

# Our performance 2017-2018

Delivering our promises: a summary guide



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# About this document



## **Our investment and plans for 2015-2020 were shaped by listening to our customers and stakeholders and understanding their priorities for the years ahead.**

This document is a summary of how we've done against the performance commitments we made following this consultation process. It provides updates on our progress so far. As well as some of our successes in the past year, we describe some of the challenges we have faced.

Our full performance scorecard is in Appendix 1 at the end of this document. The scorecard shows how we have performed in 2017-2018 against our targets and the outperformance payment we received or penalty we had to pay. It also shows our performance for the last two years.

This end-of-year review summarises our full Annual Performance Report (APR) 2017-2018, which is available on our website. Our Annual Report and Financial Statements for the year ended 31 March 2018, which is our United Utilities Group PLC yearly report, is also on our website.

We are now over halfway through the 2015-2020 regulatory period, so we have included information in this report about our plans for the next two years and how these could affect bills in the 2020-2025 period.

You can read more about how our performance during 2015-2020 could affect bills for the 2020-2025 period in our AMP6 reconciliation publication. The development of

our plans for 2020-2025 are well underway, and in September 2018 we will publish our proposed business plan.

We were pleased that for the second year running Ofwat placed us in the top 'self-assurance' reporting category, after we published last year's Annual Performance Report. This means Ofwat considers the information we reported last year to be of high quality, and that we are communicating issues in a clear, accessible and transparent way. We are committed to publishing information about our performance that people can understand and trust.

YourVoice panel, the independent customer challenge group, continues to play an important role monitoring, challenging and commenting on our performance on behalf of our customers and stakeholders (those with an interest in our business).

The panel's members include independent customer and business representatives, environmental regulators, Citizens Advice and the Warrington Disability Partnership. You can read more about their thoughts on our overall performance this year on our website. In the last year, the panel has been working closely with us to help make sure our plans for 2020-2025 reflect customer and stakeholder priorities.



# Understanding our performance



As part of our planning for the 2015-2020 period, we spoke to thousands of people across the North West to understand what service they wanted from us. This highlighted five focus areas based on the things that customers and stakeholders told us were the most important features about the services we provide.

Each area has a number of 'outcomes', which set out what we are planning to achieve.

These outcomes are based on 'measures of success' which have annual targets that allow customers and stakeholders to judge our performance.

Like all water companies, we can receive outperformance payments if we meet, or pay penalties if we fail to meet, targets associated with some of these measures.

There are more details about the way these incentives work and how they may affect customer bills in 2020-2025 at the end of this document and in our full APR.

We review the information we provide to customers with the YourVoice panel, which reviews our progress against our 2015-2020 business plan commitments and challenges us to continue to deliver our plans.

YourVoice has had a direct input to this report and the full APR, and presented its findings to our board.

Earlier in the year, we consulted and published details of our governance and our assurance plan to give customers confidence in the information we publish. We have completed the actions set out in our Final Assurance Plan, and independent auditors have reported their findings to our board. The useful links section at the back of this document has links to the Final Assurance Plan which explains how we made sure the information in the APR is correct. There is a link to the full APR document, which has more information about this and includes reports from our independent auditors.

In our business plan for 2015-2020 What we say we will do	What will you see? The outcomes we want to deliver for our customers	Number of performance measures
Provide you with great water	Your drinking water is safe and clean and you have a reliable supply of water now and in the future.	9
Dispose of your wastewater	We remove and treat your wastewater without you ever noticing, and the risk of flooding for homes and businesses is reduced.	4
Give you value for money	Bills for you and future customers are fair. You'll have support if you struggle to pay. Our activities and investment support the North West's economy.	3
Deliver customer service you can rely on	You'll be very satisfied with our service and find it easy to do business with us.	3
Protect and enhance the environment	We will protect and improve the natural environment in the way we deliver services. The North West's bathing and shellfish waters are cleaner because of our work and the work of others. Our services and assets are fit for a changing climate, and our carbon footprint is reduced	8



[Click to see scorecard showing all our measures](#)

# 2017-2018 annual performance overview



Our plans for 2015-2020 are challenging and targets get tougher as we move through the five-year period. Our performance over the first two years of the period earned us an overall outperformance payment of £9.2 million. This year our outperformance payments were smaller than our penalties, and overall we had to pay a penalty of £7 million for 2017-2018.

