Compliance (CRI)

Performance commitment description

The compliance risk index (CRI) is an industry common measure of drinking water quality that has been defined by the water quality regulator, the Drinking Water Inspectorate (DWI). Performance against this measure is calculated by the DWI and reported on a calendar year basis. The performance reported below therefore relates to the calendar year 2022 and is based on the provisional score calculated by the DWI. A score is calculated for every water quality compliance failure at water supply zones, supply points, treatment works and service reservoirs. When scoring the compliance failure the DWI considers the standard failed, the impact on customers and the response of the company to the failure. The annual CRI score is the sum of the individual CRI scores for every compliance failure reported during the calendar year.

Performance commentary

We have not met the performance commitment this year. In 2022 there have been fewer infringements at water treatment works but infringements in the water network increased in comparison to 2021. A number of the highest scoring infringements in 2022 were from samples taken in water supply zones (WSZ) that are covered by existing Regulation 28 Notices. If an infringement occurs in a WSZ or any asset which has an associated Notice, the CRI score is increased.

Our Water Quality First programme, which launched in 2021, will be delivered throughout AMP7, with the aim of delivering improvements that will provide our customers with industry leading water quality. In recognition of the improvements already delivered through the programme, the Drinking Water Inspectorate (DWI) has confirmed we are no longer in transformation with regards to our drinking water quality performance.

This new programme is delivering improvement programmes focused on a number of key areas, such as our innovative hazard risk assessment reviews for treatment (HAZREV), for network (NETREV) and for catchment (CATCHREV), which provide a consistent, structured, multi-disciplinary, end-to-end process review of risks and issues. We continue a robust inspection and cleaning programme at service reservoirs, an increased focus on the source to tap strategy to reduce the risk of discolouration and a comprehensive 'people' plan to ensure everyone understands their role with regards to water quality and are adequately trained and competent.

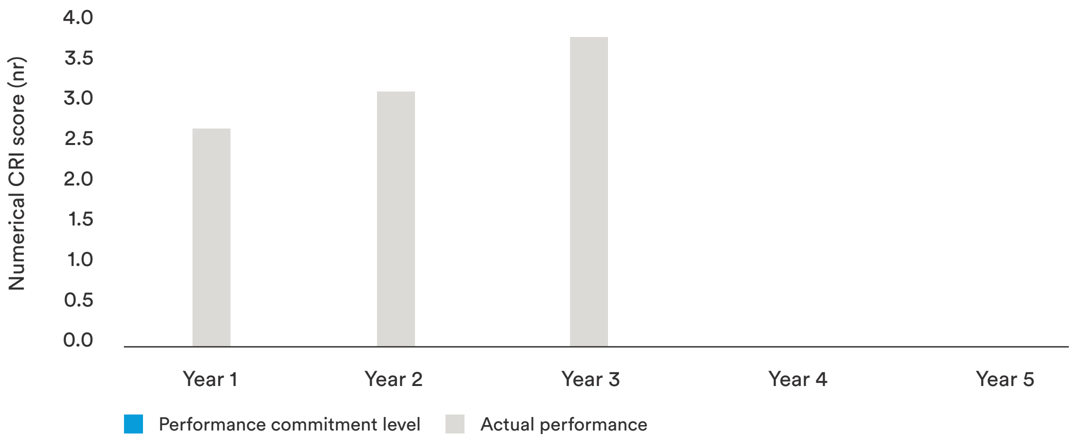
We have accelerated our mains flushing activities and carried out work in over 1,000 District Meter Areas (DMAs), covering over 90 per cent of our water supply zones. We have completed a range of water quality foundation talks involving our network field teams to raise water quality awareness, which has driven a reduction in risk of discolouration and we expect to see this materialise in a reduced number of network infringements in subsequent years.

The DWI will confirm the final CRI score in July 2023. The performance published in this report is based on the provisional figure provided by the DWI.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we have failed our target and incur an underperformance payment of £1.879 million.

Actual performance for the 'water quality compliance' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Performance	Pass/Fail
One	2020	0.00	2.58	Fail
Two	2021	0.00	3.02	Fail
Three	2022	0.00	3.67(1)	Fail

(1)The DWI will confirm the final CRI score in July.

A02

Reducing water quality contacts due to taste, smell and appearance

Performance commitment description

The definition for this measure is set by the Drinking Water Inspectorate (DWI) and reported on a calendar year basis. The performance reported below therefore relates to the calendar year 2022. This measure counts the number of times customers contact us due to the taste, smell or appearance of their drinking water. Customer contacts include those made by phone, letter, email, in person, completion of web forms, social media or messages left on a helpline. The number is reported as the number of contacts per 10,000 population.

Performance commentary

We have met our performance commitment target for year three. The target this year was 14.7 contacts per 10,000 population and we achieved 14.1. Compared with performance in the previous year, we have seen a significant reduction in taste, smell and appearance contacts of over 20 per cent. There has been an improvement in the number of contacts associated with both the taste and odour of drinking water and the appearance of drinking water, specifically black, brown and orange discolouration.

We continue to deliver a comprehensive programme of activity to improve performance that is monitored through the Taste, Smell and Appearance Board. The programme includes a number of short, medium and long-term actions to help us improve the way we run our water treatment works and network to provide better service to customers, and provide more proactive and targeted information to customers through our website or directly to them via their preferred channel.

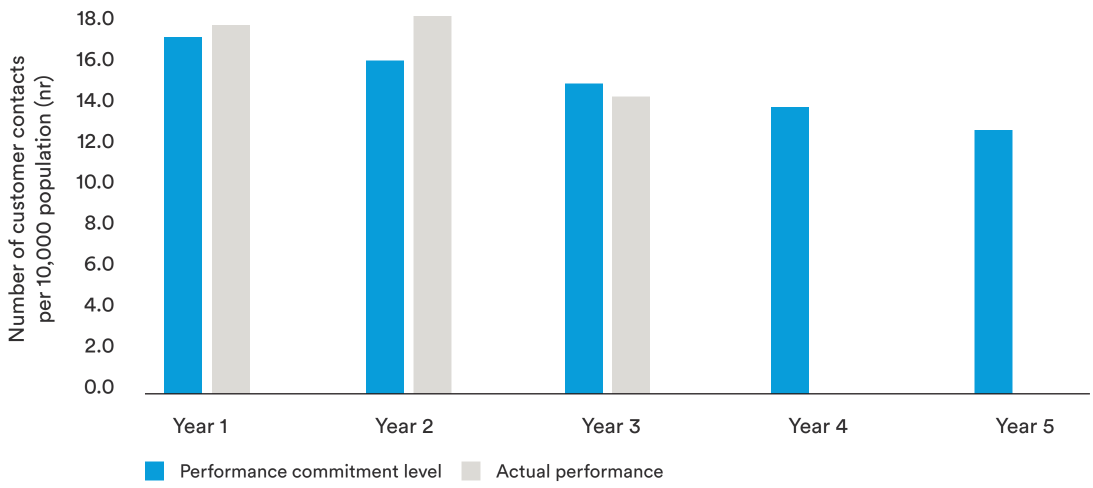
We have increased our mains flushing activities by over 15 per cent and carried out work in over 1,000 District Meter Areas (DMAs), covering over 90 per cent of our water supply zones. We have completed a range of water quality foundation talks involving our network field teams to raise water quality awareness. We have developed an enhanced root cause methodology to understand the causes of discolouration and identified appropriate remedial work in specific water supply zones.

We are driving improved taste and odour performance by driving greater consistency of chlorine dosing to reduce variations in the network. Risk assessments have been revised to provide an increased focus on the impact of water quality following changes in sources and enhanced communications with customers to reduce the risk of customer contacts during source water changes. We have increased the focus on geosmin contacts. This has enabled better optimisation of treatment, or proactive outages of our water treatment works during periods of elevated geosmin in the raw water, reducing the likelihood of future customer contacts.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we achieved our target. Our performance means that we earn an outperformance payment of £1.246 million.

Actual performance for the 'reducing water quality contacts due to taste, smell and appearance' performance – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020	17.2	17.7	Fail
Two	2021	16.0	17.9	Fail
Three	2022	14.7	14.1	Pass

1.1 Outcome delivery

A03

Number of properties with lead risk reduced

Performance commitment description

This measure incentivises complete lead service pipe replacements in order to reduce the level of customer exposure to lead. The measure is defined as the number of complete lead service pipe replacements delivered in the year. We are reporting this measure in line with the performance commitment definition and no replacements completed under the previous replacing lead and common supply pipe (LCSP) scheme have been counted in our reporting for this performance commitment. To qualify the replacement must fall into one of three categories:

- any property that has a full service pipe replacement from the water main to the first incoming tap;
- any property that has either its communication pipe or supply pipe replaced where the remainder of the service pipe is confirmed to already not be lead (excluding those funded through the LCSP scheme[1]); or
- pipes for which the long-term lead health risk is removed through the use of innovative techniques developed in the future and approved by the DWI.

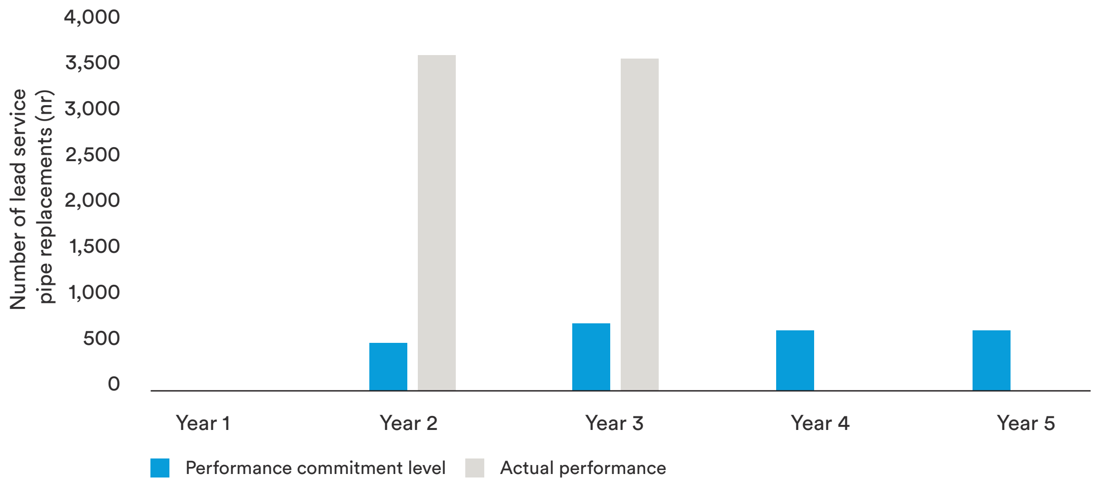
Performance commentary

Delivery for this measure commenced in year two. In year three, we reduced lead risk at 3,487 properties which was better than our target of 800.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £3.009 million.

Actual performance for the 'number of properties with lead risk reduced' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	0	Pass
Two	2021/22	500	3,525	Pass
Three	2022/23	800	3,487	Pass

(1) In April 2021 the LCSP scheme was replaced by the Lead Replacement Scheme. The new scheme provides a grant to the customer which helps towards the cost of replacing the lead pipe in their ownership. We include these replacements towards our target.

1.1 Outcome delivery

A04

Helping customers look after water in their home

Performance commitment description

This measure incentivises us to raise customer awareness of the actions that they can take to be more water efficient and prevent water quality deterioration in their home. We measure performance against a baseline level awareness of 19.5 per cent, based on a survey of customers in 2018. Targeted communication on water quality and water efficiency within homes is used in order to improve awareness on these issues. Repeat surveys, using a consistent question set, will measure performance through to 2025.

Performance summary

We have exceeded our performance commitment this year, achieving an overall level of awareness of 51.1 per cent, which is 31.6 per cent above the baseline position. Our target was to be 6.0 per cent above the baseline.

We are using a multi-channel approach with a particular emphasis on radio advertising and sponsorship, social and digital media and direct communications (email and text) underpinned by the consistent use of ITV weather sponsorship in both the Granada and Border regions. This means we can reach just under 90 per cent of adults across the North West with targeted messaging relating to water efficiency and use. This multi-media approach allows us to reach a wide range of our customers across the North West. We can tailor our messaging throughout the year to match seasonal changes that may impact on the services we provide.

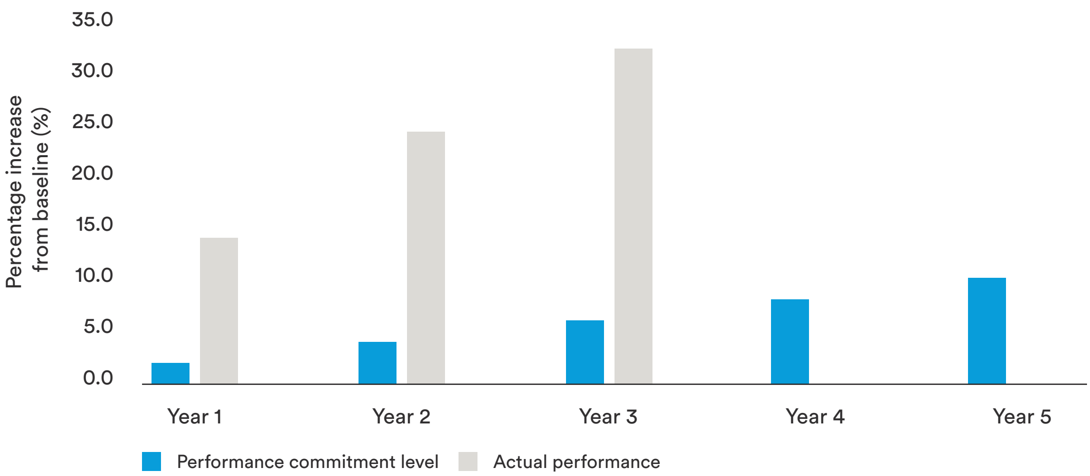
For water efficiency, our activities complement those for per capita consumption. For example, we continue to promote water efficiency across our website and digital media, as well as promoting key messages as part of our local weather sponsorship. We promote the availability of water saving devices from our website through the Get Water Fit (GWF) platform. This platform is used to provide a personalised approach to our customers and provide the most relevant water saving devices. Over the last three years, almost 700,000 water savings devices e.g. leaky loo strips, tap inserts and shower regulators have been provided. In addition we have provided 8,000 customers who are the highest consuming or have evidence of a leak with a water saving home visit to help them to reduce their water use and achieve the lowest bill possible.

For water quality in the home, our focus remains on increasing customer awareness of potential discolouration events (e.g. due to planned maintenance) and how these can be managed in the home. We use a number of channels to raise awareness, including carding properties, emails, text alerts and voice blasts. We continue to provide water in the home hygiene advice and guidance associated with tap cleanliness and the type of taps installed around the home. Water Quality Officers and Water Network teams are equipped with leaflets to give to customers covering water quality, discoloured water, tap hygiene and water efficiency.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £1.869 million.

Actual performance for the 'helping customers look after water in their home' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	2.0%	13.8%	Pass
Two	2021/22	4.0%	23.8%	Pass
Three	2022/23	6.0%	31.6%	Pass

1.1 Outcome delivery

A05

Reducing discolouration from the Vyrnwy treated water aqueduct

Performance commitment description

This measure records the length of the Vyrnwy treated water aqueduct cleaned or relined, if required by the DWI to meet the target for reduction in water discolouration. It is measured by the number of kilometres (km) where work is delivered.

The performance commitment is set at zero on the basis that there was no requirement at the outset of AMP7 to undertake cleaning/relining of the aqueduct. The performance commitment was put in place to facilitate the cleaning/relining work if it became a DWI requirement.

Performance summary

In September 2020, the DWI confirmed that work on cleaning/relining would need to occur by 31 December 2028. We currently expect that this will extend to 73.40 km during AMP7. Over the past year, we have been planning the delivery of this work, and have engaged with customers, stakeholders and landowners in the areas impacted by our planned work. We have carried out preparatory work to allow access to the pipeline and, successfully, competitively tendered and awarded the initial contract for the work on the first siphon.

Financial implications

This performance commitment is subject to an outcome delivery incentive for outperformance only. Work has not commenced on cleaning/relining the aqueduct in year three, and therefore, no financial incentives apply this year.

Actual performance for the ‘reducing discolouration from the Vyrnwy treated water aqueduct’ performance commitment

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.00	0.00	Pass
Two	2021/22	0.00	0.00	Pass
Three	2022/23	0.00	0.00	Pass

1.1 Outcome delivery

You have a reliable supply of water now and in the future

Customers want to rely on us to provide enough water resources to meet our current and future needs. We want to improve supply reliability, reducing both short-term interruptions and the risk of longer-term interruptions. We are targeting a reduction in leakage and encouraging water efficiency, which research has shown to be key priorities for customers.

How have we done?

We have passed or are on track to deliver nine out of 11 performance commitments, which support this outcome. In year three, we have incurred a net underperformance payment of £9.069 million.

The majority of the underperformance payment is due to performance on our water supply interruption measure. We have not met our performance commitment to reduce the time that customers' water supplies are interrupted. In 2022, we experienced a long dry summer. During long periods without rain the ground dries out, so when rain eventually falls, there can be significant ground movement which damages pipe work.

We experienced a significant freeze thaw event in December 2022, worse than those experienced in 2010 and 2018. Freezing temperatures lasted long enough for the cold to penetrate deep into the ground, causing water mains and exposed pipe work in properties to freeze. Temperatures then increased quickly, causing ground movements and thawing of pipe work. This caused leaks in the water network, customer supply pipes and private plumbing. These all contributed to further interruptions to customers' water supplies.

To reduce the impact of the bursts on customers' water supplies, we brought in additional leakage teams working around the clock, repairing around 40 per cent more leaks than normal.

We achieved our leakage performance commitment and are on track to reduce leakage by 15 per cent between 2020 and 2025.

We have outperformed our mains repair performance commitment. We continue to optimise pressure across the water network this helps to support leakage reduction and an associated reduction in mains repairs.

We met or exceeded the performance commitment for our four resilience measures – Drought risk resilience, Water service resilience, Keeping our reservoirs resilient and Manchester and Pennine resilience.

We have outperformed our year three target on reducing the number of properties experiencing poor pressure. We have reduced the number of properties that experience low pressure to deliver a performance of 0.462 customers receiving low pressure/poor supply per 10,000 connected properties against a target of 0.670.

This year, we achieved a two per cent reduction in PCC compared to the prior year. However, this is still 0.5 per cent higher than the three year baseline level of performance which, is based on 2017–20 baseline. We have continued to focus efforts on a strategy aimed at increasing meter penetration, supported by a communications campaign to encourage customers to reduce any wasteful usage around the home and in the garden.

We have outperformed our target on unplanned outages. We have sought to prioritise interventions before assets fail to minimise outage duration.

The Thirlmere transfer to West Cumbria project has been completed, securing long-term water supply for the West Cumbria area, whilst continuing to meet our environmental obligations.

Performance commitment	Actual performance Year three	Impact	Value (£m)
B01 – Leakage	5.90	Outperformance payment	1.475
B02 – Mains repair	111.6	Outperformance payment	0.660
B03 – Reducing interruptions to water supply	00:38:45	Underperformance payment	-15.912
B04 – Unplanned outage	1.73	–	–
B05 – Per capita consumption (1)	-0.5	–	–
B06 – Drought risk resilience	0.0	Reputational	–
B07 – Reducing areas of low water pressure	0.462	Outperformance payment	0.071
B08 – Water service resilience	2,198	Outperformance payment	4.637
B09 – Manchester and Pennine resilience	Achieved	–	–
B10 – Keeping reservoirs resilient	1.20000	–	–
B11 – Thirlmere transfer into West Cumbria (AMP7)	100	–	–
You have a reliable water supply now and in the future net position	9/11 achieved		-9.069

(1) PCC is now an 'end of period' incentive arrangement.

1.1 Outcome delivery

B01

Leakage

Performance commitment description

This is an industry common measure based on the percentage reduction in water lost to leakage compared to our 447.1 Ml/d baseline. The measure is calculated based on three-year averages and the baseline is the three-year average of the leakage performance reported in 2017/18, 2018/19 and 2019/20. This year's leakage performance has been calculated using the average performance from 2020/21, 2021/22 and 2022/23. This is in line with Ofwat's AMP7 methodology.

Performance summary

We have achieved our leakage target for the 17th year running. With annual leakage at 423.0 Ml/d and a three-year average leakage of 420.5 Ml/d. The amount of water lost from our network is at the lowest ever three-year average reported in the North West.

2022/23 has been a challenging year for our leakage reduction programme. In 2022 we experienced a dry summer which caused the ground to dry and pipes to move. This movement led to an increase in pipe failure and a subsequent increase in leakage. This was followed by a very severe freeze-thaw event in December 2022. Air temperatures fell below zero and remained at, or below zero for ten days, reaching a low of -12°C on 15 December, before rising rapidly to 14°C by 19 December. This was a more sustained freeze and rapid thaw than other recent freeze-thaw events in 2009, 2010 or 2018. Freeze-thaw events present several challenges, which can threaten to disrupt the service we provide to customers. This event impacted distribution-side (company) and customer-side (private) leakage levels, which were particularly prevalent during this event.

We utilise Met Office data daily, to plan and prepare our operation for weather-related impacts on our water system. This analysis allowed us to trigger our detailed preparatory work and we opened the preparatory phase of our incident almost two weeks ahead of the thaw. We established a key task team structure for leakage in readiness for response, utilising our Incident Management Procedure to provide central co-ordination to our approach, with delivery through local Hubs in advance of and during the event.

To cope with the demands of the dry summer and then a significant freeze-thaw, we utilised new contracts that we had put in place with our operational partners to secure additional leakage resources required to increase the number of repair gangs during these periods. This allowed us to address the increased number of leaks and to ensure a rapid recovery.

A recovery plan was implemented and we have reduced leakage levels back to the levels they were at prior to the event. A number of key activities made up our recovery plan:

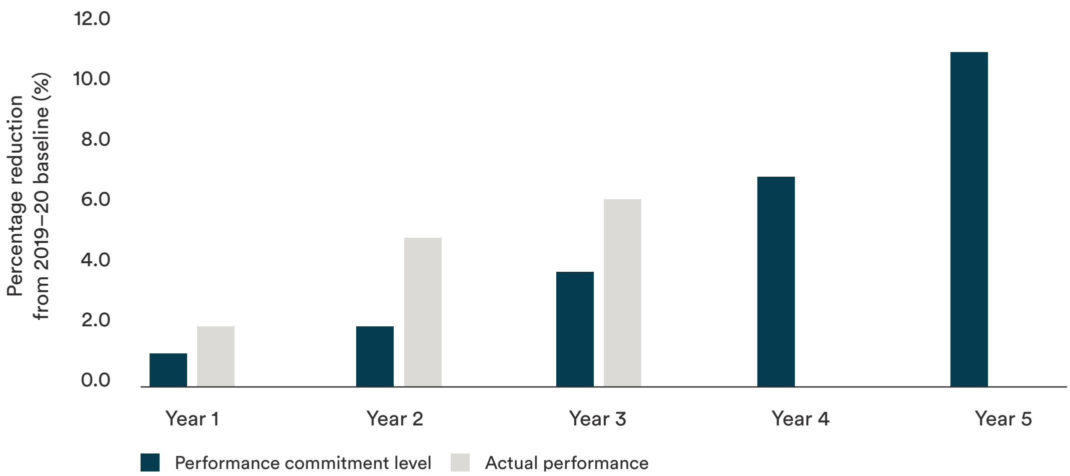
- we increased advertisement of our efforts on leakage and online channels for customers to report leaks, for example, using tools such as our app;
- we used our network of around 70,000 acoustic sensors to identify and pinpoint leaks more efficiently;
- we managed network pressures using around 4,000 pressure management valves (PMVs), many of which can be controlled remotely;
- we increased resources for detecting and repairing leaks, as well as increasing our logger teams (installing a higher number of temporary mobile loggers in our network to detect leaks that would not be found using traditional manual techniques);
- we worked with our partners and supply chain to speed up leak repairs; and
- we used our partner and company vehicles with digital messaging capability to run specific messaging across the region, alongside existing partner and company livery, which now carries all-year-round leakage-related messaging.

Over AMP7, we are targeting a reduction in total leakage of at least 15 per cent, with a delivery plan that continues to make best use of available technologies and is flexible to ensure that we can embrace the heightened level of innovation in this area. We actively look to trial new techniques to understand how these can be scaled and embedded in the most effective way, and this gives us opportunities to accelerate and target those interventions that are demonstrated to be the most effective. We continue to use the learning from these pilots and trials to refine our approach to reducing leakage and deliver our dynamic network management (DNM) ambition.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £1.475 million.

Actual performance for the 'leakage' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.8%	1.9%	Pass
Two	2021/22	1.9%	4.7%	Pass
Three	2022/23	3.7%	5.9%	Pass

1.1 Outcome delivery

B02

Mains repair

Performance commitment description

This is an industry common measure reported as the number of physical mains repairs completed per 1,000km of total length of mains. The total length of mains includes all pipes conveying treated water except communication pipes and supply pipes. We revised our reporting rules regarding repairs on repairs in line with the clarification provided by Ofwat in the 2020/21 in-period determination.

Performance summary

We have outperformed our performance commitment for the third year running. In year three, we recorded a total of 4,786 mains repairs, which. when normalised by 1,000km mains length, equates to a performance level of 111.6. This is below our performance commitment of 116.6 per 1,000km of mains. Although we outperformed our target on mains repairs, 2022/23 has been a challenging year.

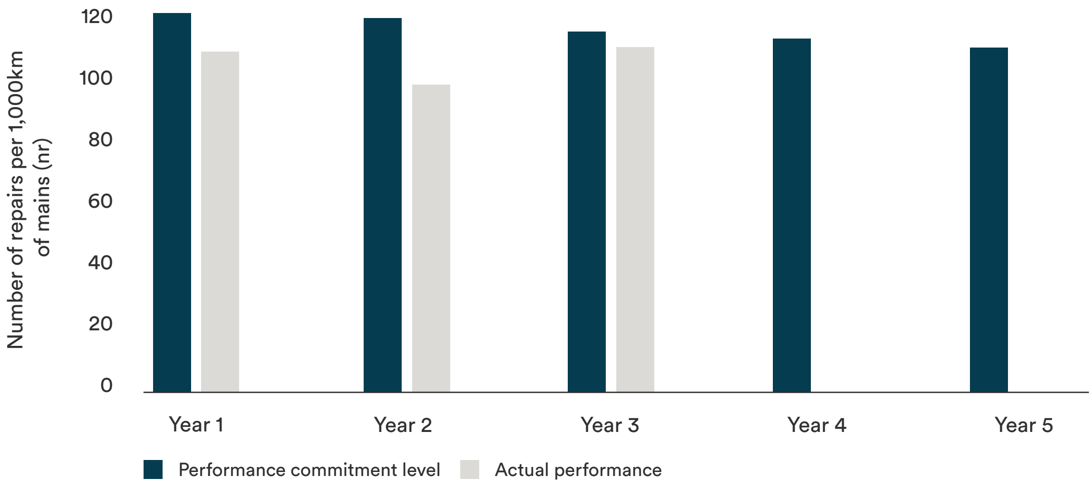
In 2022, we experienced a dry summer, which caused the ground to dry and pipes to move. This movement led to an increase in pipe failure. In December 2022, we experienced a significant freeze-thaw event, air temperature fell below zero and remained at, or below, zero for ten days, reaching a low of -12°C on 15 December, before rising rapidly to 14°C by 19 December. This was a more sustained freeze and rapid thaw than other recent freeze-thaw events in 2009, 2010 or 2018. This gave rise to ground movement generating mains bursts on our network due to the extreme changes in temperatures. This led to an increase in leakage and associated mains repairs to recover from the impacts of this extreme weather event.

We continue to optimise pressure across the water network. This will continue to support leakage reduction and an associated reduction in mains repairs.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £0.660 million.

Actual performance for the 'mains repair' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	119.9	106.6 (1)	Pass
Two	2021/22	118.2	96.0	Pass
Three	2022/23	116.6	111.6	Pass

(1) Number updated following 2020/21 in-period determination.

1.1 Outcome delivery

B03

Reducing interruptions to your water supply

Performance commitment description

This is an industry common measure and an evolution of our AMP6 measure for 'average minutes lost'. An interruption is classed as a water supply with pressure that is lower than three metres in the adjacent water main lasting for more than three hours. This measure incentivises companies to minimise interruptions to customers' water supply.

Performance summary

Our performance was that on average, properties lost supply for 38 minutes and 45 seconds in year three. This year, we did not meet our supply interruption target of 5 minutes and 45 seconds for the average time that customers were without a water supply. We have an underperformance collar set at 00:22:45 across AMP7. This collar protects companies from disproportionate penalties as a result of significant weather events that supply interruptions are susceptible to. Performance for this measure is highly volatile, which can be seen in the performance across the industry year on year. See pages 33 to 34 about how outperformance caps and underperformance collars work.

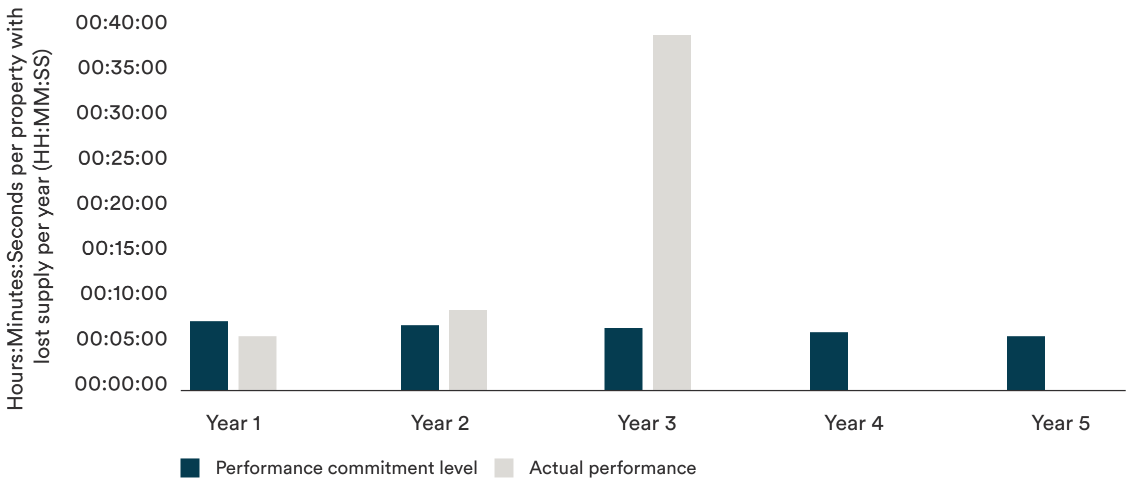
2022/23 has been an exceptionally challenging year for interruptions to water supply. The period of prolonged dry weather in the summer resulted in more leaks/bursts and associated supply interruption due to soil drying out and ground movement. This was followed by a very severe freeze-thaw event in December 2022. In December, air temperature fell below zero and remained at or below zero for ten days, reaching a low of -12°C on 15 December, before rising rapidly to 14°C by 19 December. This was a more sustained freeze and rapid thaw than other recent freeze-thaw events in 2009, 2010 or 2018. Freeze-thaw events present several challenges which can threaten to disrupt the service we provide to customers. This event impacted distribution-side (company) and customer-side (private) leakage levels, which were particularly prevalent during this event. To reduce the impact of the bursts on customes' water supplies, we brought in additional leakage teams working around the clock, repairing around 40 per cent more leaks than normal, minimising interruptions to customer supply.

To help continue to drive improvements around our underlying performance, we are focusing on improving our ways of working around being proactive and predictive, utilising our data in a way across our system and underpinned by our Integrated Control Centre (ICC) to enable a true operational systems thinking approach. We have improved our events management process and focused on upskilling our teams and supply chain on supply interruptions ways of working. When events do happen, we continue to minimise disruption to water supplies through our focus on 3Rs – respond, restore and repair, reducing the duration of the average water supply interruption. This approach is based on high quality situational awareness, ensuring that live granular data is marshalled within the ICC and available to the centre and field teams so that issues are quickly identified. Additional managerial and technical support is available in the ICC responding in real time to mitigate the impacts of events. We operate an alternative supply vehicle (ASV) support fleet operating over three shift patterns for full 24 hour-seven days-a-week coverage, to mitigate and minimise loss of supply.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we failed our target. Our performance means that we incur an underperformance payment of £15.912 million.

Actual performance for the 'reducing interruptions to your water supply' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	00:06:30	00:04:46(1)	Pass
Two	2021/22	00:06:08	00:08:01(2)	Fail
Three	2022/23	00:05:45	00:38:45	Fail

(1) Number updated following query (APR-IP-010).

(2) Number updated following resolution of customer query; this has increased our performance in year two by three seconds. We have requested that this will be reconciled as part of our 2022/23 in-period reconciliation.

B04

Unplanned outage

Performance commitment description

This is an industry common measure reflecting the asset health of water abstraction and water treatment activities. Activity is calculated at a site level and summed over the reporting year to give a total unplanned outage figure. This measure records the total unplanned outage in megalitres per day, normalised based on the overall company peak week production capacity and reported as a percentage. The outage duration is recorded to the nearest whole working day. An outage is considered to be unplanned if it occurs as a result of asset failure. Planned outages are not included in this measure.

Performance summary

We have outperformed the year three target with performance of 1.73 per cent of production capacity subject to an unplanned outage. This compares to a target of 2.95 per cent and is an improvement in performance compared with the previous year. This is due to positive effort and engagement from operational teams and continued success in using our outage systems and processes.

We have sought to prioritise interventions before assets fail to minimise outage duration.

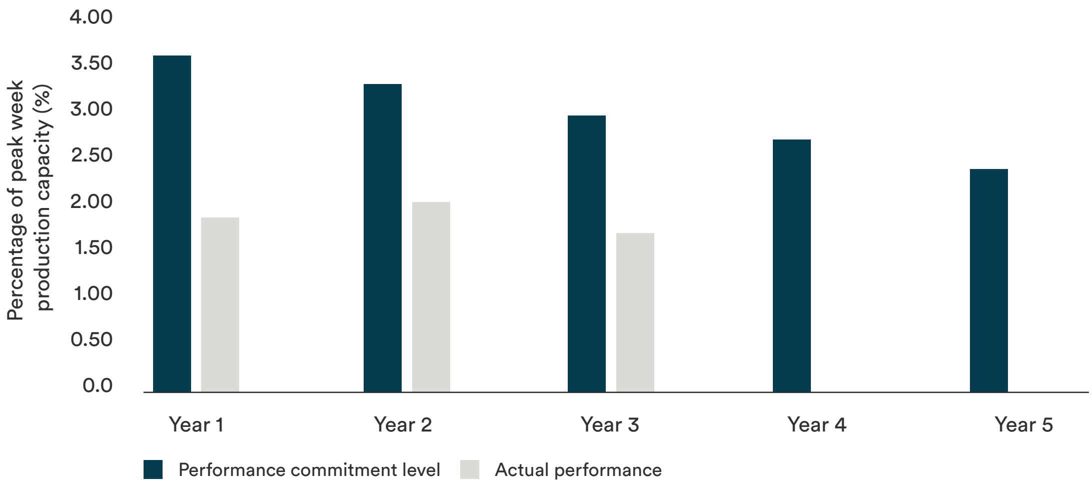
We undertake root cause failure analysis of outages and further develop operational best practice.

We have successfully established the Unplanned Outage Steering Group to focus on managing performance, engaging with key stakeholders and providing internal and external performance reporting. For the remainder of the AMP, targets become tougher and we will continue to further support specific activities to evaluate, engage and take action on outages and communicate with key stakeholders to sustain a strong performance.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we exceeded our performance commitment and therefore we incur no underperformance payments.

Actual performance for the 'unplanned outage' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	3.56%	1.88%	Pass
Two	2021/22	3.26%	2.07%	Pass
Three	2022/23	2.95%	1.73%	Pass

1.1 Outcome delivery

B05

Per capita consumption

Performance commitment description

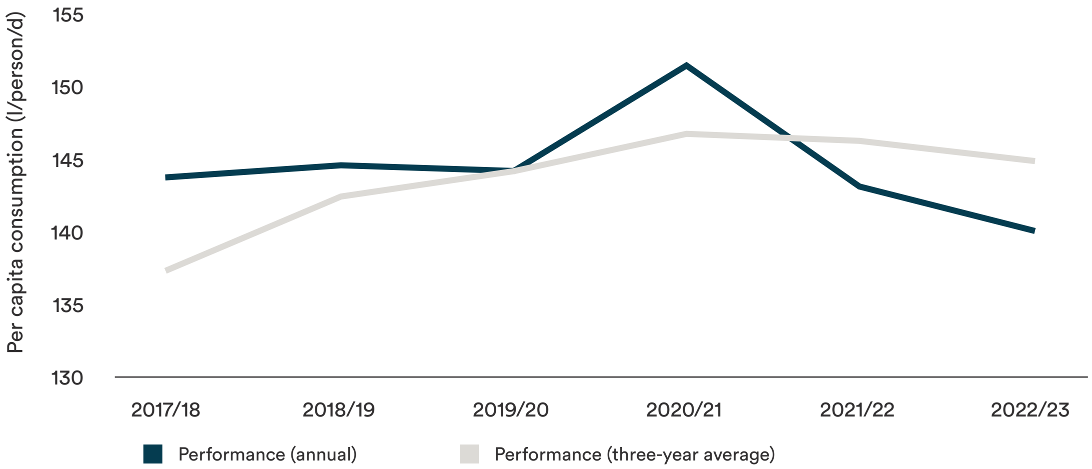
This is an industry common measure recording the average volume of water used per person per day. This performance commitment is intended to incentivise us to help customers reduce their water consumption. The benefit of reduced per capita consumption (PCC) is to reduce the need for water abstraction from the environment and to improve the long-term water resources supply-demand balance. Performance is measured as a reduction from the baseline position set in 2019/20 and uses the three-year average PCC.

Performance summary

We have not achieved our PCC target in year three, with the annual PCC at 140.0 litres per person per day (l/p/d) and three-year average PCC at 144.7 l/p/d. This is an increase in the three-year average PCC of 0.5 per cent against the 2019/20 baseline. The year three target was a 3.9 per cent reduction against the baseline.

In year one, performance across the sector was impacted by COVID-19 lockdown measures, which had driven up household consumption, with more customers working at home and holidaying in the UK. There were additional impacts from increased hygiene and cleaning requirements. In year two, we saw a small improvement in the level of household consumption, but PCC continued to be impacted by changes in behaviour and continued home working. In year three, we experienced a very severe freeze-thaw event in December 2022. This event impacted distribution-side (company) and customer-side (private) leakage levels that are included in PCC.

Per capita consumption



The chart above shows the increase in PCC during the period of the COVID-19 lockdown. During year two, as restrictions eased, household consumption reduced as people returned to school and the workplace. This reduction has continued into year three and reflects increased performance delivered by our focus on helping customers reduce their consumption through our enhanced metering programme and our 'always on' water efficiency customer communications campaign. As the performance commitment is based on a reduction in the three-year average against the 2019/20 three-year average baseline, we are still seeing the impact of COVID-19 in our reported performance. Despite this, we have seen further reductions in PCC. From 2020/21, annual consumption has reduced from 151.2 l/p/d to 140.0 l/p/d. We expect this performance to continue to improve as we focus on reduction in household consumption and expect to see an accelerated decreasing trend in PCC performance in year four.

Over AMP7 we are targeting further reductions in PCC using a combination of approaches focusing on, increased metering and customer communications, which aim to support and encourage behavioural changes to reduce water consumption as described below.

Metering

It has been demonstrated that metering properties leads to a reduction in consumption. Our enhanced metering programme, which began in 2021 and consists of proactive targeted external meter installations, is delivered alongside our Free Meter Option (FMO) optant metering and both programmes are supported by our 'lowest bill guarantee'.

We identified priority areas for enhanced metering, based on the potential for meters to reduce both consumption/usage and leakage, and where customers who are likely to benefit financially from a metered bill.

Customer communication strategy

Our 2022/23 customer communications strategy continued to build an 'always-on', integrated approach, creating awareness and appreciation of the true value of water. Focusing on the link between energy and water saving, around 16 per cent of household energy bills are related to water use, so saving water will save money on energy bills. We continue to give customers the knowledge, tools and motivation to make saving water worthwhile. In 2022/23, this approach increased awareness of the action customers can take to be water efficient by 31.6 per cent (see page 39 Helping customers look after water in their home).

We are using a multi-channel approach with a particular emphasis on radio advertising and sponsorship, social and digital media and direct communications (email and text) underpinned by the consistent use of ITV weather sponsorship in both the Granada and Border regions. This means we can reach just under 90 per cent of adults across the North West with targeted messaging relating to water efficiency and use. This multi-media approach allows us to reach a wide range of our customers across the North West. We can tailor our messaging throughout the year to match seasonal changes that may impact on the services we provide.

1.1 Outcome delivery

B05

We are utilising our new 'Catchment to Customer', model which uses data from across the organisation to highlight areas with high consumption. We then perform specific communications to those areas to increase awareness of water use, how to save, the tools available and the incentive to save, e.g. saving money and protecting the environment. This model can show how effective our actions have been to reduce overall demand.

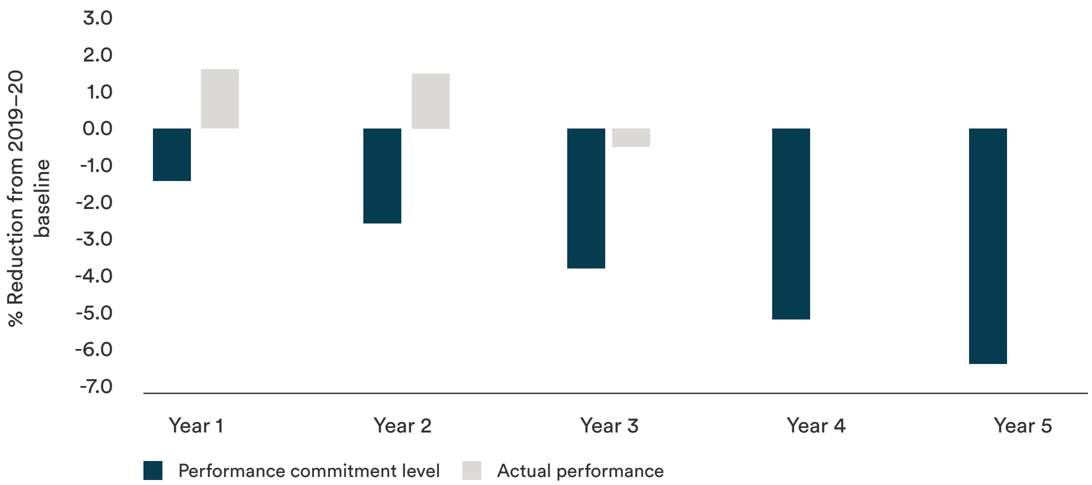
Examples of our targeted communications include:

- Throughout the year we focused on the biggest water users in the home – toilets and showers, showing how to find and fix leaky loos and informing our customers about the savings that can be made by having shorter showers.
- As 2022 became drier we focused communications in areas in which dry weather was impacting on water resources. Additional targeted activity included local community events, direct messaging by email and targeted social media
- Our 'winter preparedness' communications offers 'prepare and protect' advice and support so that customers can prevent water pipes from freezing and bursting during cold snaps. The integrated marketing campaign uses a mix of channels, including: regional radio; social media, direct messaging by email and text messaging; and outside tap cover giveaways.
- The Report a Problem and Up My Street areas on our website serve up-to-date information, enabling customers to both understand what work is ongoing in their area and how to get support if they need it during freeze-thaw conditions.
- Customers using over 500 litres per property per day are targeted with advice and guidance on how to reduce their water use.
- We have been working in partnership with residential social landlords and are providing water efficiency audits to help properties within the Stockport area become water efficient. This trial aims to develop a blueprint for all social residential landlords to provide water efficient homes to their customers, including championing the installation of flow regulators in their housing stock.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance, but will only be reconciled at the end of the AMP when our final performance level for the five-year period will be known. In year three, we have failed our target.

Actual performance for the 'per capita consumption' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	1.3% (reduction)	1.7% (increase)	Fail
Two	2021/22	2.6% (reduction)	1.5% (increase)	Fail
Three	2022/23	3.9 % (reduction)	0.5% (increase)	Fail

B06

Drought risk resilience

Performance commitment description

This is an industry common measure of the percentage of customers at risk of experiencing severe supply restrictions in a 1-in-200 year drought. The population is considered to be at risk if the supply-demand balance calculation in each water resource zone for the 1-in-200 year drought event results in a shortfall. This will occur when the modelled deployable output minus outage allowance (available supply) is less than the dry year demand plus base year target headroom (demand plus uncertainty). This measure does not carry a financial incentive.

Performance summary

We have met our performance commitment for year three. The percentage of customers at risk of experiencing a severe supply restriction in a 1-in-200 year drought is zero.

This performance commitment is linked to the schemes planned in the 2019 Water Resource Management Plan (WRMP19), and the risk of severe restrictions during the period 2020–45. For year three the reported risk of 0 per cent is based on our estimate that the risk of severe restrictions faced by customers is much less than 1-in-200 years (i.e. much less than a 0.5 per cent annual chance). This estimate is based on sophisticated in-depth analysis outlined in our WRMP19 submission.

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. In year three, we have met our target.

Actual performance for the ‘drought risk resilience’ performance commitment – lower is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.0%	0.0%	Pass
Two	2021/22	0.0%	0.0%	Pass
Three	2022/23	0.0%	0.0%	Pass

1.1 Outcome delivery

B07

Reducing areas of low water pressure

Performance commitment description

This performance commitment is an asset health measure tracking the number of properties receiving water pressure below the guaranteed standard. This level of service is defined as a flow of nine litres per minute at a pressure of ten metres head on the customer's side of the main stop tap. Performance is measured at 31 March in the reporting year.

Performance summary

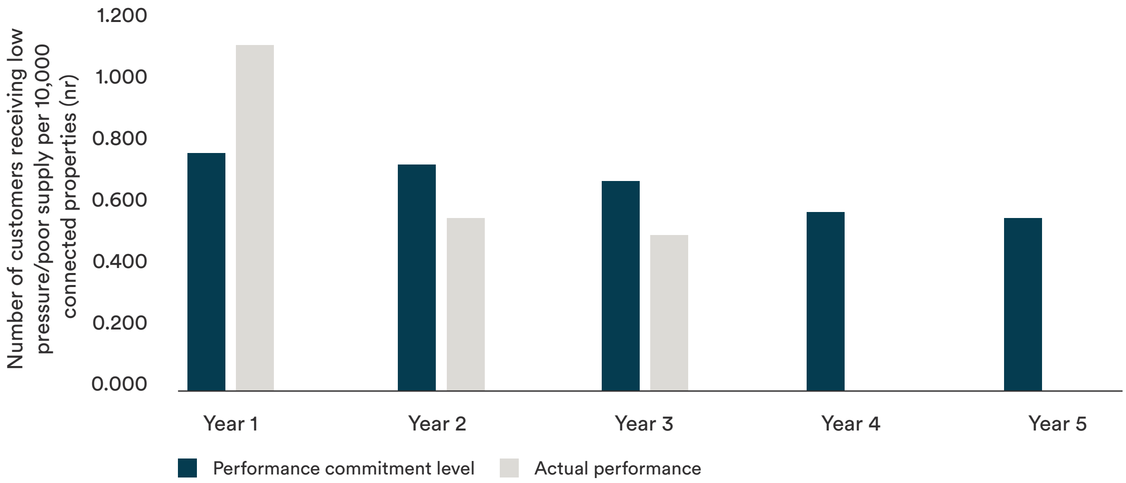
The number of properties experiencing low pressure below reference level at the start of the year was 176. At year-end the number of properties below the reference level was 159. This was better than the 243 properties that would have been required to meet our target. This resulted in reported performance of 0.462, outperforming the year three target of 0.670 when normalised per 10,000 properties. This improvement in performance reduces the areas of low water pressure to the lowest level over the last eight years. Performance improvements have been as a result of strong focus and evaluation of properties experiencing low pressure, enabling us to identify appropriate solutions in a timely manner; whilst improvements in technology have enabled us to have improved control over our pressure management valves.

This performance commitment for the remainder of AMP7 is challenging. However, we will continue to evaluate properties that are experiencing low pressure below reference levels, to identify solutions and prioritise accordingly.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £0.071 million.

Actual performance for the 'reducing areas of low water pressure' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.760	1.114[1]	Fail
Two	2021/22	0.720	0.513	Pass
Three	2022/23	0.670	0.462	Pass

(1) Revised performance to comply with Ofwat reporting clarification associated with total connected properties reporting.

B08

Water service resilience

Performance commitment description

This measure tracks the reduction in the risk to customers of major water supply interruptions caused by failures of trunk mains or water treatment works. It is measured as the reduction in risk of lost customer service days per year (csd/yr). To set our target, we assessed the probability of failure at key water treatment works (WTWs) and trunk mains, the potential duration before service is restored and the number of customers at risk. Our targeted performance takes into account work planned until 2025. An assessment of risk is carried out annually and is subject to independent audit.

Performance summary

The water service resilience baseline risk was the risk from water treatment works and trunk mains that serve customers who could not be supplied by alternatives. The water service resilience baseline risk assessment includes 361 critical trunk mains identified as being at risk of losing more than two customer service days per year. The AMP7 performance commitment was to deliver reductions in risk from year two of the AMP.

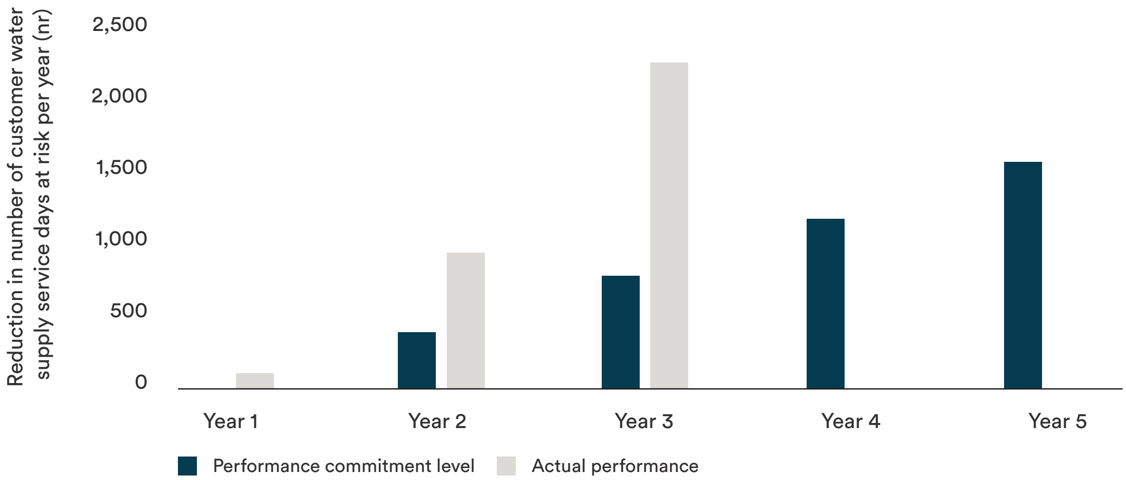
We have outperformed this year, reducing the number of customer service days at risk per year by 2,198. This was better than our target of 764, and was achieved through a combination of work completed at water treatment works trunk mains. As part of the audit each year, the baseline is reviewed and this year has been updated to reflect newly identified resilience risks at two water treatment works. The baseline risk and the risk position at year end has been subject to independent audit. The audit report is published in Appendix 1. An independent assurance report for this performance commitment can be found using the following link:

https://www.unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £4.637 million.

Actual performance for the 'water service resilience' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	106	Pass
Two	2021/22	382	915	Pass
Three	2022/23	764	2,198	Pass

B09

Manchester and Pennine resilience

Performance commitment description

This is a measure that tracks our progress in implementing the Direct Procurement for Customers (DPC) process to appoint a competitively appointed provider (CAP) to design, build, finance and maintain the solution identified for the Haweswater Aqueduct Resilience Programme (HARP), previously known as the Manchester and Pennines resilience scheme. Progress is measured against the satisfactory delivery of three key DPC control points. These are the Strategic Outline Case, the Outline Business Case (OBC) and the Full Business Case. These need to be successfully delivered to allow the scheme to progress to the point where a CAP can be appointed. The underperformance payment is capped at £5.740 million.

Performance summary

The Haweswater Aqueduct Resilience Programme will be a pathfinder scheme for the DPC process. This process is both novel and untested in the water sector, and the HARP scheme itself is complex and sizeable. An underperformance payment was avoided in year three of the AMP because the OBC was submitted to Ofwat early and the approval to commence with procurement was received ahead of the 01/05/22 target date.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. An underperformance payment was in place for failure to deliver the OBC; however, this was delivered on time.

Actual performance for the 'Manchester and Pennine resilience' performance commitment

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	1 (Strategic Outline Case)	Achieved	Pass
Two	2021/22	0	Achieved	Pass
Three	2022/23	1 (Outline Business Case)	Achieved	Pass

1.1 Outcome delivery

B10

Keeping reservoirs resilient

Performance commitment description

This measure assesses the reduction in risk delivered by our planned risk reduction activities at dams, reducing the risk of individual dam failure to a tolerable level as defined by the Health and Safety Executive. A tolerable risk will have an annual probability below 1 in 10,000 or 1 in 1,000,000, depending upon the population at risk; the probability should be as low as reasonably practicable. Proactive risk reduction is achieved through our portfolio risk assessment methodology, which assesses the probability of failure at dams on an ongoing basis.

We prioritise and deliver work to lower the risk of failure at dams, lowering the probability of their failure until the dam is no longer in either the Health and Safety Executive's 'unacceptable individual risk' or 'unacceptable societal risk' category. Beyond this, we seek to reduce the probability of risk to a level as low as reasonably practicable.

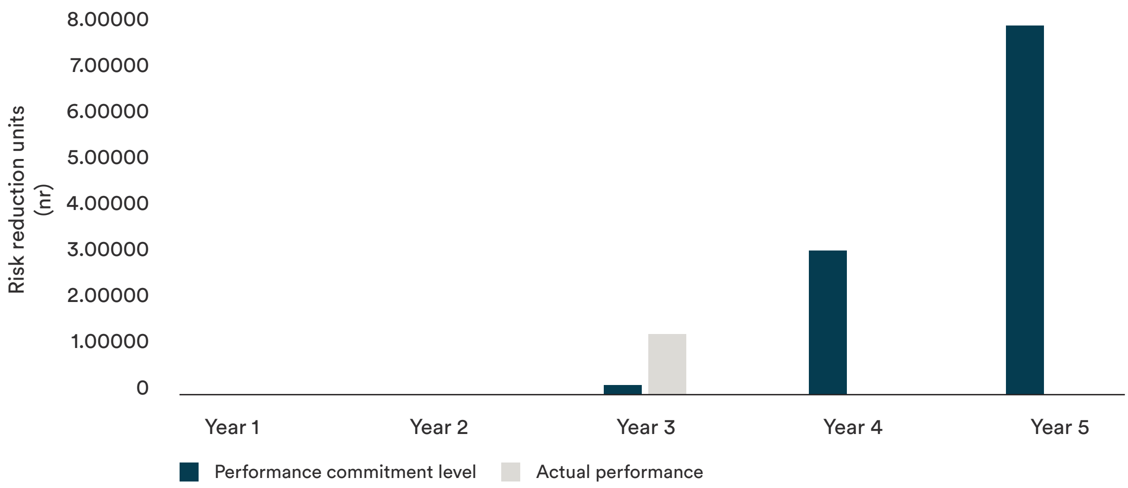
Performance summary

The performance commitment assesses the risk reduction of dam failures to tolerable levels. We have outperformed this year, reducing risk by 1.20000. This was better than our target of 0.04439, and was achieved through the completion of one project. The incentive payments for this performance commitment will be reconciled at the end of AMP7 when the final performance is known.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance, but will only be reconciled at the end of the AMP when our final performance level for the five-year period will be known. All outputs specified under this performance commitment for year three have been delivered.

Actual performance for the 'keeping reservoirs resilient' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.00000	0.00000	Pass
Two	2021/22	0.00000	0.00000	Pass
Three	2022/23	0.04439	1.20000	Pass

B11

Thirlmere transfer into West Cumbria (AMP7)

Performance commitment description

This measure is a continuation of our AMP6 performance commitment tracking the completion of the Thirlmere transfer project in West Cumbria. The aim of the project is to secure a long-term water supply for the West Cumbria area, whilst continuing to meet our environmental obligations. Our target was to deliver this demanding project by 31 March 2022. The performance commitment would see us gain a financial payment if we manage to outperform the already stretching delivery targets for the project, or incur penalties if we fail to hit our deadlines. Progress is measured as a percentage of the earned value of the project, with a value of 100 indicating that the project has been completed. This measure has an underperformance collar, set at 99 per cent.

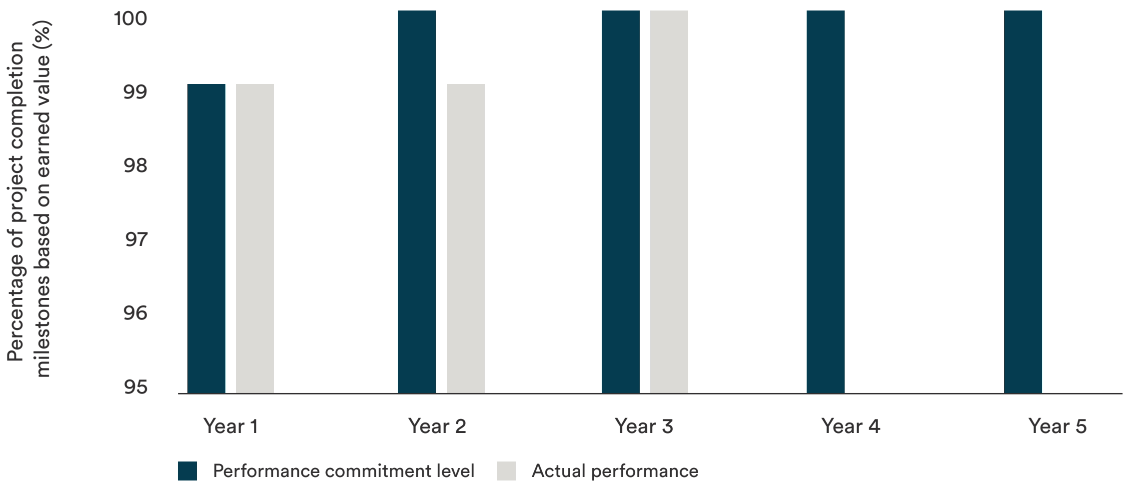
Performance summary

The project finished AMP6 ahead of schedule with the target for year one achieved in year five of AMP6. Progress in AMP7 was impacted by COVID-19 restrictions, with availability of contractors and restricted working practices causing delays. This meant that we failed to achieve the final milestone in year two. In year three, we have completed the commissioning of the new Williamsgate water treatment works and are now supplying water from Thirlmere to customers in West Cumbria achieving 100 per cent project completion ahead of the revocation date of the abstraction permit at Ennerdale.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we have completed the final project milestone, are delivering water into supply and have achieved our performance commitment. Therefore no underperformance or outperformance payment is applicable.

Actual performance for the 'Thirlmere transfer into West Cumbria (AMP7)' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	99%	99%	Pass
Two	2021/22	100%	99%	Fail
Three	2022/23	100%	100%	Pass

1.1 Outcome delivery

The natural environment is protected and improved in the way we deliver our services

Our customers, stakeholders and regulators expect us to improve the quality of the environment. We will deliver a programme of environmental improvements and, where possible, achieve this in a more sustainable way which can be maintained over the long term and protects resources for future generations. We will effectively operate and maintain our assets so that we can mitigate the impact of external factors such as climate change, population growth and changing customer behaviours and will reduce our abstraction from sensitive sites during periods of low flow.

How have we done?

We have successfully passed seven out of the nine performance commitments which support this outcome, and generated a net outperformance payment of £5.203 million.

In year three, our pollution performance was 126 category 1–3 incidents (16.29 incidents per 10,000km of sewer). This is our best ever performance and represents a continued reduction in incidents from the 2021 level, which was our previous best year. This performance includes zero category 1–2 events, which are regarded as the most serious in terms of environmental impact.

Under our better air quality measure, the modification of seven engines at our two largest Combined Heat and Power (CHP) modifications, along with the continued proactive maintenance of our remaining CHP fleet, has resulted in a reduction in the total amount of NOx emitted per GWh of generation and, therefore, an improvement in performance. We continue to maximise the quantity of biogas injected into the national gas grid from our facility in Manchester and we have not incinerated any sludge. All of these activities enabled us to increase our renewable energy generation whilst minimising the impact of emissions on air quality.

We achieved 98.45 per cent treatment works compliance, which equates to six treatment works in breach of their discharge consent out of a total of 388. We continue to use operational best practice, implement our overall improvement plan for discharge compliance in AMP7 and deliver intensive care plans for those works at high risk.

This year, we produced 202,141 tonnes dry solids (tds) of biosolids. This volume of biosolids was then treated and successfully recycled to either agriculture or restoration outlets, delivering a 100 per cent compliance score for the year. In 2022, we continue to implement several measures to improve our processes and procedures to further reduce the potential risk of single point failures occurring. These included enhanced site training and a focus on sampling practices. As a result, we forecast to retain 100 per cent compliance over the remainder of the AMP.

Two of the nine performance commitments are based on the delivery of named Water Industry National Environment Programme (WINEP) schemes. Under our 'improving the water environment' measure, 10 of the 61 water schemes were scheduled for delivery in year three. Eight of these schemes were delivered on time and two were delivered early, resulting in a cumulative early delivery position equivalent to 80 days over the first three years of the AMP. Under our 'improving river water quality' measure, 7 of the 100 wastewater schemes were successfully delivered in year three against their agreed delivery date, giving a total of 19 schemes completed and claimed so far in AMP7. One catchment, the Wyre, has now been completed on time; therefore, net days early and late is currently zero.

Performance commitment	Actual performance Year three	Impact	Value (£m)
C01 – Pollution incidents	16.29	Outperformance payment	5.100
C02 – Treatment works compliance	98.45	Underperformance payment	-0.839
C03 – Abstraction incentive mechanism	0.0	–	–
C04 – Improving the water environment	80	–	–
C05 – Improving river water quality	0	–	–
C06 – Protecting the environment from growth and new development	6,979	–	–
C08 – Enhancing natural capital value for customers	0.000	–	–
C09 – Recycling biosolids	100.00	–	–
C10 – Better air quality	1.07	Outperformance payment	0.942
The natural environment is protected and improved in the way we deliver our service net position	7/9 achieved		5.203

1.1 Outcome delivery

C01

Pollution incidents

Performance commitment description

This is an industry common measure that tracks the number of category 1, 2 and 3 pollution incidents recorded in a calendar year per 10,000km of sewer network. The methodology is consistent with the Environment Agency's (EA) Environmental Performance Assessment (EPA) methodology and, as such, has seen an update to the sewer length used to normalise the measure this year.

This measure is an evolution of our historic AMP6 performance metrics. It includes incidents from transferred assets, those recorded through the installation of event duration monitors (EDM) and consented discharges.

Performance summary

This measure utilises a calendar year assessment. In 2022, our performance was 126 category 1–3 incidents. When this performance is normalised by sewer length, this equates to an outturn of 16.29 incidents per 10,000km. This is our best ever performance and represents a continued reduction in incidents from the 2021 level, which was our previous best year. This performance includes zero category 1–2 events, which are regarded as the most serious in terms of environmental impact.

On the equivalent EPA assessment, we achieved a 'green' classification, which is a status we have achieved in eight of the last nine years.

Our positive performance in this metric is attributed to the continued implementation of a number of strategic initiatives and targeted approaches, covering topics such as culture, systems thinking, training and maintenance, which are all brought together under our overarching pollution incident reduction plan (PIRP). A copy of this plan can be found on our website:

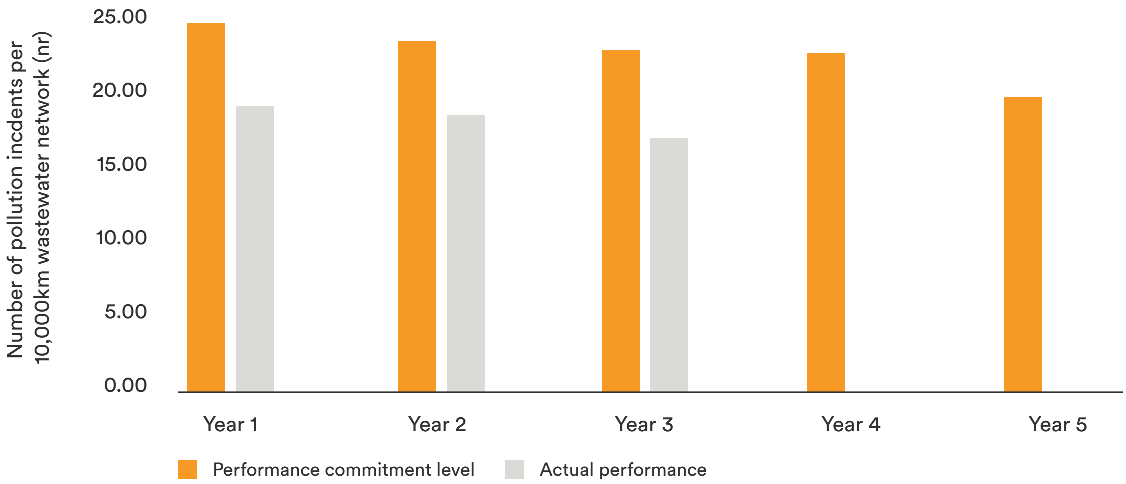
unitedutilities.com/corporate/responsibility/environment/Reducing-pollution/

Published in September 2020, this plan is sub-categorised into several key focus areas and is tracked against anticipated completion dates in order to help us to continue to reduce overall pollution incidents in future years.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we have exceeded our target, meaning we have earned an outperformance payment of £5.100 million.

Actual performance for the 'pollution' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020	24.50	18.10	Pass
Two	2021	23.70	17.71	Pass
Three	2022	23.00	16.29	Pass

1.1 Outcome delivery

C02

Treatment works compliance

Performance commitment description

This is an industry common measure that assesses the percentage of water and wastewater treatment works that are compliant with their discharge permits on a calendar year basis. The measure definition is the same as that used by the Environment Agency (EA) in its annual Environmental Performance Assessment (EPA). We have set the performance commitment at 100 per cent compliance, which is equivalent to zero failing works. The deadband level is set at 99 per cent compliance and is the level required for 'green' status when assessed against the EPA.

Performance summary

This measure utilises a calendar year assessment. In 2022, our performance was 98.45 per cent compliance, which equates to six treatment works in breach of their discharge consent out of a total of 388. There are six non-compliant wastewater treatment works and zero non-compliant water treatment works.

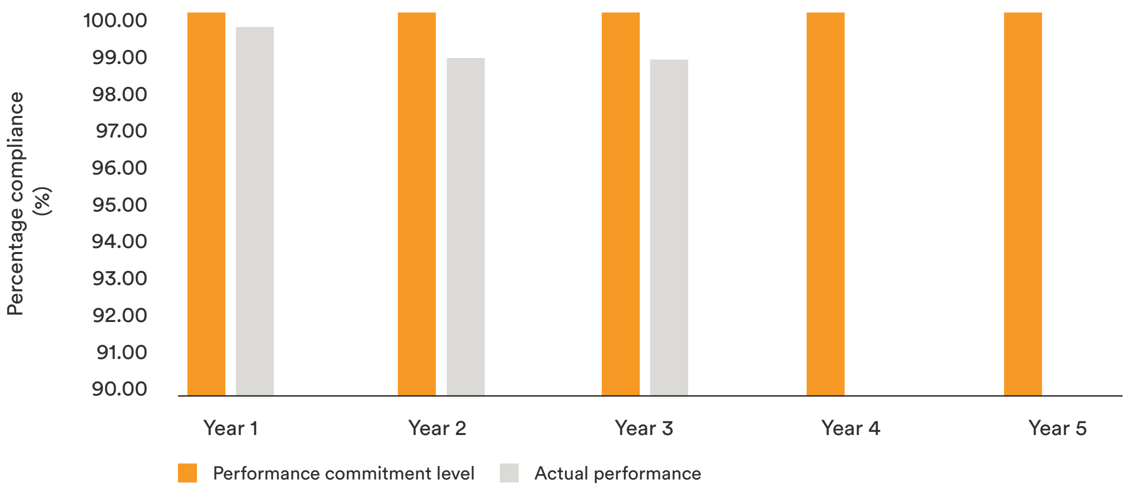
We continue to use operational best practice, implement our overall improvement plan for discharge compliance in AMP7 and deliver intensive care plans for those works at high risk.

Details of the failures experienced this year are Ammonia look-up table (LUT) failures at Altrincham WwTW, BOD and Iron upper tier limit (UTL) failures at Ashton under Lyne WwTW, an Ammonia UTL failure at Crewe WwTW, a BOD UTL failure at Liverpool, an Iron UTL failure at Northwich and an Iron LUT failure at Sandbach WwTW. For each of these, a detailed investigation has been undertaken to ensure we understand the root cause of the failure. We have implemented action plans to ensure any outstanding issues are resolved and the correct processes are in place to minimise the risk of any similar failures occurring again in the future. The two failures at Northwich and Sandbach are, currently, under appeal with the EA, due to the potential for an unusual weather exclusion to be applied. If either appeal is successful, this would improve our performance position.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we have failed our target and incur an underperformance payment of £0.839 million.

Actual performance for the 'treatment works compliance' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020	100.00%	99.75%	Fail
Two	2021	100.00%	98.98%	Fail
Three	2022	100.00%	98.45%	Fail

C03

Abstraction incentive mechanism

Performance commitment description

This is an industry common measure that assesses how well we manage abstraction at environmentally sensitive sites. For each abstraction site covered by the abstraction incentive mechanism (AIM), there is a trigger that identifies when the downstream river flows are running low. Once the trigger is reached, we seek to reduce the level of abstraction at the site and, therefore, minimise our environmental impact. The AIM flow trigger is site specific. For AMP7, we have two AIM sites: Old Water on the River Gelt and Ennerdale. Ennerdale will be removed from AIM when its abstraction licence is revoked (we applied to the Environment Agency to revoke the licence on the 22 March 2023 and are awaiting its confirmation that this has been actioned) and an alternative supply of water from Thirlmere reservoir is in place to supply West Cumbria. A decrease in the volume abstracted – as measured in Megalitres (Ml) – signifies an improvement in performance.

Performance summary

We have two sites covered by AIM in year three: Old Water and Ennerdale. The target for both AIM sites for each year of AMP7 is zero Ml AIM performance. Neither Old Water nor Ennerdale river flows reached their respective AIM flow trigger in 2022/23 resulting in a 0 Ml AIM performance.

We proactively monitor river flows at the AIM sites and seek to reduce abstraction at times of low river flow. However, alternative abstraction options are very limited. The alternative supply for Old Water is New Water; however, New Water has a prescribed flow requirement and so at times of low river flow, abstraction is limited at this site as well. The alternative source for Ennerdale is the South Egremont boreholes; however, these must be operated in accordance with a Section 20 conjunctive use agreement with the EA.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, the river flows did not reach the AIM trigger at either AIM site; therefore, there was no opportunity to earn an outperformance payment.

*See Appendix 3 for further details of the incentive calculation.

Actual performance for the 'abstraction incentive mechanism' performance commitment – lower is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.0 Ml	-695.9 Ml	Pass
Two	2021/22	0.0 Ml	-134.4 Ml	Pass
Three	2022/23	0.0 Ml	0.0 Ml	Pass

C04

Improving the water environment

Performance commitment description

This measure aims to protect customers from late delivery of our environmental improvement programme. Prior to the start of the AMP, we agreed the programme of work with the Environment Agency and this was published through its Water Industry National Environment Programme (WINEP). The scope of this performance commitment is limited to schemes under the FBG (fisheries, biodiversity and groundwater), WR (water resources) and WQ (water quality) functions on the WINEP. We assess the number of days each scheme is delivered early or late and the cumulative view of this is reported annually.

There are currently 61 schemes covered by this performance commitment. This has decreased from the 69 schemes in the original programme, as nine schemes have been removed from the WINEP following agreement and approval by the Environment Agency (EA) and one has been added. Within the 61 schemes, there are 15 catchment schemes. It is possible for these schemes to be partially delivered with certain elements being completed and other elements incomplete. In the case of partial delivery of a catchment scheme, the number of days late is calculated as the number of days that the incomplete elements are late by the proportion of overall scheme benefits. There may be instances where it is necessary to follow the change process with the Environment Agency during the five-year period and adjust the programme of work. Agreed changes with the Environment Agency as defined by the sign off of an amendment form update and re-baseline the schemes to be delivered in the programme.

Performance summary

Each scheme specified under this performance commitment has a specific regulatory delivery date, as outlined in the WINEP. There were originally 12 schemes scheduled for delivery in year three of the AMP. With the full agreement of the EA change process, two of these schemes have moved into year four delivery. For the remaining 10 schemes, eight were delivered on time and two were delivered early. Both of these early schemes were delivered nine days ahead of the regulatory date, leading to a total of 18 days early for year three.

The net aggregate position for the first three years of the AMP is, subsequently, reported as 80 days early, when we add the 18 days early from year three to the 62 days early from year two. All schemes expected to be completed later in the AMP are currently forecast to be on track against our delivery plan.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we exceeded our performance commitment and, therefore, incur no underperformance payments.

Actual performance for the 'improving the water environment' performance commitment – higher is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	0	Pass
Two	2021/22	0	62	Pass
Three	2022/23	0	80	Pass

C05

Improving river water quality

Performance commitment description

This measure focuses on the timely delivery of wastewater network plus schemes that have an Environment Agency (EA) primary or secondary water quality improvement driver. We have focused this measure on Water Framework Directive (WFD) as this work should deliver measurable environmental improvements whereas the statutory programme is more likely to just maintain a stable level of river or bathing water quality.

This measure will be reported as the net position in number of days early or late across the region versus the target. In order to obtain the aggregate performance position we calculate the net position in number of days early or late that schemes have been delivered by catchment. This will be assessed annually. There may be instances where it is necessary to follow the change process with the EA during the five-year period and adjust the programme of work. Agreed changes with the EA as defined by the sign off of an amendment form will update and re-baseline the schemes to be delivered in the programme.

Performance summary

There are currently 100 WFD schemes covered by this performance commitment. This has increased from the 96 schemes in the original programme, via the application of the EA's change control process. Each of these schemes has a specific regulatory delivery date, as outlined in the water industry national environment programme (WINEP). These schemes are then grouped into 15 catchments. The performance assessment to determine the number of days early or late for each catchment is only undertaken when the last scheme in a catchment is delivered.

In year three, seven schemes were successfully delivered against their agreed delivery date, giving a total of 19 schemes completed and claimed so far in AMP7. As described above, this performance commitment is assessed when schemes within a catchment are complete. So far, all schemes have been completed on time, and only one catchment – the Wyre – has had all its schemes completed. This means that the overall net days early and late is currently zero.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we met our performance commitment and, therefore, we incur no underperformance payments.

Actual performance for the 'improving river water quality' performance commitment – lower is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	0	Pass
Two	2021/22	0	0	Pass
Three	2022/23	0	0	Pass

1.1 Outcome delivery

C06

Protecting the environment from growth and development

Performance commitment description

This is a bespoke measure that reports the total additional population equivalent that will be served as a result of investment to increase wastewater treatment works (WwTW) capacity or remove/redirect flows away from areas with a shortfall in wastewater treatment capacity, thus protecting the environment from decline. The measure reflects the level of protection we are providing at wastewater treatment works and will be measured as a cumulative total for each year, commencing with the first completed project in 2021/22. The scope and location for individual projects is flexible to enable us to accommodate changes in forecast development and to manage risk. The performance commitment is defined by the additional population equivalent accommodated at wastewater treatment works that are at risk from new development or growth. The baseline population equivalent is that from which the design is developed for each works.