In 2017-2018, we met or outperformed 20 of our measures and failed seven. Our main areas of outperformance payments came through our performance in limiting pollution and managing the sewer network, which recently transferred to us. In 2016-2017 one of the main areas where we received penalties was sewer flooding. This year we have exceeded our sewer flooding target for the first time during this five-year period. We have, however, seen disappointing performance and penalties for a second year associated with interruptions to water supply (part of the Reliable Water Index) and water discolouration (part of the Water Quality Service Index).

In general, our targets get tougher each year and one-off events can significantly affect a number of measures. So we would expect that even if our performance levels remain relatively high, we are likely to face some further penalties in the later years of the five-year period. In previous reports we thought this would lead to our overall penalties being more than our overall outperformance payments. However, as the plans that we have put in place to improve performance are having a positive effect, we now expect to end the five-year period with a small overall outperformance payment.

To help improve performance levels we have brought forward our five-year £6 billion spending programmes to deliver operational improvements as soon as possible. We are rolling out our systems thinking approach, which looks at how our people work and how we use information we receive to manage our assets, to either deal with problems before they affect customers or to respond to incidents more quickly and effectively when they do happen.

Across the five years, we now expect to outperform the initial spending assumptions, on a like-for-like basis. We are performing well in the way that we have been able to pay for our operations. As a result, we have committed to invest an extra £250 million in a programme of resilience work, designed to provide extra customer and environmental benefits both over the current period and in the longer term. The investment helps our network and treatment processes cope in times of stress. We are improving the resilience of our water treatment works by improving how we start up and shut down processes and providing permanent and temporary UV treatment to control bacteria.

## This year at a glance

- > Despite our performance levels continuing to improve, we had to pay a penalty of £7 million in 2017-2018.
- > We achieved our best ever customer satisfaction scores under Ofwat's service incentive mechanism (SIM).
- > Despite challenging targets, we are on track to earn an outperformance payment on our measures over the five-year period.

# Providing you with great water

5 out of 9

measures achieved

[Click to see scorecard](#)

**Our long-term objective:** Your drinking water is safe and clean and you have reliable supply of water now and in the future.

## What do customers want?

Our customers told us that they were happy with the quality of their water but, in some instances, would like us to improve its taste, smell and appearance. Customers also expect reliable, uninterrupted water supplies, and to have enough water in the North West to keep the taps flowing for many years to come, even in the face of long-term issues such as climate change.

## How have we done?

Our performance against water quality and availability measures has met or gone beyond our targets for five out of nine measures.

We maintained our 100% performance level against our longer-term target for security of supply and beat our leaks target again this year, despite the severe weather and 'freeze thaw' experienced in February and March 2018. We know that customers regard leaks as a priority area and we have recognised this by putting plans in place to reduce leaks further. Customers can help by saving water. For water-saving tips visit our [website](#).

Although we continue to supply a very high level of water quality, there are a few areas where we can improve. We failed to meet our combined water-quality target in 2017-2018, largely due to an increase in the number of complaints we received about discoloured water. Also contributing to the failure of our combined water target was 'mean zonal compliance', which measures our performance against 39 water-quality standards. Our performance this year improved to 99.97%, but the performance commitment increased to 100%. Achieving 100% performance is challenging because of how customers' own internal plumbing affects several water-quality measures.

The number of water-quality events that we report to the Drinking Water Inspectorate (DWI) has increased slightly this year. We are working hard to deal with these issues and have been working closely with the DWI to learn lessons from the incidents we have experienced. We are putting in place a

water-quality transformation plan, delivering improvements at water treatment works and in the network to meet the increasingly challenging water-quality targets.

Our extensive mains-cleaning programme is underway. This will reduce the risk of customers receiving discoloured water. Although our plans aim to improve our performance on water quality, the targets become increasingly tougher so it will be a challenge to meet them in the future.

Our failure to meet performance commitments associated with water-supply interruptions was largely due to a burst pipe in the Lytham area in July 2017 that affected 2,952 properties for longer than 12 hours. We looked at how well we react to put things right when they go wrong. This resulted in our 3R 'Respond, Restore and Repair' approach to dealing with supply interruptions, where we prioritise providing customers' with extra supplies before carrying out repairs. Our 'water on wheels' lorries carry extra water supplies to help us restore customers' water supply while we repair the main. We have expanded our fleet of lorries and are creating 'fast-fill' points so we can restore supplies quickly to more customers.

We continue to focus our investment on poor-condition water mains that supply a large number of customers and on carefully managing pressure in the mains to reduce the number of mains bursts. There is still a risk that despite this hard work we may still have to pay some penalties in the future associated with water-supply interruptions, but we plan to make improvements and earn an outperformance payment by 2019-2020.

We have made good progress on our major project to construct a pipeline which will allow us to transfer water from Thirlmere reservoir into West Cumbria. We are aiming to be able to deliver this project as soon as possible, significantly ahead of the original completion date of 2020-2021. This still depends heavily on the weather and any construction difficulties.

# Disposing of your wastewater



3 out of 4

measures achieved

[Click to see scorecard](#)

**Our long-term objective:** We remove and treat your wastewater without you ever noticing, and the risk of flooding for homes and businesses is reduced.

## What do customers want?

Customers told us they want a reliable wastewater service that works well behind the scenes, and reduced sewer flooding, provided in a cost-effective way that doesn't increase bills.

## How have we done?

We have met three out of four of our measures in this area. We continue to focus on reducing the effect of flooding of customers' homes, by targeting areas that are more likely to experience flooding. Our targets for sewer flooding are very stretching, and our performance against the measure depends heavily on severe weather events.

In the previous two years we suffered from major storms and, although the most extreme events are not included in our reported numbers, these storms do inevitably contribute to the overall number of flooded properties. As a result, we failed to achieve our targets in both 2015-2016 and 2016-2017, and paid a penalty in 2016-2017. This year, our performance improved and we beat our 2017-2018 target, but not by enough to earn an outperformance payment. We are planning further improvements, but as the targets

become more challenging for the next two years there is risk that we may not be able to meet them.

Despite our encouraging performance on sewer flooding, we did not meet the target for our 'future flood risk' measure. This measure looks at the overall risk of properties being flooded and, although we have reduced the risk in the year, our target has also got tougher and we did not improve enough to achieve the target.

This year has seen the overall performance in our sewerage network remain high and we have been able to continue to achieve relatively low numbers of sewer blockages, sewer collapses and equipment failures, which can affect the service we provide to customers and the environment. As a result, we have continued to outperform our wastewater network performance index target.

This year, one of the main areas where we are outperforming is private sewers, where we earned an outperformance payment of £7.376 million. This measure looks at the number of collapses, blockages, flooding and pollution incidents on sewers which used to be 'private' (that is, they used to be the responsibility of customers but are now managed by us).



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# Giving you value for money

1 out of 3

measures achieved

[Click to see scorecard](#)

**Our long-term objective:** Bills for you and future customers are fair. You'll have support if you struggle to pay. Our activities and investment support the North West's economy.

## What do customers want?

Customers want bills that are fair and affordable, with support for those who struggle to pay and money spent on projects that will deliver real improvements to services and the region as a whole. Our priority should be our main water and wastewater services, but we should make the most of opportunities for partnership working to bring about environmental improvements.

## How have we done?

We met one out of three measures in this area. We think it's really important to help customers save money on their water bills and feel they are receiving good value for money for the services they pay for. We went beyond our measure for value for money, with 52% of customers saying our services provided value for money. Research tells us that customers' views about the value of our service can be improved by greater understanding of the work we do, so we continue to take opportunities to talk about how customers can save money as well as promoting the wider services we provide.

We continue to be committed to helping our customers who are struggling to pay, and have continued to promote our range of help schemes in the media and through customer roadshows throughout the region.

In January, we hosted the first ever North West Affordability summit, working with key stakeholders and building on our leading position on affordability and vulnerability. This work supports Priority Services, which was re-launched in 2016 to provide more targeted support and tailored help for customers experiencing short- or long-term personal or financial difficulties. Over 52,000 customers have registered for this service. We contribute each year to the United Utilities Trust Fund, which has been effective in helping customers who are having difficulties paying their bills return to making regular payments.

We've failed to reach our targeted reduction in the amount of water each household uses. We have continued to promote water efficiency and water meters to customers throughout the year, but the amount of water each household uses has

increased compared with last year. We have delivered a significant water-efficiency programme, including competitions, summer events, advertising in the press, on the radio and on the back of buses, home visits, roadshows and digital campaigns, and have provided more than 70,000 water-efficiency devices that customers ordered online. These campaigns lead to an increase in the number of customers visiting our website. Further water-efficiency initiatives are ongoing and planned, particularly our project using information about water to encourage customers to save water and money. The factors that influence how much water customers use are wide-ranging and highly complex, and this measure is difficult to control. Although we are considering a number of extra initiatives and trials, there is a risk we won't meet our targets for the next two years.

We are aware that we cannot deliver environmental and social challenges on our own. By supporting partners with similar aims we are able to work together and, in most cases, attract further funding from other sources – helping our customers' money go even further. Natural Course, a project looking at ways to protect and improve the region's water environment, is benefiting from involvement from local authorities, regulators and the Rivers Trusts. For every £1 we contribute, a further £4 comes from our partners.