Performance summary

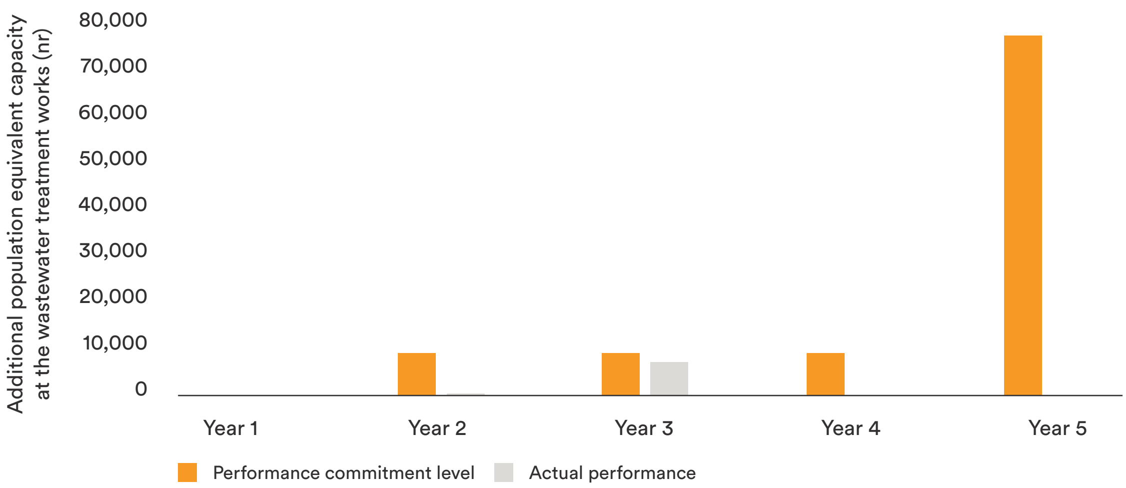
The performance commitment for this metric was defined through a proposal of delivering 21 projects over the AMP and the agreed delivery dates for these projects were outlined to be in either year two or year five of the AMP.

This year, we have delivered two projects; one at Alsager WwTW and one at Little Budworth South WwTW. The total additional population accommodated through these schemes is 6,885, meaning the reported cumulative position for the first three years of the AMP is 6,979. These two projects were originally planned for delivery in year two, but were delayed to year three with the full agreement of the Environment Agency. Where projects have been delayed, other projects are being accelerated to compensate. Further options are being considered to ensure the targeted additional capacity is still delivered within the AMP.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance, and will be reconciled at the end of the AMP when our final performance level for the five-year period will be known. In year three, we have failed our target.

Actual performance for the 'protecting the environment from growth and development' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	0	Pass
Two	2021/22	8,848	94	Fail
Three	2022/23	8,848	6,979	Fail

1.1 Outcome delivery

C08

Enhancing natural capital for customers

Performance commitment description

This performance commitment incentivises us to use catchment systems thinking to deliver water quality improvements through the delivery of catchment and nature based solutions. This will measure the added natural capital value delivered through a scheme focusing on the six Ecosystem Services (ESS) valued by customers: water quality, climate regulation, flooding, biodiversity, amenity and recreation and health and wellbeing. The added natural capital value is defined as the increase in natural capital value delivered beyond that which would have been achieved by a conventional engineering led approach. We calculate the added value of these benefits using the B£ST Natural Capital Accounting tool in line with a methodology developed by United Utilities in conjunction with Vivid Economics which quantifies a monetary value for the services enhanced. This is assured independently by Vivid Economics.

Our target profile is based on the opportunity we identified to deliver added natural capital value at PR19 and we have an outperformance cap to incentivise the identification and delivery of further opportunities.

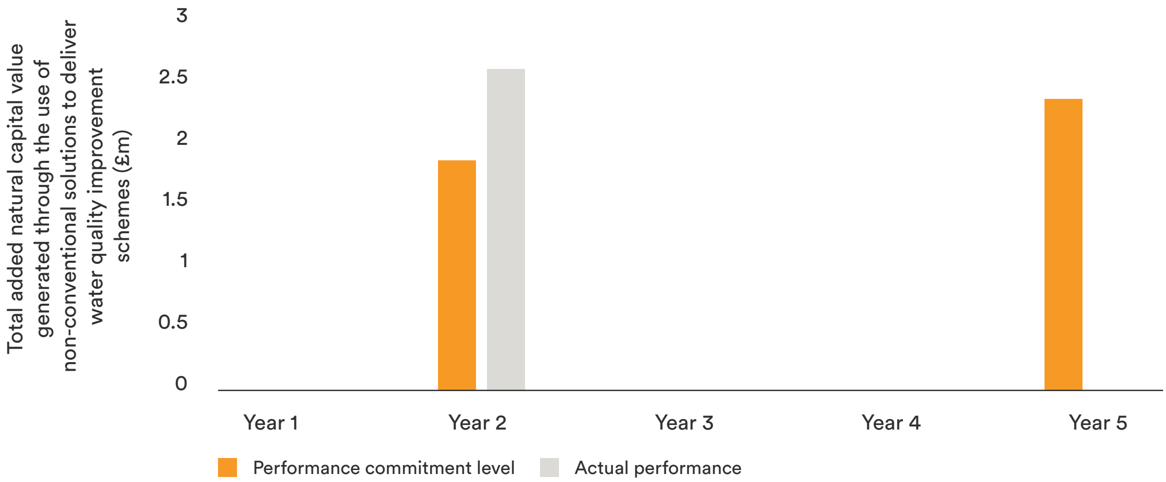
Performance summary

This performance commitment is based on the proposed delivery of projects over the duration of AMP7. As there were none of these schemes planned, nor accelerated, for delivery in year three of the AMP, the subsequent performance output in terms of enhancing natural capital is zero.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. As there are no schemes due for delivery in year three of the AMP, then the subsequent performance output is zero. As a result of this, there are no underperformance or outperformance incentives applied.

Actual performance for the 'enhancing natural capital value for customers' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0.000	0.000	Pass
Two	2021/22	1.750	2.508	Pass
Three	2022/23	0.000	0.000	Pass

C09

Recycling biosolids

Performance commitment description

This is a bespoke measure that assesses the successful use and disposal of treated material containing sewage sludge, known as biosolids. All biosolids need to be compliant with regulatory requirements that apply to each end use in line with the water industry and Environment Agency agreed definition of satisfactory sludge use and disposal. As a further requirement, biosolids that are recycled to agriculture must conform to the Biosolids Assurance Scheme (a voluntary scheme under the governance of Assured Biosolids Ltd). The scheme incorporates best practice guidance and is independently audited. The total quantity of non-compliant biosolids is divided by the total quantity of sludge that required treatment and disposal subtracted from 100 per cent to calculate the score.

Performance summary

This measure utilises a calendar year assessment. In 2022, we produced 202,141 tonnes dry solids (tds) of biosolids. This volume of biosolids was then treated and successfully recycled to either agriculture or restoration outlets, delivering a 100 per cent compliance score for the year.

We continue to implement several measures to improve our processes and procedures to reduce the risk of single point failures occurring.

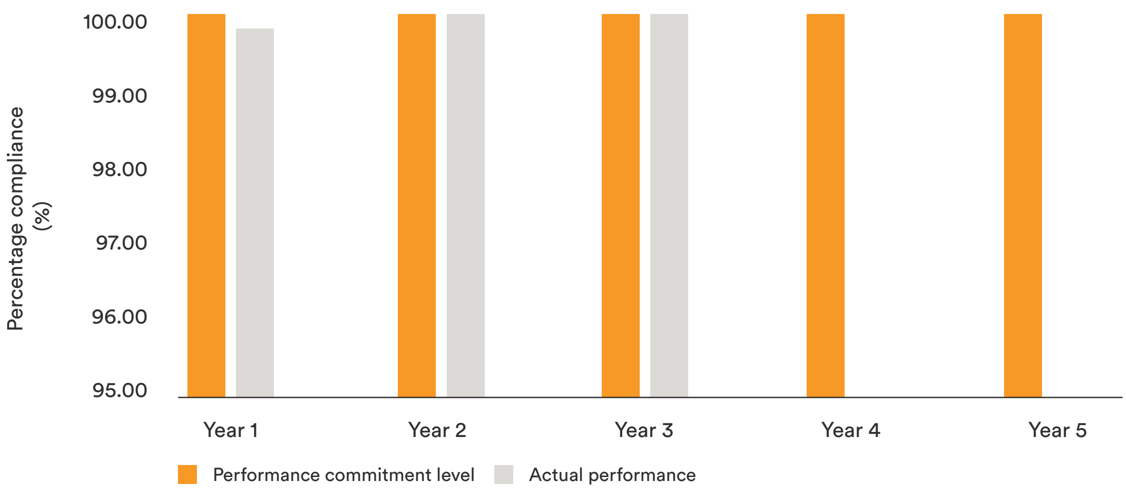
These include:

- All colleagues who are involved with Biosolids treatment and recycling operations are required to attend a training course that covers the whole process of the Biosolids Assurance Scheme (BAS).
- All of our Agriculture advisors who liaise with our farming customers have received their BAS Nutrient management training in 2022. Further to this, the vast majority of UU Agriculture Advisory team are qualified with an agriculture industry recognised qualification (BASIS FACTS), which gives them the competency to advise farmers on Biosolids products, nutrient management and relevant regulations.
- Additional site specific training/induction for all our operational staff to ensure all compliance aspects are covered and understood at each of the sludge treatment centres.
- Regular review and update of the site specific hazard analysis critical control point (HACCP) plans, including an assessment of the process critical control points (CCP) and contingency procedures.
- Additional governance introduced into our HACCP process. This include Post Incident Reviews (PIR) following every MAC sampling failure, establishment of a HACCP governance group, among others.
- A continued focus on sampling practices, in order to reduce any unnecessary failures caused by human error

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we have met our target. However, outperformance payments under this measure are not earned until there are three consecutive years of 100 per cent compliance.

Actual performance for the 'recycling biosolids' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020	100.00%	99.87%	Fail
Two	2021	100.00%	100.00%	Pass
Three	2022	100.00%	100.00%	Pass

C10

Better air quality

Performance commitment description

This is a bespoke measure that aligns to customers' ambition for us to improve air quality. It is focused on reducing the Nitrogen Oxide (NOx) emissions per unit of renewable electricity generated from bioresources. Sewage sludge from wastewater treatment is treated through digestion processes to a standard suitable for use in agriculture. This process also produces biogas which is burned to generate renewable energy in Combined Heat and Power engines (CHP). When the fuel is burned, waste gases including NOx are emitted. The measure includes emissions from combined heat and power engines and sewage sludge incineration. If biogas is supplied to the national gas grid, the electricity that could have been generated by burning it is included in the measure.

Performance summary

Our two largest CHP facilities at Manchester and Liverpool have been at the forefront of an improvement programme to roll out cleaner engine technology. This technology reduces the amount of NOx in the combustion gas being emitted from our engines by 50 per cent per cubic metre of gas produced (from 500mg down to 250mg NOx per m^3), thereby reducing the tonnes of NOx emissions per GWh of electricity generation. In year one, we installed this cleaner technology on both of the engines at Liverpool and one of the five engines at Manchester. Continuing the programme of work into year two, we completed the conversion of the remaining four engines at Manchester to low NOx emission operation. As all seven engines have now been successfully converted, we were able to see the full-year benefit of the low NOx emission operation in our year three performance.

These seven engine modifications along with the continued proactive maintenance of our remaining CHP fleet has resulted in a reduction in the total amount of NOx emitted per GWh of generation and, therefore, an improvement in performance.

We continue to maximise the quantity of biogas injected into the national gas grid from our facility in Manchester and we have not incinerated any sludge. All of these activities enabled us to increase our renewable energy generation whilst minimising the impact of emissions on air quality.

The measure uses a three-year rolling average and the trend shows an increase in renewable energy generation and a reduction in the total NOx emissions. This represents an improvement in performance in the NOx emitted per GWh of renewable electricity generated performance commitment unit. We calculate that, as a result of our actions, we have avoided over 38 tonnes of NOx emissions this year compared to how we operated in 2019–20 (the end of AMP6).

An independent assurance report for this performance commitment can be found at the following URL:

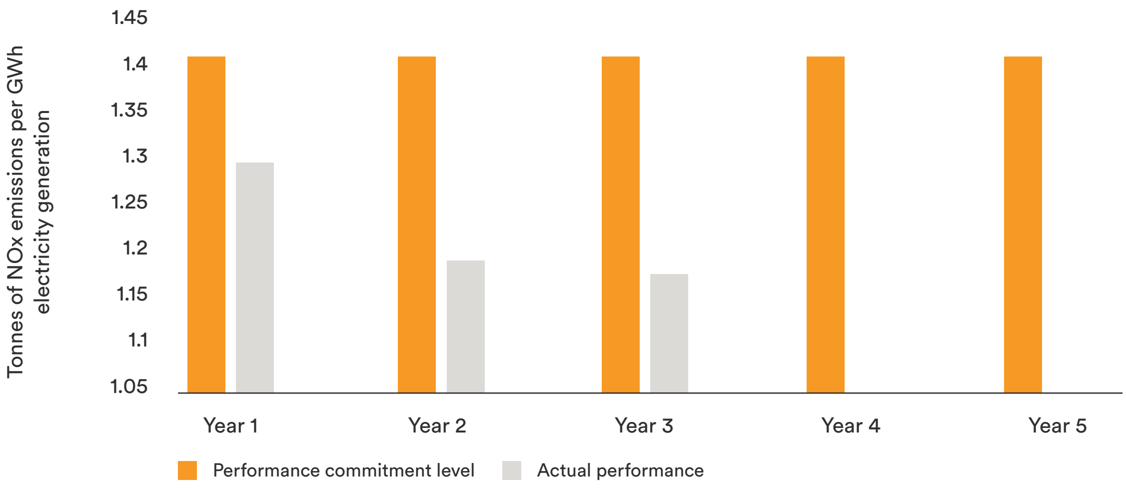
www.unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we outperformed our target. Our performance means that we earn an outperformance payment of £0.942 million*.

*See Appendix 3 for further details of the incentive calculation.

Actual performance for the 'better air quality' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	1.42	1.30	Pass
Two	2021/22	1.42	1.19	Pass
Three	2022/23	1.42	1.07	Pass

Year three performance

1.1 Outcome delivery

You're highly satisfied with our service and find it easy to do business with us

We are committed to delivering the best possible service for customers. We seek to offer customers the services that they want and value. We actively promote support for customers in vulnerable circumstances. We provide assurance that the quality of support for customers in vulnerable circumstances is of a leading standard by achieving and maintaining certification under ISO 22458:2022 Customer Vulnerability – Requirements and guidelines for the design and delivery of inclusive services. This standard has evolved from the British Standards Institution (BSI) accreditation for inclusive service provision.

How have we done?

We have made five commitments about customer satisfaction and being easy to do business with. We have achieved four of these in year three and generated a net outperformance payment of £3.062 million.

We have performed well in C-MeX, which is the measure used across the water industry to assess customer service and experience. We now have ten ways that customers can make contact with us, including traditional contact methods such as phone or post as well as email, social media and live chat. In year three, we have seen our lowest ever volume of total complaints. We expect to achieve fifth place out of 17 water companies.

D-MeX is the measure of service and experience that we provide to developers (e.g. housebuilders). We expect to achieve eighth place out of 17 water companies.

We are really pleased to have attained the newly introduced ISO standard 22458:2022 Consumer Vulnerability – Requirements and guidelines for the design and delivery of inclusive service, which replaced the original BSI standard. We continued to increase the number of customers registered for our Priority Services. Over 294,000 customers are now registered with us.

We did not achieve our target for street works performance, which measures the quality and standard of our roadworks and reinstatements. We are continuing to work with our partners to try and improve this position.

Performance commitment	Actual performance	Impact	Value (£m)
	Year three		
D01 – Customer experience (C-MeX)	81.26	Outperformance payment	3.016
D02 – Developer experience (D-MeX)	87.43	Outperformance payment	0.046
D03 – Priority Services for customers in vulnerable circumstances	9.1	Reputational	–
D04 – Improving street works performance	15.44	Reputational	–
D05 – Priority Services – BSI accreditation	Maintained	Reputational	–
You're highly satisfied with our service and find it easy to do business with us net position	4/5 achieved		3.062

D01

Customer experience (C-MeX)

Performance commitment description

This industry common measure is a measure of residential customer satisfaction. It is designed to incentivise companies to improve customer satisfaction by delivering a better overall customer experience and improving companies' handling of customer contacts. Each company receives a C-MeX score based on the results from two surveys:

- A customer service survey which samples residential customers who have contacted their company which asks them how satisfied they are with how the company has handled their issue.
- A customer experience survey which samples randomly selected customers and asks them how satisfied they are with their company.

Incentive payments are calculated on the points of variance of UUW's score from the industry leader and industry median.

Performance summary

Performance continues to be positive in the third year of the AMP. At the end of year three, we expect to be fifth out of 17 companies. Focus continues to be on being easy to contact and our speed of response with helpful and friendly support from our North West based contact centres and field teams. Our total complaints (across all channels) reduced by 12 per cent in the year, although we did see a 19 per cent increase in written complaints, predominately due to a number of operational incidents leading to supply interruptions. We are pleased to report our lowest ever volume of wastewater complaints as a result of changes to response times, case ownership and a focus on repeat events.

Customers provided positive feedback when they felt our service had been good. We have now received over 100,000 complimentary feedback messages from customers through the WOW awards scheme, which solicits customer feedback following a contact.

Customers can contact us using ten different channels. As well as more traditional contact channels such as phone, post, automated telephony and by visit to one of our main contact centre sites, we offer five online channels for customers to contact us. These include:

- email – incoming contact via email;
- social media such as Facebook and Twitter;
- webform via our website;
- live chat; and
- the UUW app; which provides a direct channel for contacting the company, rather than only signposting other contact channels.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. Our performance this year generates an expected outperformance payment of £3.016 million.

Actual performance for the 'customer experience (C-MeX)' performance commitment – higher is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	n/a	83.59	Pass
Two	2021/22	n/a	82.01	Pass
Three	2022/23	n/a	81.26	Pass

D02

Developer experience (D-MeX)

Performance commitment description

D-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for developer services customers. These customers include small and large property developers, self-lay providers, new appointees and some residential customers that have new mains connections installed. Each company receives a D-MeX score based on two components:

- a qualitative component – a score summarising the performance of the company in a satisfaction survey of developer services customers; and
- a quantitative component – a score summarising the performance of the company across selected Water UK developer services performance data metrics.

Incentive payments are calculated based on the points of variance of UUW's score from the industry leader and the industry median.

Performance summary

Quantitative performance measures how well we perform against the common industry metrics. We expect to be twelfth out of 17 companies achieving an average over the year of 98.75 per cent. The qualitative component involves a satisfaction survey of developer services customers. We expect to be eighth out of 17 companies achieving a score of 76.10. When averaged, our resulting performance is expected to be eighth out of 17 companies with an overall score of 87.43.

This year has seen a dip in performance as we adjust to our new operating model following significant changes to our business processes, systems and commercial arrangements with our construction supply partner. Whilst these changes will put us on much stronger footings for the period ahead, we have seen a slight impact to this year's results during the embedment phase.

These improvements include a new operating model and business processes, introducing dedicated case managers and field support teams. We continue to invest in our systems to ensure full visibility and control of the customer journey from application through to connection and have further developments coming later this year to increase self-serve options for our customers. We have made a number of improvements to our supply partner contracts, who make the physical connections for our customers, bringing more focus to customer service through new Key Performance Indicators (KPIs). We continue to offer significant sustainability discounts to developer customers who build water efficient homes and will innovate further in this space.

This work will continue through year four of AMP7 as we make improvements and embed changes. We will continue to invest in greater training and development of our team.

We have continued with technical forums (for both water and wastewater disciplines) and have reintroduced our in person 'Developer Day' in 2022/23. These events give us an opportunity to engage with and demonstrate our service improvements and upcoming regulatory changes such as the removal of income offset to developers. Held in October 2022, the 'Developer Day' discussed and shared our thoughts on:

- Sustainable Urban Drainage Systems
- Charging – what can we do to support sustainable development incentives
- The Future is Green - building a greener future for the North West
- The Digital Journey - making is easier for our customer to do business with us
- Water Customer Journey and Wastewater Customer Journey

Financial implications

This performance commitment has both underperformance and outperformance outcome delivery incentives. Our performance this year generates an expected outperformance payment of 0.17 per cent of our 2022/23 developer services revenue, resulting in an expected outperformance payment of £0.046 million.

Actual performance for the 'developer experience (D-MeX)' performance commitment – higher is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	n/a	88.44	Pass
Two	2021/22	n/a	88.40	Pass
Three	2022/23	n/a	87.43	Pass

D03

Priority Services for customers in vulnerable circumstances

Performance commitment description

This industry common measure is designed to ensure a minimum standard across all companies for the number of households registered on the Priority Service Register (PSR) and verification of PSR data.

This performance commitment helps to increase the number of customers living in vulnerable circumstances that receive the most appropriate service to their needs. It helps ensure that we are incentivised to keep the register up to date.

This performance commitment consists of the following criteria with targets for each area:

- PSR reach: percentage of households that the company supplies with water and/or wastewater services that are registered on the company's register.
- Attempted contact: percentage of distinct households on the PSR that the company has attempted to contact over a two-year period.
- Actual contact: percentage of distinct households on the PSR that the company has actually contacted over a two year period.

To achieve compliance with this performance commitment targets for reach, attempted contacts and actual contacts all need to be achieved.

Performance summary

We have performed well across all three criteria, achieving the year three targets for each element and, therefore, passing this performance commitment.

We have continued to train and develop our customer facing colleagues to spot the signs of vulnerability when interacting with customers, allowing them to take every opportunity to promote the scheme and register those who would benefit.

Our continued data sharing agreement with Electricity North West, and our ongoing work with new and existing partners (including Warrington Disability Partnership and Guts UK), enables us to promote our support services around the region, providing constant growth in registrations. Further data sharing agreements have been introduced with the remaining two district network operators (DNOs) in the North West region – SP Energy Networks and Northern Powergrid.

We work with regional utility companies (Electricity North West, Cadent Gas, Northern Gas Networks and SP Energy) via our 'North West Utilities Together' group, providing opportunities to develop our services and share best ways in supporting the same customers we all serve in our region.

In year three, we have continued to advertise/promote in targeted publications and attend events aimed at customers living in vulnerable circumstances. We have increased our promotion on social media and local radio. We continue to work with our external independent 'YourVoice Customer Affordability and Vulnerability Panel' to share and learn best practice.

Below is a table of customers registered for the various activities. As a household can register for more than one service, the number of services provided is greater than the number of PSR customer registered. All PSR customers are routinely provided with additional support during supply interruptions.

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. We have met our target for year three.

Service	Number of customers
PSR households receiving support with Communication	11,817
PSR households receiving support with Mobility and Access restrictions	64,837
PSR households receiving support with Supply Interruptions	294,490
PSR households receiving support with Security	24,772
PSR households receiving support with Other Needs	165

Actual performance for the 'Priority Services for customers in vulnerable circumstances' performance commitment – higher is better

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	4.0	4.1	Pass
Two	2021/22	4.8	5.9	Pass
Three	2022/23	5.5	9.1	Pass

D04

Improving street works performance

Performance commitment description

This performance commitment measures the safety, quality and compliance of our street works activities in the public highway against the standard set out in the New Roads and Street Works Act (NRSWA) 1991. It seeks to drive improvements in the quality of our company's activities in the public highway from roadworks and traffic management setup through to the quality of our reinstatements. Compliance with the Act is made by our ISO accredited street works compliance team performing assessments on in-progress roadworks as well as reviewing the quality of reinstatements. The performance commitment definition is based on the number of instances of non-compliance.

Performance summary

Performance is measured on a monthly basis, helping us to identify trends and problematic areas quickly and put in place improvement measures with our contract partners. We aim to deliver a high standard of performance in this area to help avoid additional costs, such as having to complete rework on unsatisfactory reinstatements. Completing street works quickly and to a high standard reduces the impact on our customers in the North West.

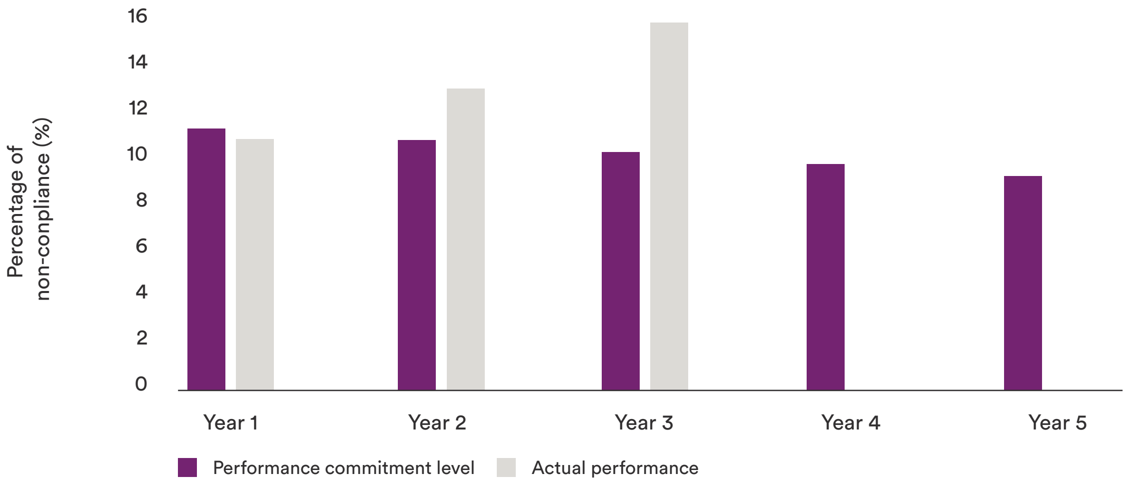
Our year three target was to have less than 10.0 per cent non-compliance in our assessments. Having made almost over 13,500 assessments, we ended the year with 15.44 per cent non-compliance. Assessments are made by the compliance team covering our contractor street works activity across the entire region.

In year three, performance on signing, lighting and guarding did not meet the required levels. Air void performance is below the targeted level, although the impact on the overall score was less significant. Reinstatement visual performance was not at the required level, an area where we have seen better performance historically. We are continuing to work with our partners to improve performance across these areas and continue to use our air void app 'Reinstate' to aid reinstatement construction to the correct standards.

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. We failed our target for year three.

Actual performance for the 'improving street works performance' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	11.00%	10.56%	Pass
Two	2021/22	10.50%	12.67%	Fail
Three	2022/23	10.00%	15.44%	Fail

D05

Priority Services – BSI accreditation

Performance commitment description

This performance commitment measures United Utilities' support for customers in vulnerable circumstances. It does this based on whether the company meets standards set by external accreditation providers. Securing this accreditation provides confidence that we are providing a fair flexible and transparent service that can be used by all customers equally, regardless of their health age or personal circumstances. The accreditation provides an independent assessment of this.

In years one and two of the AMP, UW achieved certification for BS18477 from the BS Group. The BS standard has now evolved into ISO 22458:2022 Customer Vulnerability – Requirements and guidelines for the design and delivery of inclusive services. This is the standard we are adopting for years three to five of AMP7.

Performance summary

We achieved accreditation to the original BSI standard in March 2020 and maintained the accreditation during year one and year two of the AMP. In year three, we successfully gained accreditation to the new ISO standard, providing United Utilities with the Inclusive Service Kitemark certification. The new standard continues to reach across the organisation and the assessment process looks at how we demonstrate our commitment to customer inclusion across:

- Senior leadership
- Priority services
- Billing
- Income
- Service delivery
- Network enquiries
- Network field teams
- Training
- Communications
- Sustainability
- Legal
- External partners

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. We have met our target for year three.

Actual performance for the 'Priority Services – BSI accreditation' performance commitment

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	Achieved	Achieved	Pass
Two	2021/22	Maintained	Maintained	Pass
Three	2022/23	Maintained	Maintained	Pass

1.1 Outcome delivery

We will improve the way we work to keep bills down and improve services

We aim to keep future bills down for customers by helping more people to pay and seeking to ensure that all those receiving our services are being billed. We will continue to support customers who have affordability issues by ensuring that they are on the most suitable tariff and payment plan for their circumstances and employing other non-financial assistance schemes.

How have we done?

We have successfully passed all eight performance commitments that support this outcome and generated a net outperformance payment of £12.288 million. In year three, we continue to lead the water industry in affordability and vulnerability assistance with a wide range of support schemes for customers. The continued use of data and analytics allows us to target campaigns towards those customer segments most at financial risk, promoting the support available and encouraging customers to contact us if they were struggling to pay their bill. We've increased our efforts to support customers impacted by the cost of living increases with management of their bill payments by highlighting the support we have available. There are currently around 206,000 customers benefitting from affordability support, representing around six per cent of our household customer base.

We strive to improve our customer data in order to ensure that all those who use our services are correctly billed, which in turn ensures fairer bills for everyone. We have a number of performance commitments that support this. Our performance on voids has achieved its target this year, whilst we have outperformed our internal targets on gap sites for both households and non-households. We have utilised our non-household vacancy incentives scheme, which incentivises retailers to identify occupied non-household premises that are showing as vacant and, therefore, should be billed.

We have achieved our year three target for our systems thinking reputational performance commitment. This capability will deliver significant future benefits for customers across many areas of service. For example, the advancements in both proactive and reactive customer responses, with machine analytics, machine learning and robotics will deliver quicker, better and cheaper responses to customer service disruption. This will allow us to be more resilient and minimise service disruption and will also improve our capability in response and recovery. Systems thinking recognises that our business is not a collection of independent components that deliver discrete services to customers. Instead, the business is managed and operated as a single end-to-end system. The dependencies and interactions between these sub-components, both internal and external, are better understood and used to unlock the long-term opportunities for step change in benefits for customers, both in terms of better service and lower cost. Systems thinking is a long-term strategy, requiring substantial investment in business change.

Performance commitment	Actual performance Year three	Impact	Value (£m)
E01 – Number of customers lifted out of water poverty	84,002	Outperformance payment	2.722
E03 – Non-household vacancy incentive scheme	6,022	Outperformance payment	0.819
E04 – Gap sites (wholesale)	1,339	Outperformance payment	0.410
E05 – Gap sites (retail)	8,986	Outperformance payment	0.117
E06 – Systems Thinking capability	2	Reputational	–
E07 – Successful delivery of direct procurement of Manchester and Pennine resilience	No milestone in year	–	–
E09 – Customers say that we offer value for money	75	Reputational	–
E10 – Retail voids	4.45	Outperformance payment	8.220
We will improve the way we work to keep bills down and improve services net position	8/8 achieved		12.288

1.1 Outcome delivery

E01

Number of customers lifted out of water poverty

Performance commitment description

This measure commits us to providing additional support to customers in water poverty, primarily through the effective promotion of discounted social and support tariffs. In addition, it ensures support is effectively targeted at those most in need by only recognising this support where it acts to lift a customer out of water poverty which we define as spending more than 3 per cent of income on their water bill. We are targeting 66,500 customers being lifted out of water poverty by 2024/25, which represents a 45 per cent increase compared to support levels in 2017/18.

Performance summary

Actual performance for this commitment in 2022/23 was 84,002 customers lifted out of water poverty. This consisted of customers benefitting from our Help to Pay (36,286), Back on Track tariff (45,979) and our WaterSure Scheme (1,737).

We are a leader in the water industry in affordability and vulnerability assistance, with a wide range of support schemes for customers, many of which are firsts for the industry. Using advanced data and analytic capabilities, we have been able to focus our efforts on supporting the customer segments at greatest financial risk, promoting the support available and encouraging customers to contact us if they are struggling to pay their bill. These schemes have helped over 333,000 customers since the beginning of the AMP, with circa 206,000 customers currently benefitting from United Utilities' affordability support, representing around six per cent of our household customer base. We've increased our efforts to support customers impacted by the cost of living increases with management of their bill payments by highlighting the support we have available. In April 2022, we updated our social tariff eligibility again in response to the current cost of living pressures, enabling us to continue to support customers during these difficult times.

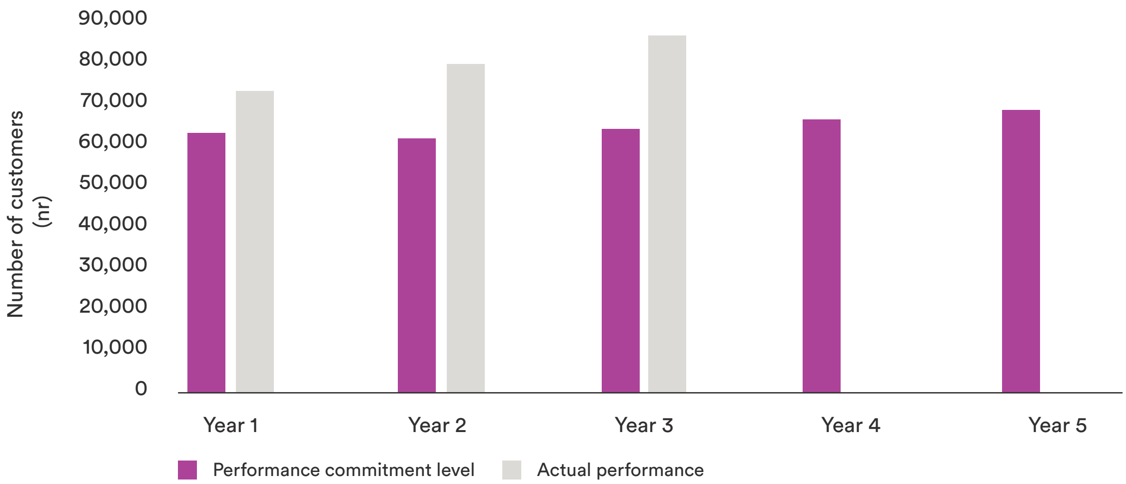
We have been actively promoting the additional support available during customer conversations, on our website/social media, via money advisors and during targeted mailings. We're monitoring customer payment behaviour to proactively identify customers who are showing signs of struggling to pay. We've sent over 290,000 early intervention emails with tailored messaging designed to increase awareness of the support we and third-party organisations can offer. We've run a number of supplementary campaigns highlighting to customers that we're here to help whether that be through bill support or more flexible payment plans.

We've delivered a number of initiatives to further improve the accessibility of our affordability support schemes, including the introduction of a single application form. Consolidating application forms enables customers to be assessed against all financial support schemes, ensuring they receive optimal bill support. We're continuing to take our support to customers' doorsteps and have completed circa 32,000 affordability visits this year.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £2.722 million.

Actual performance for the 'number of customers lifted out of water poverty' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	57,600	71,057	Pass
Two	2021/22	59,800	77,312	Pass
Three	2022/23	62,100	84,002	Pass

E03

Non-household vacancy incentive scheme

Performance commitment description

This measure incentivises business retailers who work in our region to identify occupied properties that are showing as 'vacant' within the Central Market Operator System and register them as 'occupied'. For charges to be correct, it is essential that the occupancy status of each property is marked correctly within the market, i.e. whether the property is 'occupied' or 'vacant'. We recognise the importance of ensuring that all customers are billed appropriately and, therefore, we have introduced a financial incentive. The incentive payments will provide for costs of administering the incentive and payments to retailers, while still providing a net benefit to customers from the additional revenue gained from billing previously unbilled properties.

Performance summary

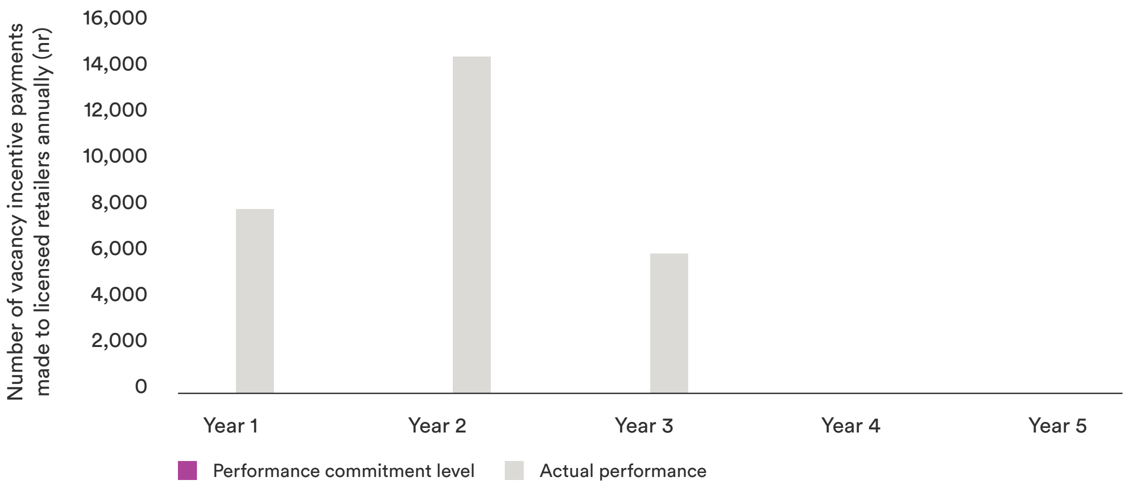
In year three, we recognised 6,022 vacancy resolutions by retailers. As expected, performance is reducing as the number of vacant non-household properties in the North West reduces. Our performance level across the remainder of the AMP is expected to reduce because of this.

The incentive scheme process has matured and retailers have established their processes to accurately identify occupiers. We continue to work with retailers to improve application success.

Financial implications

This performance commitment is subject to outcome delivery incentives for outperformance only. In year three, we achieved 6,022 resulting in a total outperformance payment of £0.819 million.

Actual performance for the 'non-household vacancy inventive scheme performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	7,940	Pass
Two	2021/22	0	14,519	Pass
Three	2022/23	0	6,022	Pass

1.1 Outcome delivery

E04

Gap sites (wholesale)

Performance commitment description

This measure is designed to encourage retailers to identify non-household properties where water and/or wastewater services are being used, but where the property is not being billed ('gap sites'). Identifying these sites will recover new revenue from those customers, so keeping bills down for customers overall. The measure will facilitate incentive payments to retailers who identify customers who are not being billed or are only being partially billed. The performance commitment records the number of incentive payments made by UUW to business retailers who identify non-household premises using water or wastewater services that are not registered within the Central Market Operator System 'CMOS'. The CMOS system records all business customers and connects wholesalers and retailers in the market.

Performance summary

In year three, we have maintained our performance levels and have registered 1,339 gap sites following successful retailer applications.

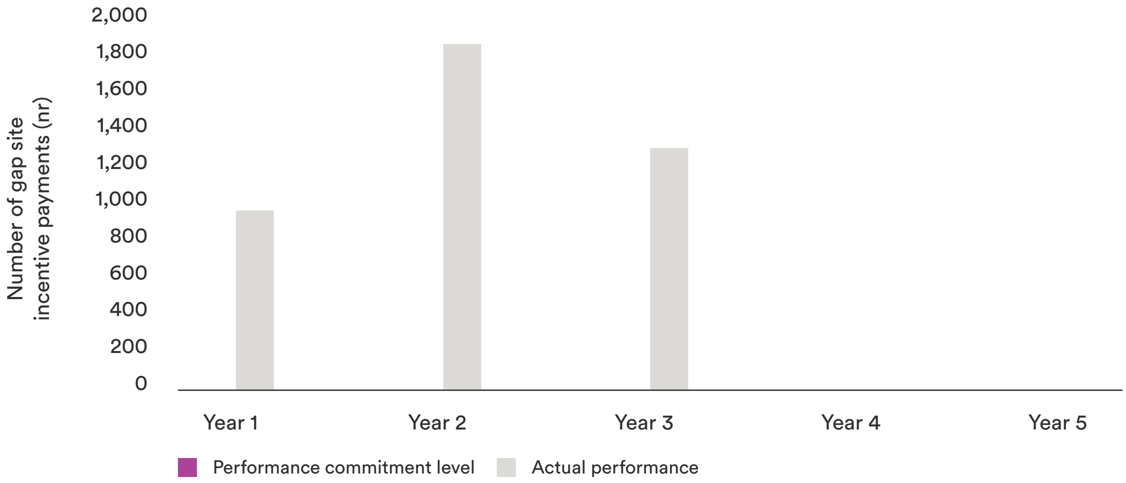
Our performance level across the remainder of the AMP is expected to remain stable year-on-year in line with retailer efforts to identify properties. Formal targets are not set in advance for this performance commitment; performance reflects the number of sites identified in any period.

As retailers identify potential gap sites to us, we check and verify this information to make sure each is a valid gap site. Once confirmed, we register the premises in the CMOS. Our reported performance, therefore, reflects the number of additional sites registered in the market. Incentive payments to business retailers are made following the receipt of invoices.

Financial implications

This performance commitment is subject to outcome delivery incentives for outperformance. In year three, we achieved 1,339 gap site resolutions, resulting in a total outperformance payment of £0.410 million.

Actual performance for the 'gap sites (wholesale)' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	949	Pass
Two	2021/22	0	1,912	Pass
Three	2022/23	0	1,339	Pass

E05

Gap sites (retail)

Performance commitment description

This performance commitment measures the number of household properties in our area that we identify where water and/or wastewater services are being used, but the property is not known to the company ('gap sites'). Identifying and billing all properties will result in a fairer distribution of water charges across all customers. This measure has been designed to provide a cost recovery mechanism so that we carry out activities to maintain and enhance data quality for all the properties we serve.

Performance summary

In year three, we recognised the identification of 8,986 gap sites in total. Our performance level across the remainder of the AMP is expected to remain stable year-on-year.

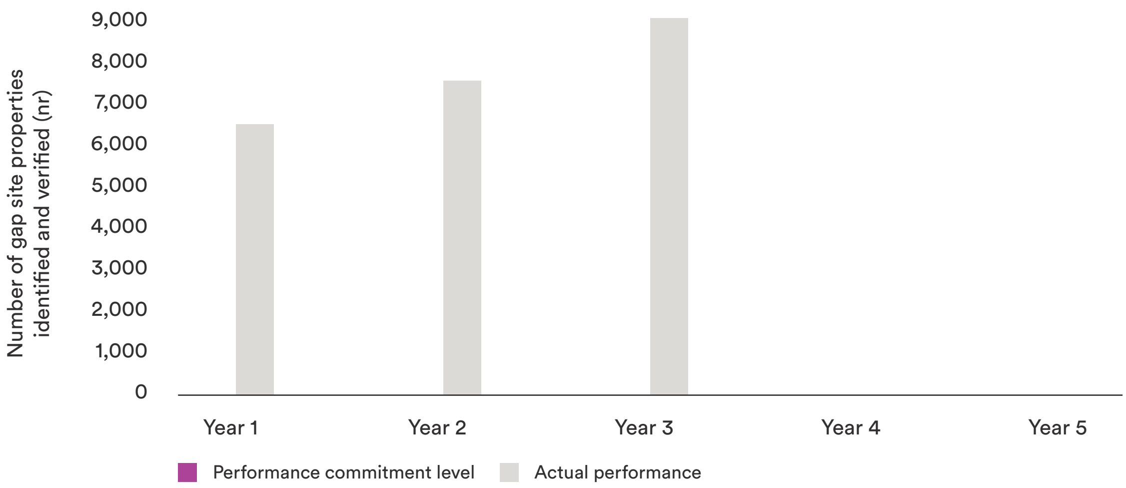
Formal targets are not set in advance for this performance commitment; performance reflects the number of sites identified in any given year.

We have continued to perform well in year three of AMP7, driving performance through an increased focus on the performance commitment alongside maintaining robust internal processes and working closely alongside our developer services team.

Financial implications

This performance commitment is subject to outcome delivery incentives for outperformance. In year three, we achieved 8,986 in total, resulting in an outperformance payment of £0.117 million.

Actual performance for the 'gap sites (retail)' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	0	6,349	Pass
Two	2021/22	0	7,455	Pass
Three	2022/23	0	8,986	Pass

1.1 Outcome delivery

E06

Systems Thinking capability

Performance commitment description

Systems Thinking involves learning about the interaction of the individual components of a system, understanding the system as a whole, and using this to identify patterns and predict performance. For a water and wastewater company, this means, rather than operating an asset or treatment works in isolation, we use telemetry data from our assets, along with knowledge about the wider environment in which we work and digital advances, such as artificial intelligence, to understand the broader systems perspective, predict where issues may arise and make decisions. Techniques such as machine learning are enabling us to automate some of these decision making processes.

This performance commitment measures delivery of our corporate strategy to embed a systems thinking approach through innovations and improvements in capabilities such as production planning, operational monitoring and control and asset lifecycle management.

The methodology for assessing capability maturity has been developed with external leaders in systems thinking and has been assured and benchmarked against companies outside the water sector.

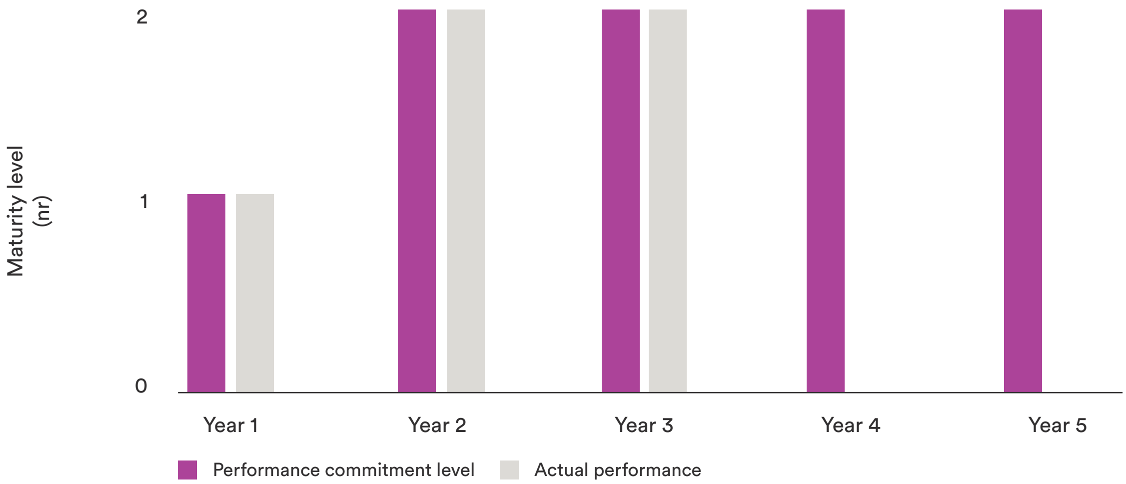
Performance summary

This measure is based upon an assessment of a suite of capabilities, undertaken by external experts Accenture. In February 2020, prior to year one, we were baselined at maturity level one and aim to reach level two by the end of the AMP7 period. Maturity level two was achieved against all capabilities in February 2022. Following the latest assurance review completed in March 2023, further progression has been made, with three of our core capabilities (Asset Lifecycle Management, Customer Experience and Scheduling) now at maturity level three.

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. We have met our target for year three.

Actual performance for the ‘Systems Thinking capability’ performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	1	1	Pass
Two	2021/22	2	2	Pass
Three	2022/23	2	2	Pass

Year three performance

1.1 Outcome delivery

E07

Successful delivery of direct procurement of Manchester and Pennine resilience

Performance commitment description

The Haweswater Aqueduct Resilience Programme (HARP) scheme will represent one of the largest infrastructure projects in the UK, improving resilience of water supplies to customers in Manchester, Cumbria and Lancashire. This measure focuses on advancement of the HARP scheme via the Direct Procurement for Customers (DPC) process in a way that demonstrates value for money to customers, whilst providing an example for the industry and building capability for DPC activities across the sector. Achievement will be assessed following the appointment of a competitively appointed provider (CAP) to design, build, finance and maintain the scheme at such time the contract between United Utilities and the CAP has been signed and its terms are fully effective. The performance commitment is set so that if a contract is awarded before 1 May 2023, meeting Ofwat's qualifying criteria, we will receive an outperformance payment of £5.740 million.

Performance summary

The Haweswater Aqueduct Resilience Programme will be a pathfinder scheme for the DPC process. This process is both novel and untested in the water sector, and the HARP scheme itself is complex and sizeable. The scheme has been impacted by the COVID-19 pandemic in addition to the challenge of developing the detailed framework to support this procurement model. Despite these challenges, we have successfully passed through the required number of control points to date.

No deliverables were due in year three of the AMP and, therefore, no outperformance payments apply.

Financial implications

This performance commitment is subject to an outcome delivery incentive for outperformance only. There were no milestones set in year three.

Actual performance for the 'successful delivery of direct procurement of Manchester and Pennine resilience' performance commitment

AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	In progress	On track	Pass
Two	2021/22	In progress	On track	Pass
Three	2022/23	In progress	On track	Pass

E09

Customers say that we offer value for money

Performance commitment description

Assessing customers' views on the overall value for money provided by UUW for provision of water and wastewater services is an important factor in understanding drivers of legitimacy with customers. Alongside other measures of household customer service, such as C-MeX, a value for money measure can give insight into customers' perception of UU service levels and corresponding bills. Value for money performance is assessed based on the results of customer surveys asking United Utilities household customers; 'How satisfied are you with value for money of water and sewerage services in your area?'.

Performance summary

We have achieved a score of 75 per cent against a target of 73 per cent in year three, having implemented a coordinated and visible engagement plan. This score is taken from the annual Consumer Council for Water (CCW) report 'Water Matters'. The CCW research is undertaken in the form of an annual telephone survey conducted across a representative sample of household water bill-payers in England and Wales. The purpose of this is to measure and track customers' views in respect of a range of services supplied to them by their water and sewerage service provider(s).

Communication is critical if we are to maintain a high value for money rating as this helps to improve customers' understanding of what we do.

Although the financial effects of COVID-19 have gradually reduced over the previous 12 months, households continue to be impacted by the rising cost of living. High inflation, coupled with huge increases in energy bills, is impacting many more customers in terms of household incomes and is affecting their ability to pay. This is having an effect on our performance for this measure. As consumers are struggling with all bills, there is increased dissatisfaction with water charges, reducing the perception around value for money.

We have, therefore, continued to promote our support schemes both on social media and direct to customers, encouraging them to contact us if they have payment difficulties. This has included our Payment Break scheme, Trust Fund, and our Back on Track scheme. We continue to promote our Help to Pay scheme to those customers who receive Pension Support.

Alongside this, we have undertaken a series of campaigns throughout the year to raise awareness of a range of initiatives, including messages on 'Stop the Block', water efficiency, 'Winterwise' and leakage. We work to promote our app and online account services alongside other activities. These campaigns help to engage customers in the services that we provide, illustrating a wide range of initiatives of interest to our customers.

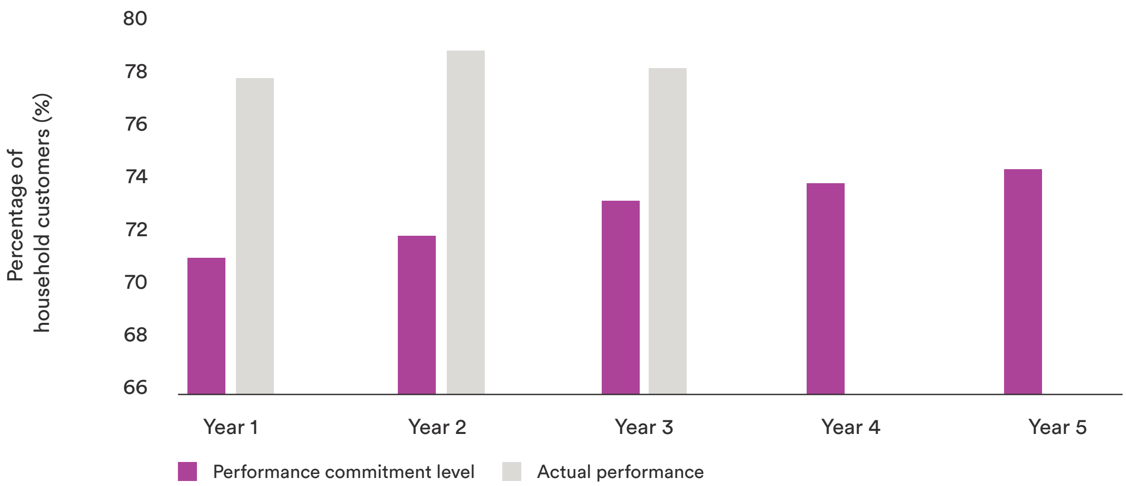
We've introduced a regular newsletter to those customers who have registered for our My Account service, providing help and support on a broad range of topics, including bill support, money saving advice, environmental performance, priority services register and career opportunities.

We continue to engage with and utilise best practice in customer insight using all aspects of research from business as usual activities and input from our online customer panels. We know that the best approach to engaging customers is through the use of specific, targeted messages with timely and relevant information. All our communication campaigns aim to engage customers in the North West, enhancing their awareness of what we do as a service provider so they have a better understanding of what their bill pays for.

Financial implications

This is a reputational performance commitment with no associated financial incentives for underperformance or outperformance. We have exceeded our target for year three.

Actual performance for the 'customers say that we offer value for money' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	71%	78%	Pass
Two	2021/22	72%	79%	Pass
Three	2022/23	73%	75%	Pass

1.1 Outcome delivery

E10

Retail voids

Performance commitment description

This measures the number of household properties classified as void as a percentage of the total number of household properties served by the company. Void properties are defined as properties which are connected for either a water service only, a wastewater service only or both services but do not receive a charge, as there are no occupants. The proportion of void properties is measured as an average over the year.

This performance commitment is designed to incentivise the company to reduce the number of household void properties. The reduction in void properties, which are occupied but not billed, will lead to fairer charges between customers and lower bills for customers already being billed.

Performance summary

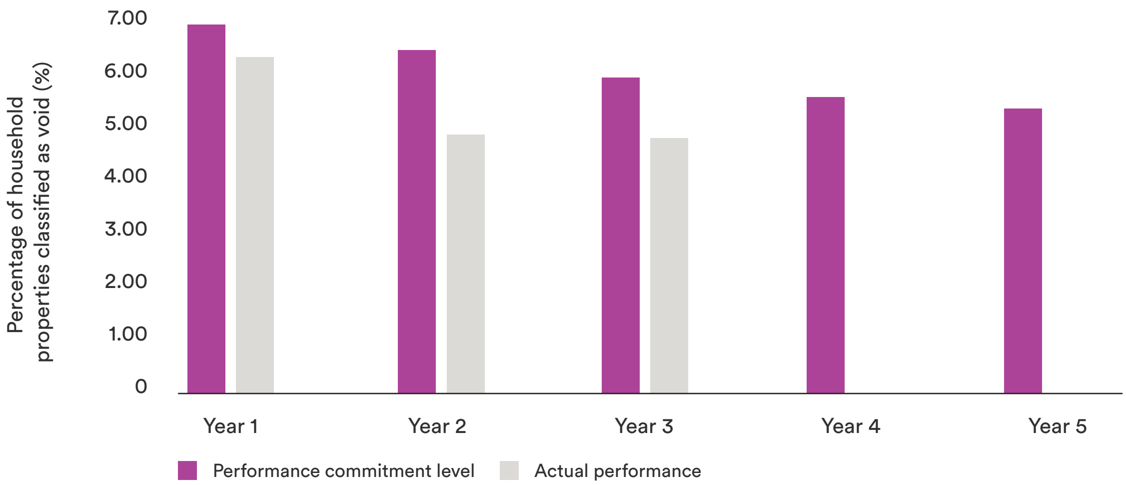
In year three, we have reduced the number of voids to 4.45 per cent of household properties outperforming our target of 5.92 by the end of year three. We continued to drive performance through established systems and processes, developed to manage our void process, part of a robust void management strategy in place including:

- a portal that allows information on our full void property base to be refreshed on a monthly basis, allowing updated information to be reviewed and scored for confidence, enabling us to engage with a wide number of households;
- our process that provides sale alerts on void properties. This enables earlier identification of new occupants and ensures that communications can be sent to named occupiers, ensuring a better engagement rate, and, ultimately, leading to more occupants being moved in quicker; and
- our void app, which, for the first time, has been available for the full year. This enables field and office based employees to identify and submit feedback on void properties that they come across as part of their normal duties to the Property Management team, who are then able to contact and successfully move in occupants of properties where indications of occupancy were observed. The combination of these initiatives enables the continued reduction in void properties and will support further significant reductions across AMP7.

Financial implications

This performance commitment is subject to outcome delivery incentives for outperformance. In year three, we exceeded our target resulting in an outperformance payment of £8.22 million.

Actual performance for the 'retail voids' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	6.70%	6.01%	Pass
Two	2021/22	6.31%	4.51%	Pass
Three	2022/23	5.92%	4.45%	Pass

1.1 Outcome delivery

Collect and recycle wastewater

Customers rightly prioritise the removal of wastewater as a discreet service which should not interfere with their day-to-day lives. Operational issues such as blockages are the principal cause of incidents of surcharging drainage systems, which can lead to flooding and pollution incidents. There is strong customer and stakeholder support for reducing both flooding and pollution incidents which we will achieve through innovative technologies and planned programmes to proactively manage our risks.

How have we done?

We passed one of the two performance commitments that support this outcome, but failed to meet the other. This resulted in a net underperformance payment of £0.295 million.

We recorded a total of 1,117 sewer collapses, which, when normalised by 1,000km of sewer length, equates to a performance level of 14.13. This is better than our performance commitment of 14.29 per 1,000km of sewer. This positive performance is a result of the proactive approach we have embedded through new technology, our operating model and increased technical verification of each individual incident.

For sewer blockages, we recorded 20,203 incidents. This performance is above our performance commitment of 19,992 incidents. When our performance over AMP7 is normalised, to date we are industry leading in this measure. For both measures, we continue to develop and implement a wide variety of schemes and initiatives to improve our performance.

Performance commitment	Actual performance Year three	Impact	Value (£m)
F01 – Sewer collapses	14.13	–	–
F02 – Sewer blockages	20,203	Underperformance payment	-0.295
Collect and recycle wastewater net position	1/2 achieved		-0.295

1.1 Outcome delivery

F01

Sewer collapses

Performance commitment description

This common performance commitment measures the number of sewer collapses per 1,000km of sewer. This measure seeks to reflect failure due to structural weakness in our assets, which cause an impact on service to customers or the environment. The measure discounts proactively identified collapses, collapses caused by third-party damage, manhole damage and internal backdrops. Displaced joints, cracked or fractured pipes, open joints, intruding connections, minor pipe breaks and hard blockages do not reflect significant structural failure, hence are excluded from the measure.

Performance summary

In year three, we recorded a total of 1,117 sewer collapses, which, when normalised by 1,000km of sewer length, equates to a performance level of 14.13. This is better than our performance commitment of 14.29 per 1,000km of sewer.

We have built on our end of AMP6 accelerated investment initiative known as 'flying start' and developed integrated drainage area strategies across our region. This approach has allowed us to better understand our network and identify areas at high risk for potential collapses. We have used this information to target the implementation of monitors in our sewers as part of our Dynamic Network Management initiative (DNM). Through our innovative use of monitors, we are able to understand where there is deviation from the standard operation of the network and, therefore, identify potential collapses before they have an impact. We have trialled and are rolling out innovative artificial intelligence sewer CCTV technology (VAPAR). This technology allows us to, quickly and consistently, review CCTV data to support and prioritise our investment decisions.

Our operating model and proactive approach mean that issues can be resolved before customers experience service disruption. This has helped us to proactively prevent some collapse events from occurring and has limited the number of repeat collapse incidents. Both of these have assisted with the performance we have seen over the three years of AMP7.

We have enhanced our incident guidance for our operational teams and have put robust processes in place to ensure each incident is separately verified by our drainage engineers so as to better record and understand asset performance.

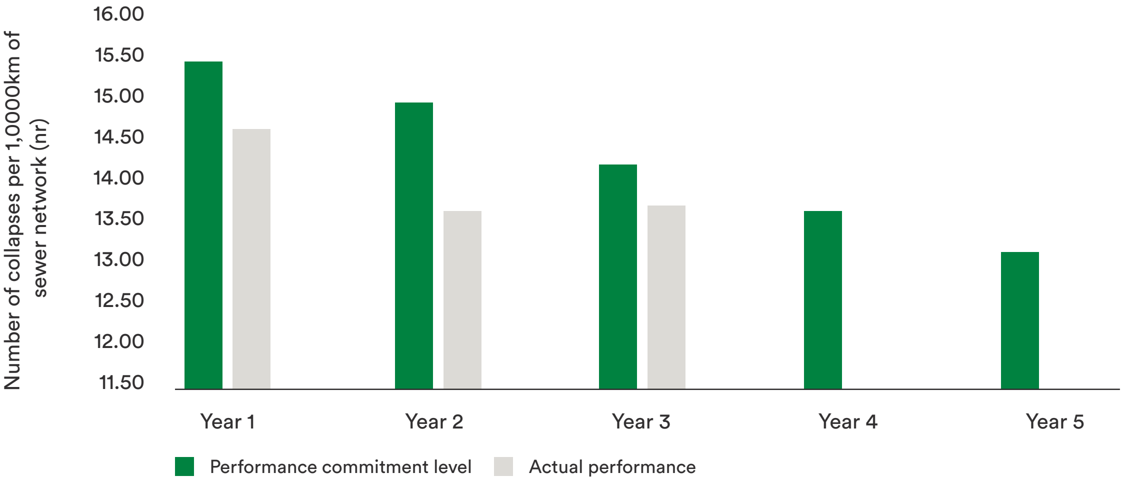
We continue to develop and implement a wide variety of schemes and initiatives to improve our performance in this area. This is currently a significant area of innovation for United Utilities and we aim to reduce the number of reportable collapses in future years.

Where collapse incidents do occur, we look to promote 'no-dig' techniques for repairing sewers, minimising disruption to our customers.

Financial implications

This performance commitment is subject to an outcome delivery incentive for underperformance only. In year three, we outperformed our performance commitment and, therefore, we incur no underperformance payment.

Actual performance for the 'sewer collapses' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	15.51	14.61	Pass
Two	2021/22	14.90	13.70	Pass
Three	2022/23	14.29	14.13	Pass

F02

Sewer blockages

Performance commitment description

This is a bespoke measure adopted from Ofwat's asset health list. Sewer blockages in AMP6 were a sub-measure of our network performance index, but are now a standalone measure in AMP7. A blockage is defined as an obstruction in the sewer that has been reported and cleared. Blockages resulting from third-party interference are included. This measure does not include proactively cleaned silt or other blockages that are removed which are not reported to us by customers or stakeholders and have no customer impact.

Performance summary

Our blockages performance of 20,203 incidents is an improvement on our year one and two performances, but above our performance commitment of 19,992 incidents. When our performance over AMP7 is normalised, to date we are industry leading in this measure.

Whilst blockages from our existing assets have reduced over the long term, the proportion of blockages from transferred assets has continued to remain stable. Historically United Utilities' pre-existing assets benefitted from a programme of maintenance that has kept them in better condition, whilst transferred assets were in varying degrees of asset condition when transferred to us from private ownership in 2011. Transferred assets are, typically, smaller in diameter than existing assets, meaning that they tend to be more prone to blockages, particularly during times of stress due to increased load or demand. They are, typically, subject to a higher percentage of blockage incidents due to customer misuse.

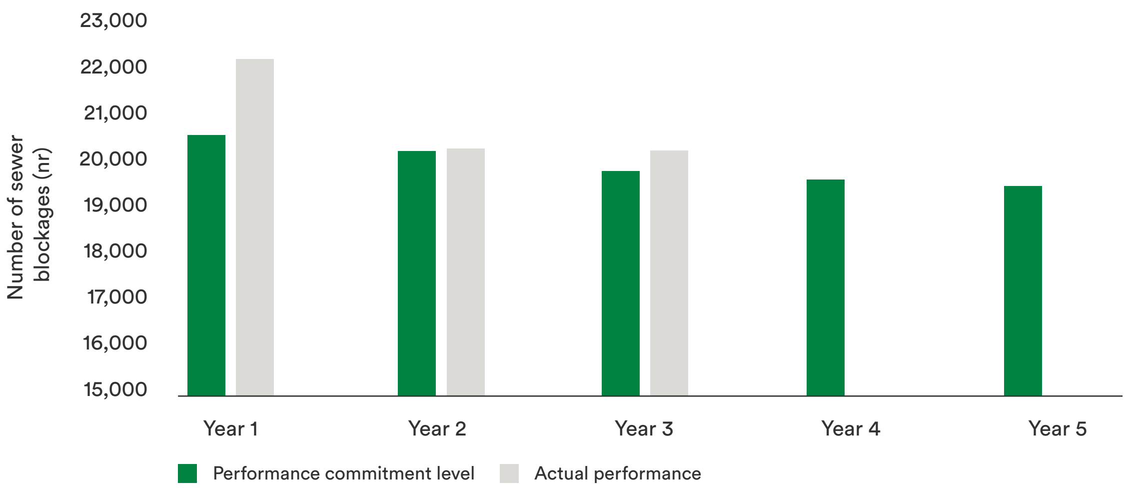
We continue to develop and implement a wide variety of schemes and initiatives to improve our performance. These include the implementation of a regional blockage plan focussing on increased customer engagement. We have continued to use the impactful 'Stop the Block!' identifier to badge our communications campaign activities in raising awareness of 'what not to flush/pour'. We are continuing to work with food service establishments to reduce fats, oils and grease discharges at source.

We are also seeing benefits of investment in our Dynamic Network Management (DNM) model, with our in-sewer monitors telling us when blockages are forming, allowing our dedicated blockage teams to proactively attend site to resolve the issue before a customer experiences a service interruption and needs to contact us. During 2022/23, DNM allowed our teams to proactively identify 1,665 potential blockages.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we failed our target. Our performance means that we incur an underperformance payment of £0.295 million.

Actual performance for the 'sewer blockages' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	20,664	22,639(1)	Fail
Two	2021/22	20,328	20,697(1)	Fail
Three	2022/23	19,992	20,203	Fail

(1) Restated following November 2022 Final determination of United Utilities' in-period outcome delivery incentives for 2021/22

1.1 Outcome delivery

The risk of sewer flooding for homes and businesses is reduced

Sewer flooding is one of the worst service failures that customers can experience and we understand the significant long term impact flooding can have on customers in the North West. Customers want us to reduce flooding incidents that occur and our long term aspiration is to eliminate internal flooding incidents.

How have we done?

We have successfully achieved five out of the six performance commitments that support this outcome, and generated a net outperformance payment of £9.843 million.

For internal flooding, we recorded a total of 801 internal flooding incidents, which, when normalised by 10,000 connections, equates to a performance level of 2.32. This is our best ever performance, and represents a 22 per cent reduction in internal flooding incidents relative to our year two performance and a 47 per cent reduction from our year one position. For external flooding, we recorded a total of 5,916 external flooding incidents against our performance commitment of 6,352. This is our best ever performance, and represents a five per cent improvement on our year two position and a 14 per cent improvement on our year one position. Under both metrics, we continue to develop and implement a wide variety of schemes and initiatives to improve our performance, most notably the continued deployment and development of our industry-leading Dynamic Network Management (DNM) initiative. Under DNM, our in-sewer monitors tell us when issues are forming, allowing our teams to proactively attend site to resolve the issue before a customer experiences a service interruption and needs to contact us.

With regard to raising customer awareness to reduce the risk of sewer flooding, we have experienced really positive performance this year due to our continued promotion of impactful messaging to customers. This includes our 'Stop the Block' campaign and our sponsorship of ITV Granada/Border weather bulletins, where we have adverts illustrating preferred customer behaviour of putting wet wipes and used cooking oils/fats in the bin. We ended the year with a 64.2 per cent customer awareness score, which is 39.0 per cent over our baseline and 33.0 per cent above the level required by the performance commitment.

Under our two hydraulic flood risk resilience measures, we continue to implement a range of projects. These include major capital schemes, smaller hydraulic projects and cellar disconnections. These projects contribute to a reduction in the overall hydraulic risk score, which means that, in real terms, fewer customers will experience flooding at their properties as a result of hydraulic inadequacy. In both instances, this has led to the generation of an outperformance payment.

Performance commitment	Actual performance Year three	Impact	Value (£m)
G01 – Risk of sewer flooding in a storm	14.33	Reputational	–
G02 – Internal flooding incidents	2.32	Underperformance payment	-4.996
G03 – External flooding incidents	5,916	Outperformance payment	2.341
G04 – Customer awareness of the risk of flooding	39.0	Outperformance payment	2.838
G05 – Hydraulic internal flood risk resilience	38.49	Outperformance payment	8.113
G06 – Hydraulic external flood risk resilience	173.30	Outperformance payment	1.547
The risk of sewer flooding for homes and businesses is reduced net position	5/6 achieved		9.843

1.1 Outcome delivery

G01

Risk of sewer flooding in a storm

Performance commitment summary

This is an industry common measure to understand the percentage of the population at risk of internal flooding resulting from hydraulic sewer flooding in a 1-in-50 year storm, based on modelled predictions. We use 2D models to calculate performance. A property is considered affected if modelled flooding from a manhole or gully reaches the actual property building. An occupancy rate is then applied to the affected property to determine the population equivalent. This measure is not incentivised through outperformance or underperformance payments and so is a reputational only measure. A reduction in the percentage of population at risk signifies an improvement in performance.

Performance summary

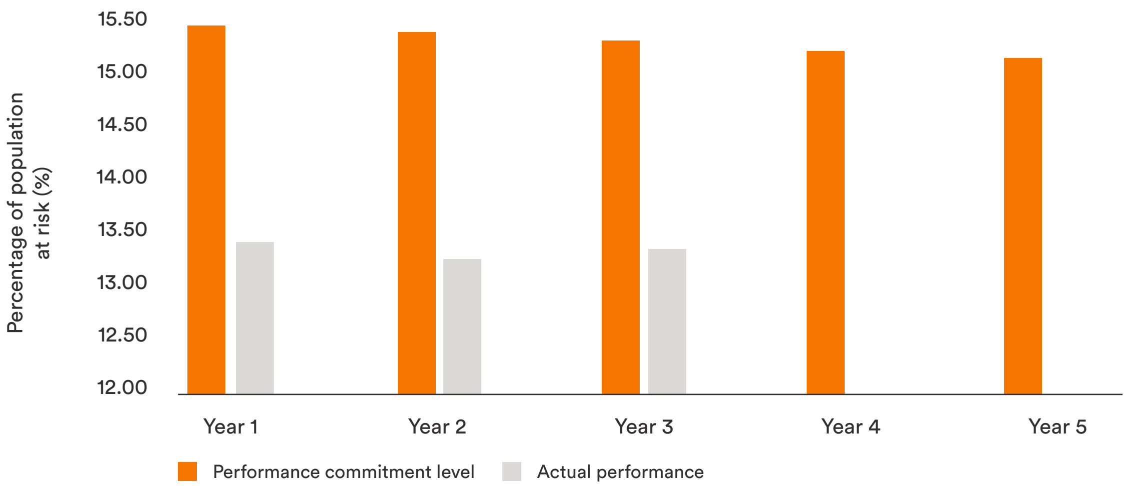
This year, we have seen the percentage of population at risk of hydraulic internal sewer flooding in a 1-in-50 year storm increase to 14.33 per cent. This performance is 0.89 per cent better than our performance commitment level of 15.22 per cent.

As described above, performance under this measure is a function of both changes in population and modelled flood risk, together with the underlying accuracy of our models. Any building development on areas that are already prone to flooding may impact this modelled performance. We continue to invest in and improve our modelling capability to increase our understanding of the population at risk of flooding.

Financial implications

This performance commitment is only subject to a reputational based incentive and there are no financial implications associated with either underperformance or outperformance.

Actual performance for the 'risk of sewer flooding in a storm' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	15.44%	13.42%	Pass
Two	2021/22	15.33%	13.35%	Pass
Three	2022/23	15.22%	14.33%	Pass

G02

Internal flooding incidents

Performance commitment description

This is an industry common measure that measures the number of internal flooding incidents per 10,000 connections per year. Internal flooding is defined as flooding that enters a building or passes below a suspended floor. In this context, buildings are defined as those, normally, used for residential, public, community, commercial, business or industrial purposes. Severe weather incidents are included in this measure. Performance improvements are shown by reductions in the number of incidents. As a common measure, the reporting methodology is consistent with the industry definition at the time of reporting. Damp patches caused by seepage through walls or floors, or those due to surface water run off that has not originated from a public sewer, but which inundates the wastewater network, are excluded from the measure.

Performance summary

In year three, we recorded a total of 801 internal flooding incidents, which, when normalised by 10,000 connections, equates to a performance level of 2.32. This is our best ever performance, albeit still above our performance commitment of 1.58 per 10,000 connections (or 559 incidents).

Whilst it is disappointing not to achieve the performance commitment, we have made notable improvements from previous years, including a 22 per cent reduction in internal flooding incidents relative to our year two performance and a 47 per cent reduction from our year one position. This includes significant progress in reducing the number of repeat flooding incidents, resulting in a 46 per cent reduction in in-year repeat internal flooding incidents from year two to year three.

This improvement in performance has been supported by enhancements in the way we operate, most notably the continued deployment and development of our industry-leading Dynamic Network Management (DNM) initiative. Under DNM, our in-sewer monitors tell us when issues are forming, allowing our teams to proactively attend site to resolve the issue before a customer experiences a service interruption and needs to contact us.

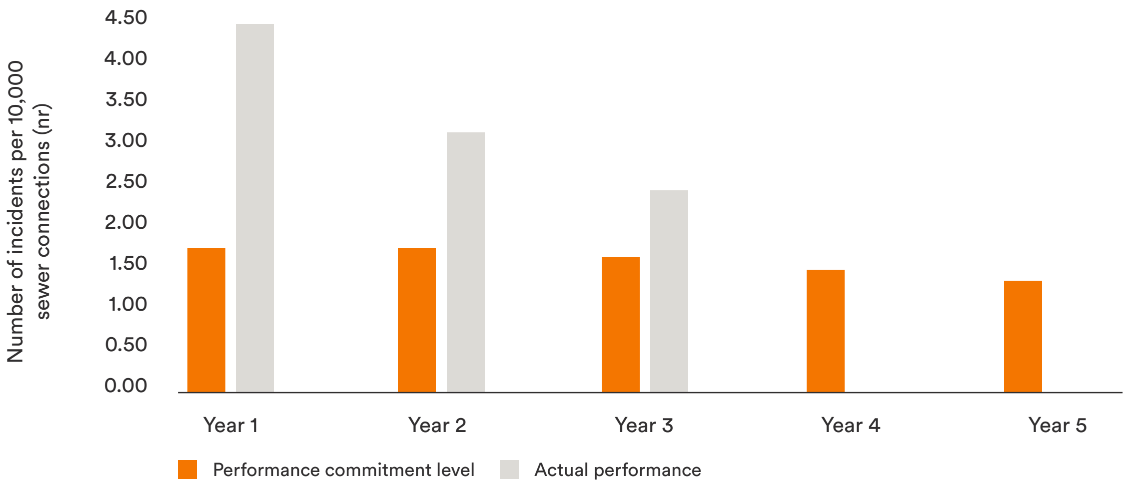
We continue to develop and implement a wide variety of other schemes and initiatives to improve our internal flooding performance. These include our successful customer engagement campaigns, enhanced incident targeting, increased mitigation and protection of properties, management of surface water and development and dedicated blockage teams to respond to incidents faster.

In addition, we recognise that year three has, on the whole, been an atypically dry year, with only one named storm, which brought high winds rather than rainfall. This has meant our hydraulic flooding incidents have been lower than usual. Whilst we are pleased with the underlying performance improvements, we recognise that we remain disproportionately, susceptible to severe weather. The North West has a combination of exogenous factors, including circa 40 per cent higher than average urban rainfall and the highest proportion of combined sewers in the industry. These factors increase internal flooding risk relative to other operating regions. As a result, we do not expect to be able to sustain such low hydraulic flooding numbers.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we failed our target. Our performance means that we incur an underperformance payment of £4.996 million.

Actual performance for the 'internal flooding incidents' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	1.68	4.47	Fail
Two	2021/22	1.63	2.98	Fail
Three	2022/23	1.58	2.32	Fail

G03

External flooding incidents

Performance commitment description

This bespoke performance commitment was selected from Ofwat's list of asset health metrics and measures the number of external flooding incidents. An external flooding incident is defined as flooding within the curtilage of a building normally used for residential, public, community or business purposes. It includes any buildings in those curtilages that do not comply with the definition used for internal flooding. Performance improvements are shown by reductions in the number of incidents. The measure discounts flooding that does not affect the curtilage of a property (e.g. roads and fields). Damp patches caused by seepage through walls or floors, or those due to surface water run off, which has not originated from a public sewer, but which inundates the wastewater network, are also excluded from the measure.

Performance summary

In year three, we recorded a total of 5,916 external flooding incidents against our performance commitment of 6,352. This is our best ever performance, and represents a 5 per cent improvement on our year two position and a 14 percent improvement on our year one position.

As with internal flooding, improvements in performance have been supported by enhancements in the way we operate, most notably the continued deployment and development of our industry-leading Dynamic Network Management (DNM) initiative. Under DNM, our in-sewer monitors tell us when issues are forming, allowing our teams to proactively attend site to resolve the issue before a customer experiences a service interruption and needs to contact us.

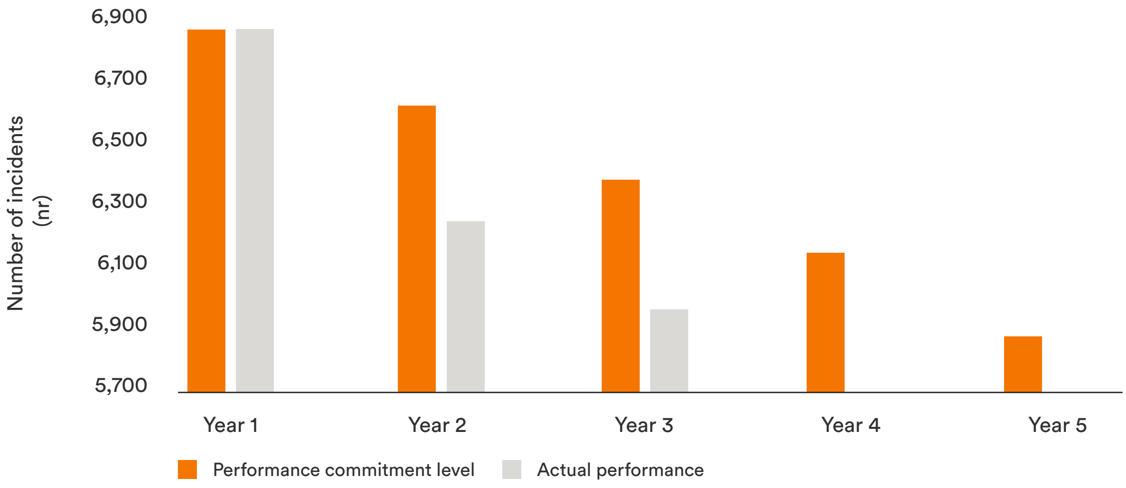
We continue to develop and implement a wide variety of other schemes and initiatives to improve our external flooding performance. These include our successful customer engagement campaigns, enhanced incident targeting, management of surface water and development and dedicated blockage teams to respond to incidents faster.

In addition, we recognise that year three has, on the whole, been an atypically dry year, with only one named storm, which brought high winds rather than rainfall. This has meant our hydraulic external flooding incidents have been lower than usual, with a 59 per cent reduction seen between year two and year three.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £2.341 million.

Actual performance for the 'external flooding incidents' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	6,845	6,849	Fail
Two	2021/22	6,599	6,223	Pass
Three	2022/23	6,352	5,916	Pass

G04

Customer awareness of the risk of flooding

Performance commitment description

This bespoke measure assesses the delivery of a change in customer awareness and aims to change behaviour with regard to items that should not be flushed down the toilet or poured down the drain. We measure performance against a baseline of 25.2 per cent set in 2019/20.

Awareness is scored using three questions.

- Have you seen or heard any information about what you should not flush?
- Have you seen or heard any information about what you should not pour?
- Do you recall seeing the following advertising? (examples provided at time of survey)

Performance through the period 2020 to 2025 is tracked by engaging with an independent customer research organisation to conduct the survey three times throughout the year, in order to track changes in customer awareness. Performance improvements are shown by an increase in the awareness measured from the baseline.

Performance summary

We ended the year with 64.2 per cent awareness, which is 39.0 per cent over our baseline and 33.0 per cent over the performance commitment. We have continued to promote key messages to increase awareness for this measure.

Developed over the last three years of the AMP an impactful 'Stop the Block!' identifier to badge our communications campaign activities in raising awareness of 'what not to flush/pour'. This drives consistency to our campaign creative and messages and helps to make them more memorable.

We use a range of media channels and each campaign tends to comprise:

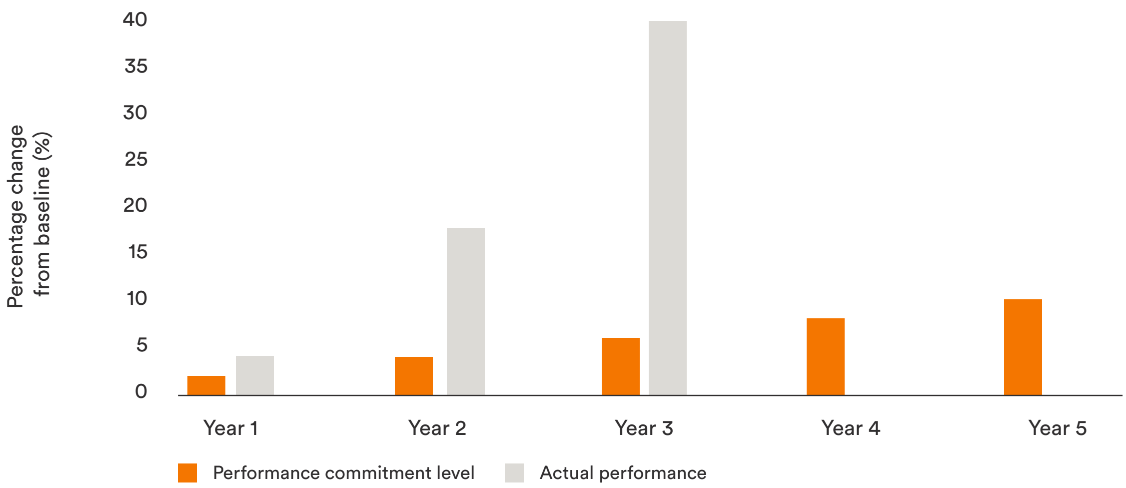
- radio adverts focusing on blockages caused by wet wipes and by fats, oils and greases (FOG);
- press adverts focusing on blockages caused by wet wipes and by FOG;
- social media posts highlighting the impact of blockages caused by wipes and FOG;
- digital adverts focusing on blockages caused by wet wipes and by FOG on YouTube, Google Display Network and In App;
- video on-demand adverts focusing on blockages caused by wet wipes and FOG; and
- video content on the digital display screens on United Utilities vehicles.

In addition, we have continued our sponsorship of ITV Granada/Border weather bulletins, where we have adverts illustrating preferred customer behaviour of putting wet wipes and used cooking oils/fats in the bin.

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £2.838 million.

Actual performance for the 'customer awareness of the risk of flooding' performance commitment – higher is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	2.0%	4.1%	Pass
Two	2021/22	4.0%	17.4%	Pass
Three	2022/23	6.0%	39.0%	Pass

G05

Hydraulic internal flood risk resilience

Performance commitment description

The aim of this bespoke measure is to reduce the flood risk to customers from internal hydraulic flooding and, particularly, those who are impacted by repeat incidents. It will measure the modelled flooding incident reduction at known flooding properties following the construction of permanent solutions that will improve the resilience of the drainage system serving the customers in the North West. Performance improvements are shown by reductions in the number of modelled incidents.

Interventions to provide, or free up, additional hydraulic capacity include sewer upsizing, online or offline storage, flow transfer, surface water removal (including green infrastructure solutions) and physical disconnection from a surcharging sewer.

Performance summary

The original baseline level of modelled risk at the end of AMP6 was calculated as 61.04. Since then, additional risk has been added to the underlying position, as further properties that are subject to repeat hydraulic flooding are verified following an incident. These additional properties are known as 'arisals'. These arisals increased the risk by a score of 8.32 to an overall position of 69.36.

However, to combat that increased risk, a range of projects that positively impacted 94 customer properties have been completed over the AMP. These include major capital schemes, smaller hydraulic projects and cellar disconnections. These projects reduce the risk score by a total of 30.87, taking it down from 69.36 to 38.49. When compared against our performance commitment, this level of risk reduction means that, in real terms, fewer customers will experience internal flooding at their properties as a result of hydraulic inadequacy.

We are now actively developing further projects for delivery in the final two years of the AMP to provide further benefit to customers under this measure.

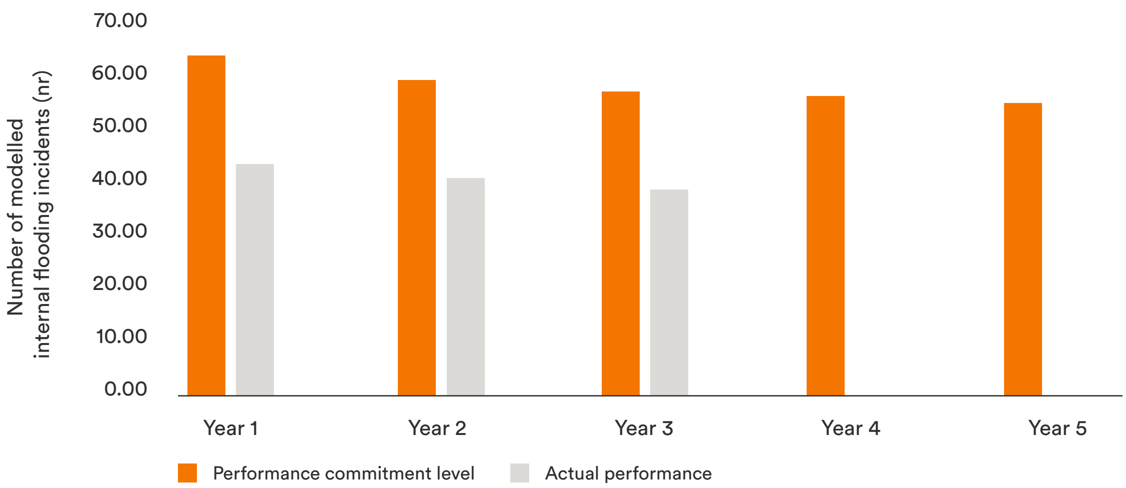
An independent assurance report for this performance commitment can be found at the following URL:

www.unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £8.113 million.

Actual performance for the 'hydraulic internal flood risk resilience' performance commitment – lower is better



AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	60.04	41.84	Pass
Two	2021/22	59.04	40.61	Pass
Three	2022/23	58.04	38.49	Pass

G06

Hydraulic external flood risk resilience

Performance commitment description

The aim of this bespoke measure is to reduce the flood risk to customers from external hydraulic flooding, particularly those who are impacted by repeat incidents. It measures modelled flooding incident reduction at known flooding properties following the construction of permanent solutions that will improve the resilience of the drainage system serving customers in the North West. Performance improvements are shown by reductions in the number of modelled incidents.

Interventions to provide, or free up, additional hydraulic capacity include sewer upsizing, online or offline storage, flow transfer, surface water removal (including green infrastructure solutions) and physical disconnection from a surcharging sewer.

Performance summary

The original baseline level of modelled risk at the end of AMP6 was calculated as 276.06. Since then, additional risk has been added to the underlying position, as further properties that are subject to repeat hydraulic flooding are verified following an incident. These additional properties are known as 'arisals'. These arisals increased the risk by a score of 21.74 to an overall position of 297.80.

However, to combat that increased risk, a range of projects that positively impacted 52 customer properties have been completed over the AMP. These include major capital schemes and smaller hydraulic projects. These projects reduce the risk score by a total of 124.50, taking it down from 297.80 to 173.30. When compared against our performance commitment, this level of risk reduction means that, in real terms, fewer customers will experience external flooding at their properties as a result of hydraulic inadequacy.

We are now actively developing further projects for delivery in the final two years of the AMP to provide further benefit to customers under this measure.

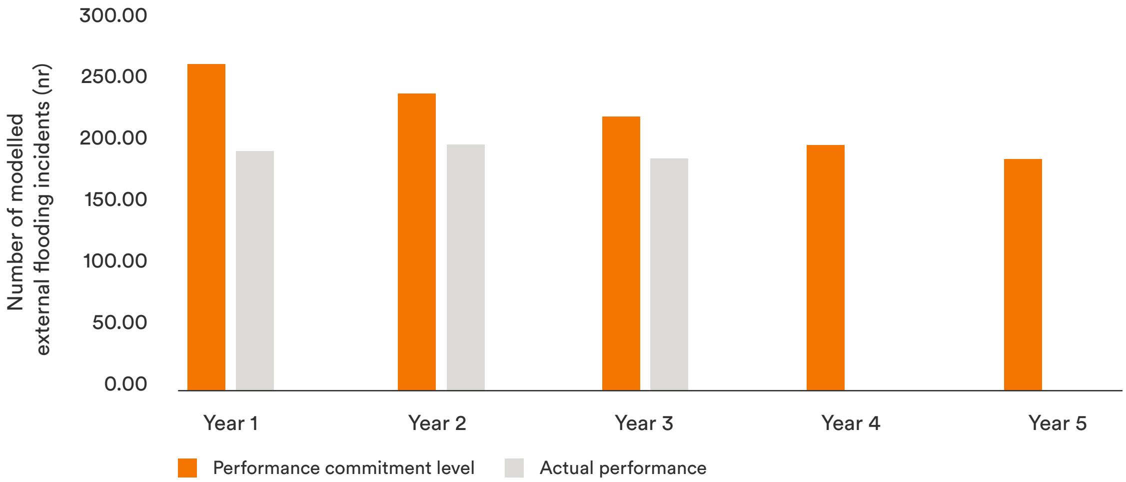
An independent assurance report for this performance commitment can be found at the following URL:

www.unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports

Financial implications

This performance commitment is subject to outcome delivery incentives for both outperformance and underperformance. In year three, we exceeded our target. Our performance means that we earn an outperformance payment of £1.547 million.

Actual performance for the 'hydraulic external flood' performance commitment – lower is better



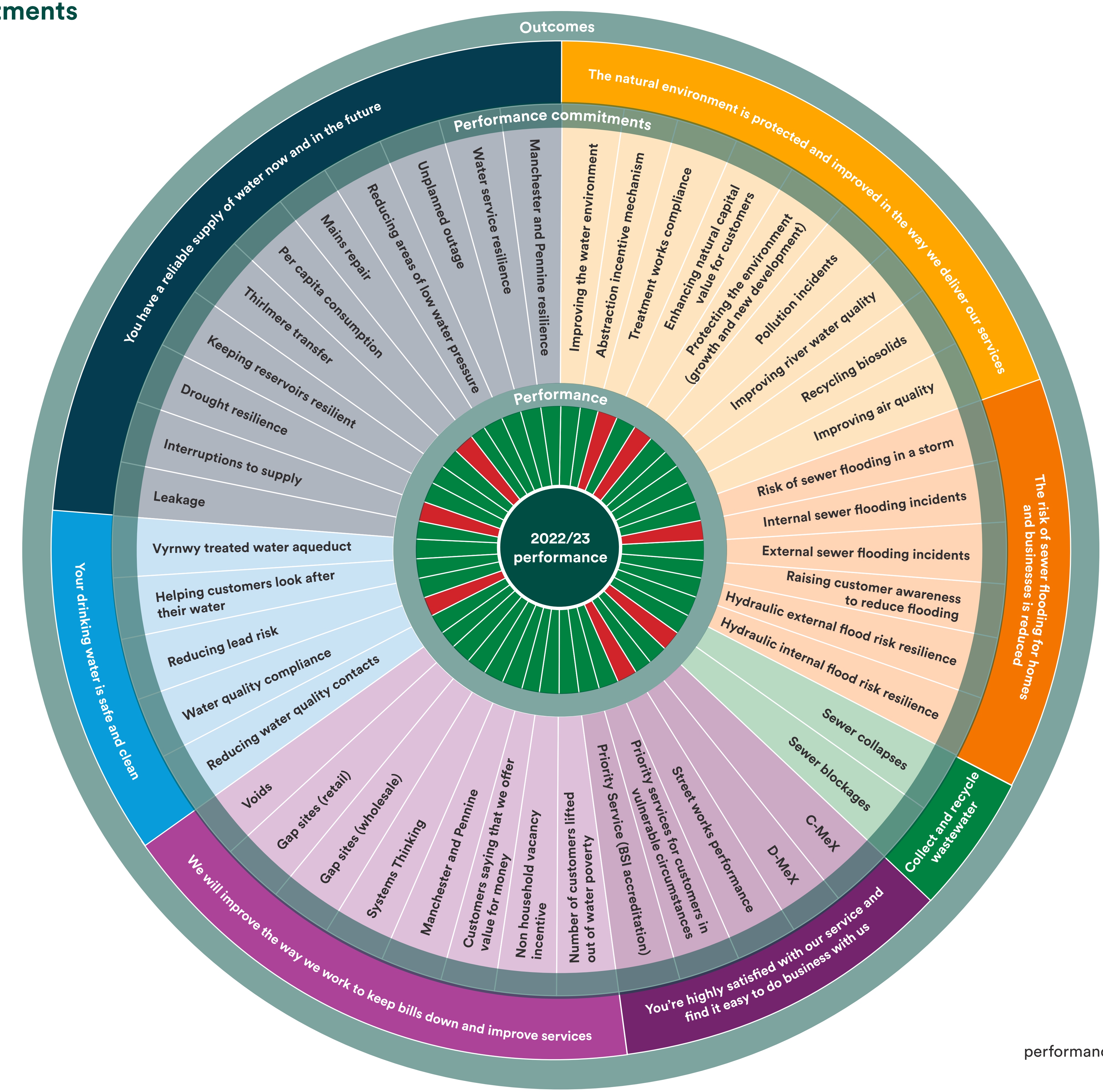
AMP7 Year	Performance period	Performance commitment	Actual performance	Pass/Fail
One	2020/21	254.53	179.84	Pass
Two	2021/22	232.33	184.04	Pass
Three	2022/23	210.13	173.3	Pass

Year three performance

Delivering our commitments

Year three performance

This diagram shows our seven outcomes and the 46 performance commitments that underpin them. We have met or outperformed 38 of these performance commitments in year three (83 per cent). This earns an overall net outperformance payment of £25.276 million. This strong performance demonstrates our commitment to delivering what matters to customers and communities, both now and into the future.



Key:

- Performance commitment not met
- Met or exceeded performance commitment

38 out of 46

performance commitments met or exceeded

1.1 Outcome delivery

Reconciliation models

For each price control period, Ofwat provides a series of reconciliation models. The outputs from these models are used to inform adjustments required to allowed revenue for each price control across the 2020–25 period. These adjustments reflect company performance, costs and revenue over the period and the differences compared to the price control assumptions made prior to the period.

The PR19 reconciliation mechanisms for AMP7 are used to cover the following:

- In-period revenue adjustments;
- End-of-period revenue adjustments and;
- RCV adjustments applied prior to the start of the next control period.

In year three of AMP7, as seen in the above graphic, we have met or outperformed over 80 per cent of our performance commitments. Many of these performance commitments have a financial incentive attached. These are reconciled either at the end of each year (in-period) or at the end of the AMP (end-of-period). This reconciliation then informs whether an in-period or end-of-period adjustment is required:

In-period adjustment – For most of our performance commitments the outperformance and underperformance payments generated as a result of our performance will be added up at the end of each financial year. If we are in an overall outperformance position there will be a corresponding increase to customer bills in the following financial year. If we are in an overall underperformance position, customer bills will be reduced in the following financial year. The level of these adjustments are reviewed and the company can propose to amend the profile if this would provide a more acceptable bill trajectory for customers.

End-of-period adjustment – For a small number of our performance commitments, we will measure and report our performance across the full five years of AMP7 and calculate if we have beat or failed our targets at the end of the AMP. Any underperformance and outperformance payments generated from these performance commitments will be adjusted in customer bills in AMP8. In order to calculate the net incentive and the impact this would have upon United Utilities' allowed revenue per price control, the in-period revenue adjustment models are used. These models require inputs from other sources such as the APR tables or from other revenue adjustment models.

For year three of the AMP, we are making a submission for an in-period determination. In support of this, we have submitted the following models to Ofwat: the ODI performance reconciliation model, the C-MeX reconciliation model, the D-MeX reconciliation model and the in-period adjustment reconciliation model.

ODI Performance Reconciliation Model

We input our actual performance for each performance commitment for year three into the ODI performance reconciliation model. This model then assesses whether our performance is above or below the performance commitment level (and/or deadband where applicable) and applies the relevant outperformance or underperformance incentive rate attached to that performance commitment.

The ODI calculation for the majority of these performance commitments follows the standard format (as seen below)

(A – B) * C

where A represents actual performance, B is the performance commitment level and C is the incentive rate.

The outperformance or underperformance payment calculated for each performance commitment is then allocated to the relevant price control (as per the updated Outcomes Performance Commitment Appendix from the final determination, which can be found at: **www.ofwat.gov.uk/wp-content/uploads/2023/02/Consolidated_PR19_final_determinations_Outcomes_performance_commitment_United_Utilites-1.pdf**). Some outperformance and underperformance payments are calculated by a non-standard approach to the ODI calculation. Please see Appendix 3 for more information.

A copy of this model has been submitted to Ofwat for review for an in-period adjustment. Based on our calculations, the outperformance payment for ODIs for the 2022/23 reporting period is £22.214 million in 2017/18 prices.

C-MeX Reconciliation Model

We expect to achieve fifth in the C-MeX table for water companies so are therefore eligible for a standard outperformance payment. The incentive rate is calculated as:

(UU's C-MeX score – median)* (6 per cent/(top C-MeX score of all companies in the reporting year – median)

This is then multiplied by our allowed revenue for the Residential Retail price control in the 2022/23 period to calculate the overall ODI.

The outperformance payment for our C-MeX performance for the 2022/23 reporting period is £3.016 million in 2017/18 prices.

D-MeX Reconciliation Model

We expect to achieve eighth in the D-MeX table for water companies so are therefore eligible for a standard outperformance payment. The incentive rate is calculated as:

(UU's D-MeX score – median)* (6 per cent/(top D-MeX score of all companies in the reporting year – median)

This is then multiplied by our actual Developer Services revenue for both Water Network Plus and Wastewater Network Plus price controls in the 2022/23 period to calculate the overall ODI.

The outperformance payment for our D-MeX performance for the 2022/23 reporting period is £0.046 million in 2017/18 prices.

Net Incentives

After these reconciliation models are completed, the net incentive for 2022/23 is a £25.276 million outperformance payment in 2017/18 prices.

In-period Adjustments Reconciliation Model

This model adjusts the allowed revenue which we can recover over the remainder of the AMP in order to reflect the net ODI outperformance awarded to us for the 2022/23 period. This is done by a series of calculations for each price control that will adjust revenue for the 2024/25 reporting period. The net ODI for each price control undergoes inflation and tax adjustments and is added to total allowed revenue (in outturn prices). The output of this model is that each price control has a revised allowed revenue in the form of 1) adjusted K factors* for Water Resources, Water Network Plus and Wastewater Network Plus and 2) revised unadjusted revenue for the Residential Retail and Bioresources price controls that takes into account the net ODI outperformance in 2022/23. A copy of this model has been submitted to Ofwat.

* K Factors represent the change in allowed revenue from the previous charging year. For more information, please see our FD which can be found at **www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-United-Utilities-Water-final-determination-.pdf**

1.1 Outcome delivery

Revenue Forecasting Incentive Model

In year three the model applies an additional revenue adjustment to take into account any revenue under or over-recovery within the 2022/23 period for the Water Resources, Water Network Plus and Wastewater Network Plus price controls. The model also applies a financial penalty if the difference between actual and allowed revenues is greater than 2 per cent.

The model calculates an adjusted allowed revenue to recover in the following charging year (2024/25) by combining the allowed revenue set at the start of the AMP with the revised K factors (from the in-period adjustment model). The model then subsequently adjusts allowed revenue, accounting for the over- or under-recovery of revenue in 2022/23, which includes a financing adjustment and inflation adjustment. This will then result in an adjusted allowed revenue to recover in 2024/25.

Bioresources Revenue Reconciliation Model

The model uses the revised unadjusted revenue from the in-period adjustment model and then undergoes two further reconciliations and adjustments: 1) To modify the revenue control for the year based upon the difference between actual and forecast sludge production and; 2) To adjust for any under or over-recovery of revenue in the period, which includes an inflation adjustment. This results in an adjusted allowed revenue for recovery in 2024/25.

Additionally, there is a forecasting incentive penalty calculated and applied at the end of AMP7 if the difference between actual and forecasted sludge production across the AMP is greater than 6 per cent.

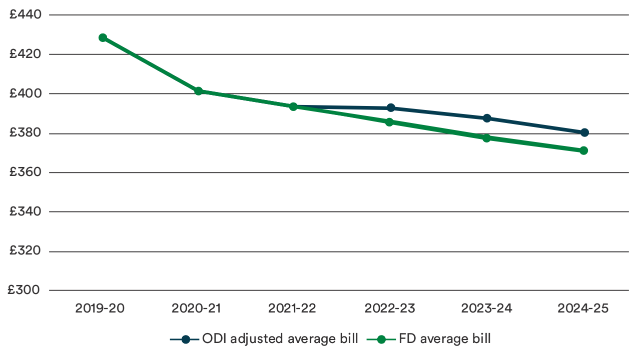
Bill impact

In year three of AMP7 our performance has generated underperformance payments of £23.921 million and outperformance payments of £49.197 million. A net outperformance payment of £25.276 million is due in respect of the 2022/23 reporting year. This adjustment is expected to impact household customer bills in 2024/25.

We anticipate that this net ODI outperformance payment will comprise approximately £11.62 of the average household bill (in nominal prices.) This compares to £10.80 for the prior year, so an increase of approximately £0.82 in nominal terms and less than 1 per cent of the 2022/23 average customer bill of £416.

We have considered this increase in the context of the general profile of bills during AMP7. As per the final determination, average household bills were set to gradually fall in real terms (i.e. excluding inflation) over 2020–25, aiming to provide customers with as much stability as possible in what they actually pay in nominal terms (i.e. including inflation). The chart below shows the bill profile as per the final determination (FD) with an additional line showing the impact of the ODI outperformance payment on bills for 2022/23 to 2024/25.

AMP7 FD average bills including 2022/23 net ODI outperformance payment (2017/18 CPIH deflated)



Because bills were already set to fall in real terms, the impact of ODI outperformance payments on the net bill is relatively small. As set out above, the increase in net ODI outperformance payments equates to less than 1 per cent of the 2022/23 bill. Therefore, on its own, the increase in net ODI outperformance payments would not trigger the need for any handling strategies as regards the 5 per cent bill increase figure set out in Ofwat's charges scheme rules.

When considering the customer bill impact of these ODI outperformance payments we are also mindful of future, AMP8 (relative) bill increases due to Green Recovery investment and customer sharing of any AMP7 totex overspend. These items would be expected to impact bills in AMP8, rather than in AMP7, and the profile of bills for AMP8 will be subject to further consideration as part of the PR24 process. We consider that there is no compelling reason to believe that it would be preferable to defer bill adjustments in relation to 2022/23 ODI net outperformance payments.

We offer customers who are struggling to pay their bill a comprehensive range of support. More information on the support we offer can be found within the Executive Summary section on pages 15 to 16 and within the Performance section, page 70. Extensive information on the support schemes available can also be found on our website:

unitedutilities.com/my-account/your-bill/difficulty-paying-your-bill/how-we-can-help/

We are therefore proposing that the net ODI outperformance payment in relation to 2022/23 performance should be applied to customer bills in 2024/25, in line with the standard approach to recovery of outperformance payments. This is subject to Ofwat's confirmation of the adjustment in November 2023. The board will approve publication of indicative and final charges in September and December 2023. Although no specific handling strategies are anticipated to be required in relation to the recovery of net ODI outperformance payments, as part of the charges approval process, the impact and incidence effects of forecast charges and bills across different customer groups will be considered.

1.2 Greenhouse gas emissions

Introduction and performance summary

This section provides information about our greenhouse gas (GHG) emissions and our performance in managing them. In 2022/23 we have continued to reduce our scope 1 and 2 emissions and strengthened our long term trend that shows a reduction of over 70 per cent since our first GHG emissions baseline in 2005/06. We continue to develop our approach for estimating emissions from our supply chain, including delivery of our programmes. For example, we are working with our suppliers to better understand emissions related to our use of chemicals. We aim to move towards product volume based methodologies with product specific emission factors in the future.

Transparent and robust reporting

Since 2006 we have estimated, measured and reported our GHG accounts in the United Utilities Group PLC Annual Report and Financial Statements.

Best practice standards and frameworks

Our reporting is aligned to the 2015 GHG Protocol Corporate Accounting and Reporting Standard and the 2019 UK Government Environmental Reporting Guidelines, including the requirements for Streamlined Energy and Carbon Reporting (SECR). We comply with the international carbon reporting standard ISO 14064, Part 1:2018. Since 2019/20 we have reported all relevant[(1)] emissions from scopes 1, 2 and 3 of the GHG Protocol, including a comprehensive scope 3 inventory.

(1) Categories deemed relevant as per the five principles of scope 3 GHG accounting and reporting as per GHG Protocol Corporate Value Chain Accounting Reporting Standard

Third party verification and assurance

Our GHG inventory, including all the underlying energy data, has had independent third party verification by Achilles Group and is certified to the requirements of the Toitu carbonreduce programme. Our latest assurance certificate and report can be found on our website.

unitedutilities.com/corporate/responsibility/environment/climate-change/

Table 11a and all the underlying data has Table 11a and all the underlying data has been audited by Jacobs and all table criteria achieved.

Climate-related disclosures

We were an early adopter of the guidance published by the Taskforce on Climate-related Financial Disclosures (TCFD). These can be found in our United Utilities Group PLC Annual Report and Financial Statements each year, with our latest and fourth annual TCFD available at:

unitedutilities.com/corporate/investors/results-and-presentations/annual-reports

Our TCFD includes the implications of climate change for governance, strategy, risk and metrics. It covers risks, performance and plans on reducing emissions (climate mitigation) and preparing for climate change (adaptation). The sustainability consultancy Corporate Citizenship have assured our disclosure for 2022/23, confirming it is consistent with the TCFD recommendations as well as the Listing Rules and latest Financial Reporting Council (FRC) guidance.

Independent comparison

We consistently perform strongly in a range of sustainability related benchmarks. For example, CDP which runs an established global environmental disclosure system and sets the standard for environmental transparency and action. In 2022 we achieved CDP leadership scores in both climate change (A-) and supplier engagement (A) assessments.

We performed strongly in the S&P Global Corporate Sustainability Assessment (previously known as the Dow Jones Sustainability Index) achieving world class on the overall assessment and scored strongly in the climate strategy for many years.

A 'science-based' approach

We are committed to a science-based approach to tackling climate change. Our modelling for adaptation actions is based on Met Office climate projections and United Utilities is proud to be the first UK water company to have mitigation targets approved by the Science Based Targets initiative (SBTi). SBTi is a collaboration that defines and promotes global best practice in science-based target setting. SBTi assessed and verified our four science-based targets in July 2021 and commended our ambitious 1.5°C aligned scope 1 and 2 target.

Our net zero transition plan, published in our 2023 United Utilities Group PLC Annual Report and Financial Statements, sets out how we will contribute to and prepare for a rapid global transition towards a low emission economy. The plan has four pillars; 'vision and visibility', 'ambition and commitment', 'demonstrating action' and 'beyond here and now' that define our principles, priorities and approach.

Understanding our GHG emissions

Our emissions footprint is calculated by estimating the individual GHG that result from all United Utilities' activities, converted into a carbon dioxide equivalent (tCO_2e). We use the UK water industry Carbon Accounting Workbook (CAW), the 2022 UK Government GHG conversion factors for company reporting, and CEDA Global '22 (Comprehensive Environmental Data Archive) factors.

- Direct emissions, known as scope 1 emissions, are those from activities we own or control, including those from our treatment processes, company vehicles, and burning of fossil fuels for heating.
- Indirect emissions, known as scope 2 and 3 emissions, result from operational activities we do not own or control, but which we can influence to varying degrees. These include emissions produced as a consequence of electricity we purchase to power our activities (scope 2) and other indirect emissions such as those from the products and services we buy (scope 3).
- We avoid emissions by purchasing and exporting renewable energy.

The CAW is a bespoke spreadsheet tool used by UK water companies. The CAW is regularly updated to retain accuracy by incorporating the latest available emissions factors from the UK Government. The latest version of the CAW for use in 2023 is version 17.

Following the consultation on regulatory reporting for 2022-23 there has been an expansion in scope of the APR reporting which changed the definition of some lines and created new lines. For this year's reporting, we have made best endeavours to provide complete and transparent values. However, we advise caution when comparing the emissions figures published by different companies as approaches may not be consistent. There are different and evolving methodologies, scope boundaries and emission factors. This applies to all areas of reporting but is most apparent in scope 3 emissions where estimating and reporting is comparatively immature.

1.2 Greenhouse gas emissions

Emissions tables

Scope 1 and 2 GHG emissions resulting from our operations for the financial year 2022/23 are shown in the table below.

Please note these figures differ slightly from those published in the United Utilities Group PLC Annual Report and Financial Statements. The figures in this document include only the emissions from United Utilities Water Limited, whereas the figures in the Annual Report and Financial Statements are for the United Utilities Group.

Scope 1 emissions	Water (tCO_2e)	Wastewater (tCO_2e)	Total (tCO_2e)
Burning of fossil fuels	1,698	18,250	19,948
Process and fugitive emissions	186	94,729	94,915
Vehicle transport	4,000	13,665	17,665
Total scope 1 emissions	**5,884**	**126,644**	**132,528**
Scope 1 emissions by GHG : Carbon dioxide (CO_2)	5,617	31,496	37,113
Scope 1 emissions by GHG : Methane (CH_4)	1	52,528	52,530
Scope 1 emissions by GHG : Nitrous Oxide (N_2O)	79	42,433	42,512
Scope 1 emissions by GHG : Other types HFC 134a, R407a	186	186	373

Scope 2 emissions	Water (tCO_2e)	Wastewater (tCO_2e)	Total (tCO_2e)
Purchased electricity (location-based)	61,140	64,631	125,772
Purchased electricity (market-based)	0	9	9
Electricity for vehicles	1.1	0.6	1.7
Total scope 2 emissions (location-based)	**61,141**	**64,632**	**125,773**
Scope 2 emissions by GHG : Carbon dioxide (CO_2)	60,455	63,907	124,362
Scope 2 emissions by GHG : Methane (CH_4)	253	267	520
Scope 2 emissions by GHG : Nitrous Oxide (N_2O)	433	458	891
Scope 2 emissions by GHG : Other types HFC 134a, R407a	0	0	0

Emissions have been estimated using the water industry CAW version 17 for this year's APR.

The scope 3 GHG emissions resulting from our activities for the financial year 2022/23 are shown in the table below, and emissions reductions are shown in the second table further below.

Scope 3 emissions	Water (tCO_2e)	Wastewater (tCO_2e)	Total (tCO_2e)
Category 1: Purchased goods and services (excluding chemicals and gases)	100,401	100,401	200,801
Category 1: Purchased goods and services (chemicals and gases only)	24,694	24,694	49,388
Category 2: Capital goods (capital delivery projects - cradle to build)	69,091	69,091	138,182
Category 3: Fuel and energy-related emissions Purchased electricity: extraction, production and distribution	21,553	22,784	44,337
Category 3: Fuel and energy-related emissions Purchased fuels: extraction, production and distribution	725	7,795	8,520
Category 4: Upstream transportation and distribution (sludge transport) (reported as outsourced activities in table 11A)		35	35
Category 5: Waste generated in operations (associated with wastewater treatment and sludge disposal to land)	0	26,547	26,547
Category 5: Waste generated in operations (other) (not reported in Table 11A)	453	454	907
Category 6: Business travel (public transport, private vehicles and hotel accommodation)	655	803	1,458
Category 6: Business travel (hotel accommodation, not reported in Table 11A)	14	14	28
Category 7: Employee commuting and home working (not reported in Table 11A)	2,668	2,668	5,336
Total scope 3 emissions	**220,254**	**255,286**	**475,539**

Emissions reductions (location-based)	Water (tCO_2e)	Wastewater (tCO_2e)	Total (tCO_2e)
Exported renewables	371	2,517	2,888
Exported biomethane	0	9,360	9,360
Other emissions reductions (green tariff electricity purchased)	61,140	64,606	125,746
Total emissions reductions	**61,511**	**76,483**	**137,994**

United Utilities look beyond the core operational emissions that are most in our control, to consider how we can best play our part in the emissions in our value chain. These are known as scope 3 emissions. Scope 3 emissions are largely calculated outside of the CAW. United Utilities has been estimating and disclosing emissions for all the 'relevant' scope 3 categories (defined in the GHG Protocol Corporate Value Chain Accounting Reporting Standard) since 2019/20. This has been reported each year in our United Utilities Group PLC Annual Report and Financial Statements. We have used the tools and methods established for this to populate any values required by the RAG 314 proforma 11A that are not directly available from the CAW or where available data was not in a suitable format for use in the latest available CAW. We have used a spend-based approach with an Extended Environmental Input Output (EEIO) method (CEDA Global '22) to estimate emissions of chemicals, capital projects and purchased goods and services. In other cases, we have used bespoke tools and applied the UK Government conversion factors for company reporting of GHG emissions.

1.2 Greenhouse gas emissions

SWOT analysis of operational and embedded emissions

Accounting and reporting

Below we highlight good practice, challenges and areas for innovation through an analysis of the strengths, weaknesses, opportunities and threats (SWOT) relating to the accounting and reporting of our operational, infrastructure and supply chain GHG emissions. On the next page, we provide a SWOT summary relating to our performance and impact.

Strengths	Weaknesses
Leadership in GHG reporting and disclosure: We have a strong and long track record of using established frameworks and best practice, evidenced by our 2022 CDP 'A-' rating for climate change and 'A' in supplier engagement. **Early adopter of best practice accounting and reporting:** For example dual reporting of market and location-based emissions, Streamlined Energy and Carbon Reporting (SECR) and compliance with TCFD recommended disclosures. **Full scope 3 inventory:** We have, annually, reported scope 3 emissions for all relevant categories of the GHG Protocol since 2019/20. **External third-party verification and assurance:** Our GHG inventory (including all the underlying energy data) has had independent third-party verification by Achilles Group and has been certified to the requirements of the Toitu carbonreduce programme (and previously the CEMARS programme) since 2012. **Ambitious and verified targets:** Our science-based targets have been verified by the globally recognised SBTi to be in line with the global goal for emissions reduction to limit global warming to 1.5°C or well below 2°C.	**Global uncertainty** exists in the scientific understanding of how to measure and manage material areas of water industry emissions. For example, in the measurement of treatment processes, and in the relatively less mature area of scope 3 emissions, including in the production of chemicals used in treatment, and materials used in construction. We capture some priority examples below. **Spend-based method:** Approximately 80 per cent of our scope 3 emissions are estimated using a spend-based approach where annual spend by category is compared against an Extended Environmental Input Output (EEIO) inventory (CEDA Global '22). A spend-based method is an accepted approach (GHG Protocol) but means less accuracy and limited ability to reflect the impact of our management interventions. **Chemicals:** The understanding of GHG emissions relating to the production and use of different chemicals and formulations is immature. The chemicals industry is critical to improving the accuracy and availability of chemicals emission factors, and we have escalated engagement with our supply chain to collaborate in this area.
Opportunities	**Threats**
Water sector collaboration, including companies, regulators, suppliers and investors, could further mature the alignment, accuracy and completeness of measurement and reporting, and its application to shape effective policy and decisions. **Multi-capitals value frameworks** can enrich decision making, risk understanding and management, and, therefore, protect and grow value. They provide opportunity for GHG emissions to be quantified and managed with other priorities to secure the most sustainable approaches in the round. **Applying whole life carbon management frameworks:** We are integrating the use of the best practice Publicly Available Specification 2080 (PAS2080) to help further improve our estimation, reporting and valuation of GHG emissions throughout our decision making. **Industry research:** As research projects are published, the CAW methodology can be updated to more accurately reflect the emissions impact of operational practices. For example, biosolids to land and process emissions monitoring. **Water company collaboration:** We have reported scope 3 emissions from the extraction, production, transmission and distribution of electricity and fuels since 2020, enabling us to support the UK water industry with reporting the new APR requirements.	**Process emissions** are highly variable and it has recently become clear that the current standard water sector reporting method is underestimating them, however this remains the most consistent method available in the short term. Detailed monitoring data of different process types and operating conditions is needed to improve the estimation, reporting and control of process emissions. We are collaborating with the sector and supply chain on this priority. **Complexity and influence:** A water company has variable influence over different categories of scope 3 emissions, and no outright control. Reporting and management of scope 3 emissions is much more complex than for scope 1 and 2 emissions. Collaboration is required across multiple stakeholders in the value chain to secure data and implement solutions. **Communication:** Effective stakeholder engagement will be essential to aid understanding of changes to reportable emissions as we, and others, further mature the accuracy of accounting and estimation methods. Providing like for like comparisons will be important to be clear on improvements in reporting, compared to genuine change in emissions.

1.2 Greenhouse gas emissions

Performance and impact

Strengths	Weaknesses
Strong track record: We have reduced scope 1 and 2 GHG emissions by over 70 per cent since 2005/06. We further reduced emissions by around 1.5 per cent in 2022/23 compared to the previous year. **Clean energy:** Our cost-effective investment in a portfolio of renewable energy assets now provides around 25 per cent of our electricity. In addition, all the electricity we buy is certified renewable. We are developing plans to go even further to support our goal for net zero and deliver wider benefits. **Sludge digestion:** Over half of our wastewater sludge is treated by advanced anaerobic digestion. This results in fewer GHG emissions than traditional approaches, both in the digestion process and from the resultant biosolids when they are recycled to agricultural land. **Action on all main sources of emissions:** We are well underway with programmes to green our fleet, improve our land and collaborate with the supply chain. **GHG emissions within decision making:** We are developing and integrating tools and processes that value GHG emissions throughout our planning and decision making.	**Spend-based methodology** is used to estimate 80 per cent of our scope 3 emissions, meaning that our reports do not fully reflect our management interventions and, instead, fluctuate with the scale and costs of our investment programme, which traditionally follows a five-year cycle of increase and decrease, and faces large growth pressures in AMP8. **Reducing opportunities for further reductions:** Having delivered many of the most financially and technically viable options, identifying and delivering further emission reduction actions becomes increasingly difficult.

Opportunities	Threats
Water sector collaboration, including companies, regulators suppliers and investors, is needed to enable the effective valuation of GHG emissions throughout planning and decision making to tackle competing policies and drivers, introduce effective incentives and, thereby, accelerate and sustain emissions reduction alongside other priorities. **Improved estimation methodologies:** More primary data and direct measures will enable procurement decisions and management interventions to help minimise the impact of investments within the constraints of growth, demand, resources and cost. For example, with chemicals. **Whole life GHG assessments and multi-capital frameworks** enrich decision making and capture more of the benefits from behavioural and nature based solutions to support the move from capital intensive solutions to those that help address issues at source and offer wider benefits. **Landowners** like United Utilities have potential to inset emissions while delivering wider benefits, for example, by restoring peatland and planting woodland for long term benefits to GHG emissions, water quality and storage, recreation and nature. **Emerging technologies and markets** might open up more ways to capture, reduce or offset GHGs. **Collaboration with customers, suppliers and others** can drive innovation, efficiency and answers to complex challenges, such as emissions from treating wastewater.	**Growth pressures and unintended consequence from national policy choices:** We face ongoing and substantial new emissions growth pressures outside our control that threaten our ability to achieve net zero and science-based targets. New legal and regulatory requirements, such as the Environment Act and Farming Rules for Water, have unintended consequences in the way they are being enacted through rapid, fixed point and inflexible permitting. This is restricting innovation and forcing large scale capital investment and, therefore, GHG emissions, both one off capital emissions and ongoing operational emissions for the life of the new assets and processes. There are further capital and operational growth pressures from extending services to the growing population and adapting assets and services to climate change. **Cost pressures:** We have already deployed many of the most commercially attractive options to reduce emissions and further action is, therefore, increasingly costly. **The stability of peatlands** is threatened by the changing climate. These huge stores of carbon could be released, threatening water quality.

Year three performance

1.2 Greenhouse gas emissions

Traffic light assessment on reporting of embedded emissions

We have assessed our performance using the guidance provided in 'response to questions 10 and 11' of the consultation on regulatory reporting for 2022/23 responses document. We categorise our reporting as Green as we meet 6 out of 7 of Ofwat's reporting criteria. Evidence for this is provided in the links on page 91.

Ofwat criteria	Met or not met	Supporting evidence
Provision of embedded emissions data as it relates to capital projects (cradle-to-build). We anticipate good practice in this area being for companies to provide cradle-to-gate as well as cradle-to-build based data.	Met	We have provided a cradle-to-build estimate of the emissions based on the annual spend for capital projects with our construction services partners and using an Extended-Environmental Input Output (EEIO) model.
Clear evidence of external verification and accreditation as it relates to the use of standards and frameworks, and quality of data.	Met	Our GHG inventory (including all the underlying energy data) has had an independent third party verification by the Achilles Group, to the requirements of the carbonreduce programme including compliance with ISO14064 Part 1. Achilles Group offers carbonreduce certification under license from Enviro-Mark Solutions Limited (trading as Toitu Envirocare) through the Achilles carbonreduce programme.
Engagement with more than one recognised standards, frameworks or approach for managing and reporting on embedded emissions.	Met	Our GHG inventory (including all the underlying energy data) meets the requirements of the carbonreduce programme including compliance with **ISO14064 Part 1.** Our inventory includes all 'relevant' scope 3 emissions and is certified as complying with the **GHG Protocol corporate value chain (scope 3) accounting standard**. Our SBTs have been verified by the **SBTi**, including two scope 3 targets. We have contributed to, and applied, the four objectives and 12 principles in the **UKWIR Framework for Wholelife Carbon Management in the Water Sector** as set out in the Calculating Whole Life/Totex Carbon, 2022.
Provision of insights into embedded emissions as they relate to construction and maintenance activities.	Not met	We take insight from our GHG measurement and reporting; however, insight is limited through the current approach and we, therefore, mark this as 'not met'. In our scope 3 inventory, the emissions are estimated based on spend and therefore reflect the scale of construction and maintenance activities rather than how those activities are being carried out and the materials used. We are working on this area as a priority for improvement.
Complete and detailed SWOT analysis as it relates to embedded emissions.	Met	We provide in this report a SWOT analysis, including for scope 3 emissions. We have provided this each year since Ofwat first suggested the approach three years ago.
Provision of embedded emissions data as it relates to purchased goods and services (in addition to chemicals).	Met	We have provided an estimate of the emissions based on the annual spend on products and services, including chemicals, and using an EEIO model.
Evidence of clear stakeholder engagement and education on its GHG emissions management and reporting approach.	Met	Annually, since 2005/06, we have openly and extensively disclosed our GHG emissions, progress and plans in the United Utilities Group ARFS. Our GHG reporting uses best practice standards and independent assurance, including scope 3 emissions. We have shown early adoption of evolving and expanding reporting expectations, and always complied with latest formal requirements. Our climate change strategy, GHG emissions management and reporting approach are included within the remit of both the S&P Global Corporate Sustainability Assessment (previously known as the Dow Jones Sustainability Index) and the CDP climate change questionnaire, both of which we have participated in for over 12 years, and score strongly. We regularly explore our GHG strategy and emissions performance with a wide range of stakeholders, including through investor engagement and at our AGM, for example.

1.3 Wholesale totex

Background: totex allowances and incentive mechanism

The PR19 FD set total expenditure (totex) assumptions for the 2020–25 period across UUW's four wholesale price controls. If the company overspends or underspends, compared to the FD assumptions, then incentives are applied which determine the sharing of the additional spending or additional saving between customers and the company. Overspend and underspend allocated to customers are reflected in future bills. Overspend and underspend allocated to the company must be borne by investors. The incentives are different for four different categories of spend.

- **Totex subject to standard sharing rates** – This comprises the majority of totex. UUW's sharing rate was set at an equal 50/50 share between customers and the company for both overspend and underspend. This is with the exception of the bioresources price control, which has no standard customer sharing (i.e. zero per cent customer share, 100 per cent company share for both overspend and underspend).
- **Business rates and abstraction licence fees** – Companies can only exercise limited control over these costs and so the cost variance to the company's PR19 cost allowance will be subject to a 75 (customer share):25 (company share) sharing rate.
- **Totex not subject to cost sharing** – Some spend is set to have zero customer sharing through the cost reconciliation model. This includes spend:
  - where it would not be appropriate to share costs with customers, e.g. disallowable costs such as fines or customer compensation payments;
  - that is subject to different funding/sharing mechanisms, e.g. strategic water resources development schemes, innovation fund; or
  - that has been set outside of price control, e.g. non-s185 diversion costs and income
- **Green Recovery** – Additional funding has been granted, on top of our five-year FD totex allowance to invest in schemes that will help the green economic recovery, as well as benefitting the environment. Given the uncertainty over the true costs of the innovative schemes, underspend will be subject to a 90 (customer share):10 (company share) sharing rate, to ensure underspend variances are weighted heavily in customers' favour, while still providing companies with an incentive to act efficiently. Overspend is subject to an equal 50/50 share between customers and the company.

	FD allowed totex by price control April 2020 to March 2025 (2017/18 prices)				
Customer share category	Water resources	Water network plus	Wastewater network plus	Bioresources	Total totex
Totex subject to standard sharing	220	1,734	2,341	328	4,623
Rates and abstraction licence fees	166	225	99	29	519
Totex not subject to cost sharing	44	134	3	–	181
Green Recovery	3	–	61	–	64
Total totex	**433**	**2,093**	**2,504**	**357**	**5,387**

As part of the next price review process in 2024 (PR24), we will reconcile how our actual expenditure compared against these allowances for each category of spend for AMP7. With the exception of totex not subject to cost sharing – which is out of scope for customer sharing – variances against the initial assumptions will be accounted for through a cost reconciliation mechanism. This mechanism will split out the reported totex over/underspend per category, with the resulting customer share element being recovered through a mixture of opening adjustment to AMP8 RCV and through AMP8 revenues (with the RCV/revenue split consistent PR19 assumptions on PAYG).

Comparison of 2022/23 actual totex to FD assumed totex

APR Pro forma tables 4D and 4E (see Section 3) are the key tables that set out the build-up of our 2022/23 totex expenditure within the four wholesale price controls. Variance analysis of 2022/23 costs compared to the prior year can be found within UUW's accounting methodology statement available at:

www.unitedutilities.com/globalassets/documents/pdf/rr23-accounting-methodology-statement

The expenditure within these tables is then summarised within Pro forma table 2B (see Section 2.3)

APR Pro forma table 4C (consolidates the total totex expenditure from table 2B per price control and then breaks this out into the different customer sharing categories of spend described above. These amounts are then compared to the allowed totex in the PR19 final determination (inflated to out-turn prices).

APR Pro forma table 4U (see Section 3) compares Green Recovery expenditure, as reported in tables 4S and 4T, which provide the breakdown of expenditure by each Green Recovery scheme, against the allowance as per the Green Recovery final decision document (inflated to out-turn prices).

Variance between allowed totex and actual totex from Table 4C (out-turn)

During 2022/23, we incurred £1,518 million of totex (table 2B), which was significantly higher than assumed in the PR19 FD (£1,195 million including allowance for Green Recovery schemes). As explained in the executive summary on page 17, this was largely a result of the accelerated AMP7 spend plus the impact of the additional investment we are making outside the scope of our FD, and, consistent with presentation in APR table 4C, this has been analysed below per customer sharing category.

Year three performance

1.3 Wholesale totex

Totex subject to standard sharing

Totex subject to standard sharing (All 50% company : 50% customer except Bioresources – 100% company: 0% customer)	Totex by price control 2022/23 Water resources	Water network plus	Wastewater network plus	Bioresources	Total totex
Allowed totex subject to standard sharing	49.5	421.6	470.1	77.6	**1,018.9**
Actual totex subject to standard sharing	49.5	564.2	677.0	71.4	**1,362.0**
Variance total	–	142.6	206.9	-6.2	**343.1**
Variance due to timing	-0.1	105.0	160.3	-12.5	**252.6**
Variance due to efficiency	0.1	37.6	46.6	6.2	**90.5**

Total reported overspend of £343.1 million is split between variances due to timing and variances due to efficiency.

Variance due to timing

In addition to accelerated spend of just over £350 million of our AMP7 investment programme across the first two years of the AMP, we chose to accelerate further spend of just over £250 million in 2022/23 to enable us to deliver benefits sooner. This accelerated spend has all been categorised as timing within table 4C as this year's reported overspend will be offset by equivalent reductions in totex spend in the later years of this AMP, with no resultant over/underspend when considered across the across the AMP as a whole. As can be seen in the table, the accelerated expenditure is, principally, in the water network and wastewater network price controls.

We received an additional Green Recovery allowance (circa £65 million), on top of our 5-year FD allowance, to support the green economic recovery, as well as benefiting the environment. The underspend reported in 2022/23 is classified as timing in Table 4U.

Bolton wastewater enhancement scheme was not yet approved by the EA at the time of the final determination and, thus, was not included in FD allowed totex. However, this scheme has, subsequently, been approved with a resultant increase of circa £90 million in our projected AMP7 totex. Unlike the other additional investment projects, this will be fully remunerated under the WINEP mechanism with an uplift to March 2025 RCV and FD allowed totex (across the later years of this AMP). As such, the small initial spend incurred to date is classified as timing, not efficiency.

Variance due to efficiency

In addition to the accelerated spend plus Green Recovery and Bolton WINEP - recoverable under Ofwat's reconciliation mechanisms, we intend to invest an additional total of £610 million beyond the FD allowance over AMP7, as set out below:

Investing to improve service for customers circa £250 million

Helping us deliver further improvements to service for customers and better performance against our customer ODIs, this investment is targeted at delivering sustainable improvements for customers in two specific areas where we want to do better.

- circa £100 million investment in Dynamic Network Management (DNM), an advancement of Systems Thinking in our wastewater network that will help us reduce sewer flooding and pollution incidents using real-time performance data from a network of sensors to enable predictive and preventative optimisation; and
- circa £100 million investment in drinking water quality improvements (specifically discolouration).

We are investing in a number of spend-to-save projects including hydraulic flooding, lead risk and water service resilience, where additional spend is expected to drive further improvements in customer service with resultant improvements in performance.

Investing outperformance for environmental improvements circa £250 million

Additional investment to deliver our 'Better Rivers: Better North West' programme and the new Environment Act 2021 requirements, which were not decided at the time of the final determination and thus not included in FD allowed totex.

The Environment Act 2021 introduces several new challenges for the sector, including a requirement for water companies to secure a progressive but very substantial reduction in the average number of spills from storm overflows, and controlling nutrient pollution by reducing phosphate release from wastewater treatment works. The Industrial Emissions Directive (IED) broadens the scope of activities covered by compliance requirements, and the Environment Agency's recent interpretation of Farming Rules for Water (FRfW) restricts the application of biosolids to land in certain areas at certain times, requiring more storage capacity or alternative means of disposal.

Vyrnwy aqueduct circa £110 million

The requirement for the Vyrnwy treated water aqueduct scheme was not set at the time of the final determination and is, thus, not included in our FD allowed totex. However, following a DWI enforcement order issued in September 2020, we are, subsequently, going ahead with this scheme, which will improve the quality and aesthetics of the water supply via a programme of cleaning and relining. Part of these costs will be reflected in outperformance payments earned on reducing discolouration from the Vyrnwy treated water aqueduct performance commitment, which measures the length of aqueduct cleaned or relined.

For the purposes of this assessment, we have categorised the changes in scope as efficiency (since, for these projects, spend will, ultimately, result in an increase in totex vs PR19 allowance) and this totalled £90.5 million in 2022/23, split by £33.3 million on DNM, £17.8 million spend-to-save, £15.2 million on drinking water quality improvements, £10.8 million on the Better Rivers programme and Environment Act requirements and £13.3 million on Vyrnwy. This is in addition to the £108.7 million of efficiency overspend reported across 2020/21 and 2021/22, resulting in a cumulative overspend due to efficiency of £199.3 million across the first three years of the 2020–25 period.

Rate and abstraction licence fees

Rates and abstraction licence fees (25% company: 75% customer)	Totex by price control 2022/23 Water resources	Water network plus	Wastewater network plus	Bioresources	Total totex
Allowed rates and abstraction licence fees	39.2	53.1	23.4	6.9	**122.5**
Actual rates and abstraction licence fees	42.1	47.4	16.8	5.5	**111.8**
Variance	2.9	-5.7	-6.6	-1.4	**-10.7**

Actual totex costs of £111.8 million are below FD allowed costs of £122.5 million, with business rates of £86.7 million being £16.4 million below FD allowance, partially offset by abstraction charges of £25.1 million being £5.7 million above the FD allowance due to changes to the EA charging scheme.

1.3 Wholesale totex

Totex not subject to cost sharing

Totex not subject to cost sharing (100% company: 0% customer)	Totex by price control 2022/23 Water resources	Water network plus	Wastewater network plus	Bioresources	Total totex
Allowed totex not subject to cost sharing	13.3	31.7	0.8	0.0	**45.8**
Actual totex not subject to cost sharing	7.0	34.6	1.2	-1.3	**41.6**
Variance	-6.3	2.9	0.4	-1.3	**-4.2**

Overall totex not subject to cost sharing of £41.6 million was slightly below the FD allowance of £45.8 million. The main components of this are set out below:

- Non-price control grants and contributions, inclusive of income offset of £18.2 million was broadly in line with the FD allowance of £18.1 million. Non Section 185 diversions expenditure is circa £7.8 million lower than the allowance, driven by a revised profile of customer driven NRSWA and HS2 diversions activity in year;
- Strategic water resource development schemes costs (£4.5 million) – £8.8 million below FD allowance of £13.3 million;
- Innovation competition fund costs (£6.0 million); however, this is not a genuine overspend as it is funded directly through customer revenues; and
- Third-party costs (£2.3 million) – £0.7 million above FD allowance of £1.6 million.

Disallowable costs – comprising compensation, fines, investigation payments totalling £5.5 million (vs zero FD allowance). This is split out between compensation claims in relation to Guaranteed standards of service (GSS) totalling £7.3 million, and £(1.8) million of fines and investigation costs driven by release of provisions.

Green Recovery (Table 4U)

Green Recovery (Underspend 10% company: 90% customer; Overspend 50% company: 50% customer)	Totex by price control 2022/23 Water resources	Water network plus	Wastewater network plus	Bioresources	Total totex
Allowed totex not subject to cost sharing	0.8	–	7.5	–	**8.3**
Actual totex not subject to cost sharing	0.3	–	2.7	–	**3.0**
Variance due to timing	-0.5	–	-4.8	–	**-5.3**

In 2022/23, Green Recovery spend of £3.0 million is below the allowed funding of £8.3 million, as the current forecast spend profile is different to our planned spend proposals, which is explained within the Green Recovery document, which can be found at:

unitedutilities.com/globalassets/documents/pdf/Green-Recovery-2023

Impact of expenditure on the RCV

APR Pro forma table 4C sets out the 2022/23 RCV determined at the PR19 FD and shows the implied revisions to this position as a result of the impact of totex over or underspend.

The RCV will be fully reassessed as part of the PR24 process with the value presented in table 4C being referred to as a 'shadow RCV'. As reported in table 4C, the projected shadow RCV is £13,452 million. However, the calculation only apportions the customer share of totex overspend due to efficiency to the RCV. We believe that the shadow RCV should reflect accelerated/deferred spend in any given year in line with the PR19 cost reconciliation model (both the RCV and the consequential allowed returns on RCV), which takes account of the timing of totex. Correcting for this, the shadow RCV is higher at £13,584 million. Additionally, if we also included the full expected value of our AMP7 ex-post adjustment mechanisms, adjusted RCV would be higher still at £14,000 million.

Financial measure £m	Water resources	Water network plus	Wastewater network plus	Bioresources	Total RCV
4C.32 Projected 'shadow' RCV	727.8	4,054.2	8,145.5	524.7	**13,452.2**
Projected 'shadow' RCV, including timing differences	727.5	4,101.5	8,230.4	524.7	**13,584.1**

As the below table shows, the shadow RCV of £13,452 million is £38 million higher than the RCV determined at the FD. This is as a result of the cumulative totex overspend due to efficiency described in the comparison of actual totex to FD assumed totex section above, with a resultant £30 million uplift in wastewater network plus and an £8 million uplift in water network plus. The water resources and bioresources price control RCVs were both broadly in line with their respective FD RCVs.

Financial measure £m	Water resources	Water network plus	Wastewater network plus	Bioresources	Total RCV
4C.31 Ofwat RCV	655.6	3,716.6	7,478.1	485.5	**12,355.8**
4C.32 Projected 'shadow' RCV	655.5	3,720.4	7,495.9	485.3	**12,357.1**
Increase/(Decrease) in RCV	-0.1	3.8	17.8	-0.2	**21.3**

As the below table shows, the shadow RCV of £13,452 million is £38 million higher than the RCV determined at the FD. This is as a result of the cumulative totex overspend due to efficiency described in the comparison of actual totex to FD assumed totex section above, with a resultant £30 million uplift in wastewater network plus and a £8 million uplift in water network plus. The water resources and bioresources price control RCVs were both broadly in line with their respective FD RCVs.

Financial measure £m	Water resources	Water network plus	Wastewater network plus	Bioresources	Total RCV
4C.31 Ofwat RCV	727.0	4,046.0	8,115.7	525.4	**13,414.1**
4C.32 Projected 'shadow' RCV	727.8	4,054.2	8,145.5	524.7	**13,452.2**
Increase/(Decrease) in RCV	0.8	8.2	29.8	-0.7	**38.1**

Year three performance

1.4 Wholesale revenue and current cost financial performance

APR pro forma table 2I, (see section 2.3) sets out the actual build-up of the wholesale revenue for 2022/23 by price control. Table 2M then compares this with the level of revenue assumed in the FD.

The total revenue set by the wholesale price controls for recovery in 2022/23 was £1,733.4 million. This was made up of £1,730.1 million wholesale revenue, plus £15.7 million in grants and contributions and £(12.4)m of other revenue adjustments. The level of income recovered in the year was £52.0 million lower than the £1,733.4 million assumed in the PR19 FD, with a £43.3 million decrease in revenues and an £8.7 million reduction in grants and contributions income collected.

The £43.3 million decrease in revenues comprised the following main components:

- £17.9m decrease in non-household revenue due to lower in year and prior year settlement (as a result of reduced consumption and fewer commercial premises being brought into charge by retailers), and also the impact of additional post-RF allowances and the subsequent impact to the credit note provision.
- £22.6m decrease in Household revenue as a result of lower measured consumption due to a much quicker recovery from the pandemic than predicted
- £2.8m decrease in other revenues

The £8.7m reduction in grants and contributions income is attributable to an increase in connection volumes (above the volume assumed in the revenue allowance) which has resulted in an increase in the value of income offset payments made. There has also been an increased uptake of incentives for sustainable developments.

Of the £52.0 million revenue imbalance, £48.8m will be added to the 2024/25 allowed revenues under the RFI revenue adjustment mechanism for water resources, water network plus and wastewater network plus. The £3.2m decrease in bioresource revenue is subject to an adjustment under a separate mechanism.

1.5 Retail expenditure and revenues

Household retail

Background

The household retail price control is designed to allow companies to recover sufficient revenue from household customers to fund the efficient costs of providing retail services. This allowance is sometimes referred to as the allowed 'cost to serve'.

For companies whose historic and forecast costs were above the industry upper quartile, allowed costs were set to projected upper quartile levels to reduce allowed costs to levels that Ofwat judged to be efficient.

Cost allowances considered the impact of a range of retail cost drivers, such as levels of metering, household credit defaults, average water bill size and regional levels of deprivation.

Separate annual revenue allowances and costs to serve per customer were defined in the PR19 FD for household retail services. Total revenue allowances were determined by multiplying underlying cost to serve allowances by the assumed customer numbers and applying a margin defined as part of the price review.

The cost to serve incentive mechanism has three main principles:

- Initial cost to serve allowances per customer per year are fixed and do not increase year-on-year in line with inflation;
- The allowances are assumed to cover all retail operating costs, including depreciation on capital expenditure. Expenditure for demand side water efficiency and customer side leak repairs is included where the activity is not for wholesale purposes; and
- Any over or underspend against the cost to serve allowed is paid for, or retained wholly by, the company and will not affect future customer bills.

2022/23 performance

We have continued to challenge the efficiency of the services offered in a number of areas, but our exposure to higher than forecast inflation has resulted in retail operating costs as reported in Table 2C increasing by £0.2 million from £106.1 million in 2021/22 to £106.3 million in 2022/23.

The main cost reductions delivered in 2022/23 can be attributed to:

- £2.6 million reduction in debt management costs. We have continued to use our data share agreements with all of the main Credit Reference Agencies and the Department of Work and Pensions to proactively identify customers eligible for support and ensure that customers are billed accurately; and
- £0.8 million reduction in bad debt costs. Despite a challenging backdrop of an increase to the cost of living, cash collection performed relatively well. Our reported bad debt charge of £42.2 million was reduced from £43.0 million reported in 2021/22 and was maintained at 3.3 per cent of regulated revenue.

This is offset by a:

- £0.7 million increase in meter reading costs due to an increase in labour costs;
- £0.9 million increase in depreciation following acceleration of capital expenditure to enable delivery of operating cost efficiencies; and
- £2.5 million increase in other direct and general and support expenditure due to cost inflation.

Retail operating costs were £8.4 million higher than the expenditure allowance of £97.9 million. Our costs are running higher than assumed in the PR19 FD as we are incurring higher bad debt costs at this point in the AMP due to the impact of COVID-19 and an increase in the cost of living on levels of cash collection, which remain below our original expectations. Inflation has exceeded the rate of inflation forecast at PR19, placing an inherent efficiency challenge on the retail price control as the cost allowances do not increase with inflation.

During the year, we billed additional properties that were previously identified as void. Using credit reference and land registry data, we were able to identify properties for which the occupant could be identified. This was targeted as part of an AMP7 ODI commitment to reduce our void proportion of billable properties to 5.2 per cent by the end of 2022/23. At 31 March 2023, void properties were 4.5 per cent of billable properties, maintained at the level reported at 31 March 2022.

Improving operating costs and efficiency

We have continued to refine our capabilities in a number of areas to reduce our underlying operating costs during the year. These include:

- Continuing to challenge overheads;
- Seeking to improve underlying operational performance;
- Increasing digital penetration;
- Continuing to support our most vulnerable customers through our affordability schemes to manage bad debt; and
- Promoting water efficiency to reduce household consumption and, therefore, bad debt.

Year three performance

1.5 Retail expenditure and revenues

Improving debt management

UUW has a higher bad debt cost than the majority of the industry. Deprivation levels are the principal driver of our higher than average bad debt with the North West having a substantially higher proportion of customers impacted by welfare reform and claiming universal credit. These challenges are to some degree recognised and reflected in setting the allowed retail costs through the price review process.

Our collection performance through 2022/23 was encouraging, but bad debt will remain a challenge in our region where there are significant numbers of communities that are subject to high levels of deprivation. The current cost of living pressures are expected to impact on our customers' ability to pay their water bill in the future. As a result, debt management will be an area of continued focus as we drive for further improvement.

We are a leader in the water industry in affordability and vulnerability assistance, with a wide range of support schemes for customers, many of which are industry firsts. Using advanced data and analytic capabilities, we have been able to focus our efforts on supporting the customer segments at greatest financial risk, promoting the support available and encouraging customers to contact us if they are struggling to pay their bill. These schemes have helped over 333,000 customer since the beginning of the AMP, with circa.206,000 customers currently benefiting from United Utilities' affordability support, representing around six per cent of our household customer base.

Providing assistance to those customers who need our help most continues to be an area of focus. We take a proactive approach to help customers back into making regular payments by assessing them for a lower bill and offering support in clearing their arrears. The number of customers benefitting from our Back on Track and Help to Pay tariffs have increased, ensuring the maximum level of financial support is provided to our customers. We've delivered a number of initiatives to further improve the accessibility of our affordability support schemes, including the introduction of a single application form; consolidating applications forms enables customers to be assessed against all financial support schemes, ensuring they receive optimal bill support.

We have continued to use our arrangement with the DWP, which helps us to identify customers eligible for our Help to Pay and Back on Track tariffs contributing to the in-year reported growth. We've continued to explore ways to drive value from the data share arrangement working with the DWP to extend the data provision to include Universal Credit claimant data, enabling us to extend the reach of the arrangement and support more customers.

Our PayAsUGo plan continues to provide customers with the option to pay at whatever frequency suits their personal circumstances, as long as they meet the agreed payment milestones. This has supplemented the extensive range of existing payment plan options available to our customers, which include Direct Debit, payment cards and schedule only plans. Customers are able to choose what date and frequency they make their payment. This flexibility enables customers to pay in a way that aligns to their personal circumstances. This year we've seen a net growth of circa 29,000 customer opting to pay by Direct Debit and our overall payment plan penetration is being sustained at over 80 per cent.

Introducing Open Banking into our affordability assessment process has simplified the application process for customers, and has improved the accuracy of the data captured, ensuring customers benefit from the lowest tariff and improved first time completion rates meaning customers are given a decision on tariff eligibility there and then rather than after a longer application process.

We continue to use a variety of contact channels to reach out to customers who may be struggling to pay. We've continued to take our financial support schemes direct to our customers' doorsteps. Last year, we visited circa 32,000 hard to reach customers and we've visited over 260,000 customers since the initiative was launched.

The North West Hardship Hub continues to be a valuable resource for members of the advice community to access support quickly and easily for their clients. The one stop shop provides a consolidated view of a wide range of support schemes from a range of sources and sectors across the North West of England. Following its initial success, we will be opening up the online debt support hub in the coming months so that everyone across the North West can get direct access to hundreds of financial aid schemes enabling them to find help for free. This will give everyone right across the North West direct access to a vast range of information and support services that could make a real difference in their lives.

In 2014/15, household bad debt costs were running at 6.3 per cent of regulated revenue. Since this time, we have maintained a clear focus on improving our bad debt and cash collection performance. This has included the establishment of a number of new initiatives, such as our 'better billing' initiative and has involved working with Credit Reference Agencies to identify which customers are likely to be in a financially challenging situation and which customers are able to pay their water bill, but need further encouragement and engagement in order to prompt them to do so. At the end of 2022/23, household bad debt costs had reduced to 3.3 per cent of regulated revenue.

We continue to focus on more dynamic targeting of debt collection activities and have invested in testing and improving our innovative data led collection strategies.

We've increased our efforts to support customers with management of their bill payments, many of whom will be disproportionately impacted by the cost of living increases, by highlighting the support we have available.

Utilising credit reference agency data and predictive analytics, we're monitoring customer payment behaviour to proactively identify customers showing signs of struggling to pay. To date, we've sent over 300,000 early intervention emails with tailored messaging designed to increase customer's awareness of the support we, and third-party organisations, can offer. Additionally, we're running a number of supplementary campaigns triggered by a change in behaviour; for example, we've identified our 'fallen Angel' customers, who were previously good/excellent payers who have fallen behind with their payments, and are reaching out and highlighting ways we can help manage their payments, including metering, water efficiency advice and flexible payment plans to spread their payments into more manageable amounts.

We continued to use our range of financial assistance schemes effectively to support those customers that can't pay and provided support to circa 206,000 customers during the year as illustrated in the table below:

	2022/23 Full Year Actual		
	Customers supported (No.)	Company funded (£m)	Customer funded social tariff (£m)
Watersure	28,964		9.5
Help to Pay Social Tariff	37,468	1.6	5.1
Back on Track Support Tariff	116,405	9.3	14.1
Sub-total – tariff support	182,837	10.8	28.6
UU Trust Fund	3,736	3.5	
Payment matching	19,575	12.9	
Sub-total – grants and allowances	23,311	16.4	
Total Support	206,148	27.2	28.6

1.5 Retail expenditure and revenues

£9.5 million of support, cross subsidised by other customers, was provided for the national Watersure tariff. There was £30.0 million of support in the form of a bill discount for over 150,000 households, via our social tariffs 'Help to Pay' and 'Back on Track'. £10.8 million of support for the social tariff schemes was provided by the company and £19.2 million was cross-subsidised by other residential customers.

Whilst the penetration and conversion of customers onto affordability solutions does impact in year revenues, it is a key factor in helping customers avoid falling into arrears, recovery from positions of debt, reducing the amount of bad debt that United Utilities carries, and driving to continue to reduce our retail cost to serve.

United Utilities PLC provided £3.5 million to the independent United Utilities Trust Fund, which can support residents in the United Utilities' region through grants that can be used towards clearing water bill arrears or other household costs.

In addition, a further 19,575 customers received £12.9 million in support through our payment matching scheme. The scheme is an arrears clearance scheme funded through write-off and is a cost to the company through the bad debt charge as opposed to revenue sacrifice. An additional 9,000 customers successfully completed the scheme this year, giving them a fresh start as they are now water debt free.

Revenue

APR pro forma table 2F (see Section 2.3) shows that retail revenue recovered in 2022/23 was £112.1 million.

However, as reported in table 2N, approximately 150,000 customers received a discounted fixed price bill under a social tariff during the year. In total, these customers received a £30.0 million discount to their underlying full price bill, of which £10.8 million was funded by the company and £19.2 million was cross-subsidised by other residential customers.

The revenue forgone by the company of £10.8 million is added to the £112.1 million of retail revenue recovered, such that the total net retail revenue for 2022/23 was £122.9 million. This is £16.6 million higher than the 2021/22 retail revenue, including a margin of £106.3 million. The increase in revenue is mainly due to recovery of the 2021/22 ODI outperformance payment in the year.

The in-year revenue allowance of £124.3 million was based on actual customer numbers of 3.19 million. This was circa 101,000 higher than assumed in the PR19 FD, mainly due to new connections and a reduction in void properties across the region.

Operating profit

APR pro forma table 2A (see Section 2.3) shows the operating profit for UUW's price controls. For the household retail price control, operating profit in 2022/23 was £5.8 million.

The 2022/3 retail revenue allowance of £124.3 million is based on an expenditure allowance of £97.9 million and a £26.4 million retail operating profit, in respect of the allowed margin and adjustments.

The reported operating profit for 2022/23 is £20.6 million lower than expected due to the following:

- Retail revenues collected (£112.1 million) were £12.2 million lower than the revenue allowance. £10.8 million was attributable to the company funded element of the discount provided to the 150,000 customers that were billed under a social tariff during the year. £1.4 million was largely attributable to offering a social tariff discount to a larger number of customers than had originally been forecast when setting charges for the year. This element of revenue is, therefore, recoverable through the end of AMP revenue reconciliation for retail; and
- Retail costs were £8.4 million higher than the expenditure allowance, which is mainly due to bad debt costs running higher than expected at this point of the AMP due to the impact of COVID-19 and an increase in the cost of living on levels of cash collection, which remain below our original expectations. Inflation has exceeded the rate of inflation forecast at PR19, placing an inherent efficiency challenge on the retail price control as cost allowances do not increase with inflation.

Regulatory accounts

Statement of directors' responsibilities for regulatory information

Introduction

The Regulatory Accounts have been prepared in accordance with the requirements of Regulatory Accounting Guidelines (RAGs) 1.09, 2.08, 3.14, 4.11 and 5.07 issued by the Water Services Regulation Authority (WSRA or Ofwat). These are separate from the statutory financial statements which have been prepared under the basis of International Financial Reporting Standards as adopted by the UK.

Statement of directors' responsibilities for regulatory information

Further to the requirements of company law, the directors are required to prepare accounting statements which comply with the requirements of Condition F 'Regulatory Accounting Statements' of the Instrument of Appointment of the company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat:

- Condition F also requires the directors to keep appropriate accounting records, which are consistent with guidelines published by Ofwat.

The directors of the company hereby confirm that the company has kept appropriate accounting records, which comply with the guidelines published by Ofwat.

Condition P 'Regulatory ring fence' of United Utilities Water Limited's (UUW's) Licence requires directors to submit a 'Ring-fencing certificate' to Ofwat no later than the date on which the Company is required to deliver a copy of each set of regulatory accounting statements prepared under Condition F.

The Ring-fencing certificate requires directors to confirm that, in their opinion;

a. The company has sufficient financial resources and facilities to enable it to carry out the Regulatory Activities, for at least the twelve month period following the date on which the certificate is submitted.

b. The company will have available sufficient management resources and systems of planning and internal control to enable it to carry out the Regulatory Activities, for at least twelve months.

c. The company has available to it sufficient rights and resources other than financial resources, as required by paragraph P14 of the company's instrument of appointment.

d. All contracts entered into between United Utilities Water Limited and any Associated Company include the necessary provisions and requirements in respect of the standard of service to be supplied to United Utilities Water Limited, to ensure that it is able to carry out the Regulated Activities.

The directors have issued a 'Ring-Fencing certificate' under Condition P30 of the Licence – see page 154.

Condition P also requires directors to:

a. Report to Ofwat changes in the company's activities, which may be material in relation to the company's ability to finance its regulated activities.

The directors hereby confirm that there were no changes in the company's activities, which may be material in relation to the company's ability to finance its regulated activities, during the year ended 31 March 2023.

b. Ensure every transaction between the Appointed Business and any Associated Company is at arm's length, so that neither the Appointed Business nor the Associated Company gives a cross-subsidy to the other.

This has been confirmed within 'Information in respect of transactions with any other business or activity of the appointee or any associated company' on pages 143 to 145.

The above responsibilities are additional to those already set out in the United Utilities Water Limited statutory financial statements.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as he or she is aware, there is no relevant information of which the company's auditor is unaware; and
2. he or she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the board and signed on its behalf by:

Phil Aspin
Chief Financial Officer

27 June 2023

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and United Utilities Water Limited ("the Company")

Opinion

We have audited the sections of/tables within Company's Annual Performance Report for the year ended 31 March 2023 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables, comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the cost analysis for retail (table 2C), the historical cost analysis of tangible fixed assets for wholesale and retail (table 2D), the analysis of 'grants and contributions' for wholesale (table 2E), the residential retail revenues (table 2F), the non-household water revenues by tariff type (table 2G - not completed, in line with RAG 4.11), the non-household wastewater revenues by tariff type (table 2H - not completed, in line with RAG 4.11), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4W, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, United Utilities Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F of the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2), set out on pages 126 to 132.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditor's responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F of the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom-adopted international accounting standards ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 108 to 125 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

The directors have prepared the Regulatory Accounting Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Regulatory Accounting Statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. That we considered most likely to adversely affect the Group's and Company's available financial resources and metrics related to the possible failure of the Haweswater water system resulting in a one-off totex impact.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.

Our procedures included:

- **Assessing key assumptions in the forecasts:** critically assessing assumptions in base case and downside scenarios relevant to liquidity and covenant metrics such as inflation rate growth compared to market forecasts, forecast bonus payments compared to historical bonus payments and forecast dividend payments compared to Group dividend policy. This included assessing whether downside scenarios applied assumptions which are mutually consistent, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies;
- **Funding assessment:** considering the availability of existing debt arrangements and committed loan facilities, including testing compliance with covenants and expected maturity dates;

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and United Utilities Water Limited ("the Company")

- **Historical accuracy of managements forecasts:** comparing historical budgets to actual results to assess the directors' track record of budgeting accurately;
- **Evaluating directors' intent:** evaluating the achievability of the actions the directors consider they would take to improve the position should the risks materialise, including assessment of mitigating actions within their control;
- **Assessing the completeness and accuracy of the matters covered in the going concern disclosure:** considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate; or
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 104, the directors are responsible for the preparation of the Annual Performance Report in accordance with the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff including the EPS target for management remuneration.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates such as revenue recognition and provisions for household customer debt.

We also identified a fraud risk related to inappropriate capitalisation of costs relating to the capital programme and valuation of retirement benefit obligations in response to possible pressures to meet profit targets.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted which were unexpected to revenue, unexpected to cash or PPE postings to operating expenses.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and United Utilities Water Limited ("the Company")

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Regulatory Accounting Statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the Company's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Regulatory Accounting Statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Regulatory Accounting Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Regulatory Accounting Statements items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Regulatory Accounting Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, Ofwat, Environment Agency, Drinking Water Inspectorate and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Regulatory Accounting Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Regulatory Accounting Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report, except for the following:

The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, the Company has presented the allocation of operating costs and assets in accordance with the accounting policy for price control segments set out on page 126 and its accounting methodology statement. We are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA, which would have been required if we were to express an audit opinion under ISAs (UK).

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Annual Performance Report are consistent with those used in the preparation of the statutory financial statements of the Company.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2023 on which we reported on 27 June 2023, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ian Griffiths
For and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28 June 2023

Section 1 Regulatory financial reporting

Additional commentary on the Section 1 pro forma tables is provided on pages 134 to 138.

Keys to cells

Input cell
Calculation cell
Copy cell

Pro forma 1A

Income statement for the 12 months ended 31 March 2023

Line description	Units	DPs	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities	RAG 4 reference
Revenue	£m	3	1,815.957	-15.710	10.267	-25.978	1,789.980	1A.1
Operating costs	£m	3	-1,372.164	9.070	-10.422	19.492	-1,352.672	1A.2
Other operating income	£m	3	0.000	-2.994	0.000	-2.994	-2.994	1A.3
Operating profit	£m	3	443.794	-9.635	-0.155	-9.480	434.314	1A.4
Other income	£m	3	0.000	24.802	3.057	21.745	21.745	1A.5
Interest income	£m	3	29.510	-21.800	0.000	-21.800	7.710	1A.6
Interest expense	£m	3	-500.572	-127.509	0.000	-127.509	-628.080	1A.7
Other interest expense	£m	3	0.000	21.800	0.000	21.800	21.800	1A.8
Profit before tax and fair value movements	£m	3	-27.267	-112.341	2.903	-115.243	-142.511	1A.9
Fair value gains/(losses) on financial instruments	£m	3	234.995	0.000	0.000	0.000	234.995	1A.10
Profit before tax	£m	3	207.728	-112.341	2.903	-115.243	92.484	1A.11
UK Corporation tax	£m	3	9.700	0.000	-0.551	0.551	10.251	1A.12
Deferred tax	£m	3	-49.600	28.086	0.000	28.086	-21.514	1A.13
Profit for the year	£m	3	167.828	-84.255	2.351	-86.606	81.222	1A.14
Dividends	£m	3	-454.200	0.000	-2.351	2.351	-451.849	1A.15
Tax analysis								
Current year	£m	3	-1.900	0.000	0.551	-0.551	-2.451	1A.16
Adjustment in respect of prior years	£m	3	-7.800	0.000	0.000	0.000	-7.800	1A.17
UK Corporation tax	£m	3	-9.700	0.000	0.551	-0.551	-10.251	1A.18
Analysis of non-appointed revenue								
Imported sludge	£m	3			0.000			1A.19
Tankered waste	£m	3			4.965			1A.20
Other non-appointed revenue	£m	3			5.302			1A.21
Revenue	£m	3			10.267			1A.22

Section 1 Regulatory financial reporting

Pro forma 1B

Statement of comprehensive income for the 12 months ended 31 March 2023

Keys to cells
Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities	RAG 4 reference
Profit for the year	£m	3	167.828	-84.255	2.351	-86.606	81.222	1B.1
Actuarial gains/(losses) on post-employment plans	£m	3	-352.100	0.000	0.000	0.000	-352.100	1B.2
Other comprehensive income	£m	3	63.000	0.000	0.000	0.000	63.000	1B.3
Total Comprehensive income for the year	£m	3	-121.272	-84.255	2.351	-86.606	-207.878	1B.4

Pro forma tables subject to audit opinion

Section 1 Regulatory financial reporting

Pro forma 1C

Statement of financial position for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities	RAG 4 reference
Non-current assets								
Fixed assets	£m	3	12,571.773	-395.753	6.872	-402.625	12,169.148	1C.1
Intangible assets	£m	3	142.379	-4.845	1.395	-6.240	136.139	1C.2
Investments - loans to group companies	£m	3	0.000	0.000	0.000	0.000	0.000	1C.3
Investments - other	£m	3	0.044	0.000	0.000	0.000	0.044	1C.4
Financial instruments	£m	3	428.626	0.000	0.000	0.000	428.626	1C.5
Retirement benefit assets	£m	3	442.110	0.000	0.000	0.000	442.110	1C.6
Total non-current assets	£m	3	13,584.932	-400.598	8.267	-408.865	13,176.067	1C.7
Current assets								
Inventories	£m	3	9.945	0.000	0.000	0.000	9.945	1C.8
Trade & other receivables	£m	3	290.516	39.810	0.625	39.185	329.701	1C.9
Financial instruments	£m	3	48.465	0.000	0.000	0.000	48.465	1C.10
Cash & cash equivalents	£m	3	237.790	0.000	0.000	0.000	237.790	1C.11
Total current assets	£m	3	586.717	39.810	0.625	39.185	625.902	1C.12
Current liabilities								
Trade & other payables	£m	3	-372.234	18.438	-8.674	27.112	-345.122	1C.13
Capex creditor	£m	3	0.000	0.000	0.000	0.000	0.000	1C.14
Borrowings	£m	3	-307.313	12.385	0.000	12.385	-294.928	1C.15
Financial instruments	£m	3	-9.728	0.000	0.000	0.000	-9.728	1C.16
Current tax liabilities	£m	3	0.000	0.000	0.000	0.000	0.000	1C.17
Provisions	£m	3	-13.067	-16.618	0.000	-16.618	-29.685	1C.18
Total current liabilities	£m	3	-702.341	14.205	-8.674	22.879	-679.462	1C.19
Net Current assets/(liabilities)	£m	3	-115.624	54.015	-8.049	62.064	-53.560	1C.20
Non-current liabilities								
Trade & other payables	£m	3	-892.401	873.252	0.000	873.252	-19.150	1C.21
Borrowings	£m	3	-8,717.731	0.000	0.000	0.000	-8,717.731	1C.22
Financial instruments	£m	3	-243.073	0.000	0.000	0.000	-243.073	1C.23
Retirement benefit obligations	£m	3	0.000	0.000	0.000	0.000	0.000	1C.24
Provisions	£m	3	0.000	0.000	0.000	0.000	0.000	1C.25
Deferred income – grants & contributions	£m	3	0.000	-293.047	-0.218	-292.829	-292.829	1C.26
Deferred income - adopted assets	£m	3	0.000	-574.344	0.000	-574.344	-574.344	1C.27
Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000	1C.28
Deferred tax	£m	3	-1,985.654	56.338	0.000	56.338	-1,929.316	1C.29
Total non-current liabilities	£m	3	-11,838.859	62.199	-0.218	62.417	-11,776.442	1C.30
Net assets	£m	3	1630.449	-284.384	0.000	-284.384	1346.065	1C.31
Equity								
Called up share capital	£m	3	-230.000	0.000	0.000	0.000	-230.000	1C.32
Retained earnings & other reserves	£m	3	-1,400.449	284.384	0.000	284.384	-1,116.065	1C.33
Total Equity	£m	3	-1,630.449	284.384	0.000	284.384	-1,346.065	1C.34

Section 1 Regulatory financial reporting

Pro forma 1D

Statement of cash flows for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Statistory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Operating activities								
Operating profit	£m	3	443.794	-9.635	-0.155	-9.480	434.314	1D.1
Other income	£m	3	0.000	8.320	3.057	5.263	5.263	1D.2
Depreciation	£m	3	422.246	-7.507	0.707	-8.213	414.032	1D.3
Amortisation – Grants & contributions	£m	3	-16.483	16.483	0.000	16.483	0.000	1D.4
Changes in working capital	£m	3	37.348	-7.661	0.727	-8.388	28.961	1D.5
Pension contributions	£m	3	-1.095	0.000	0.000	0.000	-1.095	1D.6
Movement in provisions	£m	3	-0.397	0.000	0.000	0.000	-0.397	1D.7
Profit on sale of fixed assets	£m	3	2.994	0.000	0.000	0.000	2.994	1D.8
Cash generated from operations	£m	3	888.406	0.000	4.336	-4.336	884.070	1D.9
Net interest paid	£m	3	-108.142	0.000	0.000	0.000	-108.142	1D.10
Tax paid	£m	3	11.532	0.000	-0.049	0.049	11.581	1D.11
Net cash generated from operating activities	£m	3	791.797	0.000	4.287	-4.287	787.510	1D.12
Investing activities								
Capital expenditure	£m	3	-692.628	0.000	-1.936	1.936	-690.692	1D.13
Grants & Contributions	£m	3	5.479	0.000	0.000	0.000	5.479	1D.14
Disposal of fixed assets	£m	3	0.000	0.000	0.000	0.000	0.000	1D.15
Other	£m	3	0.000	0.000	0.000	0.000	0.000	1D.16
Net cash used in investing activities	£m	3	-687.149	0.000	-1.936	1.936	-685.213	1D.17
Net cash generated before financing activities	£m	3	104.648	0.000	2.351	-2.351	102.297	1D.18
Cashflows from financing activities								
Equity dividends paid	£m	3	-454.200	0.000	-2.351	2.351	-451.849	1D.19
Net loans received	£m	3	413.803	0.000	0.000	0.000	413.803	1D.20
Cash inflow from equity financing	£m	3	0.000	0.000	0.000	0.000	0.000	1D.21
Net cash generated from financing activities	£m	3	-40.397	0.000	-2.351	2.351	-38.046	1D.22
Increase (decrease) in net cash	£m	3	64.251	0.000	0.000	0.000	64.251	1D.23

Section 1 Regulatory financial reporting

Pro forma 1E

Net debt analysis (appointed activities) at 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Fixed rate	Floating rate	Index linked		Total	RAG 4 reference
					RPI	CPI/CPIH		
Interest rate risk profile								
Borrowings (excluding preference shares)	£m	3	3,223.566	1,332.974	3,310.404	1,256.723	9,123.666	1E.1
Preference share capital	£m	3	0.000				0.000	1E.2
Total borrowings	£m	3	3,223.566	1,332.974	3,310.404	1,256.723	9,123.666	1E.3
Cash	£m	3					-2.190	1E.4
Short term deposits	£m	3					-235.600	1E.5
Net Debt	£m	3					8,885.876	1E.6
Gearing								
Gearing	%	3					66.243%	1E.7
Adjusted Gearing	%	3					66.243%	1E.8
Interest								
Full year equivalent nominal interest cost	£m	3	79.627	55.632	498.450	119.123	752.832	1E.9
Full year equivalent cash interest payment	£m	3	79.627	55.632	45.164	-6.827	173.595	1E.10
Indicative interest rates								
Indicative weighted average nominal interest rate	%	3	2.470%	4.173%	15.057%	9.479%	8.251%	1E.11
Indicative weighted average cash interest rate	%	3	2.470%	4.173%	1.364%	-0.543%	1.903%	1E.12
Time to maturity								
Weighted average years to maturity	nr	3	12.924	0.000	19.144	10.915	13.693	1E.13

Section 1 Regulatory financial reporting

Pro forma 1F

Financial flows for the 12 months ended 31 March 2023 and for the price review to date

Keys to cells

Input cell
Calculation cell
Copy cell

			12 months ended 31 March 2023						Average 2020-25						
Line description			Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	RAG 4 reference
	Units		%			£m			%			£m			
Regulatory equity	DPs		2			3			2			3			
Regulatory equity	£m	3	4450.706	4450.706	3740.906				4458.251	4458.251	3839.504				1F.1
Return on regulatory equity															
Return on regulatory equity	See Column Heading		3.97%	3.34%	3.97%	176.738	148.552	148.552	3.94%	3.39%	3.94%	175.721	151.334	151.334	1F.2
Financing															
Impact of movement from notional gearing	See Column Heading			0.63%	0.29%		28.186	10.813		0.55%	0.28%		24.388	10.412	1F.3
Gearing benefits sharing	See Column Heading			0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000	1F.4
Variance in corporation tax	See Column Heading			2.59%	3.09%		115.411	115.411		1.62%	1.92%		71.991	71.991	1F.5
Group relief	See Column Heading			-0.04%	-0.04%		-1.648	-1.648		-0.01%	-0.01%		-0.549	-0.549	1F.6
Cost of debt	See Column Heading			4.75%	6.17%		211.464	230.729		2.07%	2.74%		92.071	102.445	1F.7
Hedging instruments	See Column Heading			-0.03%	-0.03%		-1.177	-1.177		0.45%	0.54%		20.108	20.108	1F.8
Return on regulatory equity including Financing adjustments	See Column Heading		3.97%	11.25%	13.44%	176.738	500.787	502.679	3.94%	8.07%	9.41%	175.721	359.341	355.740	1F.9
Operational Performance															
Totex out / (under) performance	See Column Heading			-0.68%	-0.80%		-30.081	-30.081		-0.56%	-0.66%		-24.801	-24.801	1F.10
ODI out / (under) performance	See Column Heading			0.44%	0.53%		19.720	19.720		0.41%	0.48%		18.082	18.082	1F.11
C-Mex out / (under) performance	See Column Heading			0.05%	0.06%		2.184	2.184		0.03%	0.04%		1.420	1.420	1F.12
D-Mex out / (under) performance	See Column Heading			0.02%	0.02%		0.817	0.817		0.01%	0.02%		0.623	0.623	1F.13
Retail out / (under) performance	See Column Heading			-0.22%	-0.26%		-9.741	-9.741		-0.26%	-0.30%		-11.371	-11.371	1F.14
Other exceptional items	See Column Heading			0.04%	0.05%		1.886	1.886		0.04%	0.04%		1.564	1.564	1F.15
Operational performance total	See Column Heading			-0.34%	-0.41%		-15.215	-15.215		-0.33%	-0.39%		-14.482	-14.482	1F.16
RoRE (return on regulatory equity)	See Column Heading		3.97%	10.91%	13.03%	176.738	485.572	487.464	3.94%	7.74%	9.02%	175.721	344.859	341.258	1F.17
RCV growth	See Column Heading		10.75%	10.75%	10.75%	478.451	478.451	402.147	6.18%	6.18%	6.18%	275.371	275.371	237.153	1F.18
Voluntary sharing arrangements	See Column Heading			-0.21%	-0.25%		-9.185	-9.185		-0.22%	-0.25%		-9.734	-9.734	1F.19
Total shareholder return	See Column Heading		14.72%	21.45%	23.54%	655.189	954.838	880.427	10.12%	13.70%	14.94%	451.093	610.497	568.677	1F.20
Dividends															
Gross Dividend	See Column Heading		3.00%	8.60%	10.23%	133.521	382.717	382.717	3.00%	5.16%	5.99%	133.748	230.068	230.068	1F.21
Interest Receivable on Intercompany loans	See Column Heading			0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000	1F.22
Retained Value	See Column Heading		11.72%	12.85%	13.30%	521.668	572.121	497.709	7.12%	8.54%	8.95%	317.345	380.429	338.609	1F.23
Cash impact of 2015-20 performance adjustments															
Totex out / under performance	See Column Heading			0.29%	0.34%		12.871	12.871		0.29%	0.34%		12.871	12.871	1F.24
ODI out / under performance	See Column Heading			-0.02%	-0.02%		-0.686	-0.686		-0.02%	-0.02%		-0.686	-0.686	1F.25
Total out / under performance	See Column Heading			0.27%	0.33%		12.186	12.186		0.27%	0.32%		12.186	12.186	1F.26

Section 2 Price review and other segmental reporting

Additional commentary on the Section 2 pro forma tables is provided on page 138.

Pro forma 2A

Segmental income statement for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Residential retail	Business retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total	RAG 4 reference
Revenue - price control	£m	3	112.050	0.000	111.398	647.972	811.886	103.262	1,786.569	2A.1
Revenue - non price control	£m	3	0.000	0.000	0.763	2.053	0.548	0.047	3.411	2A.2
Operating expenditure - excluding PU recharge impact	£m	3	-95.883	0.000	-85.957	-390.014	-320.956	-45.830	-938.640	2A.3
PU opex recharge	£m	3	-2.589	0.000	-0.059	-10.178	15.897	-3.071	0.000	2A.4
Operating expenditure - including PU recharge impact	£m	3	-98.472	0.000	-86.015	-400.192	-305.059	-48.901	-938.640	2A.5
Depreciation - tangible fixed assets	£m	3	-1.794	0.000	-10.341	-130.770	-189.858	-44.773	-377.536	2A.6
Amortisation - intangible fixed assets	£m	3	-6.027	0.000	-0.096	-6.801	-22.935	-0.637	-36.496	2A.7
Other operating income	£m	3	0.000	0.000	0.425	-1.036	-1.320	-1.063	-2.994	2A.8
Operating profit	£m	3	5.757	0.000	16.134	111.226	293.262	7.935	434.314	2A.9
Surface water drainage rebates										
Surface water drainage rebates	£m	3							0.864	2A.10

Section 2 Price review and other segmental reporting

Pro forma 2B

Totex analysis for the 12 months ended 31 March 2023 - wholesale

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Water resources	Water Network+	Wastewater Network+	Bioresources	Total	RAG 4 reference
Base operating expenditure								
Power	£m	3	9.817	49.260	84.191	-10.028	133.240	2B.1
Income treated as negative expenditure	£m	3	-0.020	-0.634	0.168	-16.713	-17.198	2B.2
Service charges/ discharge consents	£m	3	24.744	0.315	7.421	0.059	32.539	2B.3
Bulk Supply/Bulk discharge	£m	3	0.082	0.099	0.000	0.000	0.181	2B.4
Renewals expensed in year (Infrastructure)	£m	3	15.894	100.419	60.576	3.521	180.410	2B.5
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	2B.6
Other operating expenditure (including Location specific costs & obligations)	£m	3	16.667	190.125	128.668	66.168	401.628	2B.7
Local authority and Cumulo rates	£m	3	17.361	47.038	16.816	5.500	86.715	2B.8
Total base operating expenditure	£m	3	84.547	386.621	297.840	48.507	817.515	2B.9
Other operating expenditure								
Enhancement operating expenditure	£m	3	1.230	2.620	4.563	0.359	8.771	2B.10
Developer services operating expenditure	£m	3	0.000	9.316	2.234	0.000	11.549	2B.11
Total operating expenditure excluding third party services	£m	3	85.777	398.556	304.636	48.866	837.836	2B.12
Third party services	£m	3	0.239	1.636	0.423	0.035	2.332	2B.13
Total operating expenditure	£m	3	86.015	400.192	305.059	48.901	840.168	2B.14
Grants and contributions								
Grants and contributions - operating expenditure	£m	3	0.000	8.943	2.644	0.000	11.587	2B.15
Capital expenditure								
Base capital expenditure	£m	3	4.630	111.509	123.768	26.654	266.561	2B.16
Enhancement capital expenditure	£m	3	8.272	108.528	270.804	0.062	387.666	2B.17
Developer services capital expenditure	£m	3	0.000	28.176	7.756	0.000	35.932	2B.18
Total gross capital expenditure excluding third party services	£m	3	12.902	248.213	402.328	26.716	690.159	2B.19
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	2B.20
Total gross capital expenditure	£m	3	12.902	248.213	402.328	26.716	690.159	2B.21
Grants and contributions								
Grants and contributions - capital expenditure	£m	3	0.000	-6.690	7.091	0.000	0.402	2B.22
Net totex	£m	3	98.917	646.152	697.651	75.617	1,518.338	2B.23
Cash expenditure								
Pension deficit recovery payments	£m	3	0.000	0.000	0.000	0.000	0.000	2B.24
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	2B.25
Totex including cash items	£m	3	98.917	646.152	697.651	75.617	1,518.338	2B.26

Section 2 Price review and other segmental reporting

Pro forma 2C

Cost analysis for the 12 months ended 31 March 2023 - retail

Keys to cells
Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Residential	Business	Total	RAG 4 reference
Operating expenditure						
Customer services	£m	3	21.931	0.000	21.931	2C.1
Debt management	£m	3	13.289	0.000	13.289	2C.2
Doubtful debts	£m	3	42.172	0.000	42.172	2C.3
Meter reading	£m	3	3.334	0.000	3.334	2C.4
Services to developers	£m	3		0.000	0.000	2C.5
Other operating expenditure	£m	3	15.158	0.000	15.158	2C.6
Local authority and Cumulo rates	£m	3	0.000	0.000	0.000	2C.7
Total operating expenditure excluding third party services	£m	3	95.883	0.000	95.883	2C.8
Depreciation						
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	£m	3	0.000	0.000	0.000	2C.9
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	£m	3	1.794	0.000	1.794	2C.10
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	£m	3	0.105	0.000	0.105	2C.11
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	£m	3	5.921	0.000	5.921	2C.12
Recharges						
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	£m	3	0.566	0.000	0.566	2C.13
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	£m	3	0.000	0.000	0.000	2C.14
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	£m	3	2.560	0.000	2.560	2C.15
Income from wholesale assets acquired after 1 April 2015 principally used by retail	£m	3	0.537	0.000	0.537	2C.16
Net recharges costs	£m	3	2.589	0.000	2.589	2C.17
Total retail costs excluding third party and pension deficit repair costs	£m	3	106.293	0.000	106.293	2C.18
Third party services operating expenditure	£m	3	0.000	0.000	0.000	2C.19
Pension deficit repair costs	£m	3	0.000	0.000	0.000	2C.20
Total retail costs including third party and pension deficit repair costs	£m	3	106.293	0.000	106.293	2C.21
Debt written off						
Debt written off	£m	3	38.114	0.000	38.114	2C.22
Capital expenditure						
Capital expenditure	£m	3	2.662	0.000	2.662	2C.23
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale						
Demand-side water efficiency - gross expenditure	£m	3	1.911			2C.24
Demand-side water efficiency - expenditure funded by wholesale	£m	3	1.911			2C.25
Demand-side water efficiency - net retail expenditure	£m	3	0.000			2C.26
Customer-side leak repairs - gross expenditure	£m	3	3.303			2C.27
Customer-side leak repairs - expenditure funded by wholesale	£m	3	3.303			2C.28
Customer-side leak repairs - net retail expenditure	£m	3	0.000			2C.29
Comparison of actual and allowed expenditure						
Cumulative actual retail expenditure to reporting year end	£m	3	342.934			2C.30
Cumulative allowed expenditure to reporting year end	£m	3	310.700			2C.31
Total allowed expenditure 2020-25	£m	3	499.631			2C.32

Section 2 Price review and other segmental reporting

Pro forma 2D

Historic cost analysis of tangible fixed assets at 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Residential Retail	Business Retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total	RAG 4 reference
Cost										
At 1 April 2022	£m	3	48.567	0.000	319.296	6,039.835	9,030.874	1,153.368	16,591.940	2D.1
Disposals	£m	3	0.000	0.000	-5.141	-50.164	-84.062	-20.803	-160.170	2D.2
Additions	£m	3	0.932	0.000	12.742	242.569	391.680	26.716	674.639	2D.3
Adjustments	£m	3	-0.554	0.000	3.460	1.825	9.746	0.222	14.699	2D.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	15.806	50.351	0.000	66.157	2D.5
At 31 March 2023	£m	3	48.945	0.000	330.357	6,249.871	9,398.589	1,159.503	17,187.266	2D.6
Depreciation										
At 1 April 2022	£m	3	-42.211	0.000	-124.560	-1,677.665	-2,337.835	-608.997	-4,791.268	2D.7
Disposals	£m	3	0.000	0.000	5.002	48.400	80.941	19.648	153.991	2D.8
Adjustments	£m	3	0.000	0.000	-0.017	-1.499	-1.576	-0.213	-3.305	2D.9
Charge for year	£m	3	-1.794	0.000	-10.341	-130.770	-189.858	-44.773	-377.536	2D.10
At 31 March 2023	£m	3	-44.005	0.000	-129.916	-1,761.534	-2,448.328	-634.335	-5,018.118	2D.11
Net book amount at 31 March 2023	£m	3	4.941	0.000	200.441	4,488.337	6,950.261	525.168	12,169.148	2D.12
Net book amount at 1 April 2022	£m	3	6.357	0.000	194.736	4,362.170	6,693.039	544.371	11,800.673	2D.13
Depreciation charge for year										
Principal services	£m	3	-1.794	0.000	-10.121	-130.316	-189.858	-44.773	-376.862	2D.14
Third party services	£m	3	0.000	0.000	-0.220	-0.454	0.000	0.000	-0.674	2D.15
Total	£m	3	-1.794	0.000	-10.341	-130.770	-189.858	-44.773	-377.536	2D.16

The net book value includes £1,834.3 million in respect of assets in the course of construction.

Section 2 Price review and other segmental reporting

Pro forma 2E

Analysis of 'grants and contributions' for the 12 months ended 31 March 2023 - water resources, water network+ and wastewater network+

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	RAG 4 reference
Grants and contributions - water resources							
Diversions - s185	£m	3	0.000	0.000	0.000	0.000	2E.1
Other contributions (price control)	£m	3	0.000	0.000	0.000	0.000	2E.2
Price control grants and contributions	£m	3	0.000	0.000	0.000	0.000	2E.3
Diversions - NRSWA	£m	3	0.000	0.000	0.000	0.000	2E.4
Diversions - other non-price control	£m	3	0.000	0.000	0.000	0.000	2E.5
Other contributions (non-price control)	£m	3	0.000	0.000	0.000	0.000	2E.6
Total grants and contributions	£m	3	0.000	0.000	0.000	0.000	2E.7
Value of adopted assets	£m	3	0.000	0.000		0.000	2E.8
Grants and contributions - water network+							
Connection charges	£m	3	0.205	6.344	0.000	6.549	2E.9
Infrastructure charge receipts – new connections	£m	3	0.000	5.329	0.000	5.329	2E.10
Requisitioned mains	£m	3	0.000	4.894	0.000	4.894	2E.11
Diversions - s185	£m	3	4.752	0.000	0.000	4.752	2E.12
Other contributions (price control)	£m	3	0.084	0.000	0.000	0.084	2E.13
Price control grants and contributions before deduction of income offset	£m	3	5.041	16.567	0.000	21.609	2E.14
Income offset	£m	3	0.000	23.257	0.000	23.257	2E.15
Price control grants and contributions after deduction of income offset	£m	3	5.041	-6.690	0.000	-1.649	2E.16
Diversions - NRSWA	£m	3	3.152	0.000	0.000	3.152	2E.17
Diversions - other non-price control	£m	3	0.750	0.000	0.000	0.750	2E.18
Other contributions (non-price control)	£m	3	0.000	0.000	0.000	0.000	2E.19
Total grants and contributions	£m	3	8.943	-6.690	0.000	2.253	2E.20
Value of adopted assets	£m	3	0.000	15.806		15.806	2E.21
Grants and contributions - wastewater network+							
Receipts for on-site work	£m	3	0.000	0.000	0.000	0.000	2E.22
Infrastructure charge receipts – new connections	£m	3	0.000	5.451	0.000	5.451	2E.23
Diversions - s185	£m	3	1.447	0.000	0.000	1.447	2E.24
Other contributions (price control)	£m	3	0.000	1.641	0.000	1.641	2E.25
Price control grants and contributions before deduction of income offset	£m	3	1.447	7.091	0.000	8.538	2E.26
Income offset	£m	3	0.000	0.000	0.000	0.000	2E.27
Price control grants and contributions after deduction of income offset	£m	3	1.447	7.091	0.000	8.538	2E.28
Diversions - NRSWA	£m	3	0.688	0.000	0.000	0.688	2E.29
Diversions - other non-price control	£m	3	0.509	0.000	0.000	0.509	2E.30
Other Contributions (non-price control)	£m	3	0.000	0.000	0.000	0.000	2E.31
Total grants and contributions	£m	3	2.644	7.091	0.000	9.736	2E.32
Value of adopted assets	£m	3	0.000	50.351		50.351	2E.33

Line description	Units	DPs	Water resources	Water network+	Total		
Movements in capitalised grants and contributions							
b/f	£m	3	1.210	164.390	138.309	303.908	2E.34
Capitalised in year	£m	3	0.000	-6.690	7.091	0.402	2E.35
Amortisation (in income statement)	£m	3	-0.057	-2.904	-2.938	-5.899	2E.36
c/f	£m	3	1.153	154.796	142.462	298.411	2E.37

Section 2 Price review and other segmental reporting

Pro forma 2F

Residential retail for the 12 months ended 31 March 2023

Keys to cells
Input cell
Calculation cell
Copy cell

Line description	Revenue	Number of customers	Average residential revenues	RAG 4 reference
Units	£m	000s	£	
DPs	3	3	3	
Residential revenue				
Wholesale revenue	1,181.311			2F.1
Retail revenue	112.050			2F.2
Total residential revenue	1,293.361			2F.3
Retail revenue				
Revenue Recovered ("RR")	112.050			2F.4
Revenue sacrifice	10.844			2F.5
Actual revenue (net)	122.894			2F.6
Customer information				
Actual customers ("AC")		3,190.018		2F.7
Reforecast customers		3,200.434		2F.8
Adjustment				
Allowed revenue ("R")	124.326			2F.9
Net adjustment	1.432			2F.10
Other residential information				
Average household retail revenue per customer			38.525	2F.11

Pro forma 2G and 2H Non-household water and wastewater – revenues by tariff type

As per RAG 4.11, Tables 2G & 2H should only be completed by Welsh companies.
Please refer to Table 2I, page 120, for the corresponding wholesale revenue.

Section 2 Price review and other segmental reporting

Pro forma 2I

Revenue analysis for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Household	Non-household	Total	Water resources	Water network+	Total	RAG 4 reference
Wholesale charge - water									
Unmeasured	£m	3	320.563	3.083	323.646	47.672	275.974	323.646	2I.1
Measured	£m	3	242.581	186.999	429.580	59.956	369.624	429.580	2I.2
Third party revenue	£m	3	0.000	6.145	6.145	3.770	2.375	6.145	2I.3
Total wholesale water revenue	£m	3	563.144	196.227	759.370	111.398	647.972	759.370	2I.4

Line description	Units	DPs	Household	Non-household	Total	Wastewater network+	Bioresources	Total	RAG 4 reference
Wholesale charge - wastewater									
Unmeasured - foul charges	£m	3	210.055	2.310	212.366	164.130	48.236	212.366	2I.5
Unmeasured - surface water charges	£m	3	94.479	1.371	95.851	95.806	0.045	95.851	2I.6
Unmeasured - highway drainage charges	£m	3	40.671	0.638	41.309	41.285	0.023	41.309	2I.7
Measured - foul charges	£m	3	141.461	120.698	262.159	207.323	54.836	262.159	2I.8
Measured - surface water charges	£m	3	90.822	105.226	196.048	195.975	0.073	196.048	2I.9
Measured - highway drainage charges	£m	3	40.679	66.311	106.990	106.941	0.049	106.990	2I.10
Third party revenue	£m	3	0.000	0.426	0.426	0.426	0.000	0.426	2I.11
Total wholesale wastewater revenue	£m	3	618.167	296.981	915.148	811.886	103.262	915.148	2I.12
Wholesale charge - Additional Control									
Unmeasured	£m	3	0.000	0.000	0.000				2I.13
Measured	£m	3	0.000	0.000	0.000				2I.14
Total wholesale additional control revenue	£m	3	0.000	0.000	0.000				2I.15
Wholesale Total	£m	3	1,181.311	493.208	1,674.518				2I.16
Retail revenue									
Unmeasured	£m	3	54.206	0.000	54.206				2I.17
Measured	£m	3	57.844	0.000	57.844				2I.18
Retail third party revenue	£m	3	0.000	0.000	0.000				2I.19
Total retail revenue	£m	3	112.050	0.000	112.050				2I.20
Third party revenue - non-price control									
Bulk supplies - water	£m	3			0.842				2I.21
Bulk supplies - wastewater	£m	3			0.595				2I.22
Other third-party revenue - non price control	£m	3			1.747				2I.23
Principal services - non-price control									
Other appointed revenue	£m	3			0.226				2I.24
Total appointed revenue	£m	3			1,789.980				2I.25

Section 2 Price review and other segmental reporting

Pro forma 2J

Infrastructure network reinforcement costs for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
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Line description	Units	DPs	Network reinforcement capex	On site / site specific capex (memo only)	RAG 4 reference
Wholesale water network+ (treated water distribution)					
Distribution and trunk mains	£m	3	7.593	0.270	2J.1
Pumping and storage facilities	£m	3	0.000	0.000	2J.2
Other	£m	3	0.000	0.000	2J.3
Total	£m	3	7.593	0.270	2J.4
Wholesale wastewater network+ (sewage collection)					
Foul and combined systems	£m	3	1.849	0.000	2J.5
Surface water only systems	£m	3	2.502	0.000	2J.6
Pumping and storage facilities	£m	3	0.000	0.000	2J.7
Other	£m	3	0.000	0.000	2J.8
Total	£m	3	4.351	0.000	2J.9

Section 2 Price review and other segmental reporting

Pro forma 2K

Infrastructure charges reconciliation for the 12 months ended 31 March 2023

Keys to cells

Keys to cells
Input cell
Calculation cell
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Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
Impact of infrastructure charge discounts						
Infrastructure charges	£m	3	5.329	5.451	10.779	2K.1
Discounts applied to infrastructure charges	£m	3	0.000	0.000	0.000	2K.2
Gross Infrastructure charges	£m	3	5.329	5.451	10.779	2K.3
Comparison of revenue and costs						
Variance brought forward	£m	3	12.931	13.114	26.045	2K.4
Revenue	£m	3	5.329	5.451	10.779	2K.5
Costs	£m	3	-7.593	-4.351	-11.944	2K.6
Variance carried forward	£m	3	10.666	14.214	24.880	2K.7

Pro forma 2L

Analysis of land sales for the 12 months ended 31 March 2023

Line description	Units	DPs	Water resources	Water Network+	Wastewater Network+	Total	RAG 4 reference
Land sales – proceeds from disposals of protected land	£m	3	3.937	0.204	0.312	4.453	2L.1

Section 2 Price review and other segmental reporting

Pro forma 2M

Revenue reconciliation for the 12 months ended 31 March 2023 - wholesale

Keys to cells
Input cell
Calculation cell
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Line description	Units	DPs	Water resources	Water network+	Wastewater network+	Bioresources	Total	RAG 4 reference
Revenue recognised								
Wholesale revenue governed by price control	£m	3	111.398	647.972	811.886	103.262	1,674.518	2M.1
Grants & contributions (price control)	£m	3	0.000	-1.649	8.538	0.000	6.890	2M.2
Total revenue governed by wholesale price control	£m	3	111.398	646.324	820.424	103.262	1,681.408	2M.3
Calculation of the revenue cap								
Allowed wholesale revenue before adjustments (or modified by CMA)	£m	3	114.683	667.819	840.917	106.712	1,730.131	2M.4
Allowed grants & contributions before adjustments (or modified by CMA)	£m	3	0.000	4.534	11.129	0.000	15.662	2M.5
Revenue adjustment	£m	3	-0.654	-0.966	-10.501	-0.255	-12.376	2M.6
Other adjustments	£m	3	0.000	0.000	0.000	0.000	0.000	2M.7
Revenue cap	£m	3	114.028	671.387	841.545	106.457	1,733.417	2M.8
Calculation of the revenue imbalance								
Revenue cap	£m	3	114.028	671.387	841.545	106.457	1,733.417	2M.9
Revenue Recovered	£m	3	111.398	646.324	820.424	103.262	1,681.408	2M.10
Revenue imbalance	£m	3	2.630	25.063	21.121	3.195	52.009	2M.11

Section 2 Price review and other segmental reporting

Pro forma 2N

Residential retail – social tariffs

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Revenue	Number of customers	Average amount per customer	RAG 4 reference
Units	£m	000s	£	
DPs	3	3	3	
Number of residential customers on social tariffs				
Residential water only social tariffs customers		0.378		2N.1
Residential wastewater only social tariffs customers		0.786		2N.2
Residential dual service social tariffs customers		152.499		2N.3
Number of residential customers not on social tariffs				
Residential water only no social tariffs customers		75.338		2N.4
Residential wastewater only no social tariffs customers		81.599		2N.5
Residential dual service no social tariffs customers		2,879.418		2N.6
Social tariff discount				
Average discount per water only social tariffs customer			161.899	2N.7
Average discount per wastewater only social tariffs customer			126.781	2N.8
Average discount per dual service social tariffs customer			195.967	2N.9
Social tariff cross-subsidy - residential customers				
Total customer funded cross-subsidies for water only social tariffs customers	0.039			2N.10
Total customer funded cross-subsidies for wastewater only social tariffs customers	0.060			2N.11
Total customer funded cross-subsidies for dual service social tariffs customers	19.102			2N.12
Average customer funded cross-subsidy per water only social tariffs customer			0.519	2N.13
Average customer funded cross-subsidy per wastewater only social tariffs customer			0.729	2N.14
Average customer funded cross-subsidy per dual service social tariffs customer			6.300	2N.15
Social tariff cross-subsidy - company				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.022			2N.16
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.040			2N.17
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	10.782			2N.18
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			58.083	2N.19
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			50.376	2N.20
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			70.704	2N.21
Social tariff support - willingness to pay				
Level of support for social tariff customers reflected in business plan			2.059	2N.22
Maximum contribution to social tariffs supported by customer engagement			7.318	2N.23

Section 2 Price review and other segmental reporting

Pro forma 2O

Historic cost analysis of intangible fixed assets

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Residential Retail	Business Retail	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total	RAG 4 reference
Cost										
At 1 April 2022	£m	3	86.323	0.000	0.814	70.130	253.837	5.515	416.619	2O.1
Disposals	£m	3	0.000	0.000	0.000	0.000	-0.001	0.000	-0.001	2O.2
Additions	£m	3	1.730	0.000	0.160	5.644	10.648	0.000	18.182	2O.3
Adjustments	£m	3	-5.510	0.000	0.057	7.068	-1.747	0.000	-0.132	2O.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2O.5
At 31 March 2023	£m	3	82.543	0.000	1.031	82.842	262.737	5.515	434.668	2O.6
Amortisation										
At 1 April 2022	£m	3	-53.843	0.000	-0.485	-45.581	-158.456	-3.669	-262.034	2O.7
Disposals	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2O.8
Adjustments	£m	3	0.000	0.000	0.001	-0.110	0.110	0.000	0.001	2O.9
Charge for year	£m	3	-6.027	0.000	-0.096	-6.801	-22.935	-0.637	-36.496	2O.10
At 31 March 2023	£m	3	-59.870	0.000	-0.580	-52.492	-181.281	-4.306	-298.529	2O.11
Net book amount at 31 March 2023	£m	3	22.673	0.000	0.451	30.350	81.456	1.209	136.139	2O.12
Net book amount at 1 April 2022	£m	3	32.480	0.000	0.329	24.549	95.381	1.846	154.585	2O.13
Amortisation for year										
Principal services	£m	3	-6.027	0.000	-0.096	-6.801	-22.935	-0.637	-36.496	2O.14
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2O.15
Total	£m	3	-6.027	0.000	-0.096	-6.801	-22.935	-0.637	-36.496	2O.16

The net book value includes £24.9m in respect of assets in the course of construction.

Accounting policies

The Regulatory Accounts have been prepared in accordance with IFRS, except for deviations required by Ofwat. Areas of deviation include revenue recognition, capitalisation of interest, grants and contributions and adopted assets, direct procurement for customers (DPC) and innovation fund costs reporting. Details of all significant accounting policies applied under IFRS are detailed in the United Utilities Water Limited statutory accounts. In addition, the RAGs require certain presentational differences within the income statement and statement of financial position between the statutory and the regulatory accounts.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the company has adequate resources for a period of at least 12 months from the date of the approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the company in the form of cash and committed facilities as well as consideration of the company's capital adequacy, along with a baseline plan that incorporates latest views of the current economic climate. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of severe, but plausible, downside scenarios in order to assess the company's ability to operate within the amounts and terms (including relevant covenants) of existing facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact of £500 million arising in the assessment period; elevated levels of bad debt of £15 million per annum; outcome delivery incentive penalties equivalent to 1.0 per cent of RoRE per annum; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction in other discretionary totex spend; the close out of derivative asset balances; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that the severe but plausible downside scenarios indicate that the company will be able to operate within the amounts and terms (including relevant covenants) of existing facilities. The financial statements have therefore been prepared on a going concern basis.

Capitalisation policy

The company recognises property, plant and equipment (PPE) expenditure on its water and wastewater infrastructure assets where such expenditure enhances or increases the capacity and/or resilience of the network, whereas any expenditure classed as maintenance is expensed in the period it is incurred. Determining enhancement from maintenance expenditure is a subjective area, particularly when projects have both elements within them.

For non-infrastructure assets, expenditure that is directly attributable to the acquisition of the items of PPE and intangible assets is capitalised. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The company applies a minimum capital limit per project of £500, any expenditure below this limit is expensed. The only exception to IFRS, as required by RAG 1.09 'Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime', is that the company does not capitalise interest in the Regulatory Accounts.

Price control segments policy

The accounts have been drawn up in accordance with RAG 2.08 'Guideline for classification of costs across the price controls'. Following our formal exit of the non-household market in 2016, we continue to exclude Tables 2G and 2H from the Regulatory Accounts which previously provided breakdowns of our non-household revenues by tariff type.

As noted in our Accounting Policies note to the UUW statutory accounts, management capitalises time and resources incurred by the company's support functions on capital programmes. In accordance with RAG 1.09 our historic cost accounting statements are in line with IFRS, except for deviations as specifically required by Ofwat (see 'Differences between statutory and RAG definitions' on pages 133 to 134). As such, any attribution or allocation of support costs between price controls is performed on the net cost balance after capitalisation. This approach is consistent with prior years and with our price review submission.

All notable methodology changes from the prior year, as well as details of cost allocations used per cost line, can be found in our 2022/23 accounting methodology statement, published on our website alongside the APR.

Allocation of costs to principal services

Direct costs are charged to the sub-service areas to which they are attributable, as defined in RAG 4.11. Business activities and indirect costs are allocated on an activity basis using quantitative measures such as full time equivalent employee numbers and other methods reflecting consumption of service.

Appointed and non-appointed activities

The company has used the guidance in RAG 4.11 Appendix 1 in determining which of its activities are appointed or non-appointed. In summary, the appointed business is defined as the regulated activities of the Appointee, i.e. those necessary to fulfil the functions and duties of a water and sewerage undertaker. The non-appointed business encompasses those activities for which the company is not a monopoly supplier or those activities which involve the optional use of an asset owned by the appointed business.

Revenue recognition policy

Revenue represents the income receivable in the ordinary course of business from the regulated activities of the business in the year exclusive of value added tax. Charges billed to customers for water and sewerage services are recognised in the period in which they are earned. An accrual is estimated for measured consumption that has not yet been billed.

Where an invoice has been raised for services not provided in the year this will not be recognised within the current year's revenue, and any payment received against that invoice will be recognised within creditors.

Charges on income arising from court, solicitors and debt recovery agency fees are credited to operating costs and added to the relevant customer account. They are not recognised within revenue.

Charging policy

Water and sewerage charges fall into the following three categories:

- Charges which are payable in full;
- Charges which are payable in part; and
- Not chargeable (void properties).

The circumstances in which each of the above applies are set out below.

Charges payable in full

Water (and sewerage) charges are payable in full in the following circumstances:

Unmeasured household supply – when premises benefit from a supply of water, until notice is given by the customer that the supply should be disconnected.

Measured household supply – premises with a measured water supply are charged until either:

- The customer leaves the premises having given an up to date meter reading; or
- The customer requests that the supply is disconnected.

Charges are applied to each and every connected supply point where a service is received, except where the water supply to the premises is permanently disconnected or the premises is vacant.

This includes premises where renovation, redecoration or building work is being undertaken.

Exceptions to this, where water (and sewerage) charges are not payable, include:

- Where the occupier is a sole occupier in a care home for three months or more;
- Where the occupier is a sole occupier in long-term hospitalisation for three months or more;
- Where the occupier is a sole occupier in prison for three months or more; or
- In the event of the death of a sole occupier.

Charges payable in part

The following charges are only payable in certain circumstances:

Metered standing charges

Payable on metered properties without evidence of consumption which remain connected.

Surface water drainage and highway drainage charges

Payable where there is evidence of consumption for metered premises or an unmeasured water supply.

Not chargeable

Properties which are identified as vacant are not chargeable for water (and sewerage) and therefore no bill is raised and no revenue recognised in respect of these properties.

Definition and treatment of properties

Occupied properties

The occupier is any person in actual occupation of premises, or any person who:

- Owns the premises; or
- Has sufficient control over premises to put him under a duty of care towards lawful visitors; or
- Maintains premises for occupation (including multiple occupation) with shared facilities or as holiday or household accommodation for short term occupation (whether let wholly or in part), usually less than 12 months.

No bills are raised in the name of 'the occupier'.

The property management process is followed to identify whether the property is occupied or not and, if occupied, to identify the chargeable person and raise a bill.

The property management process may comprise some or all of the following:

- Physical inspection;
- Mailings;
- Customer contacts;
- Searches using third-party electronic data;
- Meter readings for metered properties; and
- Land registry checks.

When a new customer is identified, they may be required to provide documentary evidence to establish the date that they became responsible for water (and sewerage) charges at the property. This is normally the date at which they moved into the property. The new customer will be charged from the date at which they became responsible for water (and sewerage) charges of the premises.

For non-household customers, the Wholesale Settlement team use Central Market Operating System (CMOS) meter read data to identify vacant Supply Point Identifications (SPIDs) with consumption. Where consumption exists, we will engage with the relevant retailer, and follow the market process to ensure the SPID is recorded correctly as either vacant, or occupied in the market.

Unoccupied properties

A property is deemed to be unoccupied when the company has completed the property management process and not identified the property as occupied. To be classified as unoccupied, a property must meet at least one of the following criteria:

- A new property has been connected but is empty and there is no consumption on the meter;
- The company has been informed that the customer has left the property; and not expected to be reoccupied immediately;
- It has been disconnected following a customer request;
- The property management process has not identified an occupier; or
- The company has been informed that for three months or more, the customer is in a care home, in long-term hospitalisation, or in prison.

If the property management process confirms that the property is unoccupied, the property will be declared void and the supply may be turned off.

New properties

All new properties are metered. Until the new occupier has been identified, the property is treated as unoccupied and is not billed.

Revenue recognition policy

Measured income accrual

The household measured income accrual is an estimation of the amount of mains water and sewerage charges unbilled at the year end. The accrual is estimated using a defined methodology based on weighted average water consumption by tariff which is calculated based on historical information. The measured income accrual is recognised within turnover.

An estimation of the non-household mains water and sewerage charges unbilled at the year end is calculated and a measured income accrual recognised within turnover. The accrual is estimated using a defined methodology based on historical water consumption of individual customers or based on meter size where individual consumption is not available for use.

There has been no change to the methodology in calculating the measured income accrual since the prior year.

Bad debt policy

Household

Bad debt is written off when all economically viable efforts to recover outstanding amounts have been fully exhausted or, alternatively, when the write-off of such amounts forms part of customer rehabilitation processes (subject to acceptance criteria and customer 'matching' payments). The company's bad debt write-off policy has remained unchanged and has been consistently applied in the current year compared with the previous year.

The household bad debt provision is charged to operating costs to reflect the company's assessment of the risk of non-recoverability of debtors. Household has continued to consistently apply its provisioning model to calculate the bad debt provision. The provision model applies expected recovery rates to debts outstanding at the end of the accounting period. The overall expected recovery rate takes into account the age of the debt, payment history and type of debt.

Higher provisioning percentages are applied to categories of debt of greater age. Bad debt provisioning rates are reviewed annually to ensure they continue to reflect the latest collection performance data from the company's billing system. All debt greater than three years old is fully provided for.

The actual level of debt collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

The household bad debt provision policy has remained unchanged and has been consistently applied in the current year. The bad debt provision has increased by £5.2 million from 31 March 2022 to 31 March 2023 and the net household trade debtor balance has increased by £2.7 million from the level reported in the previous year. The increase in bad debt provision and net household trade debtor is a result of higher gross receivables which can be attributed to a number of factors. We have written off reduced amounts of debt as we have increased the level of recovery of aged debt through the use of debt collection agencies. During the year we have also continued to bill a number of properties that were previously identified as void. Collection from these customers has proven more challenging than from customers who proactively inform us that they have moved into a property. The increased collection risk associated with these customers has been considered in our assessment of future cash collection and sufficiency of our bad debt provision. In light of the increase in cost of living, the provision also reflects an assessment of how future cash collection performance may be affected by the change in economic conditions.

Non-household

In light of the increase in cost of living, we have performed an assessment of lifetime expected credit losses across the non-household retailer customer base that considers an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions as required by IFRS 9.

Taking all of this into account, the total expected credit loss associated with non-household retailers was £2.6 million. This is considered to be adequate to mitigate the future collection risk associated with the increase in cost of living and any ongoing impacts of COVID-19.

Dividend policy

UUW's dividend policy for the 2020–25 (AMP7) regulatory period has been set as follows:

i. a 4% (nominal) return on the actual equity portion of the shadow RCV, paid in relation to the appointed activities of UUW;

ii. a further dividend comprising the profit after tax in relation to the non-appointed activities of UUW; and;

iii. an amount no greater than demonstrable outperformance versus the final determination.

Calculation of dividends paid during 2022/23

For 2022/23, the UUW Board has authorised the payment of dividends of £454.2m from UUW to its parent comprising:

i. £193.6m reflecting a 4% return on the actual equity portion of the Shadow RCV;

ii. £2.3m reflecting the profit after tax in relation to the non-appointed activities of UUW;

iii. £250m relating to demonstrable outperformance versus the final determination; and

iv. £8.3m reflecting a true-up from 2021/22 as actual base returns in relation to that year were slightly higher than originally forecast at the time of authorising previous dividend payments.

Base dividend return

The level of base dividend was informed by the final determination for PR19 in which Ofwat viewed a base dividend yield of up to 4% as being reasonable for companies that have little real RCV growth and that perform in line with the determination in 2020–25. It is the Board's view that these conditions were met.

Calculation of base dividend as 4% of the equity portion of shadow RCV

In line with the assumptions described in the final determination, the base dividend of £193.6m in respect of 2022/23 reflects 4% of the forecast equity portion of shadow RCV, of £4,842.5m for that year.

A base dividend of £177.9m had been calculated in respect of 2021/22 reflecting 4% of the equity portion of shadow RCV, of £4,448.0m for that year. This compares to the payment of £169.6m made in the prior year based on the forecast equity portion of shadow RCV and therefore a true up of £8.3m was made during 2022/23.

The calculation of the equity portion of shadow RCV is set out in the table below:

UUW Dividends (£m)	2020/21 Actual	2021/22 Actual	2022/23 Forecast
Reported RCV	11,681.3	12,335.8	13,407.0
Customer share of totex overspend	49.8	99.2	154.0
Green recovery and WINEP	–	0.5	5.2
Shadow RCV	11,731.1	12,435.5	13,566.2
Net debt	7,628.3	7,987.5	8,723.7
Equity portion of shadow RCV	**4,102.8**	**4,448.0**	**4,842.5**
4% base dividend	**164.1**	**177.9**	**193.7**

Note that the payment of the 2022/23 base dividend was based on a forecast shadow RCV and net debt at the time of the payment. As disclosed in our AMP7 dividend policy, there will be a true-up in the following year for differences arising between the forecast and actual components used to determine the value of dividend paid.

The shadow RCV used in this calculation includes the impacts of timing of totex spend to reflect the fact that the accelerated spend is included in the net debt figure plus the additional investment we have made including Green Recovery.

Level of RCV growth and long term financial resilience

Real terms RCV growth was -0.4% in 2020/21, -0.2% in 2021/22 and +0.3% in 2022/23, as shown in the table below, a real terms RCV reduction of 0.3% over the first three years of the AMP:

Real RCV Growth (2017/18 prices)	2020/21	2021/22	2022/23
Opening RCV	11,188	11,145	11,124
Closing shadow RCV	11,145	11,124	11,159
RCV growth	-0.4%	-0.2%	0.3%

Long term financial resilience is underpinned by the strong credit ratings given by Moody's (A3), Standard and Poor's (BBB+) and Fitch (A-) and the long term viability assessment carried out to support our viability statements published in the APR. The level of growth in the asset base and measures of long-term financial resilience therefore appear consistent with the assumptions described in the final determination as supporting the base dividend assumption.

Performing in line with the determination for 2020–25

The board considers that there is substantial evidence that the company's overall performance is at least in line with the final determination, including the obligations and commitments embedded within our business plan and set out in the final determination for AMP7. Evidence supporting this view and of the company's delivery for customers includes the following:

- UUW met or beat targets for 80 per cent of its performance commitments in 2020/21, 78 per cent in 2021/22 and 83 per cent in 2022/23. Details of this performance are set out in section 1.1 of the APR.
- Across the first three years of AMP7, UUW has earned net positive financial incentives reflecting delivery of its package of performance commitments and customer ODIs. These amounted to £20.5m in 2020/21, £24.2m in 2021/22 and £25.3m in 2022/23, a cumulative net reward of £70.0m. More details on how this performance has been calculated and the steps the company has taken to deliver this performance are provided in the APR Section 1.1 – Outcome Delivery.
- UUW continues to make good progress in AMP7 on internal sewer flooding, water quality performance and interruptions to water supply although these are areas where performance is not achieving the Ofwat FD targets. To improve performance in these areas and get closer to achieving targets, the company is delivering additional actions and investment. More details on this activity is included in the APR Section 1.1 – Outcome Delivery. A particular focus is investment in our Dynamic Network Management capability to improve performance in our wastewater network, with additional investment also targeting water quality improvements across our region.
- The company has achieved 5th position out of 17 companies in Ofwat's customer satisfaction measure C-MeX in 2020/21, 7th position in 2021/22 and 5th in 2022/23. The company also achieved 5th position in the D-MeX survey for developer customers in 2020/21, 6th in 2021/22 and 8th in 2022/23. These results mean that we expect to be earning a net financial reward across the AMP as a whole, reflecting our good performance.
- Table 1F of the APR shows that return on regulated equity – a key measure of performance versus the final determination - was 4.50% in 2020/21, increasing to 7.83% in 2021/22 and 10.91% in 2022/23 compared to a base level of 3.94% (three-year average) in the final determination. These returns have been adversely impacted by the acceleration of totex spend, compared to the assumed profile in the final determination, in order to improve operational performance for the benefit of customers.
- UUW is expected to maintain a robust set of investment grade credit ratings with current credit ratings of A-, A3 and BBB+ with Fitch, Moody's and Standard and Poor's, respectively, demonstrating significant headroom.

Dividend policy

Taking all the above into account, the Board considers that the payment of base dividends in respect of performance so far in AMP7 is appropriate.

Profit after tax from non-appointed activities

Dividend payments also reflected profit after tax from non-appointed activities of £2.3m in respect of 2022/23 as shown in Table 1A of the APR. These profits result from commercial activities that are identified as being outside the definition of the appointed water and wastewater service.

Demonstrable outperformance versus the final determination

In line with our dividend policy, we have paid out an outperformance dividend of £250m in 2022/23, supported by the cumulative outperformance to date of £582m as demonstrated in APR Table 1F – Financial flows and summarised in the table below.

RoRE Outperformance (£m)	2020/21	2021/22	2022/23	Cumulative 3-years
RoRE:	**4.6%**	**7.8%**	**10.9%**	**7.7%**
Financing	79.1	92.1	238.5	409.7
Tax	(20.1)	120.6	113.8	214.3
Wholesale totex	(8.5)	(35.8)	(30.1)	(74.4)
ODIs (incl. C-MeX, D-MeX & PCC)	15.5	23.1	22.7	61.3
Retail costs	(13.6)	(10.8)	(9.7)	(34.1)
Other exceptional (proceeds on land sale)	1.3	1.5	1.9	4.7
RoRE Outperformance	**53.7**	**190.8**	**337.1**	**581.5**
Cumulative Outperformance	**53.7**	**244.4**	**581.5**	**581.5**

The financial flows assessment clearly demonstrates outperformance in excess of the proposed dividend. The amount of outperformance reflected in the dividend payment is equivalent to all of the net outperformance earned in 2020/21 and 2021/22 (£53.7m and £190.8m respectively) and a small amount of the outperformance earned in 2022/23 (£5.5m of the £337.1m).

The majority of outperformance has been earned as follows:

- £409.7m financing outperformance – We have maintained strong credit ratings enabling us to raise over £1.5bn of new debt in the first three years of AMP7 at a rate lower than the industry average. While the high inflationary environment has resulted in higher than-anticipated financing outperformance, it has had an adverse effect on our totex performance due to rising costs and we have responsibly shared the benefits of high inflation through £500m of additional investment, with a shareholder contribution of £250m, for the benefit of customers and the environment.
- £214.3m tax outperformance – Inflationary cost pressures on our operating cost-based and index linked debt interest charges have adversely impacted our profit before tax. This, together with additional capital allowances earned through efficient investment on research and development to drive our innovation agenda, has resulted in tax outperformance.
- £61.3m net ODI rewards – mainly due to strong performance for customers and the environment including flood risk resilience, pollution incidents, water services resilience and the majority of the household retail ODI measures.

We have, however, seen some areas of underperformance as follows:

- £74.4m totex underperformance – We have committed to substantial re-investment of total outperformance for future customer service and resilience benefits. This further investment has therefore resulted in totex underperformance.
- £34.1m retail cost to serve – We have seen some significant cost pressure in retail, in particular during the COVID-19 pandemic and, more recently, with the high inflationary cost pressures.

These areas of underperformance have been taken into account in the context of our overall performance when considering the amount of outperformance dividend to be distributed. Although we expect to continue to outperform in the remaining two years of the AMP, we have prudently not fully distributed outperformance earned to date, retaining approximately half of the earned outperformance to provide greater resilience to any unforeseen or exceptional circumstances that may occur in the final two years of AMP7.

Additional considerations in determining dividend payments

UUW's dividend policy is also subject to a number of additional considerations which were committed to by the UUW Board in our business plan submissions for the PR19 price review. These considerations act to ensure that dividend payments are made subject to consideration of a broad range of stakeholders who have interests in the performance of the company. This approach seeks to ensure that payment of the dividend takes into account consideration of business performance, performance for customers and performance for employees. We have provided a summary of these considerations, and how they have been applied to dividend payments in respect of 2022/23, in the tables included over the next two pages.

Dividend policy

UUW Dividend considerations	2022/23 commentary
Financial assistance schemes:	
We committed that over AMP7 the company would fund £71m dedicated to supporting customers in need of financial support and that dividend payments would not be made if they meant such funding would be put at risk.	The Board considers this condition will be satisfied. In 2022/23, UUW is expecting to fund a further £14m in financial assistance schemes, in line with achieving the £71m commitment by the end of AMP7.
Gearing safeguards:	
In the event that the company adopted a high level of gearing, we committed to sharing the financial benefits of this with customers, before consideration of any dividend payment. The sharing of financial benefits would commence once gearing exceeded 70%. **We also committed that if gearing exceeded 70% then the level of base dividend might be restricted in order to help lower gearing and that, if a base dividend were paid, then the board would explain its plan to restore gearing below the 70% threshold.** **We also said that if gearing fell below 60% then the base dividend distribution may be increased in order to efficiently manage the gearing position.**	The Board expects this condition will be satisfied. Following payment of the 2022/23 dividends, reported gearing is forecast to be below the 70% threshold for high gearing and no additional action is required.
Sharing of outperformance:	
We have committed that, where the distribution of outperformance through dividends exceeds 3% of the equity portion of the RCV, amounts in excess of this threshold would be matched with a benefit sharing payment to customers through our 'Community Share' scheme. This could then facilitate bill reductions, additional targeted financial assistance and other initiatives to support the resilience of communities in the North West, depending on customer preferences. **This is additional to any reinvestment of outperformance or other benefit sharing that might be undertaken during AMP7 through normal regulatory mechanisms or on the same voluntary basis as was taken by the company in AMP5 and AMP6. It provides an upfront guarantee that, when dividend distributions reflecting outperformance are much higher than anticipated in the business plan, customers and other stakeholders will share in the benefits alongside investors.**	The Board expects this condition will be satisfied. The 2022/23 AMP-to-date outperformance dividend distribution of £250m represents 1.9% of the average equity portion of RCV based on a 60% notionally geared company, which is below the 3% threshold. Cumulative outperformance available for distribution has been considered after the substantial reinvestment of outperformance for future customer service and resilience benefits the company has already committed to undertake. We have announced £500m of additional investment in the current AMP (with a shareholder contribution of £250m). £250m will help us improve environmental outcomes, making an early start on implementation of the government's new Environment Act including delivery of the pledges we set out in our Better Rivers plan. The remaining £250m will accelerate improvements in service for customers and drive ODI performance.
Impact on financial resilience of UUW:	
Before payment of any dividend, the Board committed to considering whether the dividend payments would cause significant harm to the company's financial resilience and the potential impact such distributions may have on customers and employees. This included consideration of the company's pension deficit – were it to have one – which would, for these purposes, be considered as debt.	The Board considers this condition will be satisfied. A long-term viability assessment has been carried out for UUW. This assumed dividend distributions in line with the policy and concluded that UUW had significant headroom and effective mitigating actions available to withstand any risks facing the business in severe but plausible scenarios at March 2023. UUW had a reported pension surplus of £442m at March 2023.
Delivery of statutory obligations:	
The Board has committed that it would not pay outperformance dividends in circumstances where the company was known to be in material breach of statutory obligations.	The Board considers this condition will be satisfied.
Delivery of performance targets:	
The Board has committed that it would not pay outperformance dividends in excess of the equivalent of 3% of the equity portion of RCV where the company was materially failing to meet its performance targets, unless the dividend was accompanied by investment aimed at improving that position.	The Board expects this condition will be satisfied and no distribution in excess of the equivalent of 3% of the equity portion of the RCV is proposed.

Dividend policy

Exceptional and unforeseen circumstances

In truly exceptional and unforeseen circumstances, the Board has stated that it may have to deviate from these principles – for example to meet changing statutory requirements or during unexpected and exceptional events. The Board committed that if it were to do so, it would explain its reasoning to customers and other stakeholders so that the company could be judged on the extent to which it sought to meet these commitments and the reasons why a deviation was justified. There have been no exceptional or unforeseen circumstances that would trigger a deviation from these principles.

Transparency

We also committed to providing increased transparency through our APR about the dividends paid and how these relate to our dividend policy. This is in addition to the existing statutory and regulatory requirements that we already disclose. We committed to explain how dividend payments have been determined and how these relate to our performance. This disclosure is aimed at providing stakeholders with transparency about our dividend policy and the broader considerations taken into account by the UUW board in making its determination.

We committed to provide an explanation of how the allowed equity return relates to that achieved under the actual company structure and how the dividend policy relates to the actual equity returns during the AMP. The Financial Flows table 1F in the APR demonstrates that the total shareholder return is greater than the dividends paid for the AMP to 2022/23 on both a notional company basis and an actual company basis.

We also committed to provide transparency of how payments from the Community Share have contributed towards the resilience of communities in the North West. To date, no payments have been triggered into the Community Share scheme proposed in our business plan, although a number of other voluntary initiatives during AMP7 have contributed towards the resilience of communities in the North West. This was discussed in more detail in the Communities section of the Operational Performance section of our 2022 Annual Report (pages 52 to 54) and similar disclosure is included in our 2023 Annual Report (pages 106 to 107 and 111).

Additional unaudited regulatory information

Differences between statutory and RAG definitions

Revenue recognition

The following differences exist between the revenue recognition policies in the statutory accounts and in the regulatory accounts:

- IFRS 15 has been applied to the statutory accounts and requires revenue to be recognised only when it is probable that economic benefits associated with the transactions will flow to the company. The regulatory accounts, however, require revenue to be recognised in full unless properties have been confirmed as being void; and
- Income received from sales which are external to the appointed business, including energy generation, exported energy, renewable obligation certificates (ROC) and ROC bonuses, are treated as revenue in the statutory accounts but as negative operating expenditure in the regulatory accounts.

Capitalisation of borrowing costs

For statutory reporting, interest costs under IAS23 are capitalised and subsequently depreciated, whereas interest is charged immediately as an expense in the regulatory accounts.

Grants and contributions

All grants and contributions (G&Cs) recognised in the income statement under IFRS have been reclassified as other income in the regulatory accounts. More specifically, this comprises the following two main reclassifications:

- Diversion income from revenue to other income; and
- The amortisation of capitalised grants and contributions from revenue and operating costs to other income.

Adopted Assets

Under IFRS 15, we recognise adopted assets from customers or developers on the balance sheet and amortise the income over the life of the asset through revenue. The amortisation of this income has been reclassified from revenue to other income in the regulatory accounts.

Direct procurement for customers

In accordance with RAG 1.09, lease accounting under IFRS 16, associated with assets procured through a direct procurement for customer process, are to be excluded from the regulatory accounts. For 2022/23 no assets were leased to United Utilities by a competitively appointed provider (CAP).

As part of the Haweswater Aqueduct Resilience Programme (DPC project), UUW made advance purchases of land and other assets (e.g. electricity connections) supporting this project totalling £1.531m in 2022/23. UUW will be reimbursed for these items by the CAP (once appointed) and this will ultimately be funded by customers through the unitary charge mechanism. As such, in order to ensure this spend is not inadvertently also captured within appointee totex, which feeds the cost sharing mechanism, it was agreed with Ofwat that this spend would be classified as non-appointed within the regulatory accounts. This has been reported as non-appointed in tables 1C and 1D.

Innovation fund costs reporting

For statutory reporting, costs are accrued on receipt of revenue from customers or income from other water companies in relation to the innovation competition fund. This is to provide for costs that will be incurred on future projects for which we are successful bidders, or for which we will be required to transfer funds to other successful companies.

In accordance with the information notice 'IN 22/01 Expectations for monopoly company annual performance reporting 2021-22', we are required to reverse this provision in the regulatory accounts. Only costs incurred on actual innovation projects should be reported in totex within tables 4D and 4E, therefore, there is a reclassification of intra-company payment and receipts (facilitated by MOSL) and the administration charge from operating costs to other income. This ensures that the intra-company payments remain within the income statement and offset with the revenue collected from customers.

The differences within the income statement (Table 1A) and the statement of financial position (Table 1C) have been summarised on page 134.

Additional table narrative

Table 1A - Income statement

Differences between statutory & RAG definitions 2022/23	Revenue Recognition £m	Innovation Fund[1] £m	G&C's Diversion Income £m	Amortisation of G&C's £m	Adopted Assets £m	Reclass of income from sales external to the appointed business £m	Capitalisation of borrowing costs £m	Reclass from opex to other income[2] £m	Reclass of pension interest to other interest expense £m	Other £m	Total £m
Revenue	29.143		(11.298)	(5.590)	(10.544)	(17.300)				(0.121)	**(15.710)**
Operating costs	(19.892)	6.409		(0.349)		17.300	7.507	(4.735)		2.829	**9.070**
Other operating income										(2.994)	**(2.994)**
Operating profit	**9.251**	**6.409**	**(11.298)**	**(5.939)**	**(10.544)**	**0.000**	**7.507**	**(4.735)**	**0.000**	**(0.286)**	**(9.635)**
Other income		(8.002)	11.298	5.939	10.544			4.735		0.289	**24.802**
Interest income									(21.800)		**(21.800)**
Interest expense							(127.509)				**(127.509)**
Other interest expense									21.800		**21.800**
Profit before tax (Table 1A line 11)	**9.251**	**(1.594)**	**0.000**	**0.000**	**0.000**	**0.000**	**(120.002)**	**0.000**	**0.000**	**0.004**	**(112.341)**

(1) Reversal of the 2022/23 provision in the statutory accounts (£1.6m). The net of intra-company transfers and the administration charge has been reclassified from operating costs to other income (£8.0m).

(2) Other income in the statutory accounts is included within operating costs, this is disclosed separately in the regulatory accounts.

Table 1C - Statement of financial position

Differences between statutory & RAG definitions 2022/23	Revenue Recognition £m	Innovation Fund[3] £m	Capitalisation of borrowing costs £m	Deferred tax adjustment £m	Other £m	Total £m
Total non-current assets			(399.823)		(0.775)	**(400.598)**
Total current assets	39.606				0.204	**39.810**
Total current liabilities		14.205				**14.205**
Total non-current liabilities		5.794		56.338	0.067	**62.199**
Net Assets (Table 1C line 31)	**39.606**	**19.999**	**(399.823)**	**56.338**	**(0.504)**	**(284.384)**

(3) Reversal of the innovation fund provision.

Additional Table Narrative

Table 1A – Income Statement

Analysis of Interest Expense

The interest expense (line 1A.7) and other interest expense (line 1A.8) incurred by the appointed business is broken down into the following components:

Interest component 2022/23 £m	1A.7 £m	1A.8 £m
Interest charged on external borrowings	(622.111)	–
Interest payable on intra-group borrowings	(3.972)	–
Amortisation of debt premiums and discounts	1.144	–
Interest payable on leases under IFRS 16	(1.450)	–
Interest on net pension scheme assets	–	21.800
Other financing costs	(1.691)	–
Interest and other interest expense	(628.080)	21.800

Table 1C - Statement of financial position

Consistent with 2021/22 reporting, we have continued to report capex creditors (line 14) within current liabilities in Table 1C as zero, and have included a capital accruals liability within trade and other payables (line 13) of £90.962m. This capital accrual represents work-in-progress not yet invoiced for 2022/23. We believe this classification is better aligned to the line definitions in RAG 4.11.

For 2022/23, UUW report a statutory current tax asset of £97.0m. We have included the current tax asset in Table 1C line 9 (trade and other receivables), as there is no equivalent current tax asset line within current assets in this table. We believe this to be aligned to the line definitions in RAG 4.11.

Included within the non-appointed column of Table 1C is a double entry for £5.821m between fixed assets and trade and other payables in relation to advance purchases of land and assets for the Haweswater Aqueduct Resilience Programme DPC project. This includes £1.162m of assets held for sale (e.g. electricity connections) that are accounted for within non-current inventories in the statutory accounts.

Table 1E - Net debt analysis

All figures in the table have been calculated by reference to 'RAG 4.11 - Guideline for the table definitions in the annual performance report'.

Net debt excludes fair value accounting adjustments which do not impact on the principal sum outstanding on the debt. The interest rate risk profile does not take account of the impact on interest of derivative instruments.

Adjusted gearing represents the consolidated net debt of United Utilities Water as a proportion of the company's RCV (per the final determination, in outturn prices), calculated based on the methodology published by Moody's Investor Services. This is the gearing measure most commonly used by management and is a key ratio used by Moody's Investor Services in determining the credit rating of the company.

Additional table narrative

Indicative weighted average interest rates are based on the effective interest rates as at the balance sheet date, which includes the impact of derivative instruments but excludes those with a forward start date, weighted by the notional principal amount.

Due to the nature of the company's interest rate hedging policy, it has some forward starting interest rate swaps which are not included in the indicative weighted average interest rates as they are not effective at the balance sheet date. As a result, the indicative weighted average interest rates are only representative of our economic cost of borrowing as at the balance sheet date and are not representative of our economic cost of borrowing over the duration of the fixed interest rate hedge.

The indicative weighted average nominal/cash interest rates (lines 11/12) for floating interest rate debt are unrepresentative of the cost of these borrowings. We hedge most of our floating interest rate exposure through 'floating to fixed' interest rate swaps which results in a low net floating interest rate exposure. As a consequence, once the fixed margin on the debt is stripped out, the interest cost ends up as a small interest expense due to the basis and timing differences on the floating rate legs of the debt and derivative contracts.

Weighted average years to maturity takes account of all applicable contractual commitments, which includes derivative instruments with a forward start date, weighted by notional amount and duration.

The calculation of the weighted average years to maturity on floating rate borrowings provides an unrepresentative figure and, as such, has not been disclosed in the tables. Typically, we raise debt in fixed rate form, swap it to floating rate for the duration of the debt instrument and then swap it back to fixed rate on a ten-year reducing balance basis. This hedged position makes it difficult to calculate the weighted average duration in a meaningful way.

Annual RPI increase of 13.5 per cent at March 2023 has been applied.

Annual CPI increase of 10.1 per cent at March 2023 has been applied.

Following the adoption of IFRS 16, lease liabilities of £56.0m have been included within fixed rate borrowings. The inclusion of lease liabilities into borrowings has resulted in an increased average time to maturity, as a great proportion of the group's leases are very long dated (many high value leases have circa 150 years' term); if leases had not been included, the weighted average would have been 8.1 years.

Borrowings Reconciliation

The below table shows the reconciliation from borrowings within Table 1C to borrowings in Table 1E.

	2022/23 £m	Notes
Borrowings – current	(294.928)	Table 1C Line 15
Borrowings – non-current	(8,717.731)	Table 1C Line 22
Borrowings (Table 1C)	**(9,012.659)**	IFRS measurement basis
Remove fair value movements	(110.140)	
Remove bond discount	(3.710)	
Remove interest accrued on FVO debt	2.843	
Borrowings (Table 1E)	**(9,123.666)**	Table 1E Line 1 notional value basis

Analysis of Debt

The table below shows the reconciliation between Table 1E 'Net debt analysis' and 4B 'Analysis of debt'.

	Total borrowings £m	Indicative weighted average nominal interest %	Nominal interest cost £m	Indicative weighted average cash interest %
Table 1E	**9,123.666**	**8.25%**	**752.832**	**1.903%**
Book overdrafts	(12.385)	0.01%	–	0.003%
Committed Facilities	–	0.31%	28.016	0.307%
Table 4B	**9,111.281**	**8.57%**	**780.848**	**2.213%**

Table 1E includes book overdrafts within borrowings - these form part of cash and cash equivalents figure and do not impact our cost of debt, as they represent the value of cheques issued and payments initiated that had not cleared as at the reporting date.

Table 4B includes the cost revolving credit facilities. Table 1E does not disclose these facilities as they are not drawn down at year end and have nil impact on the total borrowings at March 2023. Disclosing these facilities in table 4B increases the weighted average nominal and cash interest rates by 0.31%.

Table 1F - Financial flows and Return on Regulatory Equity (RoRE)

Introduction

Table 1F presents financial flows for 2022/23 and the cumulative average over the 2020–25 period. The figures are presented both as a percentage of notional regulatory equity and as a percentage of actual regulatory equity. The table also shows the £ million equivalents and these values are all presented in 2017/18 prices.

The following narrative focuses on the actual return percentage on the actual regulatory equity - being most aligned to actual shareholder returns. There will be differences as actual equity is different from Ofwat's assumed regulatory equity of 40% (or assumed gearing of 60%). Since UUW's actual average gearing across the three years (65.68%) and for 2022/23 (65.50%) are both higher than Ofwat's assumed notional gearing (60.0%), the actual return percentage on each sub-measure will be slightly higher than the notional return.

Line 2 – Return on regulatory equity
2022/23 Actual equity: 3.97%; Cumulative Actual equity: 3.94%

The base case return on regulatory equity assumed in the PR19 (Price Review) final determination (FD) was 3.97%. In accordance with Ofwat line definitions, on a notional equity basis, this base return is split over line 2 (3.34%) and line 3 (0.63%).

Line 3 – Impact of movement from notional gearing
2022/23 Actual equity: +0.29%; Cumulative Actual equity: +0.28%

This line represents the impact on the base case return (i.e. line 2 above) due to a company's actual gearing structure. As mentioned in the introduction above, UUW's average actual gearing of 65.5% has been slightly higher than Ofwat's assumed notional gearing of 60.0% for 2022/23. Since Ofwat's allowed cost of debt (2.16% real) is less than the allowed cost of equity (as per line 2), this results in an increase in actual return compared to notional.

The average gearing has been calculated using the opening and closing balances for the reporting period.

Line 4 – Gearing benefits sharing
2022/23 Actual equity: nil; Cumulative Actual equity: nil

Under the gearing outperformance sharing mechanism, this line reduces the return where a company has gearing of more than 72% for 2022/23. Since UUW's actual average gearing for 2022/23 was well below this threshold at 65.5%, there is no impact from this mechanism.

Additional table narrative

Line 5 – Variance in corporation tax
2022/23 Actual equity: +3.09%; Cumulative Actual equity: +1.92%
This line compares the amount allowed for corporation tax in the PR19 FD to a tax charge calculated as per the table below, in accordance with the line definition:

	2022/23 Actuals £m	2020/21 – 2022/23 Average £m
Corporation tax as per PR19 FD (17/18 prices)	**47.6**	48.0
Appointed profit before tax and fair value movements (out-turn)	**(142.5)**	176.4
Tax payable at standard rate of corporation tax (out-turn) (19%)	**(27.1)**	33.5
Plus or minus accelerated or deferred capital allowances except in relation to Green Recovery expenditure (out-turn)	**(45.2)**	(32.7)
Plus or minus prior year adjustments (out-turn)	**(7.8)**	(29.9)
Adjusted tax payable (out-turn)	**(80.1)**	(29.1)
Adjusted tax payable (17/18 prices)	**(67.9)**	(24.0)
Variance (17/18 prices)	**115.4**	72.0
% of actual regulatory equity	**3.09%**	1.92%
% of notional regulatory equity	**2.59%**	1.62%

Tax outperformance reflects the tax credit in the current year (primarily due to the inflationary impact on operating costs and increased non-cash interest expense on our index-linked debt) and higher capital allowances driven by UUW's accelerated capital programme and the temporary 'super deductions'.

In accordance with RAG 4.11 guidance, tax performance does not take into account the AMP7 tax reconciliation mechanism.

Line 6 – Group relief
2022/23 Actual equity: -0.04%; Cumulative Actual equity: -0.01%
Losses surrendered to other group companies totalled £1.65m (in 2017/18 prices), however, these will be settled at the mainstream rate of corporation tax, so overall there will be no financial impact.

Line 7 – Cost of debt
2022/23 Actual equity: +6.17%; Cumulative Actual equity: +2.74%
The actual real interest paid used to calculate overall financing outperformance (i.e. sum of lines 7 and 8) has been calculated using UUW's net interest expense plus interest paid/received on swaps. As the table below shows, this is then divided by actual net debt to derive a net interest rate. This rate is then compared to Ofwat's allowed cost of debt (2.16% CPIH real) plus average CPIH in the year, to derive a debt outperformance number (shown as 'c') in the table below. This is then multiplied by UUW's actual gearing positon to derive a cost of debt outperformance number, also presented as a percentage of actual regulatory. This has been calculated as 6.14% for 2022/23 and 3.28% for the cumulative three-year position.

	2022/23 Actual equity £m	2020/21-2022/23 Average Actual equity £m
a) Net interest paid including derivatives (£m)	**644.7**	404.4
b) Average net debt (£m)	**8,436.7**	8,001.3
Net interest rate (%)	**7.64%**	4.98%
Average CPIH (%)	**8.79%**	4.42%
Allowed cost of debt (% CPIH real)	**2.16%**	2.28%
c) Debt outperformance (%) (applying Fisher equation)	**3.22%**	1.70%
d) x Average RCV (£m 17/18 prices)	**10,886.8**	11,089.8
e) x Average actual gearing rate (%)	**65.50%**	65.68%
Cost of debt outperformance (£m 17/18 prices)	**229.6**	122.6
Cost of debt outperformance (% of regulatory equity)	**6.14%**	3.28%
Split by:		
Net interest excluding swaps (Line 7)	**6.17%**	2.74%
Interest of swaps (Line 8)	**(0.03)%**	0.54%

Financing outperformance is mainly attributable to the embedded cost of debt UUW has locked in at lower rates than Ofwat's PR19 FD assumed cost of debt. Ofwat's assumed cost of debt was based on a water industry average and, under the regulatory model companies with below average debt, can expect to outperform on financing. In addition, we have consistently issued debt at efficient rates that compare favourably with the industry average, due to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise.

UUW's debt predominantly comprises a mix of index-linked debt (RPI and CPI/CPIH linked) and fixed rate debt. UUW's RPI index-linked debt is locked-in at an average real rate of 1.3%, and CPI/CPIH at -0.6%, locking in outperformance versus the allowed cost of debt of 2.16%. Inclusive of all hedging derivatives, UUW's fixed rate debt is locked-in at a rate of 2.2% nominal. The level of outperformance fluctuates depending on out-turn CPIH – this year we have seen high levels of inflation with average CPIH at 8.79% over the year, therefore generating further financing outperformance compared to last year (when average CPIH was at 3.66%).

The total outperformance relating to hedging instruments (see line 8 below) is deducted from total cost of debt outperformance to derive a cost of debt outperformance excluding swaps of 6.17% for 2022/23, as reported on line 8.

Line 8 – Hedging instruments
2022/23 Actual equity: -0.03%; Cumulative Actual equity: +0.54%
This line shows the impact on financing outperformance of our interest rate and cross-currency swap derivatives. Net interest expense for the year 2022/23 driven by high indexation impacting the inflation swaps.

Additional table narrative

Line 10 – Totex out / (under) performance
2022/23 Actual equity: -0.80%; Cumulative Actual equity: -0.66%
This line shows totex out/(under) performance versus the amount allowed in the PR19 FD, adjusted for timing differences, and presented net of the customer sharing ratio.

While we have incurred significantly more wholesale totex across the year than was assumed in the FD, this has been impacted by the acceleration of AMP7 spend in the period, which has been adjusted for in this metric. Our current plans indicate that we should be able to deliver our AMP7 FD programme of work at the allowed level of expenditure across the five-year regulatory period.

Totex underperformance reflects the impact of the additional investment we are making outside the scope of our FD. We incurred additional totex totalling c£91m, split £33m on Dynamic Network Management, £15m on drinking water quality improvements and £18m spend to save opportunities (re: £250m investment to improve service for customers), circa £11 million to deliver our Better River programme and Environment Act requirements (re: £250m investment outperformance for environmental improvements) and £13m on Vyrnwy. This additional spend has been included in reported RoRE, although the upside ODI benefits will not be reflected until future years.

Reported totex overspend, excluding timing differences due to the acceleration of the AMP7 capital programme but including additional scope projects, net of the customer share (main sharing ratios: 50% water resources, 50% water network+, 50% wastewater network+ and 0% bioresources) was -0.80% in 2022/23, and -0.66% on a cumulative basis.

Line 11 – ODI out / (under) performance
2022/23 Actual equity: +0.53%; Cumulative Actual equity: +0.48%
This line shows the actual out/(under) performance of outcome delivery incentives (ODIs) accrued in the year. In 2022/23 we delivered another strong performance against customer ODIs, meeting or exceeding 83% of our performance commitments, resulting in a net reward of circa £19.7m.

The net reward of circa £19.7m includes a penalty of circa £2.5m in relation to per capita consumption (PCC) performance. Given the impact of COVID-19 on household consumption, Ofwat do not expect to make an in-period adjustment for performance on PCC. However, Ofwat has advised that all companies continue to report against the performance commitment set out in the PR19 FD, including the impact this has on RoRE, which may, or may not, crystallise.

In accordance with Ofwat's clarified guidance, average performance to date includes an adjustment to reflect the ODI In Period Determinations for 2020/21 (additional rewards of £0.15m for mains repairs and £0.03m on water supply interruptions) and 2021/22 (intervention on blockages of £1.07m penalty and £0.01m residential retail adjustment).

Line 12 – C-MeX out / (under) performance
2022/23 Actual equity: +0.06%;Cumulative Actual equity: +0.04%
Under PR19, the Service Incentive Mechanism (SIM) was replaced with two new common performance commitments to incentivise companies' to provide an excellent experience for residential customers (C-MeX) and developer services customers (D-MeX). This line shows the C-MeX out/(under) performance.

In 2021/22, we out-performed our peers on C-MeX and received a reward of £2.2m based on our strong performance. The final C-MeX position is confirmed by Ofwat following the publication of companies APRs and is thus reported in the APR one year in arrears and so our final C-MeX reward for 2021/22 is included within this year's RoRE.

Line 13 – D-MeX out / (under) performance
2022/23 Actual equity: +0.02%; Cumulative Actual equity: +0.02%
This line shows the D-MeX out/(under) performance. In 2021/22, we out-performed our peers on D-MeX and received a reward of £0.8m based on our strong performance. As with C-MeX, Ofwat publishes the values to be reported in the APR one year in arrears.

Line 14 – Retail out / (under) performance
2022/23 Actual equity: -0.26%; Cumulative Actual equity: -0.30%
Line 14 represents the difference between PR19 FD allowed retail costs for household customers (based on FD assumed customer numbers) and actual costs incurred. Overall, costs incurred in retail have been higher than the FD allowance predominantly due to incurring higher bad debt costs (due to the impact of COVID-19 and an increase in costs of living on cash collection rates) and inflationary cost pressures.

Line 15 – Other exceptional items
2022/23 Actual equity: +0.05%; Cumulative Actual equity: +0.04%
This line is defined as exceptional items that are outside normal operating activities. In accordance with the line definition, the 2022/23 return relates to proceeds from land sales of £4.5m net of the customer share and deflated to 17/18 prices.

Line 17 – RoRE
2022/23 Actual equity: 13.03%; Cumulative Actual equity: 9.02%
This line represents the return on regulatory equity after the base case return assumed in the PR19 FD has been adjusted for all items highlighted above.

RoRE is 10.91%, on a notional equity basis, which is the key RoRE metric disclosed within Table 4H Financial Metrics. On an actual equity basis, reported RoRE at 13.03% is most aligned to actual shareholders' return.

Line 18 – RCV growth from inflation
2022/23 Actual equity: +10.75%; Cumulative Actual equity: +6.18%
This line shows the inflationary uplift to RCV for the period, representing a blended RPI/CPIH basis, as published by Ofwat.

Line 19 – Voluntary sharing arrangements
2022/23 Actual equity: -0.25%; Cumulative Actual equity: -0.25%
This line shows the amount of revenue forgone by the company to fund social tariff discounts for retail customers, as reported in table 2N, deflated to 17/18 prices.

There were approximately 153,000 customers that received a discounted fixed price bill under our social tariffs, 'Help to Pay' and 'Back on Track', intended to support those customers that can't pay. In total, these customers received a £30.0m discount to their underlying full price bill, of which £10.8m was funded by the company. This reduces the actual retail revenue compared to the allowed retail revenue, as reported in Table 2F Residential Retail.

Line 20 – Total shareholder return
2022/23 Actual equity: 23.54%; Cumulative Actual equity: 14.94%
This line adds average inflation in the year (line 18) and the voluntary sharing arrangements in year (line 19) to RoRE (line 17) to represent the actual nominal return.

Lines 21 and 22 – Net dividend
2022/23 Actual equity: 10.23%; Cumulative Actual equity: 5.99%
This is the net of gross dividends and interest received on intercompany loans. The amount of dividends paid during the period for the appointee business totalled £451.9m, as reported in Table 1A.

In line with the dividend policy on pages 129 to 132, this year's gross dividend includes £250m relating to demonstrable net outperformance versus the final determination across the first three years of the AMP.

Additional table narrative

Line 23 – Retained value
2022/23 Actual equity: 13.30%; Cumulative Actual equity: 8.95%
This line shows the nominal return (line 20) less the gross dividends paid (line 21) and interest received on intercompany loans (line 22) to represent the value retained in the business post-dividend. Retained value should be considered on a cumulative basis, given that this year's dividend includes an outperformance dividend relating to performance earned predominately in the first two years of the AMP.

Lines 24 to 26 – Cash impact of 2015–20 performance adjustments
2022/23 Actual equity: +0.33%; Cumulative Actual equity: +0.32%
Per the line definition, this represents out/(under) performance adjustments in relation to the 2015-20 regulatory period. The £ adjustment is published by Ofwat, and the value is divided by regulatory equity to derive the percentage impact on shareholder returns.

Tables 2C – Cost analysis retail

Variance analysis of retail costs compared to the prior year can be found in our 2022/23 accounting methodology statement, published on our website alongside the APR.

Tables 2D and 2O - Historic cost analysis of tangible fixed assets and Historic cost analysis of intangible fixed assets

Lines 4 and 9 of Tables 2D and 2O 'Adjustments' include reclassifications of assets between price controls, transfers between tangible and intangible assets and a one-off reclassification of spare parts from inventories to tangible fixed assets. The reclassifications across price controls have mainly occurred due to data cleanse activities performed in the year to ensure assets are correctly allocated per RAG 4.11. Transfers between tangible and intangible assets have been included in the adjustments lines which has resulted in £0.1 million being reclassified from intangible to tangible fixed assets in the year. The one-off reclassification of spare parts followed a review of inventories carried out during the year. Consistent with the statutory accounts, we have opted to reclassify spare parts previously recognised within inventories to tangible fixed assets in order to better reflect the expected consumption pattern of these items. This has resulted in £14.6 million being transferred to tangible fixed assets (cost) and £3.3 million being transferred to accumulated depreciation, giving a net transfer of £11.3 million.

Table 2E - Analysis of 'grants and contributions' - water resources, water network+ and wastewater network+

Grants and contributions associated with water network+ (before deduction of the income offset) have increased in the year due to an increase in the number of connections and related mains laying activity. There has also been an increase in income associated with both S185 and NRSWA diversions. This increase has been partly offset by an increase in income offset payments that are directly linked to the increase in number of connections.

Grants associated with wastewater network+ have increased due to increased NRSWA and other non-price control diversions.

Table 2K - Infrastructure charges reconciliation

The purpose of table 2K is to reconcile the infrastructure charges with the infrastructure network reinforcement costs over a five-year rolling period. This is to ensure that the money we receive from developers, due to the impact of new connections increasing the demand on our existing water mains and sewers, is spent accordingly.

Our infrastructure charges are set to be reflective of the service we provide, therefore we have differing levels of charges to reflect the demand placed on our network.

For example, there is a lower rate infrastructure charge applicable for developments in relation to water efficient homes or where properties are built with no surface water connection to the existing public sewer. Where developers implement these sustainable developments, it places less demand on our network which reduces our spend on infrastructure network reinforcement. Likewise, where developers do not adopt the sustainable solutions, it places greater demand on our network, which means we have to spend more on infrastructure network reinforcement. The overall aim being that our developer charges recover our expected infrastructure network reinforcement costs and hence there is nil totex impact.

This ensures that existing customers are not funding infrastructure network reinforcement due to new developments.

Table 2K is expected to show the performance over a five-year rolling period. At the end of the fifth year the cumulative position is shown in the table below:

Comparison of revenue and costs	Water £m	Wastewater £m	2022/23 Total £m
Variance brought forward	12.931	13.114	**26.045**
Revenue (net of discounts applied)	5.329	5.451	**10.779**
Costs	(7.593)	(4.351)	**(11.944)**
Variance carried forward	10.666	14.214	**24.880**

The variance between cost and revenue for Water is £10.7m and £14.2m for Wastewater. This is mainly due to:

- £9.9m higher revenue due to higher than expected volumes of properties connected (£5.0m higher in water and £4.9m higher in wastewater); circa 17,700 more properties were connected in the last five years than forecast, driven by some significant apartment developments in and around major cities; and
- £14.9m lower infrastructure network reinforcement spend compared with forecast due to the timing of schemes being delivered (£5.6m lower in water and £9.3m lower in wastewater).

Although we are currently in a surplus position, mainly due to higher connections volumes than previously forecast, we have significant network reinforcement expenditure planned for later in the AMP which we expect to address, with circa £40m over the remaining years, as per the breakdown below.

Contracts to be awarded (2023/24)	£7.3m
2023/24 start on site	£22.7m
2023/23 start on site (majority of spend in 2023/24)	£6.0m
Modelling activity	£1.4m
Total	**£37.4m**

There are a number of activities identified for the remaining expenditure that are earlier in their project cycle, however, we are confident the investment can be delivered prior to the end of our investment period.

Table 2L – Analysis of land sales

There have been eight disposals in 2022/23 (none of which are above the minimum threshold of £500k), one instance of clawback from the sale of land from the non-regulated business to an external party, two changes in covenants, one reversion and three grants of easement. In addition, the rental portfolio managed by an external agent is made up of 584 individual income streams.

Table 2N – Residential retail – social tariffs

As reported in Table 2N, there were approximately 153,000 customers that received a discounted fixed price bill under a social tariff during the year. In total, these customers received a £30.0m discount to their underlying full price bill, of which £10.8m was funded by the company and £19.2m was funded by other residential customers.

Tax strategy

Consistent with our wider business objectives, we are committed to acting in a responsible manner in relation to our tax affairs.

Our tax policies and objectives, which are approved by the board on an annual basis, ensure that we:

- Only engage in reasonable tax planning aligned with our commercial activities and we always comply with what we believe to be both the letter and the spirit of the law;
- Do not engage in marketed, aggressive or abusive tax avoidance;
- Do not use tax havens for tax avoidance purposes, including not taking advantage of any related secrecy rules which can apply to tax havens;
- Are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working; and
- Maintain a robust governance and risk management framework to ensure that these policies and objectives are fully complied with and applied at all levels.

We expect to fully adhere to the HMRC framework for co-operative compliance.

Our Chief Financial Officer (CFO) has responsibility for tax governance with oversight from the board. The CFO is supported by a specialist team of tax professionals with many years of tax experience within the water sector and led by the Head of Tax. The Head of Tax has day-to-day responsibility for managing the company's tax affairs and engages regularly with key stakeholders from around the company in ensuring that tax risk is proactively managed. Where appropriate, they will also engage with both external advisers and HMRC to provide additional required certainty with the aim of ensuring that any residual risk is typically low. All significant tax issues are reported to the board regularly.

Consistent with the company's general risk management framework, all tax risks are assessed for the likelihood of occurrence and the negative financial or reputational impact on the company and its objectives, should the event occur. In any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes, which lead to increased cash outflow which has not been reflected in the current regulatory settlement. The company is committed to actively engaging with relevant authorities in order to actively manage any such risk.

In any given year, the company's effective cash tax rate on underlying profits may fluctuate from the standard UK rate mainly due to the available tax deductions on capital investment. These deductions are achieved as a result of utilising tax incentives, which have been explicitly put in place by successive governments precisely to encourage such investment. This reflects responsible corporate behaviour in relation to tax.

Under the regulatory framework the company operates within, the majority of any benefit from reduced tax payments will typically not be retained by the company but will pass to customers; reducing their bills. For 2022/23, the impact of tax deductions on capital investment alone reduced average household bills by around £20.

United Utilities Water Limited operates solely in the UK and its customers are based here and all of the company's profits are taxable in the UK.

Every year, the company pays significant contributions to the public finances on its own behalf as well as collecting and paying further amounts for its 5,000 strong workforce. Details of the total payments for 2023 of around £229m are set out below:

- Business rates – £88m
- Corporation tax – £0m
- Employment taxes: company – £29m
- Employment taxes: employees – £59m
- Environmental taxes and other duties – £13m
- Regulatory services fees (e.g. water extraction charges) – £40m

There was no corporation tax paid due to benefit accruing from the temporary capital allowances super deductions rules introduced in 2021.

The above tax policy disclosure meets the company's statutory requirement under Paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy for the year ended 31 March 2023.

See our website for our latest separate annual tax report, which includes further details in relation to the following key areas:

- How much tax we pay;
- How we ensure that we pay the right tax at the right time; and
- How we ensure that our tax affairs are transparent for all our stakeholders.

Recognising the company's on-going commitment to paying its fair share of tax and acting in an open and transparent manner in relation to its tax affairs, we were delighted to have retained the Fair Tax Mark independent certification for a fourth year, having been only the second FTSE 100 company to be awarded the Fair Tax Mark in July 2019.

Current tax reconciliation

	2022/23 £m
Profit on appointed ordinary activities before tax and fair value movements as per Table 1A line 9	(142.5)
Multiplied at the standard rate of corporation tax of 19%	(27.1)
Capital allowances in excess of depreciation	(36.8)
Adjustment in respect of prior years	(7.8)
Super-deductions – 30% element	(8.7)
Net non-deductible expenses	(0.7)
Pension deductions	(4.3)
Fair value movements	(4.3)
Other timing differences	(1.3)
Tax loss carried forward	80.8
Appointed current tax credit per Table 1A line 12	**(10.3)**

Tax strategy

Details of factors affecting future tax charges:
The headline rate of corporation tax is due to increase from 19% to 25%, effective from 2023/24.

From 1 April 2023 until 31 March 2026, enhanced capital allowance rates will apply to spend on plant and machinery (P&M) assets:

a. A 100% first year allowance for standard life P&M
b. Expenditure on long-life P&M will continue to attract 50% FYA

In PR19, Ofwat introduced a tax reconciliation mechanism to reflect legislative changes to either the headline corporation tax rate or to the capital allowances rates available on capital expenditure, recognising that these matters were outside of managements control:

- To do this, Ofwat will rerun the PR19 financial model using the totex allowances, PAYG and RCV run-off rates (set out in the final determination).
- The resulting difference to the tax allowed at PR19 is then added/deducted to PR24 revenue requirements.
- In order to ensure that the incentive for companies to manage their liabilities in the most efficient manner is retained, this reconciliation will purely affect the agreed FD scope and profile, not the actual performance of the company.
- Accordingly, this reconciliation will mitigate some of the above additional tax that has been incurred as a result of the increase to corporation tax from 17 to 19 per cent but only on the FD scope and profile, not the actual performance of the company.

Reconciliation of significant variations between the appointed current tax charge or credit reported in line 1A.12 to the total current tax charge allowed in price limits

	2022/23 £m	Commentary
Current tax charge allowed in price limits	56.1	
Adjustment in respect of prior years	(7.8)	The adjustments in respect of prior years relate to optimising the available research and development UK tax allowances on our innovation-related expenditure for multiple prior years.
Pension deductions	(4.3)	The tax impact of the increase in pension deductions compared to the figures in the FD.
Net increase in profit before tax and depreciation	(44.7)	The tax impact of the increase in profit before tax and depreciation compared to the figures per the FD, including the actual interest charge which is lower than the notional amount assumed in the FD.
Fair value movements	(46.2)	Non-taxable interest, currency and inflation swaps.
Increase in capital allowances/other	(41.8)	The increase in capital allowances is mainly due to the temporary 'super-deductions' introduced in 2021.
Super-deductions – 30% element	(8.7)	
Increase in tax rate from 17% to 19%	6.2	Impact of the corporation tax rate change.
Tax loss carried forward	80.8	Tax losses have arisen in the period which are being carried forward to utilise in future periods.
Appointed current tax credit per Table 1A line 12	(10.3)	

Long term viability statement

The directors have assessed the viability of UUW, taking account of UUW's current position, the potential impact of the principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions. This assessment has been performed in the context of UUW's prospects as considered over the longer term. Based on this viability assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the seven-year period to March 2030.

Basis of assessment

This viability statement is based on the fundamental assumption that the current regulatory and statutory framework, and interpretation thereof, does not substantively change. The long-term planning detailed on page 26 of the UUW statutory accounts assesses the company's prospects and establishes its strategy over a 25-year time horizon consistent with its rolling 25-year licence and its published long-term strategy. This provides a framework for the company's strategic planning process, and underpins our business model set out on pages 15 to 20 of the UUW statutory accounts.

In order to achieve this aim and promote the sustainability and resilience of the business, due consideration is given to the management of risks over the long term that could impact on the business model, future performance, credit ratings, solvency and liquidity of the company. Specifically, risks associated with current levels of economic uncertainty and climate change have been incorporated into the baseline position and factored into the various scenarios modelled as part of the company's assessment. An overview of our risk management approach that supports the company's long-term planning and prospects, together with the principal risks and uncertainties facing the business, can be found on pages 84 to 107 of the UUW statutory accounts. This approach considers the full range of categories of risk that could impact the company, such as financial, operational and regulatory risks. In addition, consideration is given to the adequacy of workforce policies and practices, all liabilities including pension liabilities, any exposure to revenue variations, and expectations of future performance taking account of past performance in delivering for customers.

The viability assessment is performed on a standalone basis in relation to UUW. UUW is part of the United Utilities group[1]. The regulated activities of UUW represent 98 per cent of the total assets of the United Utilities group as a whole, which, taken together with the financial resources and interests of the regulated business being robustly ring-fenced, means there is minimal risk from the non-regulated activities.

Within the context of this long-term planning and management of risks, the company's principal business operates within five-year regulatory price control cycles. Medium-term planning considers the current price control period, over which there is typically a high degree of certainty, and looks beyond this in order to facilitate smooth transitions between price control periods. This results in the board concluding a recurring period of seven years to be an appropriate period over which to perform a robust assessment of the company's long-term viability.

Viability assessment: resilience of the company

The viability assessment is based upon the company's medium-term business planning process, which sits within the overarching strategic planning process and considers:

- UUG's policy of maintaining debt to regulatory capital value (RCV) of between 55% and 65%, which is consistent with a robust capital structure and strong solvency position, and which in turn supports UUW's current credit ratings for its principal subsidiary United Utilities Water Limited of A3/BBB+/A- with Moody's, S&P and Fitch, respectively;
- The company's pension schemes being fully funded on a low dependency basis and fully hedged for market risk;
- The company's policy of maintaining a robust liquidity position, with liquidity to cover expected cash outflows for the next 15–24 months, and flexibility to exceed the upper end of the liquidity range in periods of greater uncertainty. At March 2023, UUW had £621 million of available liquidity covering expected cash outflows through to March 2025 and providing a significant buffer to absorb short-term cash flow impacts;
- The company's expected performance, underpinned by its historical track record; and
- The current regulatory framework within which UUW operates – which provides a high degree of cash flow certainty over the regulatory period, and the broader regulatory protections outlined below.

From a regulatory perspective, the company benefits from a rolling 25-year licence and a regulatory regime in which regulators – including the economic regulator, Ofwat – are required to have regard to the principles of best regulatory practice. These include that regulation should be carried out in a way that is transparent, accountable, proportionate, consistent and targeted. Ofwat's primary duties provide that it should protect consumers' interests, by promoting effective competition wherever appropriate; secure that the company properly carries out its statutory functions; secure that the company can finance the proper carrying out of these functions – in particular through securing reasonable returns on capital; and secure that water and wastewater supply systems have long term resilience and that the company takes steps to meet long-term demands for water supplies and wastewater services.

In addition, from an economic perspective, given the market structure of water and wastewater services, threats to the company's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries.

The factors set out in this section underpin the expectation of the company's ability to maintain access to equity and debt capital to the extent necessary to maintain the company's capital structure and liquidity policies, which in turn provide the capital buffer and cash liquidity considered appropriate to mitigate the potential realisation of the principal risks facing the business.

Viability assessment: resilience to principal risks facing the business

The directors have assessed the company's viability based on the resilience of UUW and its ability to absorb a number of 'severe but plausible' scenarios, derived from the principal risks facing the company, as set out on pages 139 to 142 in the UUW statutory accounts. The baseline plan against which the viability assessment has been performed incorporates the estimated impact of current high levels of inflation which are expected to endure in the near term before falling to more normal levels. This baseline plan is then subject to further stress scenarios and reverse stress testing that takes into account the potential impact of UUW's principal risks. Such risks include: environmental risks such as the occurrence of extreme weather events and other impacts of climate change, further details of which are included in the company's TCFD disclosures on pages 48 to 83 of the UUW statutory accounts; political and regulatory risks; the risk of critical asset failure; significant cyber security breaches; current economic uncertainties including high levels of inflation and a squeeze on the cost of living impacting the company's customer base; and the potential for a restriction to the availability of financing resulting from a capital markets crisis.

The scenarios considered are underpinned by the company's established risk management processes, taking into account those risks with a greater than 10% (1 in 10) cumulative likelihood of occurrence. Risks associated with current economic conditions are reflected within the baseline position, with potential downside risks (most notably in relation to bad debt and inflation volatility) covered by the individual scenarios modelled, and collectively within a combined scenario.

(1) United Utilities Group PLC and its subsidiary undertakings.

Long term viability statement

Based on these risks, the following seven largest impacting scenarios were identified and applied as downside stress scenarios to UUW's baseline plan:

Scenario modelled	Link to risk factors
Scenario 1: Totex £400m one-off impact in 2023/24	Broadly representing the largest 'severe but plausible' risk which is a critical asset failure, all assumed to be operating costs
Scenario 2: Totex underperformance of 10% (c£130m–c£390m) per annum for 2023/24–2027/28	Representing more than the cumulative total expected NPV totex impact of the remaining top 10 'severe but plausible' risks (including environmental, cyber security and network failure risks)
Scenario 3: CPIH inflation of 2.0% below baseline plan for 2023/24–2029/30	Broadly consistent with quantum of inflation impacts modelled within top 10 'severe but plausible' risks
Scenario 4: An increase in bad debt of £15m per annum from 2023/24 to 2029/30	Aligned to internal risk factor on debt collection
Scenario 5: Additional ODI penalty of circa £70m per annum	Assumes mid-point of UUW's baseline and PR19 final determination P90 ODI position
Scenario 6: Debt refinanced as it matures, with new debt financed at 1% above the forward projections of interest rates 2023/24–2029/30	Representing more than top 10 'severe but plausible' risk on credit ratings as well as high impact/low likelihood risk on financial outperformance
Scenario 7: Combined scenario – 50% of scenarios 2-6	50% of scenarios 2-6

Example mitigations (of which none are required to remain viable under the scenarios modelled):

- Reduction in discretionary totex spend;
- Capital programme deferral;
- Closing out of derivative asset position; and
- Restriction of dividend.

All of which are considered to be within the control of management. In addition to these, it is considered that the following mitigating actions could also be implemented across the UUG group and which could be further utilised by UUW as required:

- Issuing of new finance; and
- Raising of additional equity.

The assessment has considered the impact of these scenarios on the company's business model, future performance, credit ratings, solvency and liquidity over the course of the viability assessment period. This assessment has demonstrated UUW's ability to absorb the impact of all severe but plausible scenarios modelled, without the need to rely on the key mitigating actions detailed below.

The most extreme of the severe but plausible scenarios modelled, without any mitigating action, resulted in: UUW retaining investment grade credit ratings; liquidity of more than one year; and no projected breaches of financial debt covenants.

Viability assessment: reverse stress testing

As part of the assessment, reverse stress testing of two extreme theoretical scenarios focusing on totex overspend and persisting low inflation have been performed to understand the extent to which the company could further absorb financial stress before it reaches a sub-investment grade credit rating. This reverse stress testing demonstrated that these extreme conditions would have to be significantly outside what would be considered 'severe but plausible' scenarios before the company's long-term viability would be at risk.

Viability assessment: key mitigating actions

In the event of more extreme but low likelihood scenarios occurring, there are a number of key mitigations available to the company, the effectiveness of which are underpinned by the strength of UUW's capital solvency position.

As well as the protections that exist from the regulatory environment within which the company operates, a number of actions are available to mitigate more severe scenarios, including those outlined in the above table.

Governance

The analysis underpinning this assessment has been through a robust internal review process, which has included scrutiny and challenge from the audit committee and board, and has been reviewed by the company's external auditor, KPMG, as part of their normal audit procedures.

Going concern

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation paragraph in the accounting policies on page 105.

Information in respect of transactions with any other business or activity of the appointee or any associated company

To the best of their knowledge, the directors of the company declare that all appropriate transactions with associated companies have been disclosed and material transactions with associated companies are at arm's length and no cross-subsidy has occurred. The materiality level of transactions used for reporting is 0.5 per cent of turnover.

Borrowings and loans

The following loans from associated companies existed at 31 March 2023:

	£m	Interest rate	Repayment date
United Utilities PLC: overdraft facility	24.222	0.173%+BoE Base Rate	On demand
United Utilities PLC: £588.0 million loan	60.000	0.173%+BoE Base Rate	Amortising until August 2023
United Utilities PLC: £170.0 million loan	170.000	0.173%+BoE Base Rate	18 months from lender intention to withdraw facility
United Utilities PLC: £88.0 million loan	88.000	0.173%+BoE Base Rate	Amortising until February 2024
United Utilities PLC: £250.0 million loan	250.000	0.173%+BoE Base Rate	Amortising until August 2025
United Utilities Water Finance PLC: GBP Notes 2.0% 2025	427.771	2.000%	February 2025
United Utilities Water Finance PLC: GBP 0.013% RPI Bond 2025	35.132	0.013%+RPI	April 2025
United Utilities Water Finance PLC: HKD Notes 2.867% 2026	32.589	2.867%	January 2026
United Utilities Water Finance PLC: HKD Notes 2.92% 2026	75.393	2.920%	February 2026
United Utilities Water Finance PLC: EUR Notes 1.129% 2027	41.539	1.129%	April 2027
United Utilities Water Finance PLC: HKD Notes 2.37% 2027	82.213	2.370%	October 2027
United Utilities PLC: $400.0 million bond	360.981	6.875%	August 2028
United Utilities Water Finance PLC: GBP 0.010% RPI Bond 2028	28.355	0.010% +RPI	September 2028
United Utilities Water Finance PLC: GBP Notes 1.43% 2028	85.808	1.430%	October 2028
United Utilities Water Finance PLC: GBP Notes 0.875% 2029	246.491	0.875%	October 2029
United Utilities Water Finance PLC: GBP 0.178% RPI Bond 2030	49.168	0.178%+RPI	April 2030
United Utilities Water Finance PLC: JPY Notes 0.175% 2030	64.585	0.175%	August 2030
United Utilities Water Finance PLC: EUR Notes 2.058% 2030	23.227	2.058%	October 2030
United Utilities Water Finance PLC: GBP Notes 2.625% 2031	358.444	2.625%	February 2031
United Utilities Water Finance PLC: HKD Notes 2.900% 2031	55.361	2.900%	June 2031
United Utilities Water Finance PLC: EUR Notes 1.641% 2031	22.066	1.641%	June 2031
United Utilities Water Finance PLC: USD Notes 1.474% 2031	22.537	1.474%	August 2031
United Utilities Water Finance PLC: GBP 0.245% CPI Bond 2031	24.969	0.245% +CPI	December 2031
United Utilities Water Finance PLC: GBP 0.010% RPI Bond 2031	53.536	0.010% +RPI	December 2031
United Utilities Water Finance PLC: EUR Notes 1.707% 2032	21.184	1.707%	October 2032
United Utilities Water Finance PLC: EUR Notes 1.653% 2032	19.276	1.653%	December 2032
United Utilities Water Finance PLC: EUR Notes 1.70% 2033	22.673	1.700%	January 2033
United Utilities Water Finance PLC: GBP Notes 2.0% 2033	324.145	2.000%	July 2033
United Utilities Water Finance PLC: GBP 0.010% RPI Bond 2036	39.126	0.010% +RPI	September 2036
United Utilities Water Finance PLC: GBP 0.379% CPI Bond 2036	24.950	0.379% +CPI	December 2036
United Utilities Water Finance PLC: GBP 0.010% RPI Bond 2036	41.128	0.010% +RPI	December 2036
United Utilities Water Finance PLC: GBP 0.093% CPI Bond 2037	74.443	0.093% +CPI	February 2037
United Utilities Water Finance PLC: JPY Notes 1.45% 2037	51.959	1.450%	December 2037
United Utilities Water Finance PLC: GBP Notes 1.75% 2038	300.372	1.750%	February 2038
United Utilities Water Finance PLC: GBP 0.010% CPI Bond 2040	163.475	0.010% +CPI	July 2040
United Utilities Water Finance PLC: GBP Notes 1.875% 2042	295.634	1.875%	June 2042
United Utilities Water Finance PLC: GBP 0.359% CPI Bond 2048	39.172	0.359% +CPI	October 2048
United Utilities Water Finance PLC: GBP 0.387% CPI Bond 2057	40.078	0.387% +CPI	October 2057

Loans to associated companies at 31 March 2023

There were no loans to associated companies as at 31 March 2023.

Information in respect of transactions with any other business or activity of the appointee or any associated company

Dividends paid to associated undertakings

During 2022/23, interim dividends were paid to the parent company, United Utilities North West Limited, totalling £454.2 million (2022: £339.2 million).

In line with the dividend policy on pages 129 to 132, dividends paid of £454.2m comprised:

- £193.6m reflecting a 4% return of the equity portion of the shadow RCV;
- £2.3m reflecting the profit after tax in relation to the non-appointed activities of UUW;
- £250m relating to demonstrable outperformance versus the final determination; and
- £8.3m reflecting a true-up from 2021/22 as actual base returns in relation to that year were slightly higher than originally forecast at the time of authorising previous dividend payments.

Guarantee by the appointee

A financing subsidiary of United Utilities Water Limited (UUW), United Utilities Water Finance PLC (UUWF), was set up in 2014/15 to issue new listed debt on behalf of UUW, following UUW's re-registration as a private limited company. Debt instruments issued by UUWF (as listed in borrowing and loans above) have been guaranteed by UUW.

Transfer of assets by or to the appointee

There were no transfers of assets or liabilities by or to the company in 2022/23.

Services supplied to the company by associated companies in 2022/23

Nature of transaction	Company	Turnover of associate £m	Terms of supply	Total value of goods, work or services 2022/23 £m
Functions	UU PLC	–	Employment costs	**16.635**
Share-based payments recharge	UU Group PLC	–	Employment costs	**2.757**
Purchase of energy	UU Renewable Energy	7.201	Contract price	**3.743**
Estates charges	LM Bus Park Dev Co Ltd	–	Contract price	**0.749**
				23.884

Services supplied by the company to associated companies in 2022/23

Nature of transaction	Company	Turnover of associate £m	Terms of supply	Total value of goods, work or services 2022/23 £m
Employment costs and travel costs	UU Property Services	5.023	Recharge of costs	**0.409**
Employment costs and travel costs	UU PLC	–	Recharge of costs	**1.444**
Employment costs and travel costs	UU International Ltd	–	Recharge of costs	**0.010**
Employment costs and travel costs	UU Total Solutions	–	Recharge of costs	**0.207**
Employment costs and travel costs	UU Renewable Energy	7.201	Recharge of costs	**0.441**
Wholesale water/wastewater recharge	Water Plus Ltd	731.735	Contract price	**335.127**
Wholesale water/wastewater recharge	Water Plus Select Ltd	–	Contract price	**25.411**
Business development costs	UU PLC	–	Recharge of costs	**0.028**
Central services including IT	UU Property Services	5.023	Recharge of costs	**0.109**
				363.186

Information in respect of transactions with any other business or activity of the appointee or any associated company

Corporation tax group relief received/surrendered by the regulated business in 2022/23

Losses surrendered to other group companies totalled £1.95m, however, these will be settled at the mainstream rate of corporation tax, so overall there is no financial impact.

Services supplied to the non-appointed business in 2022/23

Service	Basis of recharge made by the appointed business	Value of recharge made by the appointed business 2022/23 £m
Treatment of imported sludge	Nil	**Nil**
Treatment of tankered waste	The appointed business recharges the non-appointed business for treating tankered waste at wastewater treatment works. The recharge is calculated using the Mogden formula based on tankered waste volumes and, as per RAG 2.08 (2.21), the income is recorded as negative expenditure, reducing appointed operating expenditure.	**2.591**
Property searches	The appointed business recharges the non-appointed business for the use of operating systems consumed directly in the performance of non-appointed activities. This is calculated based on the frequency and proportion of system use.	**1.502**
Meter reading services	The appointed business recharges the non-appointed business in respect of meter reading services provided to retailers in the non-household market. The operating cost recharge is calculated using a cost allocation model that apportions cost based on the volume and type of activity completed for retailers. Amortisation associated with systems used to deliver the meter reading service is calculated based on a split of activity volumes between those performed for domestic customers and those completed for retailers or the wholesaler.	**1.156**

Statement of directors' remuneration and standards of performance

Statement of directors' remuneration and standards of performance

All directors of United Utilities Water Limited 'UUW' are also directors of United Utilities Group PLC 'UUG'. Our current UUG remuneration policy (the policy) was approved by shareholders at the 2022 UUG AGM, with the policy next being reviewed and renewed no later than the 2025 UUG AGM. Further details about our remuneration approach, including the policy, are available on pages 170 to 203 in the annual report and accounts of UUG. (unitedutilities.annualreport2023.com/)

For the purposes of this disclosure, the company's directors can be split into two categories:

- executive directors of UUW; and
- non-executive directors of UUW.

During the year ended 31 March 2023, the executive directors have received remuneration linked to levels of performance against service standards in connection with activities subject to price regulation, which has been paid by United Utilities PLC (UU PLC).

As outlined in the annual report and accounts of UUG, the non-executive Chairman and non-executive directors do not participate in the company's incentive arrangements (i.e. annual bonus or share schemes) and were paid no remuneration linked to water service standards.

The year in focus

The water sector has been subject to significant scrutiny during the year. We understand why, and we share the concerns of customers, regulators and wider society in relation to environmental performance in particular. On the topic of the use of storm overflows specifically, while the company has materially reduced the number of storm overflow activations since 2020, it is clear there is a lot more to do and we have an ambitious plan to improve performance in this area.

The UUG remuneration committee (committee) has a robust track record of making sure that executive performance pay outcomes are aligned with the interests of all our stakeholders. The majority of performance-related pay is linked to customer-related objectives, with 75 per cent of the annual bonus and 50 per cent of the Long Term Plan (LTP) being based on stretching targets related to our delivery for customers, including environmental commitments and obligations.

Many aspects of company performance during the year demonstrated strong delivery for customers, the environment, and other stakeholders. The company is a sector leader at minimising pollution, achieved its best ever performance against its leakage performance commitment despite difficult weather conditions over the winter, supported vulnerable customers during the cost-of-living crisis, and delivered all of this year's Better Rivers programme milestones. This strong performance meant that many of our environmental targets were achieved, however, the executive directors informed the committee of their intention to waive their eligibility for environmental elements of their 2022/23 performance-related pay outcomes as a demonstration of their personal commitment to a reset across the sector. The board supported their decision.

This affected the Better Rivers component of the annual bonus and five of the measures in the customer basket component of the Long Term Plan, reducing their PRP outcomes by around 25 per cent.

Performance-related pay for executive directors, which is in respect of performance in the financial year 2022/23, has been paid by UUPLC, a group holding company, and will not therefore be funded by customers of UUW, the regulated company. The costs associated with the executive directors' bonuses and LTIPs in respect of the financial year 2022/23 are excluded from the 2022/23 regulatory accounts for UUW, specifically wholesale totex reported in table 2B. As such, these costs are automatically excluded from the totex customer cost sharing mechanism, and will not therefore be paid for by customers of UUW.

Going forward, we are committed to making sure that at least 30 per cent of performance-related pay outcomes are related to environmental performance, including reducing storm overflow activations.

Further details about our approach to executive remuneration in 2022/23, and our plans for 2023/24 are provided on page 153.

Element: purpose and link to strategy	Operation	Opportunity 2022/23	Performance measures
Base salary			
To attract and retain executives of the experience and quality required to deliver the company's strategy.	Reviewed annually. Executive directors will normally receive a salary increase that is generally no greater than the increase awarded to the general workforce. Significant increases only awarded infrequently, for example, where there has been a material increase in: • the size of the individual's role; • the size of the company (through mergers and acquisitions); or • The pay market for directly comparable companies (for example, companies of a similar size and complexity).	**Steve Mogford:** 1 April 2022 – 31 March 2023: £790,700. Given Steve Mogford's planned retirement the committee decided not to increase his salary in the year. **Louise Beardmore:** 1 May 2022 – 31 March 2023: £425,000 on appointment as CEO designate. **Phil Aspin:** 1 April 2022 – 31 August 2022: £408,000. Increased by 4.75 per cent to £427,380 from 1 September 2022.	None.

Statement of directors' remuneration and standards of performance

Element: purpose and link to strategy	Operation	Opportunity 2022/23	Performance measures
Benefits			
To provide market competitive benefits to help recruit and retain high-calibre executives.	Provision of benefits such as health benefits, green travel allowance, relocation assistance, life assurance, group income protection, opportunity to join the ShareBuy scheme, travel and communication costs.	See table on executive directors' remuneration 2022/23 on page 151.	None.
Pension			
To provide a level of benefits that allow for personal retirement planning.	Executive directors are offered the choice of: • a company contribution into a defined contribution pension scheme; or • a cash allowance in lieu of pension; or • a combination of a company contribution into a defined contribution pension scheme and a cash allowance.	Aligned to the approach available to the wider workforce, currently: • up to 14 per cent of salary into a defined contribution scheme; • cash allowance of broadly equivalent cost to the company (i.e. up to 12 per cent of base salary for 2022/23); or • a combination of both such that the cost to the company is broadly the same. As an executive director appointed before 26 July 2019, Steve Mogford was entitled to a cash allowance of 22 per cent of salary until 31 December 2022. From 1 January 2023 his arrangements were aligned to the approach available to the other executive directors and the wider workforce.	None.
Annual bonus			
To incentivise performance against selected financial and operational KPIs that are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of executive directors and shareholders.	All: • Maximum of 50 per cent paid as cash. • A minimum of 50 per cent of bonus awarded deferred into UUG shares under the deferred bonus plan (DBP) for a period of at least three years. • Dividends or dividend equivalents accrue during the DBP deferral period and are paid upon vesting. • Not pensionable. • Withholding and recovery provisions apply.	Maximum 130 per cent of salary Details of the measures, targets and outcome of the 2022/23 annual bonus are shown on page 151.	Payments predominantly based on financial and operational performance. Targets and weightings set by reference to the company's financial and operating plans. Bonus outcomes are subject to the committee being satisfied that the company's performance on the measures is consistent with underlying business performance and individual contributions. The committee will exercise discretion on bonus outcomes if it deems necessary. 100 per cent of maximum bonus potential for stretch performance; up to 50 per cent of maximum for target performance; and up to 25 per cent of maximum for threshold performance. No payout for below- threshold performance.

Statement of directors' remuneration and standards of performance

<table>
<tr><th>Element: purpose and link to strategy</th><th>Operation</th><th>Opportunity 2022/23</th><th>Performance measures</th></tr>
<tr><td colspan="4">Long Term Plan</td></tr>
<tr><td>To incentivise long-term value creation and alignment with the long-term interests of shareholders, customers, and other stakeholders.</td><td>Awards under the Long Term Plan (LTP) are rights to receive UUG shares, subject to certain performance conditions.

Each award is measured over at least a three- year performance period.

An additional holding period applies after the end of the three- year performance period so that the total vesting and holding period is at least five years.

Dividends or dividend equivalents accrue until awards are released to participants, to the extent that such awards vest for performance.

Shares under the LTP are subject to withholding and recovery provisions in cases of: material misstatement of audited financial results; an error in the calculation; gross misconduct; serious reputational damage; serious failure of risk management; corporate failure; or other circumstances that the committee may determine.</td><td>The normal maximum award level will be up to 130 per cent of salary per annum.

The overall policy limit is 200 per cent of salary. It is not anticipated that awards above the normal level will be made to current executive directors and any such increase on an ongoing basis will be subject to prior consultation with major shareholders.

Details of the measures, targets and expected outcome of the 2020 LTP are shown on page 152.</td><td>The two performance conditions are Return on Regulated Equity and a basket of customer measures. The weighting of each of these two components is 50 per cent.

Any vesting is subject to the delivery of the dividend policy during the respective performance period, and the committee being satisfied that the company's performance on these measures is consistent with underlying business performance. The committee will exercise discretion on LTP outcomes if it deems it necessary.

The committee has discretion to set alternative performance measures and/or weightings for future awards but will consult with major shareholders before making any changes to the currently applied measures and/or weightings.

100 per cent of awards vest for stretch performance; and up to 25 per cent of awards vest for threshold performance. No awards vest for below-threshold performance.</td></tr>
<tr><td colspan="4">Shareholding requirements</td></tr>
<tr><td>The committee believes that it is important for each executive director to build and maintain a significant investment in shares of UUG to provide alignment with shareholder interests during and after employment.</td><td>Executive directors are expected to reach a shareholding requirement of 200 per cent of salary, normally within five years of appointment.

The following post-employment shareholding requirements apply in the event of an executive director leaving the company:
• Executive directors must continue to hold the lower of 200 per cent of salary in shares or their shareholding on departure, for two years after ceasing employment with the group.
• Executive directors appointed on or after 19 May 2020 must retain shares vesting (net of tax) from all share awards (including in-flight awards) if not doing so would take their shareholding below the requirement.
• As the only current executive director in role before 19 May 2020, Steve Mogford must retain shares vesting (net of tax) from share awards relating to performance periods beginning on or after 1 April 2020 if not doing so would take his shareholding below the requirement.

Nominee accounts are used to enable the post-employment shareholding requirements to be robustly enforced.</td><td>None.</td><td>None.</td></tr>
</table>

Statement of directors' remuneration and standards of performance

Element: purpose and link to strategy	Operation	Opportunity 2022/23	Performance measures
Non-executive directors' fees and benefits			
To attract non-executive directors with a broad range of experience and skills to oversee the development and implementation of our strategy.	The remuneration policy for the non-executive directors (with the exception of the Chairman) is set by a separate committee of the board. The policy for the Chairman is determined by the remuneration committee (of which the Chairman is not a member). Fees are reviewed annually taking into account the salary increase for the general workforce and the levels of fees paid by companies of a similar size and complexity. Any changes are normally effective from 1 September. Additional fees are paid in relation to extra responsibilities undertaken, such as chairing certain board subcommittees, and to the senior independent non-executive director. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the board may pay extra fees on a pro rata basis to recognise the additional workload. No eligibility for bonuses, long-term incentive plans, pension schemes, healthcare arrangements or colleague share schemes.	Base fees were increased by 3 per cent in 2022/23. The additional fees for the senior independent non-executive director and the chairs of committees were also increased by 3 per cent. The value of benefits may vary from year to year according to the cost to the company.	Non-executive directors are not eligible to participate in any performance-related arrangements.

Statement of directors' remuneration and standards of performance

Why the standards of performance impacting incentives are set and how they are assessed

Our remuneration approach is aligned to our purpose, values and strategy, thereby incentivising delivery for customers and the environment, and the creation of long-term value for all our stakeholders. Through the annual bonus and long-term incentive schemes, the executive directors receive remuneration linked to the achievement of performance measures which relate to water service standards in order to provide an incentive for them to deliver improvements in those standards.

The following table provides a summary of how our incentive framework in 2022/23 aligned with our strategic themes and with delivery for our stakeholders. Many of the performance measures are key performance indicators (KPIs) for the regulatory period 2020–25 and a significant weighting of the incentive measures are linked to stretching delivery for customers and the environment.

Element	Why it's important to our remuneration approach	Link to strategic priorities	Link to different stakeholders
2022/23 annual bonus			
Underlying operating profit	Underlying operating profit is a key measure of shareholder value.		
Customer service in year • C-MeX ranking • Written complaints • Water quality contacts	By using Ofwat's measure of customer experience alongside a measure that focuses on reducing the number of complaints made by customers, executive directors are incentivised to deliver the best service to customers. Ofwat can apply financial incentives or penalties depending on our customer service performance. Customers expect the water that comes out of their tap to be clear, and when it is discoloured it can affect public confidence in the water supply. This measure helps drive improvements in this aspect of our performance.		
Maintaining and enhancing outcomes for customers and the environment • Better Rivers commitments, including reducing storm overflow activations • Outcome delivery incentive (ODI) composite • Capital programme delivery incentive (CPDi)	We know that improving river health in the North West is a priority for customers, and the executive directors are incentivised to deliver our ambitious plans. The ODI composite measure includes a range of customer and environmental commitments. It is based on the outperformance payments earned and financial penalties incurred by the company based on its delivery of the performance targets embedded in the AMP7 final determination. The performance targets and the financial incentives associated with them are determined by Ofwat in the expectation that achieving them means that stretching outcomes have been delivered for customers and the environment. Bonus awards are only made where the value of these payments exceeds a predetermined level, which the committee sets relative to the AMP7 determination. Non-delivery of our performance commitments can result in financial penalties being applied, which reduces the likelihood of this target being achieved. The CPDi measure incentivises the executive directors to keep tight control of our capital programmes to ensure we can provide a reliable and environmentally conscious service to our customers.		
Compulsory deferral of bonus	Requiring executive directors to defer part of their bonus into shares provides reassurance that the company is being run in the longer-term interests of shareholders and customers, including beyond the annual bonus period. It also reassures shareholders and customers that some/all of the deferred bonus could ultimately be withheld if during the deferral period this is deemed necessary.		
2020 Long Term Plan (LTP)			
Return on Regulated Equity (RoRE)	RoRE is a key regulatory measure of performance against the final determination. Outperformance will result in an increase to RoRE, which should translate into higher returns for shareholders through share price performance. Outperformance also benefits customers and the environment through strong delivery against stretching performance commitments, efficiencies in the capital investment programme and lower long-term financing costs.		
Customer basket of measures	The customer basket is made up of specific performance commitments embedded in the AMP7 final determination, focusing on areas that customers have identified via our research as being most important to them. Strong delivery of the commitments benefits our customers, communities and the environment, and can result in outperformance payments from Ofwat, which is positive for shareholders.		
Additional holding period (so the overall vesting and holding period is at least five years)	Requiring the executive directors to wait a further period after the performance outcome of their award is known ensures continued longer-term alignment with shareholder interests and delivery for stakeholders, including customers and the environment. It also reassures shareholders and customers that some/all of the LTP outcome could ultimately be withheld if during the holding period this is deemed necessary.		
Key governance mechanisms			
Discretion over outcomes	The committee retains discretion to override formulaic outcomes in both schemes to ensure that they are appropriate and reflective of overall performance.		
Shareholding guidelines	It is important that each executive director builds and maintains a significant shareholding in shares of the company to provide alignment with shareholder interests (during and after employment) and as a demonstration that the company is being run for the long-term benefit of all its stakeholders, including customers and the environment.		

Statement of directors' remuneration and standards of performance

Aligning performance-related pay with delivery for customers, the environment, and other stakeholders

When determining performance-related pay outcomes for the executive directors, standards of performance are assessed by the committee to ascertain whether targets have been achieved. In addition, the committee also considers relevant reports from Ofwat in assessing the achievement of standards of performance, alongside the consideration of overall performance.

The data required to report on the delivery of our performance commitments and other commitments has been developed to be a subset of our routine, and often long-standing, operational and management information that is directly used to support and direct key business activities. We have also established a centralised reporting function, which has accountability for both assuring the quality of the data and for providing a central source of management information, which can be used by many areas of the business.

Executive directors' remuneration 2022/23

	Base salary £'000	Pension £'000	Benefits £'000	Annual Bonus[1] £'000	Long-term incentives[2] £'000	2022/23 Total £'000
Steve Mogford	791	154	26	0[4]	0[4]	**971**
Louise Beardmore[3]	390	48	20	0[4]	0[4]	**458**
Phil Aspin	419	50	20	0[4]	0[4]	**490**

(1) 50 per cent of each executive director's bonus will be deferred for three years.
(2) See page 152 for further detail on the long-term incentives.
(3) Salary, benefits, pension and annual bonus figures in 2023 for Louise Beardmore reflect part-year earnings and are for the period from 1 May 2022 when she was first appointed to the board.
(4) The performance-related pay outcomes received by the executive directors in respect of 2022/23 were paid out of UU PLC. Details can be found on pages 181 to 83 of the UUG annual report.

A recharge of £239,000 during the year ended 31 March 2023 (2022: £231,000) was charged to other companies in the United Utilities group in relation to the provision of executive director services (£184,000 (2022: £177,000)) and non- executive director services (£55,000 (2022: £55,000)).

2022/23 annual bonus

Cash bonuses are earned by reference to performance in the financial year, are paid in June following the end of the financial year and are subject to recovery provisions for two years. At least 50 per cent of any bonus is deferred, typically into shares under the Deferred Bonus Plan. These awards vest after three years and are subject to withholding provisions during the deferral period.

The performance measures, targets and outcomes in respect of the executive directors' annual bonus for the year ended 31 March 2023 are set out below. The measures used reflect material weightings to delivery for customers and the environment. The table on page 152 summarises how the performance measures are linked to our business strategy, including delivery for customers and the environment.

The executive directors waived the outcome related to the Better Rivers commitments measure, which would otherwise have vested at the stretch outcome with all milestones having been achieved. The committee also undertook an assessment to determine whether the formulaic outcome of the bonus scorecard was aligned with overall performance and the experience of stakeholders, including customers and the environment. The committee was satisfied that the measures and targets set were robust and stretching and that the overall payout appropriately reflected the achievements of the company. Accordingly, and noting the effect of the voluntary waivers, the committee has not applied any discretion in respect of annual bonus outcomes for 2022/23, with the final outcome being 41.4 per cent of maximum.

The bonuses received by the executive directors in respect of 2022/23 have been paid by UU PLC and full disclosure can be found on page 181 of the UUG annual report.

Measure	Max. %	Threshold (25% vesting)	Target (50% vesting)	Stretch (100% vesting)	Actual	Vesting as a % of max	Outcome
Underlying operating profit[1]	25.0%	£694.7m	£719.7m	£744.7m	£633.8m	0%	Paid by UU PLC
Customer service in year:							
C-MeX contractor and perception ranking out of the 17 water companies	10.0%	8th position	7th position	5th position	5th position	100%	Paid by UU PLC
Written complaints (per 10,000 customers)	5.0%	17.50	17.10	16.80	20.70	0%	Paid by UU PLC
Water quality contacts (appearance)	10.0%	7,604	6,974	6,344	5,936	100%	Paid by UU PLC
Maintaining and enhancing outcomes for customers and the environment:							
Better Rivers commitments (% of 2022/23 programme milestones delivered)	10.0%	90.0%	95.0%	100%	100%	100%	Waived
Outcome delivery incentive (ODI) composite[2]	25.0%	£20.0m	£28.0m	£35.7m	£22.2m	31.9%	Paid by UU PLC
Capital programme delivery incentive(CPDi)[3]	15.0%	80.0%	85.0%	95.0%	92.9%	89.5%	Paid by UU PLC

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals expenditure and property trading.
(2) The outcome of the ODI composite measure has been subject to independent external assurance.
(3) CPDi is an internal measure which measures the extent to which we deliver our capital projects on time, to budget and to the required quality standard. It is expressed as a percentage, with a higher percentage representing better performance.

For each of these bonus measures there was a threshold level of performance which triggered a partial payment of bonus with a sliding scale providing for achievement of up to 100 per cent of the relevant element of bonus.

Statement of directors' remuneration and standards of performance

Long-term incentives

2020 Long Term Plan (LTP) awards vesting in relation to 2022/23

The 2020 LTP awards were granted in November 2020 and performance was measured over the three-year period from 1 April 2020 to 31 March 2023. As Steve Mogford and Phil Aspin were executive directors when the awards were granted in 2020, their awards will normally vest following an additional holding period so that the overall vesting period is at least five years from the grant date, and the unvested shares will remain subject to withholding provisions during this two-year holding period. Louise Beardmore was not an executive director when her award was granted and so in line with the remuneration policy this historic award will vest once the final outcome is confirmed. Under the shareholding guidelines she will be required to hold the vesting shares (on a net of tax basis).

LTP awards granted in November 2020 were based 50 per cent on a customer basket of measures and 50 per cent on return on regulated equity (RoRE). The customer basket of measures comprised ten metrics selected to reflect customer priorities, demonstrate our focus on customer delivery and recognise stakeholder expectations with regard to ESG matters.

Performance against many of the measures has been strong as shown in the table below, and following the executive directors deciding to waive environmental elements of the LTP, the overall vesting outcome is expected to be 68.8 per cent. Note that the final outcome for some of the measures in the customer basket will not be known until all relevant information is available, expected in summer 2023.

The LTP outcomes for the executive directors in respect of 2022/23 have been paid by UU PLC.

Performance measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual(1)	Vesting as a % of max	Outcome
Return on Regulated Equity (RoRE)						
Average RoRE compared to the average allowed return set by the regulator across the three-year performance period	50.0%	Equal to the average of Ofwat's allowed RoRE over the three financial years of the performance period	1.0% (or more) above the average of Ofwat's allowed RoRE over the three financial years of the performance period	Average RoRE of 7.77% was 3.83% above the average allowed return	100%	Paid by UU PLC
Customer basket of measures(2)						
C-MeX ranking out of all of the other water companies(3)	5.0%	Ranked 9th position	Ranked 6th position (or better)	5th position	100%	Paid by UU PLC
Water poverty(3)	5.0%	62,100 customers have been lifted out of water poverty	83,000 (or more) customers have been lifted out of water poverty	84,002	100%	Paid by UU PLC
Priority Services(3)	5.0%	No threshold target. Stretch target must be achieved for any vesting on this measure	5.5% (or more) of customers are listed on the Priority	9.1%	100%	Paid by UU PLC
Sewer flooding incidents(3)	5.0%	A combined total of 1,161 sewer flooding incidents per 10,000km of our wastewater network	A combined total of less than, or equal to, 990 sewer flooding incidents per 10,000km of our wastewater network	849.8	100%	Waived
Pollution incidents(3)	5.0%	23.00 pollution incidents per 10,000km of our wastewater network	21.54 (or fewer) pollution incidents per 10,000km of our wastewater network	16.29	100%	Waived
Treatment works compliance(4)	5.0%	97.9% compliance	99.0% (or greater) compliance	99.0%	100%	Waived
Water quality contacts(4)	5.0%	14.7 customer contacts per 10,000 customers	13.8 (or fewer) customer contacts per 10,000 customers	14.1	75%	Paid by UU PLC
Leakage(3)	5.0%	A three-year average of 101.60 megalitres of leakage per 10,000km of our water network per day	A three-year average of 97.60 megalitres (or less) of leakage per 10,000km of our water network per day	98.39	85%	Waived
Compliance risk index (CRI)(5)	5.0%	CRI score of 3.27	CRI score of 2.00 (or less)	Estimate: 3.67	0%	Paid by UU PLC
The Environment Agency's Environmental Performance Assessment (EPA) rating(6)	5.0%	3 star rating	4 star rating	Estimate: 4 star rating	100%	Waived

Overall underpin
Overall vesting is subject to the committee being satisfied that the company's outcome performance on these measures is consistent with underlying business performance and that the company's dividend policy has been delivered in respect of each financial year of the performance period.

✓ Assumed met
Details of the committee's preliminary assessment on the alignment of the vesting outcome to the underlying performance of the business is set out in the introductory statement from the Chair of the committee. The committee will make a final assessment of the company's performance once the outcome of the customer basket of measures is known.

(1) Straight-line vesting applies between the threshold and stretch targets, with nil vesting below threshold performance.
(2) The customer basket of measures is based on the performance commitment definitions as per the AMP7 final determination.
(3) Outcome based on performance in respect of the financial year ending 31 March 2023 as published in our own and/or the other water companies' annual performance reports for 2022/23.
(4) Outcome based on performance in respect of the calendar year ending 31 December 2022 as published in our own Annual Performance Report for 2022/23.
(5) Outcome based on performance in respect of the calendar year ending 31 December 2022 as published in the Drinking Water Inspectorate's published report in 2023.
(6) Outcome based on performance in respect of the calendar year ending 31 December 2022 as published in the Environment Agency's published report in 2023.

Statement of directors' remuneration and standards of performance

Directors' remuneration 2023/24

Ensuring alignment with our business plan

The performance measures used in our performance-related pay schemes during 2023/24 will remain aligned directly with the business plan, with a material weighting being linked to delivery for customers, and at least 30 per cent on environmental measures including reducing storm overflow activations.

Details of our performance against these performance-related pay schemes will be included in our 2023/24 Annual Performance Report.

Annual bonus in repsect of the financial year commencing 1 April 2023

The maximum bonus opportunity for the year commencing 1 April 2023 will remain unchanged at 130 per cent of base salary.

The measures used in our annual bonus arrangements for executive directors demonstrate significant alignment to stakeholder interests, including customers and the environment, and the table below summarises the measures, weightings and targets for the 2023/24 bonus. We have amended the composition of the bonus scorecard and introduced a new measure to reflect our commitment to tackling storm overflow activations and improve river quality. Targets that are considered commercially sensitive will be disclosed retrospectively in the 2023/24 annual report on remuneration.

Measure	Max. %	Threshold (25% vesting)	Intermediate (50% vesting)	Stretch (100% vesting)
Underlying operating profit[(1)]	25.0%		Commercially sensitive	
Customer service in year:				
C-MeX ranking out of the 17 water companies[(2)]	10.0%	n/a	6th position	5th position
Water quality contacts (appearance)	5.0%	5,800	5,550	5,300
Maintaining and enhancing services for customers and the environment:				
Better Rivers commitments: % reduction of reported storm overflow activations	12.5%	8.0%	10.0%	12.0%
Better Rivers commitments: % of 2023/24 programme milestones delivered	12.5%	90.0%	95.0%	100%
Outcome delivery incentive (ODI) composite	25.0%		Commercially sensitive	
Capital programme delivery incentive (CPDi)[(2)]	10.0%	85.0%	90.0%	95.0%

(1) Underlying operating profit for bonus purposes excludes infrastructure renewals expenditure and property trading.
(2) No threshold target applies to this measure.

In line with policy, the executive directors will be required to defer at least 50 per cent of any bonus received into shares and these only become available after a period of three years. This provides the committee with time to consider and respond appropriately to any matters that were not known at the end of the relevant performance period but become apparent during the deferral period. This could include the use of the withholding and recovery provisions.

2023 LTP awards with a performance period ending 31 March 2026

Consistent with the approach since 2020, the awards will be based on Return on Regulated Equity and a customer basket of measures, with each component being equally weighted at 50 per cent. At least 30 per cent of the overall award will relate to environmental measures, including those that are within scope of our key regulators.

The award level for executive directors will remain unchanged at 130 per cent of base salary and the performance period for the awards will be 1 April 2023 to 31 March 2026. As work is continuing on the ambitious plan for the next regulatory period, of which the first year will be the final year of the performance period, the committee has decided to wait until later in the summer to grant the awards to give more time for the precise measures and stretching targets to be well-aligned with the proposed plan. We will publish details of the measures and targets at the point of grant.

Ring-Fencing Certificate

Ring-Fencing Certificate (RFC) under paragraph P30 of condition P of the company's instrument of appointment

In the opinion of the Board of United Utilities Water:

1. United Utilities Water Limited will have available to it sufficient financial resources and facilities to enable it to carry out the Regulated Activities, for at least the next twelve months;
2. United Utilities Water Limited will have available to it sufficient management resources and systems of planning and internal control to enable it to carry out the Regulated Activities, for at least the next twelve months;
3. United Utilities Water Limited has available to it sufficient rights and resources other than financial resources, as required by paragraph P14 of the company's instrument of appointment; and
4. all contracts entered into between United Utilities Water Limited and any Associated Company include the necessary provisions and requirements in respect of the standard of service to be supplied to United Utilities Water Limited, to ensure that it is able to carry out the Regulated Activities;

Statement under paragraph P33 of condition P of the instrument of appointments

In providing this opinion under paragraph P30 of the Licence, the Directors have considered many factors, which fully incorporate the 28 factors listed by Ofwat in Information Notice IN20/01 as the minimum factors to consider.

Senior management from the relevant business areas provide confirmation, along with supporting documentation, for each factor listed. The RFC is presented to the Compliance Committee, a sub committee of UUG Board, for review and scrutiny ahead of Board approval. In accordance with Condition P35 the company's instrument of appointment, UUW engaged with KPMG to examine the RFC in conjunction with the completion of their audit of the Regulatory Accounting Statements within the Company's regulatory accounts for the year ended 31 March 2023. KPMG presented a report to the UUW board stating whether they were aware of any inconsistencies between the RFC and their findings arising from their audit or any information they obtained in the course of their work as the company's auditor. A copy of KPMG's RFC report is included in appendix 1 on page 215.

The list of factors considered, include, but is not limited to:

Financial resources and facilities	• UUW's financial position at 31 March 2023 as represented by the statutory and regulatory accounts • UUW's IFRS pension surplus of £442m, fully-funded on a low dependency basis • UUW's projected cash flows as represented by the business plan, budget and treasury funding plan, which incorporates the estimated impact of current high levels of inflation • UUW's expected performance against the 2020–25 Final Determination, underpinned by its historical track record • UUW's current liquidity position with £621m of available liquidity at March 2023 • UUW's capital solvency position with a net debt to RCV gearing ratio of 66% as at March 2023 • UUW's robust credit rating position with unsecured senior debt ratings of Moody's A3; S&P BBB+ and Fitch A-, with all ratings on stable outlook • UUW's compliance with its financial covenants • UUW's long-term viability statement of seven years, included within the 2022/23 APR • UUW's dividend policy, which takes into account financial resilience and consideration of business performance, customers and employees
Management resources	• A capability audit forms the basis of broad recruitment plans, ensures the right supply of management skills, experience, qualifications and capabilities to respond to the needs of the business • High employee engagement, evidenced by scores regularly above the UK norm and Utilities Norm with a healthy response rate of 87%, supporting employee retention and wellbeing • Succession plan maintained for all executive directors and team, including outline timescales • Training and personal development programmes exist for all employees, enabling the development or maintenance of skills appropriate for their role • Board appointments and succession planning overseen by Nomination Committee (100% non-executive directors), applying board diversity policy to ensure balance of experience, skills and perspectives, including the recent appointment of our new CEO • Equality and diversity policy and action plan supports our intention of providing equality for all our employees in a diverse working environment • The strategy of the company set by the board, including the company's approach to business planning, risk management and the development of policies including health and safety • Non-executive directors considered to be independent when assessed against Provision 10 of the 2018 UK Corporate Governance Code and in accordance with the relevant Board Leadership, Transparency and Governance (BLTG) objectives and provisions • The chairman was independent on appointment when assessed against Provision 10 and in accordance with the relevant BLTG objectives and provisions

Ring-Fencing Certificate

Systems of planning and internal control	• Established risk management framework including the governance and reporting structure • Biannual board review of the principal risk and uncertainties facing the business and mitigating controls • Board supported by the Group Audit and Risk Board (GARB) which review and monitor compliance with governance processes, risk management and the internal control framework • UUG Audit Committee approves annual audit plan of work, underpinned by five-year strategic plan, with findings reported back to them • Business continuity system aligned to International standards best practice, with plans addressing loss of buildings, people, systems and key services and updated to reflect our enhanced ability to support remote working for office staff • Security policy framework to help mitigate cyber risk and ensure data and technology assets are not compromised, including robust controls reflecting multiple sources of threat intelligence, employee training and awareness, and oversight by the GARB • Policies to prevent unethical behaviours including an anti-fraud policy, anti-bribery and corruption policy, whistleblowing policy, modern slavery act policy and security policy, supported by an independently provided, confidential, whistleblowing hotline • Dedicated employee voice panel sponsored by Non Exec Director Alison Golligher enabling the Board to have a close and regular check in with employees and a clear temperature check of the employee voice. • Published assurance framework used to support assurance statements supporting key regulatory submissions. • Compliance working group actively maintains a log of key obligations that are referred to within the risk and compliance statement, with each obligations linked policy having a senior named owner
Rights and resources other than financial resources	• Clear purpose to provide great water for a stronger, greener and healthier North West • Underpinned by our core values to do the right thing; make it happen; be better, and our strategic themes to improve our rivers; create a greener future; provide a safe and great place to work; deliver great service for all customers; spend customers' money wisely; and contribute to our communities • Committed to a long term strategy, embracing systems approach to how we run our service, certified to the international standard for asset management ISO55001 • Monitoring and control technology systems cover real-time monitoring of our water and wastewater systems, ensuring continuing operations • Key policies encouraging an integrated and consistent approach, including policies on Risk Management, Asset Management and the Environment • Well-established approach to water production planning with real-time central tracking of site production capacities and water demand forecasting • Comprehensive asset maintenance plans, developed on a risk basis with high criticality assets receiving additional preventative maintenance activities • Operational insurance policies protect against material financial loss on insurable risks, supplemented by appropriate levels of self-insurance ensuring ongoing focus on internal-risk management • 'Better Rivers: Better North West' programme, supported by the accelerated infrastructure delivery project, to significantly reduce storm overflow activations and improve river health across the region, ensuring new environmental targets are achieved
Contracting	• Major contracts, typically 5+ years, completed with financial robust organisations which have been thoroughly tested through our procurement processes, with flexibility to use alternative suppliers to ensure continuous service • In line with UUW's transfer pricing policy, all intercompany trading relationships must have a contract in place with defined Service Level Agreements (SLAs) • Transactions between the appointee and any associated company are completed at arm's length in accordance with UUW's transfer pricing policy and Licence Condition P19 • The APR includes a list of all transactions between the appointee and associated companies in line with RAG 3.14 • No guarantees or cross-default obligations have been given without Ofwat's written consent
Material issues or circumstances	• We remain subject to two separate but related national/industry wide investigations (one by each of Ofwat and the Environment Agency) in relation to discharges. In addition, we are also engaged in litigation relating to the Manchester Ship Canal and a decision from the Supreme Court is awaited which may provide further clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges into the canal and other watercourses. The implications of the Manchester Ship Canal decision will only be known later this year (on the current court timetable) and the implications of the two regulatory investigations may only be known at their conclusion. Whilst these matters are significant, we remain of the opinion that the likelihood of a material adverse impact on the group's financial position due to them is remote based on the facts currently known to us but these matters remain worthy of note.

This certificate was approved by the board and signed on its behalf by:

Phil A

Phil Aspin
Chief Financial Officer

27 June 2023

An extract from the Board minutes evidencing that the Board approved the RFC and delegated authority to sign the certificate to any one director can be found in appendix 2.

Pro forma tables not subject to KPMG audit opinion

This section of the UUW annual performance report provides a copy of the pro forma tables in section 3 to 11, that Ofwat requires all companies to publish, that have not been subject to financial audit opinion. The information within these tables has been subject to detailed governance and assurance by either KPMG or Jacobs (our non-financial auditor), with the nature and findings of the assurance being set out in Appendix 1 Assurance summary and findings.

The list of data tables is shown below.

Section 3 – Performance summary	
Pro forma 3A	Outcome performance – water performance commitments (financial) (some redacted information)
Pro forma 3B	Outcome performance – wastewater performance commitments (financial) (some redacted information)
Pro forma 3C	Customer measure of experience (C-MeX) table
Pro forma 3D	Developer services measure of experience (D-MeX) table
Pro forma 3E	Outcome performance – non-financial performance commitments
Pro forma 3F	Underlying calculations for common performance commitments – water and retail
Pro forma 3G	Underlying calculations for common performance commitments – wastewater
Pro forma 3H	Summary information on outcome delivery incentive payments
Pro forma 3I	Supplementary outcomes information
Section 4: Additional regulatory information – service level	
Pro forma 4A	Water bulk supply information
Pro forma 4B	Analysis of debt – omitted from inclusion within regulatory accounts due to size in adherence with RAG 3.13 Section 2.7. The table is submitted to Ofwat separately, and published on the company website
Pro forma 4C	Impact of price control performance to date on RCV
Pro forma 4D	Totex analysis – water resources and water network+
Pro forma 4E	Totex analysis – wastewater network+ and bioresources
Pro forma 4F	Major project expenditure for wholesale water by purpose
Pro forma 4G	Major project expenditure for wholesale wastewater by purpose
Pro forma 4H	Financial metrics
Pro forma 4I	Financial derivatives
Pro forma 4J	Base expenditure analysis – water resources and water network+
Pro forma 4K	Base expenditure analysis – wastewater network+ and bioresources
Pro forma 4L	Enhancement expenditure analysis – water resources and water network+
Pro forma 4M	Enhancement expenditure analysis – wastewater network+ and bioresources
Pro forma 4N	Developer services expenditure – water resources and water network+
Pro forma 4O	Developer services expenditure – wastewater network+ and bioresources
Pro forma 4P	Expenditure on non-price control diversions
Pro forma 4Q	Developer services – new connections, properties and mains
Pro forma 4R	Connected properties, customers and population
Pro forma 4S	Green Recovery expenditure – water resources and water network+
Pro forma 4T	Green Recovery expenditure – wastewater network+ and bioresources
Pro forma 4U	Impact of Green Recovery on RCV
Pro forma 4V	Mark-to-market of financial derivatives analysed based on payment dates
Pro forma 4W	Defined benefit pension scheme – additional information

Pro forma tables not subject to KPMG audit opinion

Section 5: Additional regulatory information – water resources	
Pro forma 5A	Water resouces asset and volume data
Pro forma 5B	Water resources operating cost analysis
Section 6: Additional regulatory information – water network+	
Pro forma 6A	Raw water transport, raw water storage and water treatment
Pro forma 6B	Treated water distribution – assets and operations
Pro forma 6C	Water network+ – Mains, communication pipes and other data
Pro forma 6D	Demand management – Metering and data leakage activities
Pro forma 6F	WRMP annual reporting on delivery – non-leakage activities
Section 7: Additional regulatory information – wastewater network+	
Pro forma 7A	Wastewater network+ – Functional expenditure
Pro forma 7B	Wastewater network+ – Large sewage treatment works. The table is submitted to Ofwat separately, and published on the company website
Pro forma 7C	Wastewater network+ – Sewer and volume data
Pro forma 7D	Wastewater network+ – Sewage treatment works data
Pro forma 7E	Wastewater network+ – Other data including energy comsumption and scheme delivery
Pro forma 7F	Wastewater network+ – WINEP phosphorus removal scheme costs and cost drivers. The table is submitted to Ofwat separately, and published on the company website
Section 8: Additional regulatory information – wastewater network+	
Pro forma 8A	Bioresources sludge data
Pro forma 8B	Bioresources operating expenditure analysis
Pro forma 8C	Bioresources energy and liquors analysis
Pro forma 8D	Bioresources sludge treatment and disposal data
Section 9: Additional regulatory information – innovation competition	
Pro forma 9A	Innovation competition
Section 10: Additional regulatory information – Green Recovery	
Pro forma 10A	Green Recovery data capture
Pro forma 10B	Water common performance commitments relevant to Green Recovery
Pro forma 10C	Wastewater common performance commitments relevant to Green Recovery
Pro forma 10D	Bespoke performance commitments relevant to Green Recovery
Pro forma 10E	Green Recovery data capture reconciliation model input
Section 11: Operational greenhouse gas emissions reporting	
Pro forma 11A	Greenhouse gas emissions reporting

Commentary is also provided for tables 3A–3I, 4A, 4F, 4G, 4L, 4M, 4Q–4U, 5A–5B, 6A–6F, 7A–7F, 8A–8D, 9A, 10A–10E and 11A within the supporting commentary document which is published on our website.

Keys to cells

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Section 3 Performance summary

Pro forma 3A Outcome performance – water performance commitments (financial)

Keys to cells

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Line description	Unique reference	Unit	Decimal places	Performance level - actual	PCL met?	Outperformance or underperformance payment £m	Forecast of total 2020-25 outperformance or underperformance payment £m	RAG 4 reference
Common PCs - Water (Financial)								
Water quality compliance (CRI)	PR19UUW_A01-CF	number	2	3.67	No	-1.879		3A.1
Water supply interruptions	PR19UUW_B03-WN	hh:mm:ss	0	00:38:45	No	-15.912		3A.2
Leakage	PR19UUW_B01-WN	%	1	5.9	Yes	1.475		3A.3
[For use by NES and SSC only]								3A.3
Per capita consumption	PR19UUW_B05-WN	%	1	-0.5	No	0.000		3A.4
[For use by SSC only]								3A.4
Mains repairs	PR19UUW_B02-WN	number	1	111.6	Yes	0.660		3A.5
Unplanned outage	PR19UUW_B04-CF	%	2	1.73	Yes	0.000		3A.6
Bespoke PCs - Water and Retail (Financial)								
Reducing water quality contacts due to taste, smell and appearance	PR19UUW_A02-WN	nr	1	14.1	Yes	1.246		3A.7
Number of properties with lead risk reduced	PR19UUW_A03-WN	nr	0	3,487	Yes	3.009		3A.8
Helping customers look after water in their home	PR19UUW_A04-WN	%	1	31.6	Yes	1.869		3A.9
Reducing discolouration from the Vyrnwy treated water aqueduct	PR19UUW_A05-WN	nr	2	0	Yes	0.000		3A.10
Reducing areas of low water pressure	PR19UUW_B07-WN	nr	3	0.462	Yes	0.071		3A.11
Water service resilience	PR19UUW_B08-WN	nr	0	2,198	Yes	4.637		3A.12
Manchester and Pennine resilience	PR19UUW_B09-DP	control	0	1	Yes	0.000		3A.13
Keeping reservoirs resilient	PR19UUW_B10-WR	risk	5	1.20000	Yes	0.000		3A.14
Thirlmere transfer into West Cumbria (AMP7)	PR19UUW_B11-WN	%	0	100%	Yes	0.000		3A.15
Abstraction incentive mechanism	PR19UUW_C03-WR	Ml	1	0.0	Yes	0.000		3A.16
Improving the water environment	PR19UUW_C04-WR	nr	0	80	Yes	0.000		3A.17
Number of customers lifted out of water poverty	PR19UUW_E01-HH	nr	0	84,002	Yes	2.722		3A.18
Voids	PR19UUW_E10-HH	%	2	4.45	Yes	8.220		3A.19
Non-household vacancy incentive scheme	PR19UUW_E03-CF	nr	0	6,022	Yes	0.819		3A.20
Gap sites (Wholesale)	PR19UUW_E04-CF	nr	0	1,339	Yes	0.410		3A.21
Gap sites (Retail)	PR19UUW_E05-HH	nr	0	8,986	Yes	0.117		3A.22
Successful delivery of direct procurement of Manchester and Pennine resilience	PR19UUW_E07-DP	nr	0	0	Yes	0.000		3A.23
Financial water performance commitments achieved		%	0		87			3A.27
Overall performance commitments achieved (excluding C-MEX and D-MEX)		%	0		83			3A.28

Lines 3A.24 – 3A.26 are unused freeform lines.

Section 3 Performance summary

Pro forma 3B Outcome performance – wastewater performance commitments (financial)

Keys to cells

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Line description	Unique reference	Unit	Decimal places	Performance level - actual	PCL met?	Outperformance or underperformance payment £m	Forecast of total 2020-25 outperformance or underperformance payment £m	RAG 4 reference
Common PCs - Wastewater (Financial)								
Internal sewer flooding	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	2	2.32	No	-4.996		3B.1
Pollution incidents	PR19UUW_C01-WWN	Pollution incidents per 10,000 km of sewer length	2	16.29	Yes	5.100		3B.2
Sewer collapses	PR19UUW_F01-WWN	Number of sewer collapses per 1,000 km of all sewers	2	14.13	Yes	0.000		3B.3
Treatment works compliance	PR19UUW_C02-CF	%	2	98.45	No	-0.839		3B.4
Bespoke PCs - Wastewater (Financial)								
Improving river water quality	PR19UUW_C05-WWN	nr	0	0	Yes	0.000		3B.5
Protecting the environment from the impact of growth and new development	PR19UUW_C06-WWN	nr	0	6,979	No	0.000		3B.6
Enhancing natural capital value for customers	PR19UUW_C08-CF	£m	3	0	Yes	0.000		3B.7
Recycling biosolids	PR19UUW_C09-BR	%	2	100.00	Yes	0.000		3B.8
Better air quality	PR19UUW_C10-BR	nr	2	1.07	Yes	0.942		3B.9
Sewer blockages	PR19UUW_F02-WWN	nr	0	20,203	No	-0.295		3B.10
External flooding Incidents	PR19UUW_G03-WWN	nr	0	5,916	Yes	2.341		3B.11
Raising customer awareness to reduce the risk of flooding	PR19UUW_G04-WWN	%	1	39.0	Yes	2.838		3B.12
Hydraulic internal flood risk resilience	PR19UUW_G05-WWN	nr	2	38.49	Yes	8.113		3B.13
Hydraulic external flood risk resilience	PR19UUW_G06-WWN	nr	2	173.30	Yes	1.547		3B.14
Financial wastewater performance commitments achieved		%			71			3B.19

Lines 3B.15 – 3B.18 are unused freeform lines.

Section 3 Performance summary

Pro forma 3C Customer measure of experience (C-MeX) table

Keys to cells

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Item	Unit	Value	RAG 4 reference
Annual customer satisfaction score for the customer service survey	Number	81.18	3C.1
Annual customer satisfaction score for the customer experience survey	Number	81.33	3C.2
Annual C-MeX score	Number	81.26	3C.3
Annual net promoter score	Number	35.00	3C.4
Total household complaints	Number	17,066	3C.5
Total connected household properties	Number	3,344,408	3C.6
Total household complaints per 10,000 connections	Number	51.028	3C.7
Confirmation of communication channels offered	TRUE or FALSE	TRUE	3C.8

Section 3 Performance summary

Pro forma 3D Developer services measure of experience (D-MeX) table

Keys to cells

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Item	Unit	Value	RAG 4 reference
Qualitative component annual results	Number	76.10	3D.1
Quantitative component annual results	Number	98.75	3D.2
D-MeX score	Number	87.43	3D.3
Developer services revenue (water)	£m	21.609	3D.4
Developer services revenue (wastewater)	£m	8.538	3D.5

Calculating the D-MeX quantitative component				
Water UK performance metric	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)	RAG 4 reference
S1.1 Pre-development enquiry – reports issued within target	%	99.78%		3D.W1
S3.1 Sewer requisition design – offers issued within target	%	100.00%		3D.W2
S4.1 Sewer requisition – constructed and commissioned within agreed extension	%			3D.W3
S7.1 Adoption legal agreement – draft agreements issued within target	%			3D.W4
SAM - 3/1 Execute Adoption Agreement (Stage 3) – Sewerage Company – SAM – 3/1 – Update draft Agreement	%	95.16%		3D.W5
SAM - 4/1 Customer notifies of construction start date and requests inspections (Stage 4) – Sewerage Company – SAM – 4/1 Inspections & construction period	%	100.00%		3D.W6
SLPM - 2/2b Design Self-Laid Main (Stage 2) – Water Company – SLPM - S2/2b – Water Company to Provide design acceptance	%	95.83%		3D.W7
SLPM – S1/2 POC (Stage 1C) – Water Company – SLPM – S1/2 – Review PoC proposal	%	98.63%		3D.W8
SLPM - S2/2a Design Self-Laid Main (Stage 2) – Water Company – SLPM - S2/2a – Provide design	%			3D.W9
SLPM – S3 Execute Water Adoption Agreement (Stage 3) – Water Company – SLPM – S3 – Review / revise Water Adoption Agreement	%	95.83%		3D.W10
SLPM – S4/1 Delivery Date (Stage 3 / 4) – Water Company – SLPM – S4/1 – Source of Water Delivery Date	%	100.00%		3D.W11
SLPM – S5/1a Connect Self-Laid Main – (Stage 5) – Water Company – SLPM – S5/1a – Review request and carry out Final Connection	%	100.00%		3D.W12
SLPM – S7/1 Make Service Connections (Stage 7 – Part 2) – Water Company – SLPM – S7/1 – Validate notification and provide consent to progress with connection	%	89.65%		3D.W13
SN2.2 % Bulk discharge offer letters issued to the applicant within target period	%	100.00%		3D.W14
SN4.1 % of main laying schemes constructed and commissioned within the target period	%			3D.W15
W1.1 Pre-development enquiry – reports issued within target	%	98.08%		3D.W16
W17.1 Mains diversions (without constraints) - quotations within target	%	98.96%		3D.W17
W17.2 Mains diversions (with constraints) - quotations within target	%	100.00%		3D.W18
W18.1 Mains diversions - construction/commissioning within target	%	99.17%		3D.W19
W20.1 Self-lay Point of Connection report < 500 plots etc - reports issued within target	%	100.00%		3D.W20
W21.1 Self-lay Point of Connection reports >500 plots etc - reports issued within target	%			3D.W21
W23.1 Sel-lay design and terms request <500 plots etc - quotations within target	%	100.00%		3D.W22
W24.1 Self-lay design and terms request >500 plots etc - quotations within target	%			3D.W23
W26.1 Self-lay water for pressure/bacteriological testing - provided within target	%	100.00%		3D.W24
W27.1 Self-lay permanent water supply - provided within target	%	100.00%		3D.W25
W3.1 s45 quotations - within target	%	99.47%		3D.W26
W30.1 Self-lay plot references and costing details - issued within target	%	100.00%		3D.W27
W4.1 s45 service pipe connections - within target	%	96.51%		3D.W28
W6.1 Mains design <500 plots - quotations within target	%	99.24%		3D.W29
W7.1 Mains design >500 plots - quotations within target	%			3D.W30
W8.1 Mains construction within target	%	100.00%		3D.W31
WN1.1 % of confirmations issued to the applicant within target period	%	100.00%		3D.W32
WN2.2 % Bulk supply offer letters issued to the applicant within target period	%	100.00%		3D.W33
WN4.1 % of main laying schemes constructed and commissioned within the target period	%			3D.W34
WN4.2 % of testing supplies provided within target period	%	100.00%		3D.W35
WN4.3 % of permanent supplies made available within the target period	%			3D.W36
D-MeX quantitative score (for the reporting period)	%	98.75%		3D.7
D-MeX quantitative score (annual)	Number		0.99	3D.8

Lines 3D.W37 – 3D.W50 are unused freeform lines.

Section 3 Performance summary

Pro forma 3E Non-financial performance commitments

Keys to cells
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Line description	Unique reference	Unit	Decimal places	Performance level - actual	PCL met?	RAG 4 reference
Common						
Risk of severe restrictions in a drought	PR19UUW_B06-CF	%	1	0.0	Yes	3E.1
Priority services for customers in vulnerable circumstances - PSR reach	PR19UUW_D03-HH	%	1	9.1	Yes	3E.2
Priority services for customers in vulnerable circumstances - Attempted contacts	PR19UUW_D03-HH	%	1	91.7	Yes	3E.3
Priority services for customers in vulnerable circumstances - Actual contacts	PR19UUW_D03-HH	%	1	55.8	Yes	3E.4
Risk of sewer flooding in a storm	PR19UUW_G01-WWN	%	2	14.33	Yes	3E.5
Bespoke PCs						
Street works performance	PR19UUW_D04-CF	%	2	15.44	No	3E.6
Priority Services- BSI accreditation	PR19UUW_D05-HH	text	0	Maintained	Yes	3E.7
Systems thinking capability	PR19UUW_E06-CF	nr	0	2	Yes	3E.8
Customers say that we offer value for money	PR19UUW_E09-HH	%	0	75	Yes	3E.9
Non-financial performance commitments achieved		%			89	3E.29

Lines 3E.10 – 3E.28 are unused freeform lines.

Section 3 Performance summary

Pro forma 3F Underlying calculations for common performance commitments – water and retail

Keys to cells

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Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	RAG 4 reference
Performance commitments set in standardised units - Water						
Mains repairs - Reactive	Mains repairs per 1000 km	Mains length in km	42,877.12	3,012	70.25	3F.1
Mains repairs - Proactive	Mains repairs per 1000 km	Mains length in km	42,877.12	1,774	41.37	3F.2
Mains repairs	Mains repairs per 1000 km	Mains length in km	42,877.12	4,786	111.62	3F.3
Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (Ml/d)	7,093.06	993	140.00	3F.4

	6	7	8	9	10	11	11a	11b	11c	11d	12	13	
Line description	Unit	Performance level - actual (2017-18)	Performance level - actual (2018-19)	Performance level - actual (2019-20)	Baseline (average from 2017-18 to 2019-20)	Performance level - actual (2020-21)	Performance level - actual (2021-22)	Performance level - actual (2022-23)	Performance level - actual (2023-24)	Performance level - actual (2024-25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs	
Performance commitments measured against a calculated baseline													
Leakage	Ml/d	449.4	452.0	439.8	447.1	424.7	413.9	423.0			420.5	5.9	3F.5
Per capita consumption (PCC)	lpd	143.6	144.4	144.0	144.0	151.2	143.0	140.0			144.7	-0.5	3F.6

	14	15	16	17	18	19	
Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions							
Water supply interruptions	Average number of minutes lost per property per year	Number of properties (thousands)	3,439.49	133274373	255,164	00:38:45	3F.7

	20	21	22	
Line description	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %	
Unplanned or planned outage				
Unplanned outage	3,466.93	59.81	1.73%	3F.8

	23	24	25	26	27	28	29	30	
Line description	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %	
Priority services for customers in vulnerable circumstances									
Priority services for customers in vulnerable circumstances	3,240.41	294,490	9.1%	63,619	58,364	91.7%	35,515	55.8%	3F.9

Section 3 Performance summary

Pro forma 3G Underlying calculations for common performance commitments – wastewater

Keys to cells

Input cell
Calculation cell
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Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level	RAG 4 reference
Performance commitments set in standardised units							
Internal sewer flooding - customer proactively reported	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	720	2.08	3G.1
Internal sewer flooding - company reactively identified (ie neighbouring properties)	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	81	0.23	3G.2
Internal sewer flooding	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	801	2.32	3G.3
Pollution incidents	PR19UUW_C01-WWN	Pollution incidents per 10,000 km of sewer length	Sewer length in km	77,339.00	126	16.29	3G.4
Sewer collapses	PR19UUW_F01-WWN	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	79,038.00	1,117	14.13	3G.5

Section 3 Performance summary

Pro forma 3H Summary information on outcome delivery incentive payments

Keys to cells

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Line description	Initial calculation of performance payments (excluding CMEX and DMEX)	RAG 4 reference
	£m (2017-18 prices)	
Initial calculation of in period revenue adjustment by price control		
Water resources	-0.19	3H.1
Water network plus	-4.07	3H.2
Wastewater network plus	14.47	3H.3
Bioresources (sludge)	0.94	3H.4
Residential retail	11.06	3H.5
Business retail	0.00	3H.6
Dummy control	0.00	3H.7
Initial calculation of end of period revenue adjustment by price control		
Water resources	0.00	3H.8
Water network plus	-2.49	3H.9
Wastewater network plus	-0.03	3H.10
Bioresources (sludge)	0.00	3H.11
Residential retail	0.00	3H.12
Business retail	0.00	3H.13
Dummy control	0.00	3H.14
Initial calculation of end of period RCV adjustment by price control		
Water resources	0.00	3H.15
Water network plus	0.00	3H.16
Wastewater network plus	0.00	3H.17
Bioresources (sludge)	0.00	3H.18
Residential retail	0.00	3H.19
Business retail	0.00	3H.20
Dummy control	0.00	3H.21

Section 3 Performance summary

Pro forma 3I Supplementary outcomes information

Keys to cells

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Line description	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %	RAG 4 reference
Unplanned or planned outage				
Planned outage	3,466.93	191.40	5.52%	3I.1

	4	5	6	7	8	9	
Line description	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	
Risk of severe restrictions in drought							
Risk of severe restrictions in drought	1,993.63	102.90	1,739.30	107.84	7,270,439.00	0.00	3I.2

	10	11	12	13	14	15	16	17	18	19	
								Vulnerability risk grade			
								Low	Medium	High	
Line description	Total pe served	Total pe in excluded catchments	Percentage of total pe in excluded catchments	Total pe Option 1a	Percentage of total pe Option 1a	Total pe Option 1b	Percentage of total pe Option 1b	Percentage of total population served			
Risk of sewer flooding in a storm											
Risk of sewer flooding in a storm	7,739,400	131,785	1.70%	0	0.00%	7,607,615	98.30%	85.67%	10.14%	4.19%	3I.3

	20	
Line description	Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.	
Sewer collapses		
Sewer collapses	443	3I.4

Section 4 Additional regulatory information – service level

Pro forma 4A

Water bulk supply information for the 12 months ended 31 March 2023

Keys to cells
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Line description	Volume	Operating costs	Revenue	RAG 4 reference
Units	Ml	£m	£m	
DPs	3	3	3	
Bulk supply exports				
Heronbridge	2,427.868	0.180	0.286	4A.1
Peel Media City	162.557	0.119	0.213	4A.2
Leep - Liverpool International Business Park	7.817	0.007	0.013	4A.3
Severn Trent Hayfield Road	7.101	0.006	0.016	4A.4
Hafren Dyfrdwy	14.937	0.013	0.011	4A.5
Northumbria	4.095	0.004	0.001	4A.6
Severn Trent Congleton Edge	8.282	0.007	0.013	4A.7
No.1 Old Trafford	16.554	0.015	0.031	4A.8
Sitch Lane	0.000	0.000	0.000	4A.9
Llanforda	0.000	0.000	0.000	4A.10
Liverpool John Lennon Airport	43.249	0.039	0.100	4A.11
IWNL Sites	55.407	0.050	0.066	4A.12
Leep - Queen Street	24.622	0.022	0.007	4A.13
Leep - Additional sites	57.832	0.052	0.085	4A.14
Total bulk supply exports	2,830.321	0.515	0.842	4A.26

Line description	Volume	Operating costs		
Units	Ml	£m		
DPs	3	3		
Bulk supply imports				
Northumbrian Water - Alston	234.203	0.173		4A.27
Farndon	11.741	0.006		4A.28
Oven Hill Road	0.985	0.002		4A.29
Roe Park	0.178	0.000		4A.30
Total bulk supply imports	247.107	0.181		4A.52

Lines 4A.15-4A.25 and 4A.31-4A.51 are unused freeform lines.

Section 4 Additional regulatory information – service level

Pro forma 4B

Analysis of debt

For the 12 months ended 31 March 2023

Omitted from inclusion within Regulatory Accounts due to size in adherence with RAG 3.14, Section 2.7. The table is submitted to Ofwat separately, and published on the company website www.unitedutilities.com/globalassets/documents/pdf/apr-table-2023

Section 4 Additional regulatory information – service level

Pro forma 4C

Impact of price control performance to date on RCV

Keys to cells
Input cell
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Line description	Units	DPs	12 months ended 31 March 2023				Price control period to date				RAG 4 reference
			Water resources	Water network plus	Wastewater network plus	Bioresources	Water resources	Water network plus	Wastewater network plus	Bioresources	
Totex (net of business rates, abstraction licence fees and grants and contributions)											
Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	£m	3	49.533	421.612	470.129	77.624	129.769	1,196.152	1,371.698	225.170	4C.1
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	£m	3	50.985	570.545	675.922	70.069	129.807	1,555.882	1,836.889	197.457	4C.2
Transition expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	15.423	9.422	0.000	4C.3
Disallowable costs	£m	3	1.513	6.368	-1.060	-1.308	2.617	7.024	0.480	0.006	4C.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	49.472	564.177	676.982	71.377	127.190	1564.281	1845.832	197.451	4C.5
Variance	£m	3	-0.061	142.565	206.854	-6.247	-2.579	368.129	474.134	-27.719	4C.6
Variance due to timing of expenditure	£m	3	-0.170	104.955	160.252	-12.470	-3.108	304.462	350.762	-39.435	4C.7
Variance due to efficiency	£m	3	0.110	37.611	46.602	6.223	0.528	63.667	123.371	11.716	4C.8
Customer cost sharing rate - outperformance	%	2	50.00%	50.00%	50.00%	0.00%	50.00%	50.00%	50.00%	0.00%	4C.9
Customer cost sharing rate - underperformance	%	2	50.00%	50.00%	50.00%	0.00%	50.00%	50.00%	50.00%	0.00%	4C.10
Customer share of totex overspend	£m	3	0.055	18.805	23.301	0.000	0.264	31.834	61.686	0.000	4C.11
Customer share of totex underspend	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4C.12
Company share of totex overspend	£m	3	0.055	18.805	23.301	6.223	0.264	31.834	61.686	11.716	4C.13
Company share of totex underspend	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4C.14
Totex - business rates and abstraction licence fees											
Final determination allowed totex - business rates and abstraction licence fees	£m	3	39.158	53.082	23.392	6.854	109.881	148.954	65.639	19.232	4C.15
Actual totex - business rates and abstraction licence fees	£m	3	42.105	47.353	16.816	5.500	111.495	141.747	54.459	17.362	4C.16
Variance - business rates and abstraction licence fees	£m	3	2.947	-5.729	-6.575	-1.353	1.613	-7.207	-11.180	-1.869	4C.17
Customer cost sharing rate - business rates	%	2	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	4C.18
Customer cost sharing rate - abstraction licence fees	%	2	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	4C.19
Customer share of totex over/underspend - business rates and abstraction licence fees	£m	3	2.210	-4.297	-4.932	-1.015	1.210	-5.405	-8.385	-1.402	4C.20
Company share of totex over/underspend - business rates and abstraction licence fees	£m	3	0.737	-1.432	-1.644	-0.338	0.403	-1.802	-2.795	-0.467	4C.21
Totex not subject to cost sharing											
Final determination allowed totex - not subject to cost sharing	£m	3	13.293	31.739	0.770	0.000	22.068	84.462	1.918	0.000	4C.22
Actual totex - not subject to cost sharing	£m	3	7.036	34.622	1.187	-1.260	14.369	79.295	3.171	0.100	4C.23
Variance - 100% company allocation	£m	3	-6.257	2.883	0.417	-1.260	-7.699	-5.167	1.252	0.100	4C.24
Total customer share of totex over/under spend	£m	3	2.265	14.508	18.369	-1.015	1.474	26.428	53.301	-1.402	4C.25
RCV											
Total customer share of totex over/under spend	£m	3	2.265	14.508	18.369	-1.015	1.474	26.428	53.301	-1.402	4C.26
PAYG rate	%	2	73.341%	69.796%	54.021%	54.181%	79.283%	68.912%	51.601%	52.823%	4C.27
RCV element of cumulative totex over/underspend	£m	3	0.604	4.382	8.446	-0.465	0.305	8.216	25.797	-0.661	4C.28
Adjustment for ODI outperformance payment or underperformance payment	£m	3					0.000	0.000	0.000	0.000	4C.29
Green recovery	£m	3					0.482	0.000	4.006		4C.30
RCV determined at FD at 31 March	£m	3					727.009	4,045.987	8,115.734	525.368	4C.31
Projected 'shadow' RCV	£m	3					727.796	4,054.203	8,145.538	524.707	4C.32

Table 4C apportions the customer share of totex overspend due to efficiency to the RCV. We believe that the shadow RCV should reflect accelerated/deferred spend in any given year in line with the PR19 cost reconciliation model which takes account of the timing of totex. Correcting for this, the shadow RCV is higher at £13,584 million. Additionally, if we also included the full expected value of AMP7 ex-post adjustment mechanisms, adjusted RCV would be higher still at £14,000 million.

Section 4 Additional regulatory information – service level

Pro forma 4D

Totex analysis for the 12 months ended 31 March 2023 – water resources and water network+

Keys to cells

Input cell
Calculation cell
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Line description	Units	DPs	Water resources	Network+ Raw water transport	Network+ Raw water storage	Network+ Water treatment	Network+ Treated water distribution	Total	RAG 4 reference
Operating expenditure									
Base operating expenditure	£m	3	84.547	18.731	1.421	117.726	248.744	471.168	4D.1
Enhancement operating expenditure	£m	3	1.230	0.014	0.001	0.875	1.730	3.849	4D.2
Developer services operating expenditure	£m	3	0.000	0.000	0.000	0.000	9.316	9.316	4D.3
Total operating expenditure excluding third party services	£m	3	85.777	18.744	1.422	118.601	259.789	484.333	4D.4
Third party services	£m	3	0.239	0.590	0.001	0.307	0.738	1.874	4D.5
Total operating expenditure	£m	3	86.015	19.334	1.423	118.908	260.527	486.208	4D.6
Grants and contributions									
Grants and contributions - operating expenditure	£m	3	0.000	0.000	0.000	0.000	8.943	8.943	4D.7
Capital expenditure									
Base capital expenditure	£m	3	4.630	0.716	0.000	56.341	54.453	116.139	4D.8
Enhancement capital expenditure	£m	3	8.272	0.086	0.000	17.439	91.003	116.800	4D.9
Developer services capital expenditure	£m	3	0.000	0.000	0.000	0.000	28.176	28.176	4D.10
Total gross capital expenditure excluding third party services	£m	3	12.902	0.802	0.000	73.780	173.632	261.115	4D.11
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.12
Total gross capital expenditure	£m	3	12.902	0.802	0.000	73.780	173.632	261.115	4D.13
Grants and contributions									
Grants and contributions - capital expenditure	£m	3	0.000	0.000	0.000	0.000	-6.690	-6.690	4D.14
Net totex	£m	3	98.917	20.136	1.423	192.688	431.906	745.069	4D.15
Cash expenditure									
Pension deficit recovery payments	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.16
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.17
Totex including cash items	£m	3	98.917	20.136	1.423	192.688	431.906	745.069	4D.18

Line description	Units	DPs	Water resources	Network+ Raw water transport	Network+ Raw water storage	Network+ Water treatment	Network+ Treated water distribution	Total	
Atypical expenditure									
Item 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.19
Item 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.20
Item 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.21
Item 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.22
Item 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.23
Total atypical expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.24

Variance analysis of operating and capital expenditure compared to the prior year can be found in our 2022/23 accounting methodology statement, published on our website alongside the APR.

Section 4 Additional regulatory information – service level

Pro forma 4E

Totex analysis for the 12 months ended 31 March 2023 – wastewater network+ and bioresources

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			Total	RAG 4 reference
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal		
Operating expenditure												
Base operating expenditure	£m	3	78.070	44.284	17.115	154.891	3.478	13.952	23.958	10.597	346.347	4E.1
Enhancement operating expenditure	£m	3	0.236	0.086	0.033	4.207	0.001	0.295	0.006	0.058	4.922	4E.2
Developer services operating expenditure	£m	3	0.953	0.921	0.360	0.000	0.000	0.000	0.000	0.000	2.234	4E.3
Total operating expenditure excluding third party services	£m	3	79.259	45.291	17.509	159.098	3.479	14.247	23.964	10.655	353.503	4E.4
Total third party services	£m	3	0.257	0.059	0.023	0.080	0.004	0.009	0.020	0.006	0.457	4E.5
Total operating expenditure	£m	3	79.516	45.351	17.531	159.177	3.483	14.256	23.984	10.661	353.960	4E.6
Grants and contributions												
Grants and contributions - operating expenditure	£m	3	1.124	1.093	0.427	0.000	0.000	0.000	0.000	0.000	2.644	4E.7
Capital expenditure												
Base capital expenditure	£m	3	3.373	3.275	1.280	115.840	0.000	0.000	26.029	0.625	150.422	4E.8
Enhancement capital expenditure	£m	3	31.380	30.525	11.930	196.968	0.000	0.000	0.062	0.000	270.866	4E.9
Developer services capital expenditure	£m	3	3.296	3.206	1.253	0.000	0.000	0.000	0.000	0.000	7.756	4E.10
Total gross capital expenditure excluding third party services	£m	3	38.049	37.007	14.463	312.808	0.000	0.000	26.091	0.625	429.044	4E.11
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.12
Total gross capital expenditure	£m	3	38.049	37.007	14.463	312.808	0.000	0.000	26.091	0.625	429.044	4E.13
Grants and contributions												
Grants and contributions - capital expenditure	£m	3	3.014	2.932	1.146	0.000	0.000	0.000	0.000	0.000	7.091	4E.14
Net totex	£m	3	113.428	78.333	30.421	471.986	3.483	14.256	50.076	11.285	773.268	4E.15
Cash expenditure												
Pension deficit recovery payments	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.16
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.17
Totex including cash items	£m	3	113.428	78.333	30.421	471.986	3.483	14.256	50.076	11.285	773.268	4E.18

Line description	Units	DPs	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			Total	
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal		
Atypical expenditure												
Item 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.19
Item 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.20
Item 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.21
Item 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.22
Item 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.23
Total atypical expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.24

Variance analysis of operating and capital expenditure compared to the prior year can be found in our 2022/23 accounting methodology statement, published on our website alongside the APR.

Section 4 Additional regulatory information – service level

Pro forma 4F

Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2023

Keys to cells
Input cell
Calculation cell
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			Expenditure in report year £m						Cumulative expenditure on incurred on schemes in £m						
				Water network+						Water network+					
Line description	Units	Dps	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	RAG 4 reference
Major project capital expenditure by purpose															
Manchester & Pennine Resilience DPC	£m	3	0.000	0.000	0.000	0.000	6.592	6.592	0.000	0.000	0.000	0.000	46.194	46.194	4F.1
Water Trading - Joint Transfer	£m	3	1.257	0.000	0.000	0.000	0.000	1.257	4.081	0.000	0.000	0.000	0.000	4.081	4F.2
Water Trading - UU Sources	£m	3	1.113	0.000	0.000	0.000	0.000	1.113	2.327	0.000	0.000	0.000	0.000	2.327	4F.3
Water Trading - Vyrnwy Aqueduct	£m	3	2.147	0.000	0.000	0.000	0.000	2.147	3.787	0.000	0.000	0.000	0.000	3.787	4F.4
Capital expenditure purpose - line 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.5
Capital expenditure purpose - line 6	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.6
Capital expenditure purpose - line 7	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.7
Capital expenditure purpose - line 8	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.8
Capital expenditure purpose - line 9	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.9
Capital expenditure purpose - line 10	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.10
Total major project capital expenditure	£m	3	4.517	0.000	0.000	0.000	6.592	11.109	10.195	0.000	0.000	0.000	46.194	56.388	4F.11
Major project operating expenditure by purpose															
Operating expenditure purpose - line 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.12
Operating expenditure purpose - line 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.13
Operating expenditure purpose - line 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.14
Operating expenditure purpose - line 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.15
Operating expenditure purpose - line 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.16
Operating expenditure purpose - line 6	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.17
Operating expenditure purpose - line 7	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.18
Operating expenditure purpose - line 8	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.19
Operating expenditure purpose - line 9	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.20
Operating expenditure purpose - line 10	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.21
Total major project operating expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4F.22

Section 4 Additional regulatory information – service level

Pro forma 4G

Major project expenditure for wholesale wastewater by purpose for the 12 months ended 31 March 2023

Keys to cells

Input cell
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Line description	Units	DPs	Expenditure in report year £m									Cumulative expenditure incurred on schemes in £m									RAG 4 reference
			Wastewater network+					Bioresources				Wastewater network+					Bioresources				
			Sewage collection									Sewage collection									
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	
Major project capital expenditure by purpose																					
Capital expenditure purpose - line 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.1
Capital expenditure purpose - line 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.2
Capital expenditure purpose - line 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.3
Capital expenditure purpose - line 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.4
Capital expenditure purpose - line 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.5
Capital expenditure purpose - line 6	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.6
Capital expenditure purpose - line 7	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.7
Capital expenditure purpose - line 8	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.8
Capital expenditure purpose - line 9	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.9
Capital expenditure purpose - line 10	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.10
Total major project capital expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.11
Major project operating expenditure by purpose																					
Operating expenditure purpose - line 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.12
Operating expenditure purpose - line 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.13
Operating expenditure purpose - line 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.14
Operating expenditure purpose - line 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.15
Operating expenditure purpose - line 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.16
Operating expenditure purpose - line 6	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.17
Operating expenditure purpose - line 7	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.18
Operating expenditure purpose - line 8	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.19
Operating expenditure purpose - line 9	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.20
Operating expenditure purpose - line 10	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.21
Total major project operating expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4G.22

There is no expenditure that meets the definition of a major project in wholesale wastewater, as per RAG 4.11 Section 16.1

Section 4 Additional regulatory information – service level

Pro forma 4H

Financial metrics for the 12 months ended 31 March 2023

Keys to cells
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Calculation cell
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Line description	Units	DPs	Current year	AMP to date	RAG 4 reference
Financial indicators					
Net debt	£m	3	8885.876		4H.1
Regulatory equity	£m	3	4,528.222		4H.2
Regulatory gearing	%	2	66.24%		4H.3
Post tax return on regulatory equity	%	2	-2.98%		4H.4
RORE (return on regulatory equity)	%	2	10.91%	7.74%	4H.5
Dividend yield	%	2	9.98%		4H.6
Retail profit margin - Household	%	2	0.45%		4H.7
Retail profit margin - Non household	%	2	0.00%		4H.8
Credit rating - Fitch	Text	n/a	BBB+ (Stable)		4H.9
Credit rating - Moody's	Text	n/a	A3 Stable		4H.10
Credit rating - Standard and Poor's	Text	n/a	BBB+ (Stable)		4H.11
Return on RCV	%	2	3.63%		4H.12
Dividend cover	dec	2	0.18		4H.13
Funds from operations (FFO)	£m	3	758.550		4H.14
Interest cover (cash)	dec	2	7.55		4H.15
Adjusted interest cover ratio (ACICR)	dec	2	1.44		4H.16
FFO/Net debt	dec	2	0.09		4H.17
Effective tax rate	%	2	1.72%		4H.18
Retained cash flow (RCF)	£m	3	306.701		4H.19
RCF/Net debt	dec	2	0.03		4H.20
Borrowings					
Proportion of borrowings which are fixed rate	%	2	35.33%		4H.21
Proportion of borrowings which are floating rate	%	2	14.61%		4H.22
Proportion of borrowings which are index linked	%	2	50.06%		4H.23
Proportion of borrowings due within 1 year or less	%	2	3.75%		4H.24
Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	11.35%		4H.25
Proportion of borrowings due in more than 2 years but no more than 5 years	%	2	12.38%		4H.26
Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	54.82%		4H.27
Proportion of borrowings due in more than 20 years	%	2	17.70%		4H.28

The values included on the table do not include any rounding adjustments.

Lines 9 -11 include the long-term issuer default ratings. Fitch long-term issuer default rating is BBB+ (stable), which differs from the senior unsecured debt rating of A- (stable).

Lines 4H.15 and 4H.16 – In accordance with RAG 4.11, the interest cover metrics are calculated using the interest paid element of net interest paid reported in 1D.10

Breakdown of interest paid on borrowings	2022/23
Interest paid (used in the above interest cover ratios)	115.8
Interest received and similar income	-7.7
Net interest paid as reported in 1D.10	108.1

The breakdown of interest paid and interest received has been taken directly from UUW's statutory accounts. Note that interest paid comprises of circa £172 million interest paid on borrowings, offset by net income received on swaps of circa £56 million, in line with statutory accounting treatment.

Line 17 – FFO/Debt of 8.5% is calculated in accordance with the Ofwat line definition as per RAG 4.11. UUW's FFO/Debt applying Standard & Poor's (S&P) calculation method would equal 2.4%. The main difference is that S&P FFO definition includes all interest, whereas the Ofwat FFO definition includes just cash interest, so would exclude all interest on index-linked debt.

Lines 21-28 – Borrowings represents the notional value in the company's statutory accounts and does not take account of the impact on interest of derivative instruments. Further narrative regarding borrowings is disclosed on pages 134 to 135.

Lines 21-23 – The proportion of borrowings between fixed, floating and index-linked takes into account hedging arrangements in place, mirroring how borrowings are allocated to each category in Table 1E.

Section 4 Additional regulatory information – service level

Pro forma 4I

Financial derivatives

Keys to cells
- Input cell
- Calculation cell
- Copy cell

Line description	Financial derivatives – Total: Nominal value by maturity (net) at 31 March: 0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total value at 31 March: Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2023): Payable	Receivable	RAG 4 reference
Units	£m	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	3	
Interest rate swap (sterling)										
Floating to fixed rate	575.000	350.000	689.322	653.499	2,267.821	-184.529	0.000	1.443%	4.442%	4I.1
Floating from fixed rate	0.000	450.000	300.000	1,125.000	1,875.000	159.504	0.000	5.133%	2.831%	4I.2
Floating to index linked	0.000	0.000	0.000	575.000	575.000	-12.949	-93.607	8.545%	4.359%	4I.3
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.4
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.5
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.6
Index-linked to index-linked	0.000	0.000	0.000	100.379	100.379	-4.871	8.283	10.963%	14.644%	4I.7
Total	575.000	800.000	989.322	2,453.878	4,818.200	-42.845	-85.323			4I.8
Foreign Exchange										
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.9
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.10
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.11
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.12
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.13
Currency interest rate										
Currency interest rate swaps USD	0.000	0.000	0.000	252.866	252.866	-125.742	0.000			4I.14
Currency interest rate swaps EUR	0.000	0.000	37.440	119.350	156.790	10.157	0.000			4I.15
Currency interest rate swaps YEN	0.000	0.000	0.000	124.291	124.291	7.031	0.000			4I.16
Currency interest rate swaps Other	0.000	0.000	178.766	107.261	286.027	-30.771	0.000			4I.17
Total	0.000	0.000	216.206	603.768	819.974	-139.323	0.000			4I.18
Forward currency contracts										
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.19
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.20
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.21
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.22
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.23
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.24
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.25
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.26
Other financial derivatives										
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	-42.122	0.000			4I.27
Total financial derivatives	575.000	800.000	1,205.527	3,057.646	5,638.174	-224.290	-85.323			4I.28

Line description	Financial derivatives – (A) Super-senior swaps with breaks or accretion paydowns: Nominal value by maturity (net) at 31 March: 0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total value at 31 March: Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2023): Payable	Receivable	RAG 4 reference
Units	£m	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	3	
Interest rate swap (sterling)										
Floating to fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.29
Floating from fixed rate	0.000	0.000	100.000	200.000	300.000	-18.617	0.000	4.998%	5.208%	4I.30
Floating to index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.31
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.32
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.33
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.34
Index-linked to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.35
Total	0.000	0.000	100.000	200.000	300.000	-18.617	0.000			4I.36
Foreign Exchange										
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.37
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.38
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.39
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.40
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.41
Currency interest rate										
Currency interest rate swaps USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.42
Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.43
Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.44
Currency interest rate swaps Other	0.000	0.000	0.000	54.234	54.234	-25.250	0.000			4I.45
Total	0.000	0.000	0.000	54.234	54.234	-25.250	0.000			4I.46
Forward currency contracts										
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.47
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.48
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.49
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.50
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.51
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.52
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.53
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.54
Other financial derivatives										
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.55
Total financial derivatives	0.000	0.000	100.000	254.234	354.234	-43.867	0.000			4I.56

Line description	Financial derivatives – (B) Pari-passu swaps with breaks or accretion paydowns: Nominal value by maturity (net) at 31 March: 0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total value at 31 March: Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2023): Payable	Receivable	RAG 4 reference
Units	£m	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	3	
Interest rate swap (sterling)										
Floating to fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.57
Floating from fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.58
Floating to index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.59
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.60
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.61
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.62
Index-linked to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.63
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.64
Foreign Exchange										
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.65
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.66
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.67
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.68
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.69
Currency interest rate										
Currency interest rate swaps USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.70
Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.71
Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.72
Currency interest rate swaps Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.73
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.74
Forward currency contracts										
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.75
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.76
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.77
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.78
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.79
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.80
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.81
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.82
Other financial derivatives										
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.83
Total financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.84

Line description	Financial derivatives – (C) Super-senior swaps without breaks or accretion paydowns: Nominal value by maturity (net) at 31 March: 0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total value at 31 March: Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2023): Payable	Receivable	RAG 4 reference
Units	£m	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	3	
Interest rate swap (sterling)										
Floating to fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.85
Floating from fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.86
Floating to index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.87
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.88
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.89
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.90
Index-linked to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.91
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.92
Foreign Exchange										
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.93
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.94
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.95
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.96
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.97
Currency interest rate										
Currency interest rate swaps USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.98
Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.99
Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.100
Currency interest rate swaps Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.101
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.102
Forward currency contracts										
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.103
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.104
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.105
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.106
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.107
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.108
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.109
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.110
Other financial derivatives										
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.111
Total financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.112

Line description	Financial derivatives – (D) Other swaps: Nominal value by maturity (net) at 31 March: 0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total value at 31 March: Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2023): Payable	Receivable	RAG 4 reference
Units	£m	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	3	
Interest rate swap (sterling)										
Floating to fixed rate	575.000	350.000	689.322	653.499	2,267.821	-184.529	0.000	1.443%	4.442%	4I.113
Floating from fixed rate	0.000	450.000	200.000	925.000	1,575.000	178.122	0.000	5.158%	2.378%	4I.114
Floating to index linked	0.000	0.000	0.000	575.000	575.000	-12.949	-93.607	8.546%	4.359%	4I.115
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.116
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.117
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%	4I.118
Index-linked to index-linked	0.000	0.000	0.000	100.379	100.379	-4.871	8.283	10.963%	14.644%	4I.119
Total	575.000	800.000	889.322	2,253.878	4,518.200	-24.228	-85.323			4I.120
Foreign Exchange										
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.121
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.122
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.123
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.124
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.125
Currency interest rate										
Currency interest rate swaps USD	0.000	0.000	0.000	252.866	252.866	-125.742	0.000			4I.126
Currency interest rate swaps EUR	0.000	0.000	37.440	119.350	156.790	10.157	0.000			4I.127
Currency interest rate swaps YEN	0.000	0.000	0.000	124.291	124.291	7.031	0.000			4I.128
Currency interest rate swaps Other	0.000	0.000	178.766	53.027	231.793	-5.521	0.000			4I.129
Total	0.000	0.000	216.206	549.534	765.740	-114.074	0.000			4I.130
Forward currency contracts										
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.131
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.132
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.133
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.134
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.135
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.136
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.137
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000			4I.138
Other financial derivatives										
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	-42.122	0.000			4I.139
Total financial derivatives	575.000	800.000	1,105.527	2,803.412	5,283.940	-180.423	-85.323			4I.140

Section 4 Additional regulatory information – service level

The inclusion of all 'Other' interest rates swaps in to one line in the table (line 17) makes the calculation of a meaningful weighted average interest rate problematic. We would recommend that the weighted average interest rate is better represented by splitting the three swaps that make up the balance:

The interest rates disclosed reflect the following gross positions:

- 'RDC' rate: pay 4.88%, receive 5.02% (Notional of £54.2m)
- 'HKD' rate: pay 5.68%, receive 2.90% (Notional of £53.0m)
- 'HKD' rate: pay 5.20%, receive 2.37% (Notional of £78.9m)
- 'HKD' rate: pay 5.07%, receive 2.92% (Notional of £68.1m)
- 'HKD' rate: pay 5.35%, receive 2.867% (Notional of £31.8m)

For certain interest rate swaps we have swapped the fixed coupon on the debt (including credit spread) to a floating interest rate plus margin, whereas for other interest rate swaps we have swapped a fixed rate representing underlying interest (i.e. debt coupon less the credit spread) to a floating interest rate without any margin. Therefore, certain rates payable/receivable included in the table are market interest rates excluding any element of credit spread, whereas other rates are 'all in' effective interest rates including credit spread. Care should be taken when interpreting the rates in the table.

For certain cross currency swaps that have historically reached mandatory breaks, these have been re-hedged mid-life at on-market rates (at that point). In these scenarios the fair value of the swap would have been paid to/received from the counterparty (affecting the volume of debt), with the rate on the re-hedged swap being amended either up or down accordingly (sometimes significantly so). Therefore, the rates payable on these swaps may not reflect the underlying cost of debt (for instance we have some swaps where we receive the debt coupon but pay the floating reference rate minus a margin and others where we pay the floating reference rate plus a margin significantly higher than the underlying credit spread), again, care should be taken when interpreting the rates in the table.

The interest rates incorporate fixed interest rates which are reflective of the position at the balance sheet date, and floating interest rates based on SONIA as at the balance sheet date. As such, these are not representative of our future cost of debt.

The paying interest rate on the floating to index-linked swaps represents the weighted average effective interest rate at the balance sheet date. An annual CPI increase of 10.1 per cent at March 2023 has been applied to calculate this nominal effective rate.

The nominal value of the currency swaps reflect the sterling receivable amount.

Other financial derivatives includes forward starting swaps and electricity swaps, which ensures the table now agrees to table 1C.

The index-linked to index-linked derivatives (line 7) contains RPI-to-CPI derivatives (£100m nominal). The nominal effective interest rate on these RPI-to-CPI swaps has been disclosed, where the annual RPI increase of 13.5% and annual CPI increase of 10.1% have been used to calculate the weighted average receivable and payable legs, respectively.

Electricity swaps – £25.5m asset

W22 – 33,435MWh @ £83.94 £ per MWh

S23 – 175,860MWh @ £82.40 £ per MWh

W23 – 197,640MWh @ £83.90 £ per MWh

S24 – 175,680MWh @ £82.21 £ per MWh

W24 – 218,400MWh @ £79.66 £ per MWh

S25 – 21,960MWh @ £359.5 £ per MWh

W25 – 21,840MWh @ £359.5 £ per MWh

S26 – 21,960MWh @ £359.5 £ per MWh

Forward starting floating to fixed rate swaps – £16.6 million asset

£50.0m Apr 23 – Apr 32 pay 1.75% receive 6 month compounded SONIA

£50.0m Apr 23 – Apr 32 pay 1.95% receive 6 month compounded SONIA

£50.0m Apr 23 – Apr 33 pay 3.27% receive 6 month compounded SONIA

£50.0m Apr 23 – Apr 33 pay 3.42% receive 6 month compounded SONIA

£70.0m Feb 24 – Feb 33 pay 3.20% receive 6 month compounded SONIA

£65.0m Feb 24 – Feb 33 pay 3.22% receive 6 month compounded SONIA

£50.0m Dec 24 – Dec 32 pay 2.89% receive 6 month compounded SONIA

£50.0m Dec 24 – Dec 32 pay 2.897% receive 6 month compounded SONIA

£50.0m Dec 24 – Dec 32 pay 2.94% receive 6 month compounded SONIA

Section 4 Additional regulatory information – service level

Pro forma 4J

Base expenditure analysis for the 12 months ended 31 March 2023 – water resources and water network+

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Water resources	Water network+ Raw water distribution	Water network+ Raw water storage	Water network+ Water treatment	Water network+ Treated water distribution	Total	RAG 4 reference
Operating expenditure									
Power	£m	3	9.817	8.469	0.155	24.039	16.598	59.078	4J.1
Income treated as negative expenditure	£m	3	-0.020	-0.587	0.000	-0.025	-0.022	-0.654	4J.2
Bulk Supply/Bulk discharge	£m	3	0.082	0.007	0.001	0.090	0.000	0.181	4J.3
Renewals expensed in year (infrastructure)	£m	3	15.894	0.293	0.000	0.027	100.099	116.313	4J.4
Renewals expensed in year (non-infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.5
Other operating expenditure	£m	3	16.667	8.172	0.965	85.330	93.611	204.746	4J.6
Local authority and Cumulo rates	£m	3	17.361	2.376	0.300	7.949	36.412	64.399	4J.7
Service Charges									
Canal & River Trust abstraction charges/ discharge consents	£m	3	0.833	0.000	0.000	0.000	0.000	0.833	4J.8
Environment Agency / NRW abstraction charges/ discharge consents	£m	3	21.986	0.000	0.000	0.315	0.000	22.301	4J.9
Other abstraction charges/ discharge consents	£m	3	1.925	0.000	0.000	0.000	0.000	1.925	4J.10
Location specific costs & obligations									
Costs associated with Traffic Management Act	£m	3	0.000	0.000	0.000	0.000	2.046	2.046	4J.11
Costs associated with lane rental schemes	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.12
Statutory water softening	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.13
Total base operating expenditure	£m	3	84.547	18.731	1.421	117.726	248.744	471.168	4J.14
Capital expenditure									
Maintaining the long term capability of the assets - infra	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.15
Maintaining the long term capability of the assets - non-infra	£m	3	4.630	0.716	0.000	56.341	54.453	116.139	4J.16
Total base capital expenditure	£m	3	4.630	0.716	0.000	56.341	54.453	116.139	4J.17
Traffic Management Act									
Projects incurring costs associated with Traffic Management Act	nr	0	0	0	0	0	33707	33707	4J.18

Section 4 Additional regulatory information – service level

Pro forma 4K

Base expenditure analysis for the 12 months ended 31 March 2023 – wastewater network+ and bioresources

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Expenditure in report year									RAG 4 reference
			Wastewater network+					Bioresources				
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge Transport	Sludge Treatment	Sludge Disposal	Total	
Operating expenditure												
Power	£m	3	9.419	4.491	1.768	65.686	2.826	0.032	-10.109	0.048	74.163	4K.1
Income treated as negative expenditure	£m	3	0.091	0.025	0.009	0.043	0.000	0.000	-16.713	0.000	-16.545	4K.2
Bulk Supply/Bulk discharge	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.3
Renewals expensed in year (infrastructure)	£m	3	25.745	25.043	9.788	0.000	0.000	1.340	2.181	0.000	64.097	4K.4
Renewals expensed in year (non-infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.5
Other operating expenditure	£m	3	41.215	12.995	4.861	68.339	0.506	12.485	42.588	10.020	193.008	4K.6
Local authority and Cumulo rates	£m	3	0.035	0.009	0.004	16.622	0.146	0.095	4.877	0.528	22.316	4K.7
Service Charges												
Canal & River Trust abstraction charges/ discharge consents	£m	3	0.113	0.138	0.055	0.360	0.000	0.000	0.000	0.000	0.667	4K.8
EA / NRW abstraction charges/ discharge consents	£m	3	0.935	1.137	0.455	4.197	0.000	0.000	0.059	0.000	6.784	4K.9
Other abstraction charges/ discharge consents	£m	3	0.182	0.221	0.088	-0.462	0.000	0.000	0.000	0.000	0.029	4K.10
Location specific costs & obligations												
Costs associated with Traffic Management Act	£m	3	0.335	0.225	0.087	0.000	0.000	0.000	0.000	0.000	0.647	4K.11
Costs associated with lane rental schemes	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.12
Costs associated with Industrial emissions directive	£m	3	0.000	0.000	0.000	0.105	0.000	0.000	1.075	0.000	1.180	4K.13
Total base operating expenditure	£m	3	78.070	44.284	17.115	154.891	3.478	13.952	23.958	10.597	346.347	4K.14
Capital expenditure												
Maintaining the long term capability of the assets - infra	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.15
Maintaining the long term capability of the assets - non-infra	£m	3	3.373	3.275	1.280	115.840	0.000	0.000	26.029	0.625	150.422	4K.16
Total base capital expenditure	£m	3	3.373	3.275	1.280	115.840	0.000	0.000	26.029	0.625	150.422	4K.17
Traffic Management Act												
Projects incurring costs associated with Traffic Management Act	nr	0	4260	2868	1108	0	0	0	0	0	8236	4K.18
Operating expenditure (AMP 7 shadow reported values)												
Power	£m	3	9.419	4.491	1.768	65.686	2.826	0.032	5.403	0.048	89.675	4K.19
Income treated as negative expenditure	£m	3	0.091	0.025	0.009	0.043	0.000	0.000	-32.225	0.000	-32.057	4K.20

Section 4 Additional regulatory information – service level

Pro forma 4L

Enhancement expenditure for the 12 months ended 31 March 2023 - water resources and water network+

Keys to cells
- Input cell
- Calculation cell
- Copy cell

				Expenditure in report year						Cumulative expenditure on schemes completed in the report year						Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020-25	
					Water network+						Water network+								
Line description		Units	DPs	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	Total	Total	Total	RAG 4 reference
EA/NRW environmental programme (WINEP/NEP)																			
Ecological improvements at abstractions	Capex	£m	3	1.027	0.000	0.000	0.000	0.000	1.027										4L.1
Ecological improvements at abstractions	Opex	£m	3	0.977	0.000	0.000	0.211	0.000	1.188										4L.2
Ecological improvements at abstractions	Totex	£m	3	2.004	0.000	0.000	0.211	0.000	2.215							7.252	9.563	21.835	4L.3
Eels Regulations (measures at intakes)	Capex	£m	3	1.677	0.000	0.000	0.000	0.000	1.677										4L.4
Eels Regulations (measures at intakes)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.5
Eels Regulations (measures at intakes)	Totex	£m	3	1.677	0.000	0.000	0.000	0.000	1.677							4.544	2.453	6.007	4L.6
Invasive Non Native Species	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.7
Invasive Non Native Species	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.8
Invasive Non Native Species	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.041	0.176	0.431	4L.9
Drinking Water Protected Areas (schemes)	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.10
Drinking Water Protected Areas (schemes)	Opex	£m	3	0.033	0.000	0.000	0.132	0.000	0.164										4L.11
Drinking Water Protected Areas (schemes)	Totex	£m	3	0.033	0.000	0.000	0.132	0.000	0.164							0.961	0.962	1.508	4L.12
Water Framework Directive measures	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.13
Water Framework Directive measures	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.14
Water Framework Directive measures	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.15
Investigations	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4L.16
Investigations	Opex	£m	3	0.022	0.000	0.000	0.088	0.000	0.110	0.177	0.000	0.000	0.707	0.000	0.884				4L.17
Investigations	Totex	£m	3	0.022	0.000	0.000	0.088	0.000	0.110	0.177	0.000	0.000	0.707	0.000	0.884	2.818	2.671	4.052	4L.18
Total environmental programme expenditure	Totex	£m	3	3.736	0.000	0.000	0.430	0.000	4.167							15.616	15.825	33.832	4L.19
Supply-demand balance																			
Supply-side improvements delivering benefits in 2020-2025	Capex	£m	3	-0.005	0.000	0.000	1.025	0.000	1.020	0.000	0.000	0.000	0.000	0.000	0.000				4L.20
Supply-side improvements delivering benefits in 2020-2025	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4L.21
Supply-side improvements delivering benefits in 2020-2025	Totex	£m	3	-0.005	0.000	0.000	1.025	0.000	1.020	0.000	0.000	0.000	0.000	0.000	0.000	9.802	0.000	0.000	4L.22
Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Capex	£m	3	0.057	0.000	0.000	0.027	28.480	28.564										4L.23
Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Opex	£m	3	0.013	0.009	0.001	0.055	0.056	0.133										4L.24
Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Totex	£m	3	0.070	0.009	0.001	0.082	28.536	28.698							99.624	0.000	0.000	4L.25
Leakage improvements delivering benefits in 2020-2025	Capex	£m	3	0.000	0.000	0.000	0.000	0.331	0.331	0.000	0.000	0.000	0.000	0.000	0.000				4L.26
Leakage improvements delivering benefits in 2020-2025	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4L.27
Leakage improvements delivering benefits in 2020-2025	Totex	£m	3	0.000	0.000	0.000	0.000	0.331	0.331	0.000	0.000	0.000	0.000	0.000	0.000	10.637	0.000	0.000	4L.28
Internal interconnectors delivering benefits in 2020-2025	Capex	£m	3	0.000	0.000	0.000	0.000	2.140	2.140										4L.29
Internal interconnectors delivering benefits in 2020-2025	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.30
Internal interconnectors delivering benefits in 2020-2025	Totex	£m	3	0.000	0.000	0.000	0.000	2.140	2.140							2.897	9.022	11.216	4L.31
Supply demand balance improvements delivering benefits starting from 2026	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.32
Supply demand balance improvements delivering benefits starting from 2026	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.33
Supply demand balance improvements delivering benefits starting from 2026	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.34
Strategic regional water resources	Capex	£m	3	4.517	0.000	0.000	0.000	0.000	4.517										4L.35
Strategic regional water resources	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.36
Strategic regional water resources	Totex	£m	3	4.517	0.000	0.000	0.000	0.000	4.517							8.793	22.955	52.064	4L.37
Total supply demand expenditure	Totex	£m	3	4.582	0.009	0.001	1.107	31.007	36.705							131.753	31.977	63.280	4L.38
Metering																			
New meters requested by existing customers (optants)	Capex	£m	3					9.366	9.366										4L.39
New meters requested by existing customers (optants)	Opex	£m	3					0.000	0.000										4L.40
New meters requested by existing customers (optants)	Totex	£m	3					9.366	9.366										4L.41
New meters introduced by companies for existing customers	Capex	£m	3					6.080	6.080										4L.42
New meters introduced by companies for existing customers	Opex	£m	3					0.000	0.000										4L.43
New meters introduced by companies for existing customers	Totex	£m	3					6.080	6.080										4L.44
New meters for existing customers - business	Capex	£m	3					0.125	0.125										4L.45
New meters for existing customers - business	Opex	£m	3					0.000	0.000										4L.46
New meters for existing customers - business	Totex	£m	3					0.125	0.125										4L.47
Replacement of existing basic meters with AMR or AMI meters for household customers	Capex	£m	3					0.000	0.000										4L.48
Replacement of existing basic meters with AMR or AMI meters for household customers	Opex	£m	3					0.000	0.000										4L.49
Replacement of existing basic meters with AMR or AMI meters for household customers	Totex	£m	3					0.000	0.000										4L.50
Replacement of existing AMR meters with AMI meters for household customers	Capex	£m	3					0.000	0.000										4L.51
Replacement of existing AMR meters with AMI meters for household customers	Opex	£m	3					0.000	0.000										4L.52
Replacement of existing AMR meters with AMI meters for household customers	Totex	£m	3					0.000	0.000										4L.53
Replacement of existing basic meters with AMR or AMI meters for business customers	Capex	£m	3					0.000	0.000										4L.54
Replacement of existing basic meters with AMR or AMI meters for business customers	Opex	£m	3					0.000	0.000										4L.55
Replacement of existing basic meters with AMR or AMI meters for business customers	Totex	£m	3					0.000	0.000										4L.56
Replacement of existing AMR meters with AMI meters for business customers	Capex	£m	3					0.000	0.000										4L.57
Replacement of existing AMR meters with AMI meters for business customers	Opex	£m	3					0.000	0.000										4L.58
Replacement of existing AMR meters with AMI meters for business customers	Totex	£m	3					0.000	0.000										4L.59
Smart meter infrastructure	Capex	£m	3					0.000	0.000										4L.60
Smart meter infrastructure	Opex	£m	3					0.000	0.000										4L.61
Smart meter infrastructure	Totex	£m	3					0.000	0.000										4L.62
Total metering expenditure	Totex	£m	3					15.571	15.571							32.779	38.526	47.897	4L.63
Other enhancement																			
Improvements to taste, odour and colour	Capex	£m	3	0.000	0.084	0.000	15.557	21.769	37.410										4L.64
Improvements to taste, odour and colour	Opex	£m	3	0.022	0.000	0.000	0.088	0.000	0.110										4L.65
Improvements to taste, odour and colour	Totex	£m	3	0.022	0.084	0.000	15.645	21.769	37.520							52.113	11.136	13.993	4L.66
Addressing raw water deterioration (grey solutions)	Capex	£m	3	0.000	0.000	0.000	-0.004	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000				4L.67
Addressing raw water deterioration (grey solutions)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4L.68
Addressing raw water deterioration (grey solutions)	Totex	£m	3	0.000	0.000	0.000	-0.004	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.486	2.928	6.031	4L.69
Addressing raw water deterioration (green solutions)	Capex	£m	3	0.217	0.000	0.000	0.000	0.000	0.217	0.000	0.000	0.000	0.000	0.000	0.000				4L.70
Addressing raw water deterioration (green solutions)	Opex	£m	3	0.154	0.000	0.000	0.268	0.000	0.422	0.000	0.000	0.000	0.000	0.000	0.000				4L.71
Addressing raw water deterioration (green solutions)	Totex	£m	3	0.371	0.000	0.000	0.268	0.000	0.639	0.000	0.000	0.000	0.000	0.000	0.000	0.971	0.000	0.000	4L.72
Addressing raw water deterioration (total)	Capex	£m	3	0.217	0.000	0.000	-0.004	0.000	0.212	0.000	0.000	0.000	0.000	0.000	0.000				4L.73
Addressing raw water deterioration (total)	Opex	£m	3	0.154	0.000	0.000	0.268	0.000	0.422	0.000	0.000	0.000	0.000	0.000	0.000				4L.74
Addressing raw water deterioration (total)	Totex	£m	3	0.371	0.000	0.000	0.264	0.000	0.634	0.000	0.000	0.000	0.000	0.000	0.000	1.457	2.928	6.031	4L.75
Improvements to river flow	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.76
Improvements to river flow	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.77
Improvements to river flow	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.78
Enhancing resilience to low probability high consequence events	Capex	£m	3	0.000	0.000	0.000	0.000	8.879	8.879										4L.79
Enhancing resilience to low probability high consequence events	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.80
Enhancing resilience to low probability high consequence events	Totex	£m	3	0.000	0.000	0.000	0.000	8.879	8.879							78.193	74.629	92.781	4L.81
Conditioning water to reduce plumbosolvency	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.82
Conditioning water to reduce plumbosolvency	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.83
Conditioning water to reduce plumbosolvency	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.84
Lead communication pipes replaced or relined for water quality	Capex	£m	3	0.000	0.000	0.000	0.000	10.937	10.937										4L.85
Lead communication pipes replaced or relined for water quality	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.86
Lead communication pipes replaced or relined for water quality	Totex	£m	3	0.000	0.000	0.000	0.000	10.937	10.937							26.561	13.295	16.529	4L.87
Other lead reduction related activity	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.88
Other lead reduction related activity	Opex	£m	3	0.000	0.000	0.000	0.000	1.639	1.639										4L.89
Other lead reduction related activity	Totex	£m	3	0.000	0.000	0.000	0.000	1.639	1.639							4.259	0.000	0.000	4L.90
Meeting lead standards (total)	Capex	£m	3	0.000	0.000	0.000	0.000	10.937	10.937										4L.91
Meeting lead standards (total)	Opex	£m	3	0.000	0.000	0.000	0.000	1.639	1.639										4L.92
Meeting lead standards (total)	Totex	£m	3	0.000	0.000	0.000	0.000	12.576	12.576							30.821	13.295	16.529	4L.93
Security - SEMD	Capex	£m	3	0.023	0.000	0.000	0.146	0.351	0.520										4L.94
Security - SEMD	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.95
Security - SEMD	Totex	£m	3	0.023	0.000	0.000	0.146	0.351	0.520							9.942	0.000	0.000	4L.96
Security - Non-SEMD	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.97
Security - Non-SEMD	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000										4L.98
Security - Non-SEMD	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.99
Innovation Competition	Capex	£m	3	0.759	0.002	0.000	0.488	2.546	3.795							3.795	3.795	7.135	4L.100
Innovation Competition	Opex	£m	3	0.009	0.005	0.000	0.034	0.035	0.083							0.098	0.098	0.103	4L.101
Concessionary Supplies	Capex	£m	3	0.000	0.000	0.000	0.200	0.000	0.200							1.787	0.000	0.000	4L.102
Concessionary Supplies	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.103
Additional line 3	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.104
Additional line 3	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.105
Additional line 4	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.106
Additional line 4	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.107
Additional line 5	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.108
Additional line 5	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000							0.000	0.000	0.000	4L.109
Total other enhancement expenditure	Totex	£m	3	1.184	0.091	0.000	16.777	46.156	64.208							178.207	105.882	136.571	4L.110
Total enhancement																			
Total enhancement expenditure	Capex	£m	3	8.272	0.086	0.000	17.439	91.003	116.800										4L.111
Total enhancement expenditure	Opex	£m	3	1.230	0.014	0.001	0.875	1.730	3.849										4L.112
Total enhancement expenditure	Totex	£m	3	9.502	0.100	0.001	18.314	92.733	120.650							358.355	192.210	281.579	4L.113

Section 4 Additional regulatory information – service level

Pro forma 4M

Enhancement expenditure for the 12 months ended 31 March 2023 - wastewater network+ and bioresources

Keys to cells
- Input cell
- Calculation cell
- Copy cell

Line description	Units	DPs	Expenditure in report year									Cumulative expenditure on schemes completed in the report year									Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020-25	RAG 4 reference
			Wastewater network+					Bioresources				Wastewater network+					Bioresources							
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	Total	Total	Total	
EA/NRW environmental programme (WINEP/NEP)																								
Conservation drivers	Capex	£m	3	0.000	0.000	0.000	0.004	0.000	0.000	0.000	0.000	0.004												4M.1
Conservation drivers	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.2
Conservation drivers	Totex	£m	3	0.000	0.000	0.000	0.004	0.000	0.000	0.000	0.000	0.004									0.111	0.338	0.813	4M.3
Event Duration Monitoring at intermittent discharges	Capex	£m	3	0.000	0.000	0.000	1.444	0.000	0.000	0.000	0.000	1.444												4M.4
Event Duration Monitoring at intermittent discharges	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.5
Event Duration Monitoring at intermittent discharges	Totex	£m	3	0.000	0.000	0.000	1.444	0.000	0.000	0.000	0.000	1.444									3.501	1.107	2.664	4M.6
Flow monitoring at sewage treatment works	Capex	£m	3	0.000	0.000	0.000	2.214	0.000	0.000	0.000	0.000	2.214												4M.7
Flow monitoring at sewage treatment works	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.8
Flow monitoring at sewage treatment works	Totex	£m	3	0.000	0.000	0.000	2.214	0.000	0.000	0.000	0.000	2.214									2.701	1.872	4.507	4M.9
Schemes to increase flow to full treatment	Capex	£m	3	0.000	0.000	0.000	0.726	0.000	0.000	0.000	0.000	0.726	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.10
Schemes to increase flow to full treatment	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.11
Schemes to increase flow to full treatment	Totex	£m	3	0.000	0.000	0.000	0.726	0.000	0.000	0.000	0.000	0.726	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.129	8.027	19.325	4M.12
Schemes to increase storm tank capacity	Capex	£m	3	0.039	0.038	0.015	25.363	0.000	0.000	0.000	0.000	25.454	0.000	0.000	0.000	3.818	0.000	0.000	0.000	0.000	3.818				4M.13
Schemes to increase storm tank capacity	Opex	£m	3	0.000	0.000	0.000	0.131	0.000	0.001	0.000	0.013	0.144	0.000	0.000	0.000	0.131	0.000	0.001	0.000	0.013	0.144				4M.14
Schemes to increase storm tank capacity	Totex	£m	3	0.039	0.038	0.015	25.494	0.000	0.001	0.000	0.013	25.599	0.000	0.000	0.000	3.949	0.000	0.001	0.000	0.013	3.962	53.306	39.498	117.226	4M.15
Schemes to provide additional effective storage at sewage treatment works through green infrastructure.	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.16
Schemes to provide additional effective storage at sewage treatment works through green infrastructure.	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.17
Schemes to provide additional effective storage at sewage treatment works through green infrastructure.	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.18
Storage in the network to reduce spill frequency at CSOs etc (grey solutions)	Capex	£m	3	8.525	8.293	3.241	0.059	0.000	0.000	0.000	0.000	20.118	2.544	2.475	0.967	0.000	0.000	0.000	0.000	0.000	5.986				4M.19
Storage in the network to reduce spill frequency at CSOs etc (grey solutions)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.20
Storage in the network to reduce spill frequency at CSOs etc (grey solutions)	Totex	£m	3	8.525	8.293	3.241	0.059	0.000	0.000	0.000	0.000	20.118	2.544	2.475	0.967	0.000	0.000	0.000	0.000	0.000	5.986				4M.21
Effective storage in the network to reduce spill frequency at CSOs etc (green solutions)	Capex	£m	3	0.041	0.040	0.015	0.000	0.000	0.000	0.000	0.000	0.096	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.22
Effective storage in the network to reduce spill frequency at CSOs etc (green solutions)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.23
Effective storage in the network to reduce spill frequency at CSOs etc (green solutions)	Totex	£m	3	0.041	0.040	0.015	0.000	0.000	0.000	0.000	0.000	0.096	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.24
Total for storage schemes in the network to reduce spill frequency at CSOs etc (grey + green)	Totex	£m	3	8.566	8.332	3.256	0.059	0.000	0.000	0.000	0.000	20.213	2.544	2.475	0.967	0.000	0.000	0.000	0.000	0.000	5.986	51.599	31.435	90.183	4M.25
Chemical removals schemes	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.26
Chemical removals schemes	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.27
Chemical removals schemes	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4M.28
Chemicals monitoring/ investigations/ options appraisals	Capex	£m	3	0.000	0.000	0.000	0.115	0.000	0.000	0.000	0.000	0.115												4M.29
Chemicals monitoring/ investigations/ options appraisals	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.30
Chemicals monitoring/ investigations/ options appraisals	Totex	£m	3	0.000	0.000	0.000	0.115	0.000	0.000	0.000	0.000	0.115									1.514	1.114	2.682	4M.31
Nitrogen removal	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.32
Nitrogen removal	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.33
Nitrogen removal	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.34
Phosphorus removal	Capex	£m	3	0.000	0.000	0.000	115.180	0.000	0.000	0.056	0.000	115.236	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.35
Phosphorus removal	Opex	£m	3	0.000	0.000	0.000	3.268	0.000	0.296	0.000	0.000	3.564	0.000	0.000	0.000	3.268	0.000	0.296	0.000	0.000	3.564				4M.36
Phosphorus removal	Totex	£m	3	0.000	0.000	0.000	118.447	0.000	0.296	0.056	0.000	118.800	0.000	0.000	0.000	3.268	0.000	0.296	0.000	0.000	3.564	276.064	204.519	492.364	4M.37
Reduction of sanitary parameters	Capex	£m	3	0.025	0.024	0.009	11.883	0.000	0.000	0.000	0.000	11.941	0.000	0.000	0.000	5.276	0.000	0.000	0.000	0.000	5.276				4M.38
Reduction of sanitary parameters	Opex	£m	3	0.000	0.000	0.000	-0.275	0.000	-0.006	0.000	0.042	-0.239	0.000	0.000	0.000	-0.275	0.000	-0.006	0.000	0.042	-0.239				4M.39
Reduction of sanitary parameters	Totex	£m	3	0.025	0.024	0.009	11.608	0.000	-0.006	0.000	0.042	11.702	0.000	0.000	0.000	5.001	0.000	-0.006	0.000	0.042	5.037	41.363	15.420	37.123	4M.40
UV disinfection (or similar)	Capex	£m	3	0.000	0.000	0.000	28.033	0.000	0.000	0.000	0.000	28.033	0.000	0.000	0.000	47.084	0.000	0.000	0.000	0.000	47.084				4M.41
UV disinfection (or similar)	Opex	£m	3	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.001	0.004	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.003				4M.42
UV disinfection (or similar)	Totex	£m	3	0.000	0.000	0.000	28.036	0.000	0.000	0.000	0.001	28.037	0.000	0.000	0.000	47.087	0.000	0.000	0.000	0.000	47.087	43.264	9.070	21.835	4M.43
Investigations	Capex	£m	3	0.000	0.000	0.000	1.724	0.000	0.000	0.000	0.000	1.724												4M.44
Investigations	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.45
Investigations	Totex	£m	3	0.000	0.000	0.000	1.724	0.000	0.000	0.000	0.000	1.724									8.371	9.540	22.967	4M.46
Total environmental programme expenditure	Totex	£m	3	8.629	8.394	3.281	189.871	0.000	0.291	0.056	0.055	210.578									482.922	321.939	811.689	4M.47
Other enhancement																								
Growth at sewage treatment works (excluding sludge treatment)	Capex	£m	3	0.000	0.000	0.000	7.101	0.000	0.000	0.000	0.000	7.101	0.000	0.000	0.000	4.480	0.000	0.000	0.000	0.000	4.480				4M.48
Growth at sewage treatment works (excluding sludge treatment)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.49
Growth at sewage treatment works (excluding sludge treatment)	Totex	£m	3	0.000	0.000	0.000	7.101	0.000	0.000	0.000	0.000	7.101	0.000	0.000	0.000	4.480	0.000	0.000	0.000	0.000	4.480				4M.50
Reduce flooding risk for properties	Capex	£m	3	22.301	21.694	8.478	0.000	0.000	0.000	0.000	0.000	52.474	19.194	18.671	7.297	0.000	0.000	0.000	0.000	0.000	45.162				4M.51
Reduce flooding risk for properties	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.52
Reduce flooding risk for properties	Totex	£m	3	22.301	21.694	8.478	0.000	0.000	0.000	0.000	0.000	52.474	19.194	18.671	7.297	0.000	0.000	0.000	0.000	0.000	45.162				4M.53
First time sewerage	Capex	£m	3	0.038	0.037	0.014	0.000	0.000	0.000	0.000	0.000	0.088	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.54
First time sewerage	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.55
First time sewerage	Totex	£m	3	0.038	0.037	0.014	0.000	0.000	0.000	0.000	0.000	0.088	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.621	1.689	4.066	4M.56
Sludge enhancement (quality)	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.006	0.000	0.006												4M.57
Sludge enhancement (quality)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.58
Sludge enhancement (quality)	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.006	0.000	0.006									0.078	0.452	0.763	4M.59
Sludge enhancement (growth)	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.60
Sludge enhancement (growth)	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.61
Sludge enhancement (growth)	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.62
Odour	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.63
Odour	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												4M.64
Odour	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.65
Enhancing resilience to low probability high consequence events	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.66
Enhancing resilience to low probability high consequence events	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.67
Enhancing resilience to low probability high consequence events	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4M.68
Security - SEMD	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.69
Security - SEMD	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.70
Security - SEMD	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4M.71
Security - Non-SEMD	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.72
Security - Non-SEMD	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				4M.73
Security - Non-SEMD	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4M.74
NEP Discharge Relocation	Capex	£m	3	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.003									2.414	0.000	0.000	4M.75
NEP Discharge Relocation	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.76
NEP requirement for bathing water shellfish driver delivered through long sea outfall or increased FTFT	Capex	£m	3	0.374	0.364	0.142	1.196	0.000	0.000	0.000	0.000	2.076									21.210	6.241	15.025	4M.77
NEP requirement for bathing water shellfish driver delivered through long sea outfall or increased FTFT	Opex	£m	3	0.219	0.080	0.031	1.035	0.000	0.000	0.000	0.000	1.365									0.000	0.000	0.000	4M.78
Innovation Competition	Capex	£m	3	0.038	0.037	0.014	1.924	0.000	0.000	0.000	0.000	2.013									2.023	2.023	3.362	4M.79
Innovation Competition	Opex	£m	3	0.017	0.006	0.002	0.045	0.001	0.004	0.006	0.003	0.084									0.114	0.114	0.119	4M.80
NEP phase 5 WFD schemes - treatment increased storage or investigations	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.263	0.000	0.000	4M.81
NEP phase 5 WFD schemes - treatment increased storage or investigations	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.82
WINEP/NEP - eels regulations	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.073	0.176	4M.83
WINEP/NEP - eels regulations	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.000	0.000	4M.84
GER Freeform - Innovative partnership approaches to deliver better catchment outcomes	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	0.611	3.541	4M.85
GER Freeform -Tackling storm overflows	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									0.000	1.101	6.374	4M.86
Total other enhancement expenditure	Totex	£m	3	22.987	22.217	8.683	11.304	0.001	0.004	0.012	0.003	65.210									28.722	12.304	33.426	4M.87
Total enhancement																								
Total enhancement expenditure	Capex	£m	3	31.380	30.525	11.930	196.968	0.000	0.000	0.062	0.000	270.866												4M.88
Total enhancement expenditure	Opex	£m	3	0.236	0.086	0.033	4.207	0.001	0.295	0.006	0.058	4.922												4M.89
Total enhancement expenditure	Totex	£m	3	31.616	30.611	11.963	201.175	0.001	0.295	0.068	0.058	275.788									511.644	334.243	845.115	4M.90

Section 4 Additional regulatory information – service level

Pro forma 4N

Developer services expenditure for the 12 months ended 31 March 2023 – water network+ (price control)

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Water network+			RAG 4 reference
			Treated water distribution			
			Capex	Opex	Totex	
New connections	£m	3	14.316	0.205	14.521	4N.1
Requisition mains	£m	3	6.267	0.000	6.267	4N.2
Infrastructure network reinforcement	£m	3	7.593	0.000	7.593	4N.3
s185 diversions	£m	3	0.000	4.763	4.763	4N.4
Other price controlled activities	£m	3	0.000	0.195	0.195	4N.5
Total developer services expenditure	£m	3	28.176	5.163	33.339	4N.6

Section 4 Additional regulatory information – service level

Pro forma 4O

Developer services expenditure for the 12 months ended 31 March 2023 – wastewater network+ and bioresources

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Wastewater network+					Total	RAG 4 reference
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment		
Capex									
New connections	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4O.1
Requisition sewers	£m	3	0.012	0.012	0.005	0.000	0.000	0.029	4O.2
Infrastructure network reinforcement	£m	3	1.849	1.799	0.703	0.000	0.000	4.351	4O.3
s185 diversions	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4O.4
Other price controlled activities	£m	3	1.435	1.396	0.546	0.000	0.000	3.376	4O.5
Total total developer services capex	£m	3	3.296	3.206	1.253	0.000	0.000	7.756	4O.6
Opex									
New connections	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4O.7
Requisition sewers	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4O.8
Infrastructure network reinforcement	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4O.9
s185 diversions	£m	3	0.538	0.523	0.204	0.000	0.000	1.265	4O.10
Other price controlled activities	£m	3	0.016	0.010	0.004	0.000	0.000	0.030	4O.11
Total developer services opex	£m	3	0.554	0.533	0.208	0.000	0.000	1.295	4O.12
Totex									
Total developer services expenditure	£m	3	3.850	3.739	1.462	0.000	0.000	9.051	4O.13

Section 4 Additional regulatory information – service level

Pro forma 4P

Expenditure on non-price control diversions for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Water resources	Water network+	Wastewater network+	Total	RAG 4 reference
Capex							
Capex associated with NSWRA diversions	£m	3	0.000	0.000	0.000	0.000	4P.1
Capex associated with other non-price control diversions	£m	3	0.000	0.000	0.000	0.000	4P.2
Other developer services non-price control capex	£m	3	0.000	0.000	0.000	0.000	4P.3
Developer services non-price control capex	£m	3	0.000	0.000	0.000	0.000	4P.4
Opex							
Opex associated with NSWRA diversions	£m	3	0.000	3.406	0.431	3.837	4P.5
Opex associated with other non-price control diversions	£m	3	0.000	0.747	0.507	1.254	4P.6
Other developer services non-price control opex	£m	3	0.000	0.000	0.000	0.000	4P.7
Developer services non-price control opex	£m	3	0.000	4.152	0.939	5.091	4P.8
Totex							
Costs associated with NSWRA diversions	£m	3	0.000	3.406	0.431	3.837	4P.9
Costs associated with other non-price control diversions	£m	3	0.000	0.747	0.507	1.254	4P.10
Other developer services non-price control totex	£m	3	0.000	0.000	0.000	0.000	4P.11
Developer services non-price control totex	£m	3	0.000	4.152	0.939	5.091	4P.12

Section 4 Additional regulatory information – service level

Pro forma 4Q

Developer services for the 12 months ended 31 March 2023 – New connections, properties and mains

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
Connections volume data						
New connections (residential – excluding NAVs)	nr	0	16,060	30,690	46,750	4Q.1
New connections (business – excluding NAVs)	nr	0	490	936	1,426	4Q.2
Total new connections served by incumbent	nr	0	16,550	31,627	48,177	4Q.3
New connections – SLPs	nr	0	14,197			4Q.4
Properties volume data						
New properties (residential - excluding NAVs)	nr	0	22,436	21,987	44,423	4Q.5
New properties (business - excluding NAVs)	nr	0	728	713	1,441	4Q.6
Total new properties served by incumbent	nr	0	23,164	22,700	45,864	4Q.7
New residential properties served by NAVs	nr	0	2,701	1,350	4,051	4Q.8
New business properties served by NAVs	nr	0	0	0	0	4Q.9
Total new properties served by NAVs	nr	0	2,701	1,350	4,051	4Q.10
Total new properties	nr	0	25,865	24,051	49,916	4Q.11
New properties – SLP connections	nr	0	15,665			4Q.12
New water mains data						
Length of new mains (km) - requisitions	nr	0	16			4Q.13
Length of new mains (km) - SLPs	nr	0	140			4Q.14

Section 4 Additional regulatory information – service level

Pro forma 4R

Connected properties, customers and population

Keys to cells
- Input cell
- Calculation cell
- Copy cell

Line description	Units	DPs	Unmeasured	Measured	Total	Voids	RAG 4 reference
Customer numbers - average during the year							
Residential water only customers	000s	3	42.974	32.742	75.716	2.649	4R.1
Residential wastewater only customers	000s	3	23.077	59.308	82.385	4.951	4R.2
Residential water and wastewater customers	000s	3	1,575.223	1,456.694	3,031.917	141.136	4R.3
Total residential customers	000s	3	1,641.274	1,548.744	3,190.018	148.736	4R.4
Business water only customers	000s	3	0.686	23.006	23.692	3.160	4R.5
Business wastewater only customers	000s	3	1.936	16.660	18.596	17.511	4R.6
Business water & wastewater customers	000s	3	13.100	121.085	134.185	23.862	4R.7
Total business customers	000s	3	15.722	160.751	176.473	44.533	4R.8
Total customers	000s	3	1,656.996	1,709.495	3,366.491	193.269	4R.9

			Water			Wastewater			
Line description	Units	Dps	Unmeasured	Measured	Total	Unmeasured	Measured	Total	RAG 4 reference
Property numbers - average during the year									
Residential properties billed	000s	3	1,618.197	1,489.436	3,107.633	1,598.301	1,516.002	3,114.303	4R.10
Residential void properties	000s	3			143.786			146.088	4R.11
Total connected residential properties	000s	3			3,251.419			3,260.391	4R.12
Business properties billed	000s	3	13.785	144.090	157.875	15.036	137.744	152.780	4R.13
Business void properties	000s	3			27.021			41.373	4R.14
Total connected business properties	000s	3			184.896			194.153	4R.15
Total connected properties	000s	3			3,436.315			3,454.544	4R.16

			Water																
			Unmeasured						Measured						Unbilled				
Line description	Units	Dps	No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)	Total	No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)	Total	Uneconomic to bill	Other	Total	Total	RAG 4 reference
Property and meter numbers - at end of year (31 March)																			
Total new residential properties connected in year	000s	3	0.000	0.000	0.000	0.000	0.000	0.000	0.471	0.000	21.965	0.000	0.000	22.436				22.436	4R.17
Total number of new business properties connections	000s	3	0.000	0.000	0.000	0.000	0.000	0.000	0.034	0.000	0.694	0.000	0.000	0.728				0.728	4R.18
Residential properties billed at year end	000s	3	1,621.144	2.122	7.707	0.000	0.000	1,630.973	0.000	611.351	913.690	0.000	0.000	1,525.041				3,156.014	4R.19
Residential properties unbilled at year end	000s	3													0.000	0.000	0.000	0.000	4R.20
Residential void properties at year end	000s	3						52.824						47.847				100.671	4R.21
Total connected residential properties at year end	000s	3						1,683.797						1,572.888				3,256.685	4R.22
Business properties billed at year end	000s	3	13.895	0.000	0.000	0.000	0.000	13.895	0.000	87.229	56.997	0.000	0.000	144.226				158.121	4R.23
Business properties unbilled at year end	000s	3													0.000	0.000	0.000	0.000	4R.24
Business void properties at year end	000s	3						3.979						20.705				24.684	4R.25
Total connected business properties at year end	000s	3						17.874						164.931				182.805	4R.26
Total connected properties at year end	000s	3						1,701.671						1,737.819				3,439.490	4R.27

Line description	Units	DPs	Water	Wastewater	RAG 4 reference
Population data					
Resident population	000s	3	7,370.439	7,420.144	4R.28
Non-resident population (wastewater)	000s	3		275.582	4R.29

			Water			
Household population data	Units	DPs	Resident population	Non-resident population	Total	RAG 4 reference
Household population	000s	3	7,093.060	0.000	7,093.060	4R.30
Household measured population (water only)	000s	3	3,272.040	0.000	3,272.040	4R.31
Household unmeasured population (water only)	000s	3	3,821.020	0.000	3,821.020	4R.32

Section 4 Additional regulatory information – service level

Pro forma 4S

Green recovery expenditure for the 12 months ended 31 March 2023 - water resources and water network+

Keys to cells

Input cell
Calculation cell
Copy cell

				Expenditure in report year						Cumulative expenditure on schemes completed in the report year						
					Water network+						Water network+					
Line description		Units	DPs	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total	RAG 4 reference
Green recovery programme																
Accelerating partnerships to deliver natural solutions	Capex	£m	3	0.217	0.000	0.000	0.000	0.000	0.217	0.000	0.000	0.000	0.000	0.000	0.000	4S.1
Accelerating partnerships to deliver natural solutions	Opex	£m	3	0.087	0.000	0.000	0.000	0.000	0.087	0.000	0.000	0.000	0.000	0.000	0.000	4S.2
Accelerating partnerships to deliver natural solutions	Totex	£m	3	0.304	0.000	0.000	0.000	0.000	0.304	0.000	0.000	0.000	0.000	0.000	0.000	4S.3
Green recovery line 2	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.4
Green recovery line 2	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.5
Green recovery line 2	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.6
Green recovery line 3	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.7
Green recovery line 3	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.8
Green recovery line 3	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.9
Green recovery line 4	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.10
Green recovery line 4	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.11
Green recovery line 4	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4S.12
Total green recovery programme capex	Capex	£m	3	0.217	0.000	0.000	0.000	0.000	0.217	0.000	0.000	0.000	0.000	0.000	0.000	4S.13
Total green recovery programme opex	Opex	£m	3	0.087	0.000	0.000	0.000	0.000	0.087	0.000	0.000	0.000	0.000	0.000	0.000	4S.14
Total green recovery programme expenditure	Totex	£m	3	0.304	0.000	0.000	0.000	0.000	0.304	0.000	0.000	0.000	0.000	0.000	0.000	4S.15

Further detail can be found in the 'Green Recovery - Annual Progress Report' which can be found at www.unitedutilities.com/globalassets/documents/pdf/green-recovery-2023

Section 4 Additional regulatory information – service level

Pro forma 4T

Green recovery expenditure for the 12 months ended 31 March 2023 – wastewater network+ and bioresources

Keys to cells

Input cell
Calculation cell
Copy cell

Line description		Units	DPs	Expenditure in report year									Cumulative expenditure on schemes completed in the report year									RAG 4 reference
				Wastewater network+					Bioresources				Wastewater network+					Bioresources				
				Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total	
Green recovery programme																						
Accelerating partnerships to deliver natural solutions	Capex	£m	3	0.041	0.040	0.015	0.065	0.000	0.000	0.000	0.000	0.161	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.1
Accelerating partnerships to deliver natural solutions	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.2
Accelerating partnerships to deliver natural solutions	Totex	£m	3	0.041	0.040	0.015	0.065	0.000	0.000	0.000	0.000	0.161	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.3
AMP8 WINEP investments at Bury	Capex	£m	3	0.451	0.439	0.171	0.603	0.000	0.000	0.000	0.000	1.663	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.4
AMP8 WINEP investments at Bury	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.5
AMP8 WINEP investments at Bury	Totex	£m	3	0.451	0.439	0.171	0.603	0.000	0.000	0.000	0.000	1.663	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.6
Tackling storm overflows	Capex	£m	3	0.000	0.000	0.000	0.841	0.000	0.000	0.000	0.000	0.841	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.7
Tackling storm overflows	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.8
Tackling storm overflows	Totex	£m	3	0.000	0.000	0.000	0.841	0.000	0.000	0.000	0.000	0.841	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.9
Green recovery line 4	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.10
Green recovery line 4	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.11
Green recovery line 4	Totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.12
Total green recovery programme capex	Capex	£m	3	0.492	0.478	0.187	1.509	0.000	0.000	0.000	0.000	2.665	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.13
Total green recovery programme opex	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.14
Total green recovery programme expenditure	Totex	£m	3	0.492	0.478	0.187	1.509	0.000	0.000	0.000	0.000	2.665	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4T.15

Further detail can be found in the 'Green Recovery - Annual Progress Report' which can be found at www.unitedutilities.com/globalassets/documents/pdf/green-recovery-2023

Section 4 Additional regulatory information – service level

Pro forma 4U

Impact of Green Recovery on RCV

Keys to cells

Input cell
Calculation cell
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	Units	DPs	12 months ended 31 March 2023				Price control period to date				RAG 4 reference
			Water resources	Water network plus	Wastewater network plus	Bioresources	Water resources	Water network plus	Wastewater network plus	Bioresources	
Totex - Green recovery											
Approved bid	£m	3	0.779	0.000	7.485		1.104	0.000	12.132		4U.1
Actual totex	£m	3	0.304	0.000	2.665		0.412	0.000	3.103		4U.2
Variance	£m	3	-0.475	0.000	-4.819		-0.692	0.000	-9.029		4U.3
Variance due to timing of expenditure	£m	3	-0.475	0.000	-4.819		-0.692	0.000	-9.029		4U.4
Variance due to efficiency	£m	3	0.000	0.000	0.000		0.000	0.000	0.000		4U.5
Customer cost sharing rate - outperformance	%	2	90.00%	90.00%	90.00%		90.00%	90.00%	90.00%		4U.6
Customer cost sharing rate - underperformance	%	2	50.00%	50.00%	50.00%		50.00%	50.00%	50.00%		4U.7
Customer share of totex - outperformance	£m	3	-0.428	0.000	-4.337		-0.623	0.000	-8.126		4U.8
Customer share of totex - underperformance	£m	3	0.000	0.000	0.000		0.000	0.000	0.000		4U.9
Company share of totex - outperformance	£m	3	-0.048	0.000	-0.482		-0.069	0.000	-0.903		4U.10
Company share of totex - underperformance	£m	3	0.000	0.000	0.000		0.000	0.000	0.000		4U.11
Increase / decrease in shadow RCV	£m	3	0.351	0.000	3.147		0.482	0.000	4.006		4U.12
In period funding	£m	3	0.000	0.000	0.000		0.000	0.000	0.000		4U.13
Net increase / decrease in shadow RCV	£m	3	0.351	0.000	3.147		0.482	0.000	4.006		4U.14

Further detail can be found in the ‘Green Recovery - Annual Progress Report’ which can be found at www.unitedutilities.com/globalassets/documents/pdf/green-recovery-2023

Pro forma 4V

Mark-to-market of financial derivatives analysed based on payment dates

Line description	Units	DPs	Derivatives - Analysed by earliest payment date				Derivatives - Analysed by expected maturity date				RAG 4 reference
			Net settled	Gross Settled outflows	Gross Settled inflows	Total	Net settled	Gross Settled outflows	Gross Settled inflows	Total	
Due within one year	£m	3	-42.526	0.000	0.000	-42.526	-38.253	0.000	0.000	-38.253	4V.1
Between one and two years	£m	3	-20.009	0.000	0.000	-20.009	-12.876	0.000	0.000	-12.876	4V.2
Between two and three years	£m	3	-14.848	216.310	-246.145	-44.684	-7.638	103.013	-107.599	-12.224	4V.3
Between three and four years	£m	3	-30.675	0.000	0.000	-30.675	-30.675	0.000	0.000	-30.675	4V.4
Between four and five years	£m	3	-17.157	123.526	-125.980	-19.611	-21.430	123.526	-125.980	-23.883	4V.5
After five years	£m	3	40.249	609.147	-716.181	-66.785	25.905	722.444	-854.727	-106.379	4V.6
Total	£m	3	-84.967	948.983	-1,088.306	-224.290	-84.967	948.983	-1,088.306	-224.290	4V.7

Section 4 Additional regulatory information – service level

Pro forma 4W

Defined Benefit Pension Scheme – Additional Information

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Defined benefit pension schemes			RAG 4 reference
			Pension scheme 1	Pension scheme 2	Pension scheme 3	
Scheme details						
Scheme name	Text	n/a	United Utilities Pension Scheme ("UUPS")	United Utilities PLC Group of the Electricity Supply Pension Scheme ("ESPS")		4W.1
Scheme status	Text	n/a	Closed to new members; not closed to accrual of future defined benefits	Closed to new members; not closed to accrual of future defined benefits		4W.2
Scheme valuation under IAS/IFRS/FRS						
Scheme assets	£m	3	2,109.300	26.900		4W.3
Scheme liabilities	£m	3	1,672.300	21.800		4W.4
Scheme surplus / (deficit) Total	£m	3	437.000	5.100	0.000	4W.5
Scheme surplus / (deficit) Appointed business	£m	3	437.000	5.100		4W.6
Pension deficit recovery payments	£m	3	0.000	0.000		4W.7
Scheme valuation under part 3 of Pensions Act 2004						
Scheme funding valuation date	Date	n/a	31/03/2021	31/03/2021		4W.8
Assets	£m	3	2,887.280	79.669		4W.9
Technical Provisions	£m	3	2,769.641	78.439		4W.10
Scheme surplus / (deficit)	£m	3	117.639	1.230	0.000	4W.11
Discount rate assumptions	Text	n/a	Gilts+0.35%	Gilts+0.26%		4W.12
Recovery plan (where applicable)						
Recovery Plan Structure	Text	n/a	N/A as fully funded	N/A as fully funded		4W.13
Recovery plan end date	Date	n/a	n/a	n/a		4W.14
Asset Backed Funding (ABF) arrangements	Text	n/a	n/a	n/a		4W.15
Responsibility for ABF arrangements	Text	n/a	n/a	n/a		4W.16

Scheme valuation under part 3 of Pensions Act 2004

4W.8 Scheme funding valuation date
This is the date of the latest triennial actuarial valuation.

4W.9 Assets
As the participating employers are United Utilities Water Limited (‘UUW’) and United Utilities PLC (‘UUPLC’), the asset figure presented reflects the proportion attributable to UUW only.

4W.10 Technical provisions
As the participating employers are United Utilities Water Limited (‘UUW’) and United Utilities PLC (‘UUPLC’), the technical provisions figure presented reflects the proportion attributable to UUW only.

4W.12 Discount rate assumption
A single equivalent discount rate is shown for the ESPS scheme, expressed on a ‘gilts plus’ basis.

Section 5 Additional regulatory information – water resources

Pro forma 5A

Water resources asset and volume data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input	RAG 4 reference
Water resources				
Water from impounding reservoirs	Ml/d	2	1,165.52	5A.1
Water from pumped storage reservoirs	Ml/d	2	0.00	5A.2
Water from river abstractions	Ml/d	2	690.68	5A.3
Water from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes	Ml/d	2	150.29	5A.4
Water from artificial recharge (AR) water supply schemes	Ml/d	2	0.00	5A.5
Water from aquifer storage and recovery (ASR) water supply schemes	Ml/d	2	0.00	5A.6
Water from saline abstractions	Ml/d	2	0.00	5A.7
Water from water reuse schemes	Ml/d	2	0.00	5A.8
Number of impounding reservoirs	nr	0	53	5A.9
Number of pumped storage reservoirs	nr	0	0	5A.10
Number of river abstractions	nr	0	24	5A.11
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	0	69	5A.12
Number of artificial recharge (AR) water supply schemes	nr	0	0	5A.13
Number of aquifer storage and recovery (ASR) water supply schemes	nr	0	0	5A.14
Number of saline abstraction schemes	nr	0	0	5A.15
Number of reuse schemes	nr	0	0	5A.16
Total number of sources	nr	0	146	5A.17
Total number of water reservoirs	nr	0	162	5A.18
Total volumetric capacity of water reservoirs	Ml	0	286,320	5A.19
Total number of intake and source pumping stations	nr	0	142	5A.20
Total installed power capacity of intake and source pumping stations	kW	0	25,228	5A.21
Total length of raw water abstraction mains and other conveyors	km	2	525.40	5A.22
Average pumping head – raw water abstraction	m.hd	2	10.76	5A.23
Energy consumption - water resources (MWh)	MWh	3	60,208.805	5A.24
Total number of raw water abstraction imports	nr	0	0	5A.25
Water imported from 3rd parties to raw water abstraction systems	Ml/d	2	0.00	5A.26
Total number of raw water abstraction exports	nr	0	1	5A.27
Water exported to 3rd parties from raw water abstraction systems	Ml/d	2	6.65	5A.28
Water resources capacity (measured using water resources yield)	Ml/d	2	2,320.87	5A.29
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	0	25	5A.30

Section 5 Additional regulatory information – water resources

Pro forma 5B

Water resources operating cost analysis for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge (AR) water supply schemes	Aquifer Storage and Recovery (ASR) water supply schemes	Other	Total	RAG 4 reference
Power	£m	3	0.131	0.000	4.803	4.504	0.000	0.000	0.380	9.817	5B.1
Income treated as negative expenditure	£m	3	0.000	0.000	0.000	-0.019	0.000	0.000	0.000	-0.020	5B.2
Abstraction charges/ discharge consents	£m	3	12.025	0.000	10.157	2.562	0.000	0.000	0.000	24.744	5B.3
Bulk supply	£m	3	0.082	0.000	0.000	0.000	0.000	0.000	0.000	0.082	5B.4
Other operating expenditure											
Renewals expensed in year (Infrastructure)	£m	3	15.894	0.000	0.000	0.000	0.000	0.000	0.000	15.894	5B.5
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	5B.6
Other operating expenditure excluding renewals	£m	3	10.097	0.000	1.983	4.587	0.000	0.000	0.000	16.667	5B.7
Local authority and Cumulo rates	£m	3	16.825	0.000	0.304	0.232	0.000	0.000	0.000	17.361	5B.8
Total operating expenditure (excluding 3rd party)	£m	3	55.054	0.000	17.247	11.866	0.000	0.000	0.380	84.547	5B.9

Section 6 Additional regulatory information – water network+

Pro forma 6A

Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input		RAG 4 reference
Raw water transport and storage					
Total number of balancing reservoirs	nr	0	3		6A.1
Total volumetric capacity of balancing reservoirs	Ml	0	549		6A.2
Total number of raw water transport stations	nr	0	8		6A.3
Total installed power capacity of raw water transport pumping stations	kW	0	32,369		6A.4
Total length of raw water transport mains and other conveyors	km	2	959.75		6A.5
Average pumping head ~ raw water transport	m.hd	2	21.90		6A.6
Energy consumption – raw water transport (MWh)	MWh	3	48,527.893		6A.7
Total number of raw water transport imports	nr	0	0		6A.8
Water imported from 3rd parties to raw water transport systems	Ml/d	2	0.00		6A.9
Total number of raw water transport exports	nr	0	0		6A.10
Water exported to 3rd parties from raw water transport systems	Ml/d	2	0.00		6A.11
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	2	91.45		6A.12

Water treatment - treatment type analysis	Surface water		Ground water		
	Water treated	Number of works	Water treated	Number of works	
Units	Ml/d	nr	Ml/d	nr	
DPs	2	0	2	0	
All simple disinfection works	0.00	0	1.98	5	6A.13
W1 works	0.00	0	0.00	0	6A.14
W2 works	331.75	2	36.99	18	6A.15
W3 works	676.75	15	0.00	1	6A.16
W4 works	283.17	8	56.31	8	6A.17
W5 works	840.13	26	15.47	3	6A.18
W6 works	0.00	0	0.00	0	6A.19

Water treatment - works size	% of total DI	Number of works			
Units	DI	nr			
DPs	1	0			
WTWs in size band 1	0.2	9			6A.20
WTWs in size band 2	0.6	11			6A.21
WTWs in size band 3	1.9	18			6A.22
WTWs in size band 4	4.3	16			6A.23
WTWs in size band 5	6.6	12			6A.24
WTWs in size band 6	7.1	6			6A.25
WTWs in size band 7	14.9	8			6A.26
WTWs in size band 8	64.5	6			6A.27

Water treatment - other information	Units	DPs	Input		
Peak week production capacity (PWPC)	Ml/d	2	3,466.93		6A.28
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	Ml/d	2	0.00		6A.29
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	Ml/d	2	606.64		6A.30
Total water treated at more than one type of works	Ml/d	2	-407.69		6A.31
Number of treatment works requiring remedial action because of raw water deterioration	nr	0	1		6A.32
Zonal population receiving water treated with orthophosphate	000's	3	7,353.733		6A.33
Average pumping head – water treatment	m.hd	2	12.75		6A.34
Energy consumption - water treatment (MWh)	MWh	3	164,044.373		6A.35
Total number of water treatment imports	nr	0	0		6A.36
Water imported from 3rd parties to water treatment works	Ml/d	2	0.00		6A.37
Total number of water treatment exports	nr	0	0		6A.38
Water exported to 3rd parties from water treatment works	Ml/d	2	0.00		6A.39

Section 6 Additional regulatory information – water network+

Pro forma 6B

Treated water distribution – assets and operations for the 12 months ended 31 March 2023

Keys to cells
Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input	RAG 4 reference
Assets and operations				
Total installed power capacity of potable water pumping stations	kW	0	87,888	6B.1
Total volumetric capacity of service reservoirs	Ml	1	3,560.8	6B.2
Total volumetric capacity of water towers	Ml	1	12.8	6B.3
Water delivered (non-potable)	Ml/d	2	48.83	6B.4
Water delivered (potable)	Ml/d	2	1,463.98	6B.5
Water delivered (billed measured residential properties)	Ml/d	2	406.12	6B.6
Water delivered (billed measured businesses)	Ml/d	2	354.87	6B.7
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.353	6B.8
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.000	6B.9
Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.594	6B.10
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	3	0.053	6B.11
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	3	0.000	6B.12
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	3	0.000	6B.13
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	3	0.000	6B.14
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	3	0.000	6B.15
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	0	536	6B.16
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	0	27	6B.17
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	0	59	6B.18
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	0	450	6B.19
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0	0	6B.20
Total number of service reservoirs	nr	0	350	6B.21
Number of water towers	nr	0	5	6B.22
Energy consumption – treated water distribution (MWh)	MWh	3	92,128.777	6B.23
Average pumping head – treated water distribution	m.hd	2	71.95	6B.24
Total number of treated water distribution imports	nr	0	4	6B.25
Water imported from 3rd parties to treated water distribution systems	Ml/d	2	0.68	6B.26
Total number of treated water distribution exports	nr	0	51	6B.27
Water exported to 3rd parties from treated water distribution systems	Ml/d	2	1.10	6B.28
Peak 7 day rolling average distribution input	Ml/d	2	2,101.75	6B.29
Peak 7 day rolling average distribution input / annual average distribution input	%	2	114.46%	6B.30
Water balance - company level				
Measured household consumption (excluding supply pipe leakage)	Ml/d	2	384.54	6B.31
Unmeasured household consumption (excluding supply pipe leakage)	Ml/d	2	608.82	6B.32
Measured non-household consumption (excluding supply pipe leakage)	Ml/d	2	353.14	6B.33
Unmeasured non-household consumption (excluding supply pipe leakage)	Ml/d	2	12.09	6B.34
Total annual leakage	Ml/d	2	423.01	6B.35
Distribution system operational use	Ml/d	2	3.00	6B.36
Water taken unbilled	Ml/d	2	51.80	6B.37
Distribution input	Ml/d	2	1,836.39	6B.38
Distribution input (pre-MLE)	Ml/d	2	1,836.18	6B.39
Water balance - region 1				
Measured household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.40
Unmeasured household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.41
Measured non-household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.42
Unmeasured non-household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.43
Total annual leakage	Ml/d	2	0.00	6B.44
Distribution system operational use	Ml/d	2	0.00	6B.45
Water taken unbilled	Ml/d	2	0.00	6B.46
Distribution input	Ml/d	2	0.00	6B.47
Distribution input (pre-MLE)	Ml/d	2	0.00	6B.48
Water balance - region 2				
Measured household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.49
Unmeasured household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.50
Measured non-household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.51
Unmeasured non-household consumption (excluding supply pipe leakage)	Ml/d	2	0.00	6B.52
Total annual leakage	Ml/d	2	0.00	6B.53
Distribution system operational use	Ml/d	2	0.00	6B.54
Water taken unbilled	Ml/d	2	0.00	6B.55
Distribution input	Ml/d	2	0.00	6B.56
Distribution input (pre-MLE)	Ml/d	2	0.00	6B.57
Components of total leakage (post MLE) - company level				
Leakage upstream of DMA	Ml/day	2	37.37	6B.58
87 Distribution main losses	Ml/day	2	332.04	6B.59
Customer supply pipe losses – measured households excluding void properties	Ml/day	2	21.58	6B.60
Customer supply pipe losses – unmeasured households excluding void properties	Ml/day	2	27.19	6B.61
Customer supply pipe losses – measured non-households excluding void properties	Ml/day	2	1.73	6B.62
Customer supply pipe losses – unmeasured non-households excluding void properties	Ml/day	2	0.23	6B.63
Customer supply pipe losses – void measured households	Ml/day	2	1.01	6B.64
Customer supply pipe losses – void unmeasured households	Ml/day	2	1.41	6B.65
Customer supply pipe losses – void measured non-households	Ml/day	2	0.36	6B.66
Customer supply pipe losses – void unmeasured non-households	Ml/day	2	0.09	6B.67
Components of total leakage (post MLE) - region 1				
Leakage upstream of DMA	Ml/day	2	0.00	6B.68
Distribution main losses	Ml/day	2	0.00	6B.69
Customer supply pipe losses – measured households excluding void properties	Ml/day	2	0.00	6B.70
Customer supply pipe losses – unmeasured households excluding void properties	Ml/day	2	0.00	6B.71
Customer supply pipe losses – measured non-households excluding void properties	Ml/day	2	0.00	6B.72
Customer supply pipe losses – unmeasured non-households excluding void properties	Ml/day	2	0.00	6B.73
Customer supply pipe losses – void measured households	Ml/day	2	0.00	6B.74
Customer supply pipe losses – void unmeasured households	Ml/day	2	0.00	6B.75
Customer supply pipe losses – void measured non-households	Ml/day	2	0.00	6B.76
Customer supply pipe losses – void unmeasured non-households	Ml/day	2	0.00	6B.77
Components of total leakage (post MLE) - region 2				
Leakage upstream of DMA	Ml/day	2	0.00	6B.78
Distribution main losses	Ml/day	2	0.00	6B.79
Customer supply pipe losses – measured households excluding void properties	Ml/day	2	0.00	6B.80
Customer supply pipe losses – unmeasured households excluding void properties	Ml/day	2	0.00	6B.81
Customer supply pipe losses – measured non-households excluding void properties	Ml/day	2	0.00	6B.82
Customer supply pipe losses – unmeasured non-households excluding void properties	Ml/day	2	0.00	6B.83
Customer supply pipe losses – void measured households	Ml/day	2	0.00	6B.84
Customer supply pipe losses – void unmeasured households	Ml/day	2	0.00	6B.85
Customer supply pipe losses – void measured non-households	Ml/day	2	0.00	6B.86
Customer supply pipe losses – void unmeasured non-households	Ml/day	2	0.00	6B.87

Section 6 Additional regulatory information – water network+

Pro forma 6C

Water network+ – Mains communication pipes and other data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input	RAG 4 reference
Treated water distribution - mains analysis				
Total length of potable mains as at 31 March	km	1	42,877.1	6C.1
Total length of potable mains relined	km	1	0.0	6C.2
Total length of potable mains renewed	km	1	39.2	6C.3
Total length of new potable mains	km	1	151.6	6C.4
Total length of potable water mains (≤320mm)	km	1	39,203.6	6C.5
Total length of potable water mains (>320mm and ≤ 450mm)	km	1	1,228.3	6C.6
Total length of potable water mains (>450mm and ≤610mm)	km	1	1,018.2	6C.7
Total length of potable water mains (> 610mm)	km	1	1,426.9	6C.8
Treated water distribution - mains age profile				
Total length of potable mains laid or structurally refurbished pre-1880	km	1	887.2	6C.9
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	1	630.6	6C.10
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	1	1,844.7	6C.11
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1	5,378.8	6C.12
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	1	3,759.3	6C.13
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1	6,688.8	6C.14
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1	13,891.9	6C.15
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	1	9,572.9	6C.16
Total length of potable mains laid or structurally refurbished post during and after 2021	km	1	222.9	6C.17
Communication pipes				
Number of lead communication pipes	nr	0	506,421	6C.18
Number of galvanised iron communication pipes	nr	0	724	6C.19
Number of other communication pipes	nr	0	2,584,161	6C.20
Number of lead communication pipes replaced or relined for water quality	nr	0	4,662	6C.21
Other				
Company area	km^2	0	15,045	6C.22
Compliance Risk Index	nr	2	3.67	6C.23
Event Risk Index	nr	0	111	6C.24
Properties below reference level at end of year	nr	0	159	6C.25

Section 6 Additional regulatory information – water network+

Pro forma 6D

Demand management – Metering and leakage activities for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Basic meter	AMR meter	AMI meter	RAG 4 reference
Metering activities - Totex expenditure						
New optant meter installation for existing customers	£m	3	0.000	9.366	0.000	6D.1
New selective meter installation for existing customers	£m	3	0.000	6.080	0.000	6D.2
New business meter installation for existing customers	£m	3	0.020	0.104	0.000	6D.3
Residential meters renewed	£m	3	0.000	3.420	0.000	6D.4
Business meters renewed	£m	3	0.007	2.152	0.000	6D.5
Metering activities - Explanatory variables						
New optant meters installed for existing customers	000s	3	0.000	24.866	0.000	6D.6
New selective meters installed for existing customers	000s	3	0.000	24.332	0.000	6D.7
New business meters installed for existing customers	000s	3	0.005	0.246	0.000	6D.8
Residential meters renewed	000s	3	0.000	10.052	0.000	6D.9
Business meters renewed	000s	3	0.007	2.246	0.000	6D.10
Replacement of basic meters with smart meters for residential customers	000s	3		6.239	0.000	6D.11
Replacement of AMR meter with AMI meters for residential customers	000s	3			0.000	6D.12
Replacement of basic meters with smart meters for business customers	000s	3		0.094	0.000	6D.13
Replacement of AMR meter with AMI meters for business customers	000s	3			0.000	6D.14
New residential meters installed for existing customers – supply-demand balance benefit	Ml/d	2	0.00	1.54	0.00	6D.15
New business meters install ed for existing customers – supply-demand balance benefit	Ml/d	2	0.00	0.00	0.00	6D.16
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	Ml/d	2		0.00	0.00	6D.17
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	Ml/d	2			0.00	6D.18
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	Ml/d	2		0.00	0.00	6D.19
Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit	Ml/d	2			0.00	6D.20
Residential properties - meter penetration	%	1	19.4	28.9	0.0	6D.21

Leakage activities	Units	DPs	Maintaining leakage	Reducing leakage	Total	RAG 4 reference
Total leakage activity	£m	3	99.905	9.398	109.303	6D.22
Leakage improvements delivering benefits in 2020-25	Ml/d	2			-9.12	6D.23
Per capita consumption (excluding supply pipe leakage)						
Per capita consumption (measured)	l/h/d	2	117.52			6D.24
Per capita consumption (unmeasured)	l/h/d	2	159.33			6D.25

Section 6 Additional regulatory information – water network+

Pro forma 6F

WRMP annual reporting on delivery - non-leakage activities

Keys to cells

Input cell
Calculation cell
Copy cell

			Capital expenditure						Opex costs						Benefits						Complete for internal interconnectors only					
Line Description	Classification	Delivery year (in use)	2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	Length	Diameter	Pipe material	Pumping capacity installed	Storage capacity installed	RAG 4 reference
Units	Text	Year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	Ml/d	Ml/d	Ml/d	Ml/d	Ml/d	Ml/d	km	mm	Text	kW	m3	
DPs	0	0	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	2	2	2	1	1	0	0	3	
Activity																										
West Cumbria Future Strategy	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	2022-23	13.972	31.090	26.522	2.314	0.271	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.1
Southport DMZ	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	2020-21	2.531	1.472	0.108	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.2
Springfield Bickerstaffe AMP7 works	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	N/A	0.546	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.3
Alston Spade Mill Transfer Pipeline	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	2022-23	1.408	13.313	1.934	0.752	0.028	0.000	0.000	0.000	0.000	0.000	0.000	0.000			12.00	12.00	12.00		9.7	630.0	PE			6F.4
South Egremont groundwater S&D 6.4Ml	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	2019-20	0.007	0.001	-0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.5
Southport DMZ WTW(RoyalOakWTW & PS)	Supply-side improvements delivering benefits in 2020-25	2020-21	0.000	0.000	-0.017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.6
Woodford BH to Hazel Grove Resilience	Supply-side improvements delivering benefits in 2020-25	N/A	0.005	0.050	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.7
Williamsgate WTW - Sludge Treatment	Supply-side improvements delivering benefits in 2020-25	2022-23	4.150	3.860	1.036	0.013	0.005	0.000	0.000	0.000	0.000	0.000	0.000	0.000												6F.8
West to East Link Main and 150 Project	Internal interconnectors delivering benefits in 2020-25	2023-24	0.685	0.011	2.140	4.935	0.013	0.000	0.000	0.000	0.000	0.000	0.000	0.000				29.00	29.00					3,945		6F.9
Water Efficiency Opex	Demand-side improvements delivering benefits in 2020-25 (excl leakage and metering)	N/A	0.000	0.000	0.000	0.000	0.000	0.000	0.228	0.204	0.133	0.000	0.000	0.000	0.49	0.51	0.48	0.37	0.28							6F.10
Total			23.305	49.798	31.724	8.014	0.317	0.000	0.228	0.204	0.133	0.000	0.000	0.000	0.49	0.51	12.48	41.37	41.28	0.00	9.7			3,945	0.000	6F.51

Lines 6F.11-6F.50 are unused freeform lines.

Section 7 Additional regulatory information – wastewater network+

Pro forma 7A

Wastewater network+ – Functional expenditure for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	£'000	RAG 4 reference
Costs of STWs in size bands 1 to 5				
Direct costs of STWs in size band 1	000s	3	8,117.227	7A.1
Direct costs of STWs in size band 2	000s	3	3,734.740	7A.2
Direct costs of STWs in size band 3	000s	3	5,666.868	7A.3
Direct costs of STWs in size band 4	000s	3	7,724.135	7A.4
Direct costs of STWs in size band 5	000s	3	9,189.499	7A.5
General & support costs of STWs in size bands 1 to 5	000s	3	2,189.837	7A.6
Functional expenditure of STWs in size bands 1 to 5 (excluding 3rd party services)	000s	3	36,622.306	7A.7
Costs of large STWs (size band 6)				
Service charges for STWs in size band 6	000s	3	2,237.646	7A.8
Estimated terminal pumping costs size band 6 works	000s	3	6,227.789	7A.9
Other direct costs of STWs in size band 6	000s	3	84,689.926	7A.10
Direct costs of STWs in size band 6	000s	3	93,155.362	7A.11
General & support costs of STWs in size band 6	000s	3	4,510.568	7A.12
Functional expenditure of STWs in size band 6 (excluding 3rd party services)	000s	3	97,665.930	7A.13
Costs of STWs - all sizes				
Total operating functional expenditure (excluding 3rd party services)	000s	3	134,288.236	7A.14

Section 7 Additional regulatory information – wastewater network+

Pro forma 7B

Wastewater network+ – Large sewage treatment works

For the 12 months ended 31 March 2023

Table is provided within the APR tables file **www.unitedutilities.com/globalassets/documents/pdf/apr-table-2023**

Section 7 Additional regulatory information – wastewater network+

Pro forma 7C

Wastewater network+ – Sewer and volume data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input	RAG 4 reference
Wastewater network				
Connectable properties served by s101A schemes completed in the report year	nr	0	0	7C.1
Number of s101A schemes delivered in the report year	nr	0	0	7C.2
Total pumping station capacity	kW	0	105,522	7C.3
Number of network pumping stations	nr	0	2,761	7C.4
Total number of sewer blockages	nr	0	20,203	7C.5
Total number of gravity sewer collapses	nr	0	1,040	7C.6
Total number of sewer rising main bursts	nr	0	77	7C.7
Number of combined sewer overflows	nr	0	2,103	7C.8
Number of emergency overflows	nr	0	645	7C.9
Number of settled storm overflows	nr	0	191	7C.10
Sewer age profile (constructed post 2001)	km	0	1,491	7C.11
Volume of trade effluent	Ml/yr	2	44,393.94	7C.12
Volume of wastewater receiving treatment at sewage treatment works	Ml/yr	2	1,148,888.04	7C.13
Length of gravity sewers rehabilitated	km	0	27	7C.14
Length of rising mains replaced or structurally refurbished	km	0	0	7C.15
Length of foul (only) public sewers	km	0	7,354	7C.16
Length of surface water (only) public sewers	km	0	10,722	7C.17
Length of combined public sewers	km	0	22,809	7C.18
Length of rising mains	km	0	1,180	7C.19
Length of other wastewater network pipework	km	0	409	7C.20
Total length of "legacy" public sewers as at 31 March	km	0	42,474	7C.21
Length of formerly private sewers and lateral drains (s105A sewers)	km	0	36,565	7C.22

Section 7 Additional regulatory information – wastewater network+

Pro forma 7D

Wastewater network+ – Sewage treatment works data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

			Treatment categories								Treatment works consents																	
				Secondary		Tertiary					Phosphorus					BOD5						Ammonia						
Line description	Units	DPs	Primary	Activated Sludge	Biological	A1	A2	B1	B2	Total	<=0.5mg/l	>0.5 to <=1mg/l	>1mg/l	No permit	Total	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	Total	RAG 4 reference
Load received at sewage treatment works																												
Load received by STWs in size band 1	kg BOD_5/day	0	327	299	1,251	45	76	107	63	2,166	10	12	106	2,038	2,166	0	0	53	1,038	1,076	2,166	0	9	78	334	1,746	2,166	7D.1
Load received by STWs in size band 2	kg BOD_5/day	0	18	231	1,146	0	0	188	56	1,639	0	0	125	1,514	1,639	0	0	43	1,431	166	1,639	0	0	130	300	1,210	1,639	7D.2
Load received by STWs in size band 3	kg BOD_5/day	0	0	499	2,181	0	310	472	624	4,086	140	250	261	3,436	4,086	83	122	256	3,626	0	4,086	0	216	1,005	611	2,254	4,086	7D.3
Load received by STWs in size band 4	kg BOD_5/day	0	0	652	4,444	199	1,864	1,923	5,578	14,660	2,984	1,188	1,070	9,418	14,660	0	1,129	2,777	10,754	0	14,660	1,048	2,501	2,670	3,075	5,366	14,660	7D.4
Load received by STWs in size band 5	kg BOD_5/day	0	0	2,547	1,499	0	6,233	1,342	22,275	33,896	1,658	3,493	15,898	12,847	33,896	942	6,512	8,633	16,895	914	33,896	4,273	7,842	12,483	5,994	3,304	33,896	7D.5
Load received by STWs above size band 5	kg BOD_5/day	0	0	127,592	18,087	18,713	234,462	1,637	97,185	497,675	8,432	119,371	49,550	320,322	497,675	12,219	63,936	214,632	206,888	0	497,675	92,203	156,376	124,588	25,459	99,049	497,675	7D.6
Total load received	kg BOD_5/day	0	344	131,818	28,608	18,957	242,945	5,668	125,782	554,122	13,224	124,314	67,010	349,575	554,122	13,243	71,698	226,393	240,632	2,156	554,122	97,525	166,943	140,953	35,772	112,928	554,122	7D.7
Load received from trade effluent customers at treatment works	kg BOD_5/day	0								93,559																		7D.8
Number of sewage treatment works																												
STWs in size band 1	nr	0	92	29	175	4	3	11	4	318	1	1	5	311	318	0	0	7	85	226	318	0	1	8	28	281	318	7D.9
STWs in size band 2	nr	0	1	9	44	0	0	7	2	63	0	0	5	58	63	0	0	2	52	9	63	0	0	5	11	47	63	7D.10
STWs in size band 3	nr	0	0	9	32	0	3	8	8	60	1	3	5	51	60	1	3	3	53	0	60	0	4	15	10	31	60	7D.11
STWs in size band 4	nr	0	0	2	14	1	6	6	18	47	6	4	5	32	47	0	4	9	34	0	47	2	9	10	8	18	47	7D.12
STWs in size band 5	nr	0	0	3	1	0	6	1	22	33	2	3	15	13	33	1	7	8	16	1	33	4	8	12	5	4	33	7D.13
STWs above size band 5	nr	0	0	13	4	5	24	1	16	63	2	13	14	34	63	1	12	20	30	0	63	5	21	20	6	11	63	7D.14
Total number of works	nr	0	93	65	270	10	42	34	70	584	12	24	49	499	584	3	26	49	270	236	584	11	43	70	68	392	584	7D.15
Population equivalent																												
Current population equivalent served by STWs	000s	3	9,065.626																									7D.16
Current population equivalent served by STWs with tightened/new P consents	000s	3	32.439																									7D.17
Current population equivalent served by STWs with tightened/new N consents	000s	3	0.000																									7D.18
Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	3	14.867																									7D.19
Current population equivalent served by STWs with tightened/new microbiological treatment consents (for example UV, ozone etc)	000s	3	109.271																									7D.20
Population equivalent treatment capacity enhancement	000s	3	6.885																									7D.21
Current population equivalent served by STWs with tightened/new consents for chemicals or other hazardous substances.	000s	3	212.000																									7D.22

Section 7 Additional regulatory information – wastewater network+

Pro forma 7E

Wastewater network+ – Other data including energy consumption and scheme delivery for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Input	RAG 4 reference
Other				
Total sewerage catchment area	km^2	0	2,174	7E.1
Designated bathing waters (inland and coastal)	nr	0	25	7E.2
Number of intermittent discharge event duration monitors	nr	0	31	7E.3
Number of monitors for flow monitoring at STWs	nr	0	26	7E.4
Number of odour related complaints	nr	0	1,304	7E.5
Energy consumption				
Energy consumption - sewage collection	MWh	3	47,103.047	7E.6
Energy consumption - sewage treatment	MWh	3	428,276.747	7E.7
Energy consumption - wastewater network +	MWh	3	475,379.794	7E.8
Scheme delivery				
Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	l/s	3	0.000	7E.9
Number of sites with an increase in sewage treatment works capacity delivered to address a shortfall in FFT	nr	0	0	7E.10
Additional storm tank capacity provided at sewage treatment works (grey infrastructure)	m^3	3	0.000	7E.11
Additional effective storm storage capacity at sewage treatment works (green infrastructure)	m^3	3	0.000	7E.12
Additional volume of network storage at CSOs etc to reduce spill frequency (grey infrastructure)	m^3	3	8,865.000	7E.13
Additional effective storage in the network delivered through green infrastructure	m^3	3	0.000	7E.14
Total number of sewage treatment works sites where additional storage has been delivered (grey infrastructure)	nr	0	0	7E.15
Number of sewage treatment works sites where additional storage has been delivered with pumping (grey infrastructure)	nr	0	0	7E.16
Number of sewage treatment works benefitting from green infrastructure replacing the need for storm tank storage	nr	0	0	7E.17
Number of sites delivering additional network storage (grey infrastructure)	nr	0	3	7E.18
Number of sites delivering additional network storage including pumping (grey infrastructure)	nr	0	3	7E.19
Number of sites delivering additional network storage through green infrastructure	nr	0	0	7E.20
Surface water separation drainage area removed	m^2	0	8,955	7E.21
Number of schemes delivered to meet tightened or new sanitary consents	nr	0	1	7E.22
Number of installations requiring civils for flow monitoring at sewage treatment works	nr	0	7	7E.23
Number of installations requiring civils for event duration monitoring at intermittent discharges	nr	0	11	7E.24
Number of storm overflows where improvements have been made to reduce harm or reduce spill frequencies	nr	0	5	7E.25

Section 7 Additional regulatory information – wastewater network+

Pro forma 7F

Wastewater network+ – WINEP phosphorus removal scheme costs and cost drivers

For the 12 months ended 31 March 2023

Table is provided within the APR tables file **www.unitedutilities.com/globalassets/documents/pdf/apr-table-2023**

Section 8 Additional regulatory information – wastewater network+

Pro forma 8A

Bioresources sludge data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Total	RAG 4 reference
Total sewage sludge produced, treated by incumbents	ttds/ year	1	204.1	8A.1
Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/ year	1	0.3	8A.2
Total sewage sludge produced	ttds/ year	1	204.4	8A.3
Total sewage sludge produced from non-appointed liquid waste treatment	ttds/ year	1	2.3	8A.4
Percentage of sludge produced and treated at a site of STW and STC co-location	%	2	31.26	8A.5
Total sewage sludge disposed by incumbents	ttds/ year	1	79.1	8A.6
Total sewage sludge disposed by 3rd party sludge service provider	ttds/ year	1	17.0	8A.7
Total sewage sludge disposed	ttds/ year	1	96.2	8A.8
Total measure of intersiting 'work' done by pipeline	ttds*km/year	0	1,899	8A.9
Total measure of intersiting 'work' done by tanker	ttds*km/year	0	1,460	8A.10
Total measure of intersiting 'work' done by truck	ttds*km/year	0	3,078	8A.11
Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/year	0	6,436	8A.12
Total measure of intersiting 'work' done by tanker (by volume transported)	m^3*km/yr	0	47,550,298	8A.13
Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	0	0	8A.14
Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	0	0	8A.15
Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	0	11,901	8A.16
Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/year	0	11,901	8A.17
Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m^3*km/yr	0	0	8A.18
Chemical P sludge as % of sludge produced at STWs	%	2	35.55	8A.19

Section 8 Additional regulatory information – wastewater network+

Pro forma 8B

Bioresources operating expenditure analysis for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Pipeline	Tanker	Truck	Total	RAG 4 reference
Sludge transport method							
Power	£m	3	0.032	0.000	0.000	0.032	8B.1
Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000	8B.2
Discharge consents	£m	3	0.000	0.000	0.000	0.000	8B.3
Bulk discharge	£m	3	0.000	0.000	0.000	0.000	8B.4
Other operating expenditure							
Renewals expensed in year (Infrastructure)	£m	3	1.340	0.000	0.000	1.340	8B.5
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	8B.6
Other operating expenditure excluding renewals	£m	3	0.034	11.293	1.507	12.834	8B.7
Total functional expenditure	£m	3	1.406	11.293	1.507	14.206	8B.8
Local authority and Cumulo rates	£m	3	0.000	0.084	0.011	0.095	8B.9
Total operating expenditure (excluding 3rd party)	£m	3	1.407	11.377	1.518	14.301	8B.10

Line description	Units	DPs	Untreated Sludge	Raw Sludge liming	Conventional AD	Incineration of raw sludge	Photo-conditioning/ composting	Advanced Anaerobic Digestion	Other	Total	RAG 4 reference
Sludge treatment type											
Power	£m	3	0.000	0.098	-6.696	0.000	0.000	-5.298	1.786	-10.109	8B.11
Income treated as negative expenditure	£m	3	0.000	0.000	-2.358	0.000	0.000	-14.353	-0.002	-16.713	8B.12
Discharge consents	£m	3	0.000	0.003	0.111	0.000	0.000	0.123	0.014	0.251	8B.13
Bulk discharge	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.14
Other operating expenditure											
Renewals expensed in year (Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2.181	2.181	8B.15
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.16
Other operating expenditure excluding renewals	£m	3	0.000	0.725	14.663	0.000	0.000	31.944	7.464	54.796	8B.17
Total functional expenditure	£m	3	0.000	0.826	5.720	0.000	0.000	12.416	11.444	30.406	8B.18
Local authority and Cumulo rates	£m	3	0.000	0.093	2.242	0.000	0.000	1.948	0.594	4.877	8B.19
Total operating expenditure (excluding 3rd party)	£m	3	0.000	0.919	7.962	0.000	0.000	14.363	12.038	35.283	8B.20

Line description	Units	DPs	Landfill, raw	Landfill, partly treated	Land restoration/ reclamation	Sludge recycled to farmland	Incineration of digested Sludge	Other	Total	RAG 4 reference
Sludge disposal route										
Power	£m	3	0.000	0.000	0.010	0.038	0.000	0.000	0.048	8B.21
Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.22
Discharge consents	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.23
Bulk discharge	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.24
Other operating expenditure										
Renewals expensed in year (Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.25
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8B.26
Other operating expenditure excluding renewals	£m	3	0.000	0.000	2.092	8.023	0.000	0.007	10.123	8B.27
Total functional expenditure	£m	3	0.000	0.000	2.102	8.061	0.000	0.008	10.171	8B.28
Local authority and Cumulo rates	£m	3	0.000	0.000	0.000	0.000	0.528	0.000	0.528	8B.29
Total operating expenditure (excluding 3rd party)	£m	3	0.000	0.000	2.102	8.061	0.528	0.008	10.700	8B.30

Section 8 Additional regulatory information – wastewater network+

Pro forma 8C

Bioresources energy and liquors analysis for the 12 months ended 31 March 2023

Keys to cells
Input cell
Calculation cell
Copy cell

Line description	Units	DPs	Electricity MWh (0 DPs)	Heat MWh (0 DPs)	Biomethane MWh (0 DPs)	Total MWh (0 DPs)	Electricity £m (3 DPs)	Heat £m (3 DPs)	Biomethane £m (3 DPs)	Total £m (3 DPs)	RAG 4 reference
Energy											
Energy consumption - bioresources	SE Column Headings	SE Column Headings				234,972				22.990	8C.1
Energy generated by and used in bioresources control	SE Column Headings	SE Column Headings	31,393	101,693	0	133,087	5.603	7.607	0.000	13.210	8C.2
Energy generated by bioresources and used in network plus control	SE Column Headings	SE Column Headings	83,434	0	0	83,434	15.512	0.000	0.000	15.512	8C.3
Energy generated by bioresources and exported to the grid or third party	SE Column Headings	SE Column Headings	8,170	0	51,386	59,556	1.749	0.000	3.128	4.877	8C.4
Energy generated by bioresources that is unused	SE Column Headings	SE Column Headings	0	57,419	0	57,419					8C.5
Energy bought from grid or third party and used in bioresources control	SE Column Headings	SE Column Headings	15,748	43,234	6,645	65,627	2.864	2.620	0.385	5.869	8C.6

Income from renewable energy subsidies	Unit	DPs	Value	RAG 4 reference
Income claimed from Renewable Energy Certificates (ROCs)	£m	3	-6.418	8C.7
Income claimed from Renewable Heat Incentives (RHIs)	£m	3	-2.760	8C.8
Income claimed from [other renewable energy subsidy (1)]	£m	3	-2.067	8C.9
Income claimed from [other renewable energy subsidy (2)]	£m	3	-0.590	8C.10
Income claimed from [other renewable energy subsidy (3)]	£m	3	0.000	8C.11
Total income claimed from renewable energy subsidies	£m	3	-11.836	8C.12
% of total number of renewable energy subsidies due to expire in the next 2 financial years	%	0	0%	8C.13
This year's value of renewable energy subsidies due to expire in the next 2 financial years	£m	3	0.000	8C.14

Note: Companies to input specific subsidy which is being referenced in lines 8C.8 - 8C.10.

Bioresources liquors treated by network plus (shadow reported)	Unit	DPs	Value	RAG 4 reference
BOD load of liquor or partially treated liquor returned from bioresources to network plus	kg/d	0	24,109	8C.15
Ammonia load of liquor or partially treated liquor returned from bioresources to network plus	kg Amm-N/d	0	10,332	8C.16
Recharge to Bioresources by network plus for costs of handling and treating bioresources liquors	£m	3	11.246	8C.17

	Units	DPs	Electricity MWh (0 DPs)	Heat MWh (0 DPs)	Biomethane MWh (0 DPs)	Total MWh (0 DPs)	Electricity £m (3 DPs)	Heat £m (3 DPs)	Biomethane £m (3 DPs)	Total £m (3 DPs)	RAG 4 reference
Energy (AMP 7 shadow reported values)											
Energy consumption - bioresources	SE Column Headings	SE Column Headings				234,972				22.990	8C.18
Energy generated by and used in bioresources control	SE Column Headings	SE Column Headings	31,393	101,693	0	133,087	5.603	7.607	0.000	13.210	8C.19
Energy generated by bioresources and used in network plus control	SE Column Headings	SE Column Headings	83,434	0	0	83,434	15.512	0.000	0.000	15.512	8C.20
Energy generated by bioresources and exported to the grid or third party	SE Column Headings	SE Column Headings	8,170	0	51,386	59,556	1.749	0.000	3.128	4.877	8C.21
Energy generated by bioresources that is unused	SE Column Headings	SE Column Headings	0	57,419	0	57,419					8C.22
Energy bought from grid or third party and used in bioresources control	SE Column Headings	SE Column Headings	15,748	43,234	6,645	65,627	2.864	2.620	0.385	5.869	8C.23

	%	RAG 4 reference
Percentage of bioresources energy consumption that is metered	75.238%	8C.24

Section 8 Additional regulatory information – wastewater network+

Pro forma 8D

Bioresources sludge treatment and disposal data for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
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Line description	Units	DPs	By incumbent	By 3rd party sludge service providers	RAG 4 reference
Sludge treatment process					
% Sludge - untreated	%	1	8.6%	0.0%	8D.1
% Sludge treatment process - raw sludge liming	%	1	2.0%	0.0%	8D.2
% Sludge treatment process - conventional AD	%	1	26.6%	0.0%	8D.3
% Sludge treatment process - advanced AD	%	1	62.7%	0.1%	8D.4
% Sludge treatment process - incineration of raw sludge	%	1	0.0%	0.0%	8D.5
% Sludge treatment process - other (specify)	%	1	0.0%	0.0%	8D.6
% Sludge treatment process - Total	%	1	99.9%	0.1%	8D.7
(Un-incinerated) sludge disposal and recycling route					
% Sludge disposal route - landfill, raw	%	1	0.0%	0.0%	8D.8
% Sludge disposal route - landfill, partly treated	%	1	0.0%	0.0%	8D.9
% Sludge disposal route - land restoration/ reclamation	%	1	0.0%	17.6%	8D.10
% Sludge disposal route - sludge recycled to farmland	%	1	82.4%	0.0%	8D.11
% Sludge disposal route - other (specify)	%	1	0.0%	0.0%	8D.12
% Sludge disposal route - Total	%	1	82.4%	17.6%	8D.13

Section 9 Additional regulatory information

Pro forma 9A

Innovation competition

Keys to cells

- Input cell
- Calculation cell
- Copy cell

Line description	Units	DPs	Current year	RAG 4 reference
Allowed				
Allocated innovation competition fund price control revenue	£m	3	6.549	9A.1
Revenue collected for the purposes of the innovation competition				
Innovation fund income from customers	£m	3	6.549	9A.2
Income from customers to fund innovation projects the company is leading on	£m	3	0.000	9A.3
Income from customers as part of the inflation top-up mechanism	£m	3	0.000	9A.4
Income from other water companies to fund innovation projects the company is leading on	£m	3	0.000	9A.5
Income from customers that is transferred to other companies as part of the innovation fund	£m	3	8.739	9A.6
Non-price control revenue (e.g. royalties)	£m	3	0.000	9A.7
Administration				
Administration charge for innovation partner	£m	3	0.270	9A.8

	1	2	3	4	5	6	7	8	9	10	11	12	13	
Line description	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution)	In year expenditure on innovation projects funded by shareholders of the lead water company	In year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by project partner contributions	
Units	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
DPs	3	3	3	3	3	3	3	3	3	3	3	3	3	
Innovation project 1 - IWC Round 1 - Sewer AI (WRC)	0.189	0.000	0.126	0.081	-0.045	0.189	0.090	-0.099	0.099	0.000	0.000	0.021	0.000	9A.9
Innovation project 2 - IWC Round 1 - Industrial Symbiosis	0.200	0.000	0.159	0.150	-0.009	0.200	0.190	-0.009	0.009	0.000	0.000	0.022	0.000	9A.10
Innovation project 3 - WBC Round 2 - Alternative Phosphorous (Natural Cooagulants)	2.837	0.000	1.852	1.737	-0.115	2.837	1.737	-1.099	1.099	0.056	0.203	0.112	0.203	9A.11
Innovation project 4 - WBC Round 2 - Catchment Systems Thinking Cooperative	6.395	0.000	3.416	3.416	0.000	6.395	3.416	-2.980	2.980	0.000	0.581	0.040	0.581	9A.12
Innovation project 5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.13
Innovation project 6	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.14
Innovation project 7	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.15
Innovation project 8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.16
Innovation project 9	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.17
Innovation project 10	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.18
Innovation project 11	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.19
Innovation project 12	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.20
Innovation project 13	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.21
Innovation project 14	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.22
Innovation project 15	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9A.23
Total	9.621	0.000	5.553	5.384	-0.169	9.621	5.434	-4.187	4.187	0.056	0.784	0.195	0.784	9A.24

Section 9 Additional regulatory information

Innovation Competition Fund

UUW has won four lead bids since the innovation competition fund was launched, with the breakdown of spend shown below, which is in line with bid documentation agreed:

Innovation round	Lead projects	Total project value	Amount awarded from fund – Table 9A, column 1	Amount contributed by partner shareholders	Spend to date (excl. 10% partnership) – Table 9A, column 7
		£m	£m	£m	£m
Innovation in Water Challenge	AI and Sewer Defect Analysis	0.210	0.189	0.021	0.090
	Industrial Symbiosis	0.222	0.200	0.022	0.190
Water Breakthrough Challenge 1	Alternative approaches to phosphorus removal on rural wastewater treatment works	3.152	2.873	0.279	1.737
	Catchment Systems Thinking Cooperative	7.134	6.395	0.739	3.416

Note that 'Income from customers as part of the inflation top-up mechanism' is nil for 2022/23, as the top-up funding has not been awarded as at 31 March 2023.

In accordance with the information notice 'IN 22/01 Expectations for monopoly company annual performance reporting 2021-22', actual costs incurred on innovation projects are reported within totex in Tables 4D and 4E, and also within enhancement tables 4L and 4M. The provision recognised in the statutory accounts is reversed in the regulatory accounts, and intra-company transfers facilitated by MOSL and the administration charge are reclassified to other income, as outlined in the differences between statutory and RAG definitions on page 133.

Innovation costs are classified as totex not subject to cost sharing within table 4C (as per RAG 4.11), and therefore excluded from the totex cost sharing mechanism, as funded directly through customer revenues. Consequently, this results in a reported company totex overspend of £6m in 2022/23, which is then excluded from totex performance within financial flows in Table 1F.

UUW is required to collect £29m of revenue from our customers over AMP7, for the purpose of innovation fund projects. In 2022/23, we have reported £6.5m in appointed revenue (1A.1) and cash (1C.11), with a cumulative total of £19m of revenue collected over the first three years of the AMP. There have been four competition rounds as at 31 March 2023, resulting in £9m payments into the innovation fund via MOSL (equating to 14.69% of each awarded round which we are required to transfer). The Water Breakthrough Challenge 3 – Catalyst and Transform was announced in May 2023, where we expect to transfer more revenue collected from customers into the fund during 2023/24.

Breakdown of the cash balance in respect of the innovation competition fund:

Cumulative cash flows 2020/21 – 2022/23	£m
Revenue collected from customers	**19.0**
Receipts from the fund via MOSL	**9.6**
10% contributions for our lead bids	**1.0**
Payments into the fund via MOSL	**(9.0)**
Actual expenditure of innovation fund projects	**(6.0)**
Administration charge	**(0.6)**
Net cash inflow	**14.0**

Section 10 Additional regulatory information – green recovery

Pro forma 10A

Green recovery data capture additional items for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
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Section 1: Water resources and water network+

From Table 6C

Other	Unit	DP	Input	RAG 4 reference	Main table reference
Total length of new potable mains	km	1	n/a	10A.1	6C.4
Number of lead communication pipes replaced for water quality	nr	0	n/a	10A.2	6C.21

From Table 6D

	Units	DP	Basic meter	AMR meter	AMI meter	RAG 4 reference	Main table reference
Metering activities - Totex expenditure							
New selective meter installation for existing customers	£m	3			n/a	10A.3	6D.2
New business meter installation for existing customers	£m	3			n/a	10A.4	6D.3
Residential meters renewed	£m	3			n/a	10A.5	6D.4
Business meters renewed	£m	3			n/a	10A.6	6D.5
Metering activities - Explanatory variables	**Units**	**DP**					
New selective meters installed for existing customers	000s	3			n/a	10A.7	6D.7
New business meters installed for existing customers	000s	3			n/a	10A.8	6D.8
Residential meters renewed	000s	3			n/a	10A.9	6D.9
Business meters renewed	000s	3			n/a	10A.10	6D.10
Replacement of basic meters with smart meters for residential customers	000s	3		n/a	n/a	10A.11	6D.11
Replacement of AMR meter with AMI meters for residential customers	000s	3			n/a	10A.12	6D.12
Replacement of basic meters with smart meters for business customers	000s	3		n/a	n/a	10A.13	6D.13
Replacement of AMR meter with AMI meters for business customers	000s	3			n/a	10A.14	6D.14
New residential meters installated for existing customers – supply-demand balance benefit	Ml/d	2			n/a	10A.15	6D.15
New business meters installed for existing customers – supply-demand balance benefit	Ml/d	2			n/a	10A.16	6D.16
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	Ml/d	2		n/a	n/a	10A.17	6D.17
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	Ml/d	2			n/a	10A.18	6D.18
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	Ml/d	2		n/a	n/a	10A.19	6D.19
Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit	Ml/d	2			n/a	10A.20	6D.20

Leakage activities	Units	DP		RAG 4 reference	Main table reference
Leakage improvements delivering benefits in 2020-25	Ml/d	2	n/a	10A.21	6D.23

Section 2: Wastewater network+ and bioresources

From Table 7D

	Units	DP		RAG 4 reference	Main table reference
Additional storm tank capacity provided at STWs (grey infrastructure)	m^3	3	0.000	10A.22	7E.11
Additional effective storm storage capacity at sewage treatment work (delivered through green infrastructure)	m^3	3	0.000	10A.23	7E.12
Additional volume of network storage at CSOs etc to reduce spill frequency (grey infrastructure)	m^3	3	0.000	10A.24	7E.13
Additional effective storage in the network delivered through green infrastructure	m^3	3	0.000	10A.25	7E.14

Section 10 Additional regulatory information – green recovery

Pro forma 10B

Green recovery data capture outcome performance for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Water common performance commitments relevant to green recovery reporting

Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual impacts of green recovery investment element only (current rerporting year)	Performance level - actual impacts of green recovery investment element only calculated (i.e. standardised)	RAG 4 reference	Main table reference
Performance commitments set in standardised units - Water								
Per capita consumption (PCC)	n/a	lpd	Total household population	7,093.06	n/a	0.00	10B.1	3F.4

Line description	Unique reference	Unit	Performance level - actual (2020-21)	Performance level - actual (2021-22)	Performance level - actual (2022-23)	Performance level - actual (2023-24)	Performance level - actual (2024-25)	RAG 4 reference	Main table reference
Performance commitments measured against a calculated baseline									
Leakage - actual including impacts of green recovery investment	n/a	Ml/d	n/a	n/a				10B.2	3F.5
Leakage - actual impacts of green recovery investment element only	n/a	Ml/d	n/a	n/a				10B.2	3F.5
Per capita consumption (PCC) - actual impacts of green recovery investment element only	n/a	lpd	n/a	n/a				10B.3	3F.6

Section 10 Additional regulatory information – green recovery

Pro forma 10C

Green recovery data capture outcome performance for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Wastewater common performance commitments relevant to green recovery reporting

Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual impacts of green recovery investment element only (current rerporting year)	Performance level - actual impacts of green recovery investment element only calculated (i.e. standardised)	RAG 4 reference	Main table reference
Performance commitments set in standardised units								
Internal sewer flooding - customer proactively reported	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	n/a	0	10C.1	3G.1
Internal sewer flooding - company reactively identified (ie neighbouring properties)	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	n/a	0	10C.2	3G.2
Internal sewer flooding	PR19UUW_G02-WWN	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	3,454.54	n/a	0	10C.3	3G.3
Pollution incidents	PR19UUW_C01-WWN	Pollution incidents per 10,000 km of sewer length	Sewer length in km	77,339.00	n/a	0	10C.4	3G.4

	Unique reference	Unit	decimal places	Performance level - actual impacts of green recovery investment element only (current rerporting year)	RAG 4 reference	Main table reference
Risk of sewer flooding in a storm	PR19UUW_G01-WWN	%	2	n/a	10C.5	3E.5

	Total pe served	Total pe in excluded catchments	Percentage of total pe in excluded catchments	Performance level - actual impacts of green recovery investment element only							RAG 4 reference	Main table reference
								Vulnerability risk grade				
								Low	Medium	High		
				Total pe Option 1a	Percentage of total pe Option 1a	Total pe Option 1b	Percentage of total pe Option 1b	Percentage of total population served				
Risk of sewer flooding in a storm												
Risk of sewer flooding in a storm	7,739,400	131,785	1.70%	n/a	0	n/a	0	n/a	n/a	n/a	10C.6	3I.3

Section 10 Additional regulatory information – green recovery

Pro forma 10D

Green recovery data capture outcome performance for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
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Bespoke performance commitments relevant to green recovery reporting

	Unique reference	Unit	decimal places	Performance level - impacts of green recovery investment element only		RAG 4 reference
				Previous reporting year	Current reporting year	
Enhancing natural capital for customers	PR19UUW_C08-CF	£m	3	0.000	0.000	10D.1
Hydraulic internal flood risk resilience	PR19UUW_G05-WWN	nr	2	0.00	0.00	10D.2
Hydraulic external flood risk resilience	PR19UUW_G06-WWN	nr	2	0.00	0.00	10D.3

Lines 10D.4 – 10D.9 are unused freeform lines.

Section 10 Additional regulatory information – green recovery

Pro forma 10E

Green recovery data capture reconciliation model input for the 12 months ended 31 March 2023

Keys to cells

Input cell
Calculation cell
Copy cell

Scheme 1	Total allowance, £m
Accelerating partnerships to deliver natural solutions	14.943

						2021-22		2022-23		2023-24		2024-25		2025-26		
	Name	Allowance (£m)	Unit	decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	RAG 4 reference
Component 1	Eden catchment phosphorus management - weight of phosphorus removed	1.091	kg	0	1,091	0	0%	0	0%	275	25%	1,091	100%			10E.56
Component 2	Irwell catchment phosphorus management - weight of phosphorus removed	1.819	%	0	100%	0.000	0%	0.000	0%	0.450	25%	1.819	100%			10E.57
Component 3	Number of farms engaged	0.723	Nr	0	300	0	0%	0	0%	0	0%	300	100%			10E.58
Component 4	Peatland restoration	2.253	ha	1	2,501	0.0	0%	0.0	0%	0.0	0%	2,501	100%			10E.59
Component 5	Number of SuDS and NFM solutions installed	9.057	%	0	100%	0.000	0%	0.096	1%	2.056	23%	9.057	100%			10E.60

Scheme 2	Total allowance, £m
AMP8 WINEP investments at Bury	44.060

						2021-22		2022-23		2023-24		2024-25		2025-26		
	Name	Allowance (£m)	Unit	decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	RAG 4 reference
Component 1	Network storage installed at Nuttall road	32.090	%	0	100%	0%	0.0%	0%	0.0%	0%	0.0%	0%	0.0%	100%	100.0%	10E.61
Component 2	Additional storm tank capacity installed at Bury WwTW	11.970	%	0	100%	0%	0.0%	0%	0.0%	0%	0.0%	0%	0.0%	100%	100.0%	10E.62

Scheme 3	Total allowance, £m
Tackling storm overflows	5.399

						2021-22		2022-23		2023-24		2024-25		2025-26		
	Name	Allowance (£m)	Unit	decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	Component level to date	Percentage complete	RAG 4 reference
Component 1	SOAF investigations	3.888	%	0	100%	0%	0.0%	0%	0.0%	58%	58.0%	100%	100.0%			10E.63
Component 2	Integrated catchment models - Sankey Brook and Wiza Beck	0.986	Nr	0	2	0	0.0%	0	0.0%	0	0.0%	2	100.0%			10E.64
Component 3	Integrated catchment models - Upper Derwent	0.525	Nr	0	100%	0	0.0%	0	0.0%	0	0.0%	1	100.0%			10E.65

For rows 10E.57 and 10.60 we have reported the allowance spend performance in £m to three decimal places, as opposed to reporting this as a percentage. The percentage completion that corresponds to this performance is then available in the adjoining cells in the table.

Section 11 Additional regulatory information - greenhouse gas emissions reporting

Pro forma 11A

Greenhouse gas emissions reporting for the 12 months ended 31 March 2023

Keys to cells
- Input cell
- Calculation cell
- Copy cell

Line description	Operational emissions Water	Operational emissions Wastewater	Operational emissions Total	RAG 4 reference
Unit	tCO_2e	tCO_2e	tCO_2e	
DPs	3	3	3	
Scope one emissions				
Burning of fossil fuels (location-based)	1,697.664	18,250.410	19,948.074	11A.1
Burning of fossil fuels (market-based)	1,697.664	18,250.410	19,948.074	11A.2
Process and fugitive emissions	186.418	94,728.501	94,914.919	11A.3
Vehicle transport	4,000.091	13,664.657	17,664.748	11A.4
Emissions from land	n/a	n/a	-	11A.5
Total scope one emissions (location-based)	5,884.173	126,643.568	132,527.741	11A.6
Total scope one emissions (market-based)	5,884.173	126,643.568	132,527.741	11A.7
Scope one emissions; GHG type CO_2	5,617.337	31,496.366	37,113.703	11A.8
Scope one emissions; GHG type CH_4	1.217	52,528.312	52,529.529	11A.9
Scope one emissions; GHG type N_2O	78.534	42,433.139	42,511.673	11A.10
Scope one emissions: GHG other types	186.418	186.418	372.836	11A.11
Scope two emissions				
Purchased electricity (location-based)	61,140.298	64,631.322	125,771.620	11A.12
Purchased electricity (market-based)	0.362	9.028	9.390	11A.13
Purchased heat	-	-	-	11A.14
Electric vehicles	1.127	0.601	1.728	11A.15
Removal of electricity to charge electric vehicles at site	-	-	-	11A.16
Total scope two emissions (location-based)	61,141.425	64,631.923	125,773.348	11A.17
Total scope two emissions (market-based)	1.489	9.629	11.118	11A.18
Scope two emissions; GHG type CO_2	60,455.330	63,906.661	124,361.991	11A.19
Scope two emissions; GHG type CH_4	252.938	267.378	520.316	11A.20
Scope two emissions; GHG type N_2O	433.156	457.885	891.041	11A.21
Scope two emissions: GHG other types	-	-	-	11A.22
Scope three emissions				
Business travel	654.511	803.286	1,457.797	11A.23
Outsourced activities	-	34.645	34.645	11A.24
Purchased electricity; extraction, production, transmission and distribution (location-based)	21,553.080	22,783.730	44,336.810	11A.25
Purchased electricity; extraction, production, transmission and distribution (market-based)	21,553.080	22,783.730	44,336.810	11A.26
Purchased heat; extraction, production, transmission and distribution	-	-	-	11A.27
Purchased fuels; extraction, production, transmission and distribution	725.058	7,794.596	8,519.654	11A.28
Chemicals	24,694.000	24,694.000	49,388.000	11A.29
Disposal of waste	-	26,547.340	26,547.340	11A.30
Total scope three emissions (location-based)	47,626.649	82,657.597	130,284.246	11A.31
Total scope three emissions (market-based)	47,626.649	82,657.597	130,284.246	11A.32
Scope three emissions; GHG type CO_2	47,626.649	82,657.597	130,284.246	11A.33
Scope three emissions; GHG type CH_4	-	-	-	11A.34
Scope three emissions; GHG type N_2O	-	-	-	11A.35
Scope three emissions: GHG other types	-	-	-	11A.36
Gross operational emissions (Scopes 1,2 and 3)				
Gross operational emissions (location-based)	114,652.246	273,933.088	388,585.334	11A.37
Gross operational emissions (market-based)	53,512.311	209,310.793	262,823.105	11A.38
Emissions reductions				
Exported renewables	371.132	2,516.682	2,887.814	11A.39
Exported biomethane	-	9,360.410	9,360.410	11A.40
Insets	-	-	-	11A.41
Other emissions reductions	61,139.946	64,606.056	125,746.002	11A.42
Total emissions reductions	61,511.078	76,483.148	137,994.226	11A.43
Net annual emissions				
Net annual emissions (location-based)	53,141.168	197,449.940	250,591.108	11A.44
Net annual emissions (market-based)	53,512.311	209,310.793	262,823.105	11A.45

Line description	Water	Wastewater		
Unit	$kgCO_2e/Ml$	$kgCO_2e/Ml$		
DPs	3	3		
GHG intensity ratios				
Emissions per Ml of treated water	101.400			11A.46
Emissions per Ml of sewage treated		158.760		11A.47

Line description	Water	Wastewater	Total	
Unit	tCO_2e	tCO_2e	tCO_2e	
DPs	3	3	3	
Other				
Green tariff electricity	61,139.946	64,606.056	125,746.002	11A.48

Line description	Embedded emissions Water	Embedded emissions Wastewater	Embedded emissions Total	
Unit	tCO_2e	tCO_2e	tCO_2e	
DPs	3	3	3	
Capital projects				
Capital projects (cradle-to-gate)	-	-	-	11A.49
Capital projects (cradle-to-build)	69,091.114	69,091.114	138,182.228	11A.50
Purchased goods and services				
Purchased goods and services	100,400.500	100,400.500	200,801.000	11A.51

Appendix

APPENDIX 1: UUW P30 certificate

Report of KPMG LLP to United Utilities Water Limited ('the Company') and the Water Services Regulation Authority ('the WSRA') under Licence Condition P

In accordance with the terms of our engagement letter dated 16 June 2023, we have examined the Company directors' certificate - Condition P dated 27 June 2023 (the "Certificate") which is attached to this report and initialled for identification purposes, in conjunction with the completion of our audit of the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2023.

Respective duties of directors and auditors

The directors of the Company have sole responsibility for the preparation of the Director's Certificate – Condition P in accordance with Section P30 of the Licence. The Certificate is presented as set out in the instrument of appointment by the Secretary of State for the Environment of the Company as a water and sewerage undertaker under the Water Act 1989.

As specified in our engagement letter dated 16 June 2023, it is our responsibility to examine the Certificate and report to you whether we are aware of any inconsistencies between that Certificate and the Regulatory Accounting Statements within the Company's Regulatory Accounts and any information which we obtained in the course of our work as the Company's Auditors.

For the avoidance of doubt, our audit of the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2023 was and is not directed towards meeting the requirements of the Company or the directors under the terms of Condition P30. We have not carried out and will not carry out specific procedures designed to verify the substance of the matters certified by the directors of the Company. Our sole responsibility is to examine the Certificate for consistency with our knowledge of the Company's financial affairs gained in the course of our normal audit work. Furthermore, we have not carried out any audit procedures on the Company since 27 June 2023, the date of our audit opinion on the Regulatory Accounting Statements within the Company's Regulatory Accounts of the Company for the year ended 31 March 2023.

This report is made solely to the Company as a body and the WSRA in accordance with the Regulatory Accounting Guidelines and other relevant material issued by the WSRA and the terms of our engagement with the Company. Our examination has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company as a body, and the WSRA, for our report, or for the opinions we have formed. We will accept such responsibility to the WSRA on condition that the WSRA agrees in writing to the WSRA's Contract by signing the WSRA's Contract. The terms of our engagement do not confer benefits on any other parties and exclude the application of the Contracts (Rights of Third Parties) Act 1999.

Basis of our findings

Our work consisted of an examination of the Certificate signed by the Directors, to determine whether there were any inconsistencies with our findings arising from the audit of the Regulatory Accounting Statements within the Company's Annual Performance Report and any information which we obtained in the course of our work as the Company's Auditors.

Findings

Nothing has come to our attention during the course of our audit work on the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2023 that would indicate any inconsistencies, in all material respects, between the Certificate and the Regulatory Accounting Statements within the Company's Annual Performance Report and any information which we obtained in the course of our audit work on the Regulatory Accounting Statements within the Company's Annual Performance Report of the Company for the year ended 31 March 2023.

KPMG LLP

KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28 June 2023

Appendices

Appendix 1 Assurance summary and findings

This appendix describes how we have executed our published assurance plan, which has been developed in accordance with Ofwat's requirements. It sets out the assurance activities that we undertake to provide reliable, accurate and complete data, the key findings from the assurance process and updates on our specific targeted risk areas.

A) Overview and assurance framework

As we strive for best practice in assurance arrangements to deliver reliable, accurate and transparent information, we have continued to evolve our assurance framework. As a minimum we have adopted the requirements established by the targeted category under Ofwat's previous company monitoring framework. This involves engagement with stakeholders and publication of a draft and final assurance plan. Accordingly, we consulted on our regulatory reporting for 2022/23 and then, following feedback, published our 'Final assurance plan' for our year three reporting. These publications are both available on our website: www.unitedutilities.com/corporate/about-us/performance/assuring-our-performance-2020–25/.

The purpose of the assurance framework is to ensure that stakeholders can rely on the information we provide as a water company and to make sure that the assurance of this information builds confidence and trust. There are six elements covered by our framework which are outlined below under 'Assurance framework'.

In order to satisfy ourselves that we meet stakeholder expectations for our approach to monitoring and assuring delivery, we have processes in place to:

- publish information that can be trusted;
- demonstrate the board is taking an active role to ensure accurate and accessible information is provided about company performance and challenge for improvements in assurance (linked to our board leadership and transparency principles);
- show the data assurance activities we have put in place to provide accurate data; and
- provide confidence to all customers and stakeholders that we will continue to deliver the services they want in both an efficient and affordable manner and report on our performance.

Assurance framework

Our AMP7 regulatory reporting assurance framework is published on our website: www.unitedutilities.com/corporate/about-us/performance/assuring-our-performance-2020–25/. It sets out the assurance activities that we have put in place to provide reliable, accurate and complete data. It also sets out the wider assurance activities that we undertake to ensure that we can effectively listen to our customers and other stakeholders' views and continue to deliver the services that they want and can afford. The framework is set out in six sections which are summarised below:

- **Measurement and data capture** – the data required to report on the delivery of our performance commitments and other commitments has been developed to be a subset of our routine and often long standing operational and management information that is directly used to support and direct key business activities. We have also established a centralised reporting function, which has accountability for both assuring the quality of the data and for providing a central source of management information which can be used by many areas of the business.
- **Risk based assurance** – We have adopted a structured risk assessment process to underpin the governance and assurance processes supporting our regulatory reporting. The overall combined risk rating is used to help to determine the level of governance and assurance that is applied to the reported information.
  - As the level of risk increases, the governance and assurance applied to the reporting of this data increases and ensures that key risks are escalated, ultimately, up to board level where necessary. This ensures that the management, control and reporting of any risks and resulting actions identified through the process are proportionate to the level of risk.
- **Targeted audit and assurance** – we have adopted a well-established 'three lines of assurance' framework. The three lines of assurance are:
  - **First line** – management has accountability for developing and maintaining sound processes, systems and controls in the normal course of their operations;
  - **Second line** – the Strategy, Policy and Regulation or Finance teams, where applicable, have accountability for providing the framework and governance for our regulatory reporting. Our Corporate Audit team undertake rolling and cyclical audit activity and targeted reviews of key submissions; and
  - **Third line** – independent audit and assurance activities are undertaken by specialist external auditors.
- **Governance and accountability** – we are committed to the very highest standards of corporate governance with defined accountabilities from the UUW board level cascaded into our operational governance and review processes. The boards of both UUW and UUG PLC fully support Ofwat's drive for the highest standards of board leadership, transparency and governance in the industry. We are satisfied that current practices and the application of the 2018 Code at the holding company level is entirely consistent with the Ofwat principles.
- **Independent challenge and review** – to ensure that our reporting is independently challenged we established an independent challenge panel called 'YourVoice'. The role of YourVoice is to both monitor and challenge us on the delivery of our business plan, to review and assure our reporting and to scrutinise our customer engagement on the development of our future business plans.
- **Additional communications and publications** – we are a purpose-led company, driven by what matters to customers and other stakeholders. We go beyond publishing the minimum requirements for publishing information in the Annual Performance Report. We are committed to providing regular and transparent reporting of our performance and using a broad range of communications channels to communicate with customers.

Corporate responsibility

We publish information on how we operate in a responsible manner in the United Utilities Group PLC Annual Report and Financial Statements and on the responsibility pages of our corporate website (which can be found on our website: www.unitedutilities.com/corporate/responsibility/our-approach/cr--performance/). Our APR assurance process provides a level of assurance for a number of measures relating to corporate responsibility performance across the six stakeholder groups that we identify that we create value for.

B) 2022/23 Annual Performance Report assurance plan

Our 2022/23 Final assurance plan sets out how data reported in this year's APR would be subject to a structured and risk based governance and assurance process. This is summarised in the table below. Our planning process also identified a number of potentially higher risk (targeted) areas. These are summarised on the next page.

Appendix 1 Assurance summary and findings

Risk based assurance plan for the 2022/23 Annual Performance Report

Section	Content	Governance and assurance activities
Risk and compliance statement	Annual statement confirming compliance with the relevant statutory, licence and regulatory obligations for the provision of services to its customers	Approved by the UUW board, based upon the defined governance and assurance approach relevant for each obligation.
Regulatory financial reporting	Historical cost financial information. Disaggregation of income, from a regulatory accounting perspective, with reconciliation to the UUW statutory accounts	1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trials to support the reported performance and demonstrate the control checks that have been applied. 2. Finance team review of information and audit trails. 3. Financial Auditors (KPMG) audit as set out in the audit opinion on pages 105 to 107.
Price review and other segmental reporting	Further separation of revenue and costs to allow stakeholders to review the company's performance against the FD	1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trials to support the reported performance and demonstrate the control checks that have been applied. 2. Finance team review of information and audit trails. 3. Financial Auditors (KPMG) audit as set out in the audit opinion on pages 105 to 107.
Performance summary	A high-level report of the operational performance of the business against the performance commitments set out in the PR19 FD, highlighting any financial incentives accrued in the year	1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trials to support the reported performance and demonstrate the control checks that have been applied. 2. Regulatory Reporting team review of information and audit trails. 3. Technical Auditors (Jacobs) review data and commentary and report opinion to the board.
Additional regulatory tables	Additional financial and non-financial information, including wholesale totex performance against both the PR19 FD assumptions and intercompany unit cost metrics, retail operating cost analysis and financial metrics	1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied. 2. Regulatory Reporting team review of information and audit trails. 3. Financial Auditors (KPMG) or Technical Auditors (Jacobs) procedures as agreed with management on the relevant tables in Section 2.

Appendix 1 Assurance summary and findings

Targeted areas, mitigation and assurance

In addition to the generic assurance processes described above and which have been applied to data within the APR, we reviewed the potential risks to our reporting as part of the development of the assurance plan. This year, in addition to those of the previous year, we added in the risk associated with delivery of the PR24 business plan process.

This risk assessment process confirmed that our established systems of governance and control were effective in identifying and managing reporting risk levels. The areas we identified for additional assurance activity in our final assurance plan were flagged as a result of four main factors:

- previous reporting issues had been identified;
- inherent data quality issues (usually due to new requirements or changes in circumstances or reporting regimes);
- high priority areas from a customer or stakeholder view point; and
- areas where delivery of our performance commitment targets may have been at risk.

The targeted areas are summarised in the table below.

Our published 2022/23 final assurance plan contains full details of the reasons for the targeted status, the ongoing and planned activity to mitigate the risks, and the planned activity to assure our reporting in these areas.

The corporate audit report – set out on pages 243 to 246 this Appendix – confirms that the assurance activities included within the Final assurance plan have been complied with and sets out the summary of the team's findings

Targeted area	Status	Previous issues	Inherent data accuracy	High priority	Delivery and performance
Performance commitments and outcome delivery incentives	Continued		✓	✓	✓
Water quality	Continued			✓	✓
Charges and tariffs scheme	Continued		✓	✓	
System implementation (formerly Integrated Network Solution)	Continued		✓	✓	
Market support	Continued			✓	
Permit compliance	Continued			✓	
Haweswater aqueduct replacement programme	Continued		✓	✓	
Water transfer programme	Continued		✓	✓	
Drainage and wastewater management plans	Continued		✓	✓	✓
Internal sewer flooding	Continued			✓	✓
Reconciliation models and applications for in-period determination	Continued		✓	✓	✓
PR24	Continued		✓	✓	✓

2022/23 targeted areas and reason for status

Following publication of our final assurance plan, we said that we would highlight any variations in approach that were taken in delivery of the assurance. We are pleased to confirm that we were able to deliver each area of targeted work in line with the governance and assurance approach set out in the plan and no variations were required.

Appendix 1 Assurance summary and findings

Targeted area	Action taken to assure targeted area
Performance commitments and outcome delivery incentives	For each performance commitment reported, any resulting financial incentive is reviewed and signed off by an executive sponsor. The executive sponsors review performance against our performance commitments regularly through director review meetings and performance boards, which are typically held on a monthly basis. Performance reviews and forecasts are carried out each month to track progress against delivery of our performance commitments. Performance against each commitment is reported at UUW Board level throughout the year. We have regular liaison with relevant external regulators and groups (CCW, DWI and EA) who also publish annual company performance reports. Regular challenge sessions are being held to ensure compliance with methodologies for water and wastewater network performance commitments. We regularly review performance against our performance commitments with the independent challenge group, YourVoice, who challenge the measures we are taking to manage performance levels or manage the customer impacts of any issues. The detailed internal methodologies and calculation tools have been subject to third party review, by our independent technical auditor, Jacobs. Performance commitments that have been identified as requiring targeted assurance are subject to a detailed audit of the data collection, incentive calculations and reporting processes, by our independent technical auditor, Jacobs, to provide assurance that the data can be reported reliably, accurately and completely and in accordance with reporting requirements. This includes sample checks to test process, assumptions, methodology, implementation, governance and results. We will include the calculations for any complex performance commitments as an appendix to our APR.
Water quality	Updates are provided to the board and the DWI on a monthly basis, providing progress against improvement plan delivery and achievement of the Water Quality First programme objectives. Quarterly updates with senior management at DWI, but monthly with the Northern team including the principal inspector and our liaison inspector. Discolouration performance has been added to the United Utilities scorecard to provide an extra focus on this specific area. The reported data is reviewed and signed off by the appropriate executive director. The reporting of our performance in this area is reviewed with the YourVoice group. A detailed third party audit of the event reporting process by our independent technical auditor, Jacobs, to provide assurance that the data can be reported reliably, accurately and completely and in accordance with reporting requirements. This includes sample checks to test processes, assumptions, methodology, implementation, governance and results.
Charges and tariffs scheme	The charges schemes are subject to a series of reviews by members of the company's legal team for compliance with the relevant legislation. Management undertakes a review of each charging rule to demonstrate how each charging rule has been complied with, and this document is published on the United Utilities website. Corporate Audit reviews section 3 of the assurance statements for wholesale and household and section 2 for new connections and presents its findings to the UUW Board. The company publishes and provides to Ofwat assurance statements from the UUW Board, no later than the time of publication of the charges schemes, confirming that: • UUW has complied with its legal obligations relating to the charges set out in the charges schemes; • the board has assessed the effects of the new charges on retailers and on customers' bills for a range of different customer types and approves the impact assessments and handling strategies developed in instances where the bill increases for particular customer types exceed 5 per cent; • UUW has appropriate systems and processes in place to make sure that the information contained in the charges schemes, and additional information is accurate; • the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes; and • where applicable, where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, that the board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated.
Systems implementation	All the information within the system that will be used for our AMP7 regulatory reporting was identified and included with the list of programme deliverables, and our regulatory reporting data will continue to be risk assessed and assured appropriately. Key reporting experts in the business have reviewed the design of the solutions to ensure that regulatory requirements and obligations were addressed. We have reviewed and identified improvements to our systems and reporting methods post go-live as part of a continuous improvement approach and will make additional system enhancements to further bolster our regulatory reporting requirements and streamline the process. Programme deliverables were signed off by both the project steering group delivery team and the business team responsible for undertaking the relevant activity. Sign off of reported data will be undertaken by the line owner, responsible, accountable and executive managers as appropriate. A detailed audit of the data collection and reporting process will be undertaken by the independent technical auditor, Jacobs, to provide assurance that reported data is reliable, accurate and complete and in accordance with reporting requirements. This will include sample checks to test processes, assumptions, methodology, implementation, governance and results.

Appendix 1 Assurance summary and findings

Targeted area	Action taken to assure targeted area
Market support	Details of Ofwat's findings were taken to the board and the identified actions monitored at executive level. Our continued competition law compliance programme aims to ensure ongoing compliance with our competition obligations. We have reviewed the competition compliance policy, training and guidance in light of the Effective Market publications, ensuring we can support collaboration where appropriate (and not restrict efforts unnecessarily).
Permit compliance	The November 2019 Jacobs report aimed to examine whether United Utilities has sufficient and effective governance, processes, controls and systems to identify and mitigate the types of risks highlighted by the Southern Water investigation. The report also looked to recommend actions to strengthen process controls. For the water compliance regime, the report concluded that there were no issues identified, stating that there is clear organisational separation and accountability for operations, regulatory sampling, sample analysis and board/regulatory reporting, which are effective in ensuring that performance of drinking water assets is being fully and correctly disclosed. For the wastewater regime, the report concluded that United Utilities has comprehensive processes in place to manage the compliance regime, to prevent, detect and correct any potential compliance issues and to escalate through the business and to the Environment Agency. In terms of opportunities for improvement, Jacobs suggested the company would benefit from small improvements to the sampling regime, post-incident technical reviews and the process to reclassify erroneous sample results for wastewater. These suggested improvements were then addressed through a series of changes in practices, associated control checks and extended audits. A secondary Jacobs's review was carried out in June 2022, to demonstrate the progress made in the implementation of the actions identified by Jacobs in 2019. The conclusion of this audit was that the controls we have in place are satisfactory and we were able to demonstrate progress in all areas identified in 2019. The improvements made were found by Jacobs to further strengthen the wastewater compliance regime.
Haweswater aqueduct replacement programme	During the 2022/23 period, accountability for development of this scheme was assigned to UUW's Director of Strategic Programmes, who reported progress directly to the monthly executive meeting at key pre-agreed milestones, throughout the procurement process. The executive meeting is chaired by the Chief Executive, with key risks and decisions being brought to the UUW Board as required. The governance arrangements for the project have been refreshed to reflect the phase of procurement with senior stakeholders invited to the Programme Board to be updated on progress with the project through the procurement phase. A new HARP Commercial Steering Group has been established with the Capital Delivery, Engineering & Commercial Director and the Strategy, Policy and Regulation Director, to deal with any commercial and regulatory challenges through the tender process which may require board and / or Ofwat approval. An independent assurance specialist, Deloitte LLP, has been appointed to oversee the assurance framework for this project. This will ensure that any potential risks are identified at a sufficiently early stage to allow them to be resolved in a way that does not compromise the delivery, or the quality of the work being developed, which will be required to be submitted to Ofwat throughout the development of the scheme. Alongside this, the programme utilises our established assurance and governance framework following a risk-based approach using a three lines of assurance model. Where required, external specialist assurance will be put in place for those higher risk areas. A HARP Oversight Committee has been established to provide confidence to the UUW Board that the HARP Programme Team are managing the procurement of HARP to ensure that the process for and selection of the preferred bidder is in line with the procurement process and documentation set out in the Contract Notice. The HARP Oversight Committee is comprised of a number of industry experts independent of UUW. The Director of Strategic Programmes and Head of HARP Commercial Team are also members, alongside a legal adviser. In May 2023 following an internal reorganisation, accountability has moved and is assigned to UUW's Transformation Director who is the executive sponsor of the programme.
Water transfer programme	A number of intercompany working groups have been established as part of the Severn Thames transfer (STT) project with representatives from each participating company. These include stakeholder, engineering and environmental working groups and an overall programme board and steering group. Within UUW during 2022/23, accountability for development of water transfers lay with the director of strategic programmes, who reported progress directly to the monthly executive meeting. The executive meeting is chaired by the Chief Executive, with key risks and decisions being highlighted to the UUW Board as required. An independent assurance specialist will be appointed to develop a specific assurance framework for the next stages of the North West transfer (NWT) project, following the same approach taken in previous project phases. This will ensure that any potential assurance issues are identified at a sufficiently early stage to allow them to be resolved in a way that does not compromise the delivery, or the quality of the work being developed which will be required to be submitted to Ofwat throughout the development of the scheme. A joint assurance framework has been agreed with the other partners on the STT project to assure RAPID and the company boards of the details and requirements within the programme. This framework is similar for both NWT and STT projects and will take a risk based approach, assessing the programme deliverables and where required, apply external specialist assurance to those complex or higher-risk areas. In June 2023 following an internal reorganisation, accountability has moved and is now assigned to UUW's Environment Planning & Innovation Director, enabling the NWT programme to work more closely with the WRMP team.

Appendix 1 Assurance summary and findings

Targeted area	Action taken to assure targeted area
Drainage and wastewater management plans	The DWMP is governed under the 'Our Future Plan' (OFP) governance structure and is comprised of: • a technical steering group which includes key subject matter experts, to ensure that all key data and assumptions used within the process can be appropriately challenged, validated and agreed • programme board of operational directors or equivalent that has been established to advise and govern the process to assure and direct the approach taken by the programme team and technical steering group • updates are provided to the executive at key milestones detailing any decisions that have been made and information to be published • additional assurance of the data used within the process is being provided by adding the data to the data set covered by our established three lines of assurance, regulatory reporting process Technical assurance was conducted by Deloitte from March to May 2023 across the development of the UUW DWMP programme to ensure consistency with the WINEP programme and assurance of the building blocks of the DWMP submission (optimised programme, wastewater treatment works and storm overflow programme). Assurance was conducted by PwC on the final DWMP data tables in May 2023 to ensure that the data points are accurate and consistent across UUW regulatory submissions. Aggregate assurance undertaken by Turner and Townsend in February and May 2023 demonstrated that all project management practices and governance processes had been applied rigorously, in the development of the final DWMP. Corporate Audit assurance in May 2023 was the final review of the DWMP programme prior to submission.
Internal sewer flooding	Performance and any resulting financial incentive payment is reviewed and signed off by an executive sponsor. Executive sponsors review performance against our performance commitments regularly through director review meetings and performance boards, which are typically held on a monthly basis. Performance reviews and forecasts are carried out each month to track progress against delivery of our performance commitments. We regularly review performance against our performance commitments with the customer challenge group, YourVoice, which challenges the measures we are taking to manage performance levels or manage the customer impacts of any issues. A detailed audit of the data collection and reporting process is carried out by our independent technical auditor, Jacobs, to provide assurance that data reported is reliable, accurate and complete and in accordance with reporting requirements. This includes sample checks to test process, assumptions, methodology, implementation, governance and results. Clarification is sought from Jacobs throughout the reporting year for any difficult or unusual events or circumstances.
Reconciliation models and applications for in-period determination	Data used to populate reconciliation models will be subject to risk based assurance as part of the Annual Performance Report process and will be reviewed and approved by a business sponsor. We follow the most up to date RAG guidance. When new guidance is issued we incorporate any updates and changes to our yearly reporting cycle. The Corporate Audit team will complete additional assurance checks on populated models. Reconciliation models will be used to calculate revenue or RCV adjustments and this will be subject to assurance as part of the Annual Performance Report process. The results of this assurance, together with confirmation from the accountable executive sponsor, will be provided to the UUW Board to support its consideration of the submission.
PR24	The UUW Board has been actively engaged in reviewing and setting the strategic direction for the business plan and in the assurance that will be provided to support the plan. The UUW Board will review and sign a specific assurance statement, which certifies and endorses the business plan. The programme will utilise the existing company assurance framework and seek to complement this with programme specific assurance, to ensure that the information within or supporting the business plan submission is subject to an appropriate risk based level of governance and assurance. The programme assurance will ensure that all executive sponsors provide evidence to the UUW Board to demonstrate that the elements of the business plan that they are accountable for (as defined in the programme RACI) will meet the requirements for that element of the business plan. Evidence used to support the UUW Board statement will be supported by specifically identified assurance activities, with the findings of this assurance being provided to the UUW Board, and a summary of the findings included in the business plan.

In addition to our published targeted areas, we also focused some more specific external assurance relating to a number of our performance commitments. The table below outlines which third party has undertaken that assurance in order to meet the additional assurance requirements of the final determination (ofwat.gov.uk/publication/consolidated-pr19-final-determinations-united-utilities-outcomes-performance-commitment-appendix/)

Appendix 1 Assurance summary and findings

Further information and relevant copies of those assurance reports that require publication can be found at the following link: http://www.unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports.

Performance commitment	Requirement	Assurance provider
Keeping reservoirs resilient (no. of people moved to acceptable risk)	Third party assurance needed for works completed at each site	Jacobs
Improving the water environment (AMP7)	The company will ask the EA to confirm this is reported correctly	Jacobs
Improving river water quality	The company will ask the EA to confirm this is reported correctly	Jacobs
Protecting the environment from growth and development	Independent assurance report on baseline and additional capacity	The additional assurance requirement will be undertaken at the end of the AMP when the PC is reconciled
Enhancing natural capital value for customers	Independent baseline assurance and annual assurance	Vivid Economics and Jacobs
Better air quality	Independent assurance report	Element Materials Technology Environmental UK Ltd (formerly Envirodat) see http://www unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports for independent report
C-MeX – Customer experience	See guidance	Jacobs
D-MeX – Developer experience	See guidance	Jacobs
Gap sites (retail)	Independent assurance report to identify and bill new properties	Jacobs
Systems thinking	Independent assurance report	Accenture
Raising customer awareness to reduce the risk of sewer flooding	Tracked by independent research organisation	DJS
Water service resilience	Jacob's independent reports of the assessment audit of the baseline position and then further audits of any changes in the risk position	Jacobs See http://www unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports for independent report
Hydraulic flood risk resilience (internal)	Independent baseline assurance	Jacobs See http://www unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports for independent report
Hydraulic flood risk resilience (external)	Independent baseline assurance	Jacobs See http://www unitedutilities.com/globalassets/documents/pdf/apr-2023-external-assurance-reports for independent report

Appendix 1 Assurance summary and findings

Compliance with methodology

In order to provide transparency on the degree to which we have been able to implement the most up to date common measures reporting guidance, we have produced the following table.

Performance commitment	Status
Water supply interruptions	Green – compliant
Internal sewer flooding	Green – compliant
Sewer collapses	Green – compliant
Treatment works compliance	Green – compliant
C-MeX	Green – compliant
D-MeX	Green – compliant
Water quality CRI	Green – compliant
Leakage	Amber – partially compliant*
Per capita consumption	Green – compliant*
Pollution incidents	Green – compliant
Risk of sewer flooding in a storm	Green – compliant
Mains repairs	Green – compliant
Priority services for vulnerable customers	Green – compliant
Risk of severe restrictions in a drought	Green – compliant
Unplanned outages	Green – compliant

*see page 228 for full breakdown of compliance with components of leakage and PCC methodology with common measures reporting methodology (RAG 3.14 Section 4.4)

Deviation from methodology – statement of additional clarity

This section sets out identified exceptions to published methodology requirements.

Statement of additional clarity – leakage

In previous years, there were two areas of the leakage common methodology where we were not fully compliant – metering of sewage treatment sites and other key assets and availability of reporting night flow data. We are now compliant with the metering requirement though remain not fully compliant with the data requirement. The impact on our overall leakage figure as a result of this remains marginal.

The 2018 Ofwat leakage reporting guidance states that 90 per cent of all properties within continuous night flow monitoring networks shall be available for reporting night flow data through the year. Our availability during 2022/23 was 82 per cent. Whilst we had carried out additional maintenance activity during the year to try to achieve an availability of at least 90 per cent, we had issues with our existing flow loggers reaching the end of their asset life. We initiated a new procurement framework and programme of work to install new loggers during 2022/23. During this period around 50 per cent of loggers were replaced with prioritisation based on the impact on availability.

We expect this reliability issue will be addressed during 2023/24 as we continue to replace the older flow loggers, as well as rectifying any related metering issues. This replacement programme will provide us with a more reliable asset base that will allow more consistent availability performance in 2023/24.

The leakage reporting impact of this issue is considered to be marginal and we generally find that leakage derived from demand/distribution monitoring zone (DMZ) estimates is marginally higher than leakage derived from metered flows. Therefore, this issue would typically be expected to lead to a slight over-estimate of district metered area (DMA) leakage levels. Nonetheless, it is worth noting that the approach we use to calculate leakage upstream of DMAs (our “tile balance” approach utilising mass balances) means that any under or over estimation in DMA leakage would still be captured in our reported upstream leakage (and, therefore, in our reported total leakage).

As part of our full year water balance reconciliation we can confirm our water balance gap is -0.1 per cent, which falls well within the +/- 2 per cent tolerance as defined in the reporting requirements.

Appendix 1 Assurance summary and findings

Summary of the findings of the assurance

This section summarises the findings of the assurance that has been undertaken to support the Annual Performance Report.

Financial auditor – We have engaged KPMG to provide an audit opinion or perform procedures as agreed with management on the regulatory accounting information set out in the table below. The coverage of the KPMG audit opinion is set out in more detail, together with the findings from this review on pages 105 to 107 within Section 2 of the APR. KPMG has completed agreed upon procedures for the Section 4 and Section 9 pro forma tables identified in the following table, with no issues noted.

Technical auditors – We have engaged Jacobs to review the performance and volumetric data used to support the remainder of the data within the APR tables, including the outcome delivery information and cost assessment tables.

The findings from the technical auditor's review, which covers the APR information, were presented to the UUW board and are set out below. The Independent Technical Assurance Statement is set out on pages 229 to 239.

Corporate audit – UU Corporate Audit performed an independent review of the effectiveness and application of the assurance framework applied to the APR. The findings were presented directly to the UUW board and are set out in Section 4 of the corporate audit report on pages 240 to 243 below.

In addition, YourVoice, the independent challenge panel, has reviewed our performance and reporting throughout the year and presented it's findings directly to the UUW board. The reflections of the panel on United Utilities' performance during 2022/23 can be found on our website http://www. unitedutilities.com/globalassets/documents/pdf/apr-yourvoice-statement-2022-23

The table below sets out each area of the APR and shows how the independent assurance has been provided for that area.

UUW Annual Performance Report data tables – independent assurance

Section 1 Regulatory financial reporting at 31 March 2023		Lines	Independent assurance
1A	Income statement	All	KPMG audit opinion
1B	Statement of comprehensive income	All	KPMG audit opinion
1C	Statement of financial position	All	KPMG audit opinion
1D	Statement of cash flows	All	KPMG audit opinion
1E	Net debt analysis	All	KPMG audit opinion
1F	Financial flows	All	KPMG audit opinion
Section 2 Price review and other segmental reporting at 31 March 2023			
2A	Segmental income statement	All	KPMG audit opinion
2B	Totex analysis – wholesale water and wastewater	All	KPMG audit opinion
2C	Operating cost analysis – retail	All	KPMG audit opinion
2D	Historical cost analysis of tangible and fixed assets wholesale and retail	All	KPMG audit opinion
2E	Analysis of grants and contributions – water resources, water network plus and wastewater network plus	All	KPMG audit opinion
2F	Residential retail	All	KPMG audit opinion
2G	Non-household water – revenues by tariff type	All	N/A
2H	Non-household wastewater – revenues by tariff type	All	N/A
2I	Revenue analysis	All	KPMG audit opinion
2J	Infrastructure network reinforcement costs	All	KPMG audit opinion
2K	Infrastructure charges	All	KPMG audit opinion
2L	Analysis of land sales	All	KPMG audit opinion
2M	Revenue reconciliation – wholesale tariffs	All	KPMG audit opinion
2N	Residential retail – social tariffs	All	KPMG audit opinion
2O	Historic cost analysis of intangible fixed assets	All	KPMG audit opinion

Appendix 1 Assurance summary and findings

Section 3 Performance summary			
3A	Outcome performance water common performance commitments	All	Jacobs agreed upon procedures
3B	Outcome performance wastewater common performance commitments	All	Jacobs agreed upon procedures
3C	Customer measure of experience (C-MeX) table	All	Jacobs agreed upon procedures
3D	Developer services measure of experience (D-MeX) table	All	Jacobs agreed upon procedures
3E	Outcome performance – non financial performance commitments	All	Jacobs agreed upon procedures
3F	Underlying calculations for common performance commitments – Water and Retail	All	Jacobs agreed upon procedures
3G	Underlying calculations for common performance commitments – Wastewater	All	Jacobs agreed upon procedures
3H	Summary information on outcome delivery incentive payments	All	Jacobs agreed upon procedures
3I	Supplementary outcomes information	All	Jacobs agreed upon procedures
Section 4 Additional regulatory information – service level			
4A	Water bulk supply information	All	Jacobs agreed upon procedures
4B	Analysis of debt	All	KPMG agreed upon procedures
4C	Impact of price control performance to date on RCV	All	KPMG agreed upon procedures
4D	Totex analysis – water resources water network plus	All	KPMG agreed upon procedures
4E	Totex analysis – wastewater network plus and bioresources	All	KPMG agreed upon procedures
4F	Major project expenditure for wholesale water by purpose	All	Jacobs agreed upon procedures
4G	Major project expenditure for wholesale wastewater by purpose	All	Jacobs agreed upon procedures
4H	Financial metrics	All	KPMG agreed upon procedures
4I	Financial derivatives	All	KPMG agreed upon procedures
4J	Base expenditure analysis – water resources and water network plus	All	KPMG agreed upon procedures
4K	Base expenditure analysis – wastewater network plus and bioresources	All	KPMG agreed upon procedures
4L	Enhancement expenditure water resources and water network plus	All	Jacobs agreed upon procedures
4M	Enhancement expenditure on wastewater network plus and bioresources	All	Jacobs agreed upon procedures
4N	Developer services expenditure – water resources and water network plus	All	KPMG agreed upon procedures
4O	Developer services expenditure – wastewater network plus and bioresources	All	KPMG agreed upon procedures
4P	Expenditure on non-price control diversions	All	KPMG agreed upon procedures
4Q	Developer services non financial information	All	Jacobs agreed upon procedures
4R	Properties, customers and population	All	Jacobs agreed upon procedures
4S	Green Recovery expenditure – water resources and water network plus	All	Jacobs agreed upon procedures
4T	Green Recovery expenditure – wastewater network plus and bioresources	All	Jacobs agreed upon procedures
4U	Impact of Green Recovery on RCV	All	Jacobs agreed upon proceedures
4V	Mark to market of financial derivatives	All	KPMG agreed upon procedures
4W	Defined benefit pension scheme	All	KPMG agreed upon procedures

Appendix 1 Assurance summary and findings

Section 5 Additional regulatory information – water resources			
5A	Water resources asset and volumes data	All	Jacobs agreed upon procedures
5B	Water resources operating cost analysis	All	Jacobs agreed upon procedures
Section 6 Additional regulatory information – water network plus			
6A	Raw water transport, raw water storage and water treatment	All	Jacobs agreed upon procedures
6B	Treated water distribution – assets and operations	All	Jacobs agreed upon procedures
6C	Water network plus – mains, communication pipes and other data	All	Jacobs agreed upon procedures
6D	Demand management – metering and leakage activities	All	Jacobs agreed upon procedures
6F	WRMP annual reporting on delivery	All	Jacobs agreed upon procedures
Section 7 Additional regulatory information – wastewater network plus			
7A	Wastewater network plus functional expenditure	All	Jacobs agreed upon procedures
7B	Wastewater network plus large STW	All	Jacobs agreed upon procedures
7C	Wastewater network plus sewer and volume data	All	Jacobs agreed upon procedures
7D	Wastewater network plus sewage treatment works data	All	Jacobs agreed upon procedures
7E	Wastewater network plus energy consumption and other data	All	Jacobs agreed upon procedures
7F	WINEP Phosphorus removal scheme costs	All	Jacobs agreed upon procedures
Section 8 Additional regulatory information – bioresources			
8A	Bioresources sludge data	All	Jacobs agreed upon procedures
8B	Bioresources operating expenditure analysis	All	Jacobs agreed upon procedures
8C	Bioresources energy and liquors analysis	All	Jacobs agreed upon procedures
8D	Bioresources sludge treatment and disposal data	All	Jacobs agreed upon procedures
Section 9 Additional regulatory information – innovation competition			
9A	Innovation competition	All	KPMG agreed upon procedures
Section 10 Green Recovery			
10A	Green Recovery data capture additional items	All	Jacobs agreed upon procedures
10B	Green Recovery data capture outcomes – water	All	Jacobs agreed upon procedures
10C	Green Recovery data capture outcomes – wastewater	All	Jacobs agreed upon procedures
10D	Bespoke performance commitments	All	Jacobs agreed upon procedures
10E	Green Recovery data capture reconciliation	All	Jacobs agreed upon procedures
Section 11 Operational greenhouse gases			
11A	Operational greenhouse gas emissions	All	Jacobs agreed upon procedures

Relevant commentary for tables 3-11 is provided on our website https://www.unitedutilities.com/globalassets/documents/pdf/apr-table-commentary-2023 and https://www.unitedutilities.com/globalassets/documents/pdf/rr23-accounting-methodology-statement

The below tables outline our compliance with the leakage and the PCC methodology in line with RAG 3.13 Section 4.14

Leakage

Component/Element		2022/23 Component R/A/G	2022/23 Element R/A/G	2022/23 Confidence grade
1	**Coverage**	Green		A2
1a	**Coverage** – 95% of all properties have continuous night flow monitoring through the year		Green	A2
2	**Availability**	Amber		A2
2a	**Availability** – At least 90% of all properties within continuous night flow monitoring networks available for reporting night flow data through the year		Amber	A2
3	**Properties**	Green		A2
3a	**Properties** – All properties mapped to defined zones or DMAs using geo-location or similar methods		Green	A2
3b	**Properties** – Consistency of property numbers contained within DMAs or zones with company billing system. Valid differences explained		Green	A2
3c	**Properties** – defined as void excluded from night use allowances unless evidence for use or losses from illegal occupation is available.		Green	A2
3d	**Properties** – Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates.		Green	A2
3e	**Properties** – Property data updated at least annually		Green	A2
4	**Night flow period and analysis**	Green		A2
4a	**Night flow period and analysis** – Night flow data frequency at least every 15 minutes		Green	A2
4b	**Night flow period and analysis** – Leakage derived from a fixed period during the night of at least a one hour period and up to two hours		Green	A1
4c	**Night flow period and analysis** – If the fixed period is varied during the year for some or all DMAs or zones to address significant changes to night use patterns such as during Ramadan evidence for this is provided		Green	A1
4d	**Night flow period and analysis** – Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates		Green	A2
4e	**Night flow period and analysis** – Data infilling for a single DMA or zone does not use more than six months of historic data before moving to area average		Green	A2
4f	**Night flow period and analysis** – Data infilling where historic data is not available uses the area average in which the DMA is located		Green	A2
4g	**Night flow period and analysis** – When a DMA is restored to operability, the subsequent leakage data is used to retrospectively update the data infilling interpolating between pre- and post- data over at least one month		Green	B2
4h	**Night flow period and analysis** – Where NHH properties are continuously monitored, the actual values of flow over the night flow period are used in place of estimates within the night flow analysis		Green	A2
4i	**Night flow period and analysis** – Weekly leakage estimates are used for annual reporting with no exclusions for summer months		Green	A2
4j	**Night flow period and analysis** – Negative leakage values are used in compiling values of annual average leakage		Green	B2
4k	**Night flow period and analysis** – The reasons for any prolonged periods of negative leakage are investigated and explained		Green	A2
5	**Household night use**	Green		A2
5a	**Household night use** – The time period for HHNU is the same time period as used for night flow and NHHNU		Green	A1
5b	**Household night use** – Own data or shared data with proximate companies is used for HHNU		Green	A1
5c	**Household night use** – Plumbing losses are included and based on own data		Green	A2
5d	**Household night use** – Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole		Green	A2
5e	**Household night use** – Sample size is sufficient to capture continuous and intermittent night use with reasonable confidence		Green	A1
5f	**Household night use** – Continual monitoring and maintenance of IHMs (individual household monitors) and SAMs (small area monitors)		Green	A2
5g	**Household night use** – HHNU is derived daily with regular, adjustment of values on a weekly or monthly frequency to reflect actual seasonal use. This may be done retrospectively		Green	A2

Component/Element		2022/23 Component R/A/G	2022/23 Element R/A/G	2022/23 Confidence grade
5	**Non-household night use**	Green		A2
6a	**Non-household night use** – The time period for NHHNU is the same time period as used for night flow and HHNU		Green	A1
6b	**Non-household night use** – Own data or shared data with proximate companies is used for NHHNU		Green	A3
6c	**Non-household night use** – 1999 UKWIR methodology with the appropriate time window as used for the night flow and the published outcome of further methodology development is applied		Green	A1
6d	**Non-household night use** – Stratification of non-households to a number of groups and consumption bands is representative of the varying characteristics of commercial and industrial properties		Green	A3
6e	**Non-household night use** – Sample size is sufficient to capture night use by stratification with reasonable confidence		Green	A1
6f	**Non-household night use** – Reliable and representative average billed volume (ABV) model based on data logging of the representative sample sufficient to capture demand variations with further seasonal logging where relevant. Continuously logged properties not part of the sample		Green	A2
6g	**Non-household night use** – ABV model linked to billing system or replacement database of billed volumes. Average billed volumes updated at least annually		Green	A2
6h	**Non-household night use** – Continuous monitoring of selected non-households is carried out where average demand of an individual non-household has a material impact on the ability for a DMA or zone to provide valid and consistent data within operability limits		Green	A2
7	**The hour-to-day factor**	Green		B2
7a	**The hour-to-day factor** is derived separately for each DMA or zone using pressure logging within each DMA or zone. The factors are updated at least annually or where there are any significant changes to pressure regimes		Green	B2
7b	**Hour to day conversion** – As an alternative, hydraulic models, reflecting latest network configuration and pressure changes, are used if they dis-aggregate in sufficient detail at sub-zone level		Green	B2
7c	**Hour to day conversion** – Evidence-based N1 value used. Expected range is 1.0 to 1.20		Green	B2
8	**Annual distribution leakage**	Green		B2
8a	**Annual distribution leakage** – Average weekly data is derived from valid daily values of leakage using data points which are representative of the week. Backfilling using the methods described in Section 5.4 – night flow analysis - is done when valid data is not available for three or more data points		Green	B2
8b	**Annual distribution leakage** – The annual value of leakage expressed as Ml/d is be derived from an average of the 52 week data		Green	B2
9	**Trunk main leakage**	Green		B2
9a	**Trunk main leakage** – Company specific data is used to assess the value of trunk main leakage		Green	B2
9b	**Trunk main leakage** – Proactive leakage monitoring approach applied where trunk main losses form a significant element of total leakage or the MLE water balance gap is greater than +/-2%		Green	B1
9c	**Trunk main leakage** – If trunk main losses greater than 5% of total leakage estimates reviewed annually		Green	B1
10	**Service reservoir losses**	Green		
10a	**Service reservoir losses** – Company specific data is used to assess the value of service reservoir losses;		Green	B2
10b	**Service reservoir losses** – Reservoirs with known high leakage, structural deficiencies or at risk of water quality failures are investigated on an individual basis		Green	B2
10c	**Service reservoir losses** – Drop tests (12 hour duration depending on size) carried out every five or ten years. All valves checked for tight close; and losses through overflows investigated. Appropriate monitoring arrangements in place to control and minimise overflow events		Green	B2

Component/Element		2022/23 Component R/A/G	Element R/A/G	Confidence grade
11	**Distribution input**	Green		A2
11a	**Distribution Input to** the system is metered with at least daily readings at all defined locations		Green	A2
11b	**Distribution Input** – Meters are appropriate size for the flow to be measured and located at appropriate inputs to the network confirmed by record plans. Any treatment works take-off downstream of a meter are excluded from the DI calculations		Green	A2
11c	**Distribution Input** – Data validity checks are carried out at least monthly		Green	A2
11d	**Distribution Input** – Missing data is infilled using both pre- and post- data for the location over at least one month, extrapolated from pump hours or use of upstream or downstream meters		Green	A2
11e	**Distribution Input** – The data transfer systems from meter output to central database are checked and validated on a risk-based frequency from one up to two years		Green	A2
11f	**Distribution Input** – Flow checks are carried out on DI meters consistent with the principles of the document 'EA Abstraction Good Metering Guide' and in particular the frequency of flow checking defined in table 6.2 of the EA guide		Green	B2
12	**Measured consumption**	Green		A2
12a	**Measured consumption** – Metered data is derived from own billing system or from CMOS for non-households		Green	A2
12b	**Measured consumption** – Estimate of supply pipe losses is included for internally metered properties consistent with own current assumption of supply pipe losses		Green	A2
12c	**Measured consumption** – Inclusion of any leakage allowance is included where a rebate has been applied to a customer's bill		Green	A2
12d	**Measured consumption** – Meter under-registration (MUR) is applied consistent with own estimates. Evidence of MUR available especially for MUR above 3%.		Green	A2
12e	**Measured consumption** – Meter replacement consistent with own replacement programme		Green	A3
13	**Unmeasured consumption**	Green		A2
13a	**Unmeasured consumption** – Monitors follow principles set out in the UKWIR Report 'Best Practice for unmeasured per-capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption', UKWIR 2017		Green	A2
13b	**Unmeasured consumption** – Consumption is derived from own individual household monitor or small area surveys		Green	A2
13c	**Unmeasured consumption** – Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; valid data available from at least 80% of monitors as an annual average measure		Green	A2
13d	**Unmeasured consumption** – For companies using SAMs – SAM (small area monitor) comprises a representative sample of customer' characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered properties in an area exceeds 50% of total properties then further data validity tests are applied. For companies using IHMs – IHM (individual household monitor) comprises representative sample of customer characteristics. The sample is at least 1000 properties		Green	A2
13e	**Unmeasured consumption** – Uncertainty allocated to unmeasured household consumption is estimated and justified		Green	A2
13f	**Unmeasured consumption** – There is continual monitoring and maintenance of IHMs and SAM monitors		Green	A2
13g	**Unmeasured consumption** – Meters are selected to provide sufficient granularity to detect low continuous flows indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock		Green	B3
13h	**Unmeasured consumption** – Estimate of plumbing losses is based on own data		Green	B2
13i	**Unmeasured consumption** – Where unmeasured non-household reported volume is less than 2% of total non-household demand, data from a per property consumption study is refreshed every five years		Green	AX
13j	**Unmeasured consumption** – Where unmeasured non-household reported volumes are greater than 2% of non-household demand, data from a property study is refreshed every two years		Green	A2

Component/Element		2022/23 Component R/A/G	2022/23 Element R/A/G	2022/23 Confidence grade
14	**Company own water use**	Green		
14a	**Company own water use** – All sewage treatment sites and other sites and assets supplied downstream of the DI meters using greater than 10 m3/d (0.01 Ml/d) are metered		Green	B2
14b	**Company own water use** – An estimate of total company own use is included in the water balance, based on a clear methodology and actual data		Green	B2
14c	**Company own water use** – Estimate of distribution operational use is evidence based and not greater than 0.6% of distribution input		Green	A2
15	**Other water use**	Green		
15a	**Other water use** – Other use components are based on own data		Green	B2
15b	**Other water use** – Estimate of water delivered unbilled (legally and illegally) is evidence based and not greater than 1.8% of distribution input		Green	B2
15c	**Other water use** – Estimates are updated when there is a material increase or decrease to volumes		Green	B2
16	**Water balance and MLE**	Green		
16a	**Water balance and MLE** – Fully measured components have a range from 2% to 4%		Green	B2
16b	**Water balance and MLE** – Mainly measured with some estimated adjustments have a range from 2.5% to 5%		Green	B2
16c	**Water balance and MLE** – Estimated using detailed and reliable methods have a range from 8% to 12%		Green	B2
16d	**Water balance and MLE** – Broad estimates not fully detailed or reliable have a range from 20% to 50%		Green	B2
16e	**Water balance and MLE** – Water balance discrepancy: <2% = Green >2% and <3% = Amber >3% = Red		Green	B2

Per capita consumption

Component/Element		2022/23 Component R/A/G	2022/23 Element R/A/G	2022/23 Confidence grade
1	**Household population estimates**	Green		A2
1a	**Household population estimates** – derived using WRMP methodology		Green	A2
1b	**Household population estimates** – evidence for adjustments for clandestine population if any		Green	A2
1c	**Household population estimates** – updated annually		Green	A2
1d	**Household population estimates** – exclusion of non household population in accordance with WRMP methods		Green	A2
2	**Household property estimate**	Green		A2
2a	**Household property estimate** – Definition of household/non-household consistent with eligibility under market separation		Green	A2
2b	**Household property estimate** – Evidence of void properties updated annually		Green	A2
2c	**Household property estimate** – Property figures annually updated		Green	A2
3	**Measured household consumption**	Green		A2
3a	**Measured household consumption** – Metered data is derived from own billing system		Green	A2
3b	**Measured household consumption** – If leakage allowances are applied the process and evidence for this is clearly set out		Green	A2
3c	**Measured household consumption** – Average SPL (supply pipe leakage) deductions for externally metered households using company own data updated annually		Green	A2
3d	**Measured household consumption** – Company own estimate of MUR (meter under-registration) for revenue meters, which is updated annually		Green	A2

Appendix 1 Jacobs audit report

United Utilities Technical Assurance

Board Assurance Statement

23rd June 2023

United Utilities Water

Appendix 1 Jacobs audit report

RR23 Board Assurance Statement

Jacobs

United Utilities Technical Assurance

Project No:	B2349200
Document Title:	RR23 Board Assurance Statement
Document No.:	1
Revision:	1
Document Status:	Final
Date:	23/06/2 3
Client Name:	United Utilities Water
Client No:	
Project Manager:	Stathis Giannoustas
Author:	James Luger & Lisa Slade
File Name:	RR23 Board Assurance Statement

Jacobs U.K. Limited

www.jacobs.com

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Document history and status

Revision	Date	Description	Author	Reviewed	Approved
1.0	23/06/2023	Initial Draft to UU for review	JL		
1.1	27/06/2023	Final version to UU	JL		

Appendix 1 Jacobs audit report

RR23 Board Assurance Statement

Jacobs

Contents

Appendix 1 Jacobs audit report

1. Introduction

UUW engaged Jacobs UK Limited to provide external technical assurance, in order to confirm that specific technical and expenditure elements of RR23 have been compiled in accordance with the guidance of the Water Services Regulatory Authority (Ofwat); good practice; and the PR19 Final Determination.

All water companies are required by Ofwat to submit an Annual Performance Report (APR) to demonstrate compliance with their separate price controls. This includes specific information on progress on delivery of customer outcomes, service levels, transparent cost information and financial performance. Data used by United Utilities (UUW) to populate the APR has been predominantly derived from their RR23 data return.

The reports prepared by the Company are required to be accessible to all stakeholders so that they show how the sector is delivering for its customers, environment, and wider society. In this regard, Ofwat has provided a series of standard templates and accompanying guidance for the outcome, performance commitment and incentive mechanisms. The information in the spreadsheet will assist stakeholders to track and compare actual performance.

Each company's Board is accountable for the quality and transparency of the information they provide on their performance and for implementing assurance procedures to make sure they meet all their legal and regulatory obligations.

This statement covers our work in providing independent technical assurance on aspects of the Company's APR submission to Ofwat.

2. Role and Scope

Jacobs UK Ltd was appointed to provide an independent review of UUW's compliance and governance processes covering the key technical information presented in or supporting their regulatory performance and public domain information reports.

The scope of our work has been determined by UUW, and largely agreed in our Outline Assurance Plan, dated 12 May 2023, which is summarised as follows:

APR information (as reported in RR23), which is prepared in accordance with Ofwat's APR guidance and information which supported the Final Determination for the AMP7 period, includes:

- General information
- Customer service information
- Operational activities and performance in AMP7 against PR19 and other business targets
- Networks and treatment
- Capital expenditure allocations to revenue controls and business streams, to investment categories and to performance commitments
- Calculation of 2022/23 performance associated with the Outcome Delivery Incentives and Performance Commitments.
- Other miscellaneous metrics

Where the above guidance does not cover the items assured, they are assessed against the guidelines set out by Ofwat for June Return information up to 2012, where detailed Reporting Requirements can be used to assess compliance and consistency of reporting over time and between companies. The following hierarchy of guidance is deemed to apply:

- Relevant Regulatory Accounting Guidelines: version 4.10, 11 and subsequent clarifications
- APR23 table templates and guidance
- Performance commitments and definitions agreed with Ofwat for the AMP7 period, or as subsequently superseded
- Ofwat's most recent 'June Return' guidance (2012)
- UUW procedures, definitions and assumptions which should where relevant, be compliant with the guidance hierarchy above
- Reasonable and appropriate judgement

Appendix 1 Jacobs audit report

3. Approach

3.1 Process

Our approach is summarised in the following steps:

1. Agree scope and assurance plan with UUW
2. Review preliminary topic information
3. Undertake Remote Audits via MS Teams
   - Check that the Company's reported data conforms to the published guidance
   - Identify and examine the material assumptions to assess their reasonableness, and challenge those which we deem to be inappropriate
   - Where appropriate, test on a sample basis, UUW's approach against its stated methods, procedures, policies and assumptions, and reliability of source data
   - Review the appropriateness of the confidence grades assigned,
   - Assess performance in the Report Year and check consistency against that of previous years, and
   - Ensure relevant performance data has been accurately utilised in the calculation of the various performance commitments and ODIs, where applicable.
4. Summarise Audit Findings (SAF)
   - For RR23, the SAF consists of a brief bullet point summary of the findings and a tabulation of any outstanding issues or areas identified for further UUW action. The purpose of this approach was to meet UUW's tighter reporting timetable and ensure a SAF is available in advance of the Level 2 sign off.
5. Close out key issues – through iteration between auditor and UUW specialists, escalating through both organisations where appropriate to agree, as appropriate: adjustment to reported information; future action plans; or additional statements which provide adequately transparency of the issue.
6. Presentations and preparation of Reports and Assurance Statement.

3.2 Assessment

We use the following RAG coding to simply highlight the areas of concern:

Figure 1 - RAG Criteria used by Jacobs for reporting compliance against the guidelines

Key to Audit RAG status	
R	Material concerns over the validity of the reported information
A	Potential material concerns over reported information
B	Content with reported information but supporting data needs completion/ noting/or future improvements required
G	No material exceptions and compliant with the requirements

Appendix 1 Jacobs audit report

The following tests are applied to the data presented and the accompanying commentaries:

Figure 2 - Example of Tests applied to APR Data and Performance Commitment information

RR23 Table Criteria	RAG	Assessment
Performance and Significant events	Green	Has the company met their respective targets and is the reporting process well managed/maintained?
Methodology	Green	Does the methodology remain unchanged from previous year and is it clearly laid out with key data sources, processes and well-defined control points?
Guidance	Green	Does the methodology comply with the latest guidance from Ofwat? And has this been followed to produce the data?
Assumptions	Green	Are all assumptions reasonable and appropriately applied?
Source Data	Green	Has the source data been clearly identified, is it complete beyond material concern and is it well managed through to accurate systems input?
Commentary	Green	Is commentary provided and is it consistent with the process and the reported number(s)?
Clarity of Audit Trails	Green	Is the audit trail detailed, comprehensive and traceable back to source?
Confidence Grades	Green	Do you concur with the confidence grades presented by the company?
Governance	Green	Has all evidence of appropriate sign-off been provided?

ODI Measure	RAG	Assessment
Performance Commitment	Green	Are the performance figures accurately carried forward to the ODI and correctly calculated in accordance with Ofwat's PR19 FD - United Utilities – Outcomes performance commitment appendix?

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4. Findings

Below we highlight the key findings and exceptions:

- The reported data is materially compliant with Ofwat's Reporting Requirements (Regulatory Accounting Guidelines, APR23 table guidance, 2019 Final Determination or superseding definitions, or June Return definitions, as appropriate)
- The tables, commentaries and statements provide a fair and balanced overview of the Company's 2022/23 circumstances and performance
- Procedures and assumptions are generally reasonable and well embedded, well documented, and appropriately implemented
- Overall, UUW staff were knowledgeable, helpful, receptive, and generally well prepared for the audits.
- We continue to see very good evidence of senior management engagement.

RED issues	There are no RED status issues.
AMBER issues	Whilst there were a small number of AMBER issues raised during the audit process, these were all resolved prior to submission.
BLUE issues	Several non-material BLUE issues were identified during the audit process. Some examples of these are summarised below:

Specific (Table/lines)

6C.21 Number of lead communication pipes replaced or relined for water quality – Audit identified the need for non-material improvements around data owner, data extraction and improving knowledge on overall data management. The team have developed an action plan to address this.

3B.8 Recycling biosolids - Improvements were identified and recommended relating to: (1) Improving visibility of non-compliant stockpiles (storage, movement and spreading); 2) Considering the use of alarms for identifying limit exceedances at Critical Control Points (rather than relying on site engineers); 3) Improving data capture/recording processes for tracking the fraction of field stockpiles inspected, their age at inspection and the length of time between inspections; (4) Addressing the fragmented nature of the disposal mileage records.

General

There were examples of appropriate signoffs not being in place at the time of audit. This was mostly attributable to the audit schedule and timings being in advance of final authorisations. In these cases, evidence of appropriate signoff has been subsequently shared with the auditor or a plan agreed to complete the authorisation.

Commentary supporting the reported tables/lines were missing or under-developed in some audits. In most cases, however, the accompanying Performance & Compliance Statements and supporting evidence (PowerPoint slides) provided a detailed and accurate description (from which the commentary is prepared).

5. Independent Assurance of financial PCs

As part of our technical role, we have reviewed and provided independent third-party assurance on the following financial Performance Commitments (PCs). No red or amber issues were identified.

A01-CF Water quality compliance (CRI)
A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water
A03-WN Number of properties with lead risk reduced
A04-WN Helping customers look after water in their home
A05-WN Reducing discolouration from the Vyrnwy treated water aqueduct
B01-WN Leakage % reduction from baselines
B02-WN Mains repairs
B03-WN Interruptions to supply
B04-CF Unplanned outage
B05-WN Per capita consumption - reduction from baseline
B07-WN Reducing areas of low water pressure
B08-WN Water service resilience
B09-DP Manchester and Pennine resilience
B10-WR - Keeping reservoirs resilient
B11- WN Thirlmere transfer to West Cumbria (AMP7)
C01-WWN Pollution incidents
C02-CF Treatment works compliance
C03-WR Abstraction incentive mechanism
C04-WR Improving the water environment
C05-WWN Improving river water quality
C06-WWN Protecting the environment from growth and new development
C08-CF Enhancing natural capital value for customers
C09-BR Recycling biosolids
C10-BR Improving air quality
D01-HH C-MeX
D02-CF D-MeX
E01-HH Number of customers lifted out of water poverty
E03-CF Non-household vacancy incentive
E04-CF Gap sites (wholesale)
E05-HH Gap sites (Retail)
E07-DP Successful delivery of direct procurement of Manchester and Pennine resilience
E10-HH Voids
F01-WWN Sewer collapses
F02-WWN Sewer blockages
G02-WWN Internal sewer flooding incidents
G03-WWN External sewer flooding incidents
G04-WWN Raising customer awareness to reduce the risk of flooding % awareness above baseline
G05-WWN Hydraulic internal flood risk resilience
G06-WWN Hydraulic external flood risk resilience

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6. Recommended future actions

The following recommendations do not affect 2023 Annual Performance reporting but are recommended to be taken forward ahead of 2023/4 assurance.

SAF Ref.	Issues/Recommendations
5A L1-19 Number of Water Sources & Number & capacity of Water Reservoirs	Prior to reporting in future years, we recommend updating the system schematics to reflect the identified duplicate sources & balancing reservoir types to ensure consistency of reporting data going forward.
3B 15-17 Grit produced and disposed	Recommendation that processes and data undergo further assurance to confirm data accuracy and calculations.
3A.12 1-2 Water Service Resilience	Recommendation that, as a good practice review, the methodology for calculating the resilience score is reviewed ahead of 2023/4.
T3A, 3F, 6B, 6D Leakage and supporting information	We recommend that the company continues to review components (such as upstream losses and DI) against the values in the water balance spreadsheet. NAVs are likely to have a growing impact on the water balance, we therefore recommend the company develops robust BAU processes to incorporate their impacts into the water balance calculations. We recommend the company continues to review assumptions in line with the frequencies set out in the [Component Reviews] tab of the water balance spreadsheet.

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RR23 Board Assurance Statement

Jacobs

7. Independent Technical Assurance Statement

Jacobs UK Ltd has been appointed by United Utilities Water to provide independent technical assurance of the data that feeds into their regulatory submissions.

Through a series of virtual meetings and information exchanges, we have reviewed and tested the methodologies, processes and supporting evidence on which the statements in the Annual Performance Report 2023 are based. In general, this has worked satisfactorily and has not adversely impacted on the effectiveness of the overall assurance process.

Based upon our assessment of United Utilities Water's performance and the supporting information we have reviewed, with only minor and non-financially material exception, we conclude that:

- the statements of non-financial numeric measures are consistent with our assurance of the supporting information, which is appropriately robust; and
- the Company's explanations of their activities and performance are reasonably based.

Our detailed findings will be provided under separate cover.

On the basis of our audit work and with exceptions as noted, we are satisfied that the information within and which supports RR23 has been assembled using appropriate data and methodologies and provides a reliable representation of Company performance. There is also good evidence of senior management engagement, governance and programme management.

James Luger

Technical Assurance Lead – Senior Associate Director

Jacobs UK Ltd

23 June 2023

Appendix 1 Corporate audit report

CORPORATE AUDIT MEMORANDUM

Review of the Annual Performance Report (APR) 2023

United Utilities
Water for the North West

To: **See Distribution List (Section 6)**

From: **James Taylor, Head of Audit & Risk**

Date: **22 June 2023**

1. Background

Ofwat require companies to report on their financial and operational performance in an Annual Performance Report (APR). This includes information specific to customers and stakeholders, together with information that enables comparison between companies across the sector.

The APR is supplemented by a series of data tables and supporting commentary in four main sections:

- Section 1: Regulatory financial reporting;
- Section 2: Price control and additional segmental reporting of costs and revenues;
- Section 3: Performance summary, including outcome delivery performance; and
- Section 4: Additional regulatory information, including totex and financeability information.

Alongside the Annual Performance Report, the following reports and statements are required:

- Board Statement - stating that the data and information which the company has provided to Ofwat in the reporting year and/or which they have published in their role as water and sewerage undertaker was accurate and complete and setting out any exceptions to this.
- Risk and Compliance Statement - setting out how the company has complied with its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate key risks it faces.
- Assurance Report - a summary of the results of the data assurance.

The Annual Performance Report, together with Assurance Report and statements, is required to be published by Saturday 15 July 2023. Our audit is therefore timed to provide assurance over the process by which regulatory data is compiled in advance of sign off at the Compliance Committee 26 June 2023.

Key Risks

The overall risk is that inaccurate, incomplete or misleading data / information is published and reported to Ofwat, resulting in regulatory action being taken against UU and/or its Directors. Consequently, financial penalties could be imposed together with a loss of confidence by customers, investors and regulators.

2. Audit Objective and Scope

The objective of the audit was to provide assurance in respect of the governance, processes and key controls over the production of the 2022-23 Annual Performance Report, including associated Board and Risk & Compliance statements and Assurance Report.

The scope of this review supplements the assurance provided by KPMG and Jacobs. The audit covered the following areas:

- Overall governance arrangements in place to ensure the regulatory data is complete, accurate and reported in line with the required timescales;
- The validity and consistency of the data and associated commentaries reported in Sections 3 and 4 of the Annual Performance Report. This will include sample testing to agree data back to underlying UU records and systems. *Note: this review did not duplicate the testing performed by KPMG or Jacobs;*
- Compliance of the reported data in the APR with key aspects of Regulatory Guideline 3.14 "*Guideline for the format and disclosures for the annual performance report"*;
- Review the proposed Assurance Report to ensure it is appropriately aligned with UU's published Final Assurance Plan and a fair reflection of associated assurance activities;
- Review the process for identifying and agreeing compliance departures from statutory, licence and regulatory obligations and reporting of these within the Risk & Compliance Statement; and
- Review the Board statement for reasonableness.

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Review of the Annual Performance Report (APR) 2023

Note: The review was carried out alongside the preparation of the regulatory data and therefore we will feedback any observations in real-time to the Economic Regulation team.

Exclusions from scope

- As testing was performed on a sample basis, the review did not verify all the regulatory data or compliance with regulatory obligations;
- Sections 1 and 2 of the Annual Performance Report which are subject to external audit by KPMG with opinion;
- Review of the performance commitment data collection, incentive calculations and reporting processes as this was be performed by the technical auditor Jacobs; and
- The review did not assess the underlying adequacy of other assurance activities performed or the competency and objectivity of the assurance provider. However we considered, by reference to the scope and provider, the appropriateness of the assurance activity given the nature of the risk.

3. Conclusion

There is a robust governance framework in place over the production of the APR data tables and commentaries, and our sample testing has not highlighted any inconsistencies or inaccuracies in the data. The Assurance Report is a fair reflection of the published Assurance Plan and associated assurance activities. The format of the APR is compliant with RAG 3.14 "*Guideline for the format and disclosures for the annual performance report*". We did not identify any issues in our review of the process to identify potential material departures or the content of the Risk and Compliance Statement. The draft Board statement is reasonable and, where relevant, supportable.

Note that our work has been performed on draft copies of the APR and associated documents. We will continue to work alongside Regulatory Contract Team to assure any changes made to the data and/or commentaries and other draft documents until the final publication of the APR.

4. Summary of Audit Findings

4.1 Overall governance arrangements in place to ensure the regulatory data is complete, accurate and reported in line with the required timescale

- ✓ The governance over Regulatory Reporting is documented in a Board paper and is an integral part of the Assurance Framework for AMP7, incorporating the three lines of defence approach.
- ✓ The Assurance Framework was subject to independent assessment by Deloitte who concluded that *"the framework is effective in its design and operation, comprising of the key, expected elements"*.
- ✓ We confirmed that a UU APR delivery timetable has been issued to the contributors.
- ✓ The submission of the data is managed through standard evidence packs, the "Performance and Compliance Statements".
- ✓ A JIRA based workflow methodology has been used to workflow and record electronic sign-off of the APR data tables and the associated documentation.
- ✓ The Regulatory Reporting SharePoint site is well structured enabling easy navigation around the site.

No issues noted.

4.2 The validity and consistency of the data and associated commentaries reported in Sections 3 and 4 of the Annual Performance Report

- ✓ We selected a sample of data table blocks (which included multiple lines) and these were traced back to the underlying systems and records with reference to the supporting Methodology Statements. This includes the additional data items requested by Ofwat.
- ✓ For the selected data lines, we confirmed consistency with associated APR commentary.

See Section 5 of this report for details of the sample testing.

No issues noted, however we will continue to work alongside Regulatory Contract Team, to assure any changes made to the data and/or commentaries until the final publication of the APR.

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Review of the Annual Performance Report (APR) 2023

4.3 Compliance of the reported data in the APR with key aspects of Regulatory Accounting Guideline 3.14 "Guideline for the format and disclosures for the annual performance report"

- ✓ We reviewed the content of the draft Annual Performance Report (APR), as at 20 June 2023, against the requirements set out in RAG 3.14 "Guideline for the format and disclosures for the annual performance report" to ensure that the APR included all the required disclosures (e.g. policy notes on revenue recognition, capitalisation policy, bad debt etc.).
- ✓ All the required disclosures are included in the APR. Specifically, the Board statement on completeness and accuracy of data and the measures taken to assure this, complies fully with the provisions set out in RAG 3.14.

No issues noted.

4.4 Review the proposed Assurance Report (to be published along with the Annual Performance Report 2022/23) to ensure it is a fair reflection of UU's published Final Assurance Plan and associated assurance activities

- ✓ We verified, on a sample basis, that the assurance activities as described within the Assurance Plan had been performed.
- ✓ We have reviewed the Assurance Report and are satisfied that it is a fair reflection of the assurance activities performed and the results of those activities.

No issues noted.

4.5 Review the process for identifying and agreeing compliance departures from statutory, licence and regulatory obligations and reporting of these within the Risk & Compliance Statement

- ✓ Potential compliance departures were identified in advance of this year's reporting processes by a sub-group of the Compliance Working Group, which is headed by the Regulatory Contract Manager. The group met in November 2022 to discuss a first draft of the statement and again in March 2023.
- ✓ The draft statement is in line with expectations, including items on environmental permits, licence conditions J and L, and sewer mapping.
- ✓ We reviewed the Risk and Compliance Statement and are satisfied that it is a reasonable description of the activities that the Board undertake to comply with relevant statutory, licence and regulatory obligations.

No issues noted.

4.6 Review the Board statement for reasonableness

- ✓ The requirement within RAG 3.14 for a Board statement on the accuracy and completeness of data and information is included within the Risk and Compliance Statement and we confirmed compliance with the requirement.
- ✓ We have confirmed that the Board statement and Risk and Compliance Statement contain the elements required by RAG 3.14, such as Board engagement and challenge on assurance.
- ✓ We confirmed that exceptions to data accuracy or completeness have been set out in a table following the Risk and Compliance Statement, as required by RAG 3.14.
- ✓ We can confirm that the draft Board statement is reasonable and, where appropriate, supportable.

No issues noted.

Appendix 1 Corporate audit report

Review of the Annual Performance Report (APR) 2023

5. Sample Testing

Sample No.	Table Line Reference	Measure Description	Type	*All Tests completed Without Any Issues noted
1	3A.2 - Interruptions and supporting information	Water supply interruptions - average minutes supply lost per property	PC	Y
2	3A - Leakage and water demand components	Leakage and water demands	PC	Y
3	3A.6 - Unplanned outages	Unplanned outages	PC	Y
4	3A.8 -Lead risk reduced	Number of properties with lead risk reduced	PC	Y
5	3B - Improving river water quality and protecting the env	Protecting the environment from growth and development	PC	Y
6	3D - Developer Services	D-MeX - Developer experience and supporting information	PC	Y
7	4Q - Developer services - new connections, properties and mains	Connections volume data (residential/business/SLP) (water/wastewater) New properties data - SLP connections	Supporting	Y
8	4R - Connected properties, customers and population supporting	Total new residential and business properties connected in year	Supporting	Y
9	6D - Demand management	Metering activities - explanatory variables -no of meter installations	Supporting	Y
10	10E - Green recovery data capture	Green recovery data partnerships to deliver natural solutions - Irwell catchment P	Other data	Y
11	10E - Green recovery data capture	Green recovery data - WINEP at Bury	Other data	Y
12	Customer service standards	GSS notice of interruptions to supply (household/non-household) - Line 13 Unplanned, 12hrs	Supporting	Y
13	Table 28 -Water Balance Calculation Inputs	MUR (Meter Stock)	Supporting	Y

*** Tests performed:**

- RR23 timetable reflects accurately the contributors/owners, and Responsible / Accountable managers;
- Table line data consistent with Performance & Compliance statement;
- Methodology verified by the owner, Responsible and Accountable managers;
- Performance & Compliance statement verified by (signed off) by the owner, Responsible & Accountable managers;
- Responsible manager review evidenced in JIRA;
- Accountable manager review evidenced in JIRA;
- Traced to underlying records and evidence obtained; and
- Executive sign-off evidenced in JIRA (applies to higher risk lines only).

Appendix 2

Certificate demonstrating the delegated authority to sign off the Condition P certificate (ring fencing) July 2023

United Utilities Water Limited

United Utilities
Water for the North West

EXTRACT FROM THE MINUTES OF A MEETING OF THE BOARD OF DIRECTORS HELD AT 10.30AM ON 27 JUNE 2023, AT 55 GROSVENOR STREET, LONDON

………….

8. **UUW STATUTORY AND REGULATORY ACCOUNTS**

8.5 In relation to the UUW Regulatory accounts, the Board also approved the Condition P Ring-Fencing Certificate (the Certificate) and delegated authority to sign the Certificate on behalf of the Company to any one director.

Certified to be a correct extract of the minutes.

……………………..
Jane Gilmore
Deputy Secretary

Appendix 3 Non-standard ODI pro forma

This appendix sets out the calculations for the non-standard outcome delivery incentive payment for abstraction incentive mechanism (AIM) and better air quality.

Introduction

As part of the process to calculate the net outperformance or underperformance payment required, a reconciliation between the reporting period company performance and the performance commitment level for each performance commitment occurs. The majority follow a standard calculation format of:

(A – B) * C

Where A is actual performance, B is the performance commitment level and C is the incentive rate.

However, there are times where complex or non-standard calculations are required in order to provide additional detail regarding the steps to calculate the outperformance or underperformance payment due per performance commitment. In this reporting period, two of our performance commitments required a non-standard calculation approach. A description of each of these performance commitments, and a summary of the level of performance delivered, can be found in Section 1.1 of this document. The section below outlines the calculation steps for each of the two non-standard performance commitments.

C03-WR – Abstraction Incentive Mechanism

There are two components to this performance commitment, associated to two environmentally sensitive sites where abstraction of water is to be reduced – Old Water and Ennerdale – and each has their own incentive rate. Performance is measured in megalitres and a negative number signifies an improved performance as average abstraction is less than the baseline. The nature of the ODI calculation follows the typical approach of:

(A – B) * C

Where A is actual performance, B is the performance commitment level and C is the incentive rate.

However, due to each site having its own incentive rate, as stated in the Outcomes performance commitment appendix (appendix (1) on page 84, this means it is difficult, from table 3A, to specify whether any performance value that is stated is reflective of the performance of the company against only one component of the measure or be an amalgamation of performance across both components. Therefore, a non-standard calculation approach is required to specify our performance against each component.

The calculation for the performance commitment follows the standard (A - B) * C approach. In year three, AIM has not been triggered; therefore, no calculation is required.

C10-BR – Better Air Quality

This performance commitment is bespoke to us and is measured as tonnes of NOx emissions per GWh of renewable electricity generated per year, reported to two decimal places. This is measured in an A/B formula where:

A – total tonnes of NOx emitted per year

B – total renewable electricity generated per year

The result of the A/B calculation is then our performance against the performance commitment level in that reporting period and the value calculated in the A/B calculation should be decreasing across each reporting period in this AMP (found on page 105 of the FD outcomes appendix[1] republished February 2023).

In our business plan submission, within the S3001 Performance Commitments technical document, we stated that the incentive rate was to be applied as a rate per tonne/GWh as opposed to a rate per tonne only. This was applied in order to avoid deterring additional renewable electricity generation.

Based upon projections of tonnes NOx and GWh at that time, an adjustment was calculated as follows:

1.6008 tonnes reduction in NOx will lead to a reduction of 0.01 tonnes NOx per GWh.

Incentive rate per 0.01 tonnes NOx per GWh = 1.6008 x £16,820 per tonne incentive rate = £26,925

Therefore, when calculating the outperformance or underperformance payment due, a 0.01 point conversion is required in order to ensure the incentive is applied and measured as 0.01 NOx/GWh point values. This means that, as part of the standard (A – B) * C approach for the outperformance/underperformance ODI calculation, a conversion step must be added and is done after (A – B), but before applying the incentive rate. This additional calculation step is not included within the FD outcomes Appendix(1) but is required in order to accurately determine the underperformance or outperformance payment due to us for this performance commitment.

Therefore, when applying our actual performance, the performance commitment level and incentive rate (found on page 105 of the FD outcomes appendix[1]) for the 2022/23 reporting year in the above formula and using the additional conversion calculation step (to multiply up the performance by 100 from its 0.01 factoring), the ODI is:

(1.42 – 1.07) * 100 = 35

35 * £0.02690 million = £0.942 million

The outputs of the calculation above indicates that for the 2022/23 reporting period, we outperformed and are due an outperformance payment of £0.619 million as a result of reduced tonnes of NOx emitted per GWh of renewable electricity generated across the period; therefore, we have applied a manual adjustment to correct for the application of this factor as we did last year.

(1) https://www.ofwat.gov.uk/publication/consolidated-pr19-final-determinations-united-utilities-outcomes-performance-commitment-appendix/