Partnerships are offering a great way of connecting communities with similar issues. Our Love My Beach partnership (with Keep Britain Tidy and the Environment Agency) has continued to grow, with nearly 600 volunteers – including over 200 of our own employees – dedicating over 8,800 hours to cleaning beaches, removing 6,500 bags of litter from beaches and estuaries.

We believe passionately in using our investment programme to help keep the North West economy moving – generating jobs and income through our capital investments. Supporting jobs through our supply chain encourages the development of skills and jobs the North West economy needs. Working with responsible suppliers means we can achieve more and succeed together.

# Delivering customer service you can rely on



3 out of 3

measures achieved

[Click to see scorecard](#)

**Our long-term objective:** You'll be very satisfied with our service and find it easy to do business with us.

## What do customers want?

Customers want great service from us every time they get in touch. They want easy access to our services and information, any problems they have with us to be dealt with quickly and professionally, and great communication from us about any issues we can't solve straight away.

## How have we done?

We have met all three of our measures in this area. We have delivered further improvements in customer satisfaction over the year and a step change in performance since 2015. We have achieved this through a strong customer focus, combining higher levels of investment to improve resilience, greater use of technology to deliver better customer service and our leading approach to supporting vulnerable customers.

This improvement is reflected in our performance on the service incentive mechanism (SIM), where we achieved our best ever score this year against Ofwat's qualitative SIM measure. Our target for the SIM is to be in the top quarter of the water and sewerage companies in the England and Wales water-industry performance tables.

As the SIM assessment is made in relation to other companies' performance, it can only be made when all companies have reported their performance. We expect to achieve our target of being in the top quarter for the year overall, but our ranking is still to be confirmed by Ofwat.

This performance is mirrored across other customer-satisfaction measures, including being in the top quarter of the UK Customer Satisfaction Index which covers all industries, and being the leading listed company for the Consumer Council for Water's customer-satisfaction research.

We continued to put in place our wide-ranging Customer Experience Programme. This programme focuses on a range of developments – some of which are about investing in technology – to allow us to better respond to what

customers want from us and deliver major improvements in our customer service. Last year we launched our new customer website and webchat facility, making it easier for customers to find information and contact us.

We've improved many of our key processes and introduced new services that customers want and value, such as Moving Home and Priority Services. Priority Services provides dedicated support to customers with disabilities, or who are experiencing personal challenges or in financial hardship.

The programme has also introduced improvements in digital contact channels and a new smartphone app. Following feedback from customers, we have redesigned our bill to make it as straightforward as possible. The most important information is now on page 1 with a clear breakdown of information.

Part of our objective for this promise is to provide an improved service to developers, local authorities and highway authorities. Introducing new IT systems and working procedures saw an overall improvement in our service in 2016-2017. Unfortunately, our performance in 2017-2018 fell slightly and responses in some areas were delayed due to resource issues. We still outperformed our target, but we are working hard to improve our performance and deliver a service that is better than our targets, which can be seen in a dedicated page on our website.



# Protecting and enhancing the environment



8 out of 8

measures achieved

[Click to see scorecard](#)

**Our long-term objective:** We will protect and improve the natural environment in the way we deliver services. The North West's bathing and shellfish waters are cleaner through our work and that of others. Our services and assets are fit for a changing climate and our carbon footprint is reduced.

## What do customers want?

Customers who live in the North West are passionate about their coastlines, recognising the link between good bathing water, tourism and the economic success of our local communities. They expect us to protect and improve the areas of natural beauty we own and work to reduce our carbon footprint.

## How have we done?

We are pleased to have been able to meet all eight of our measures in this area.

Our continued leading environmental performance is reflected in our 'Industry Leading Company' status as measured through the Environment Agency's annual assessment. We kept our 4-star performance for 2017-2018.

We are delivering a wide-ranging programme which aims to improve the environment in this five-year period.

We continued to make good progress in delivering this programme in 2017-2018. Over the first three years of the programme, we have delivered some bathing-water and

river-improvement schemes ahead of schedule. But one scheme, which was due to be delivered in 2017-2018, was not fully completed in the year and as a result we were slightly behind our target at the end of 2017-2018. Overall, the effect of delivering some schemes ahead of schedule has been greater than the effect of the delay in delivering on schedule, so we received an outperformance incentive payment.

We significantly improved the level of performance at our wastewater treatment works in 2017-2018 and outperformed our performance target again this year. This improvement has been the result of bringing forward our spending programme, combined with improved remote monitoring and control on key processes within our treatment works.

Sludge is a by-product of treating wastewater. Our sludge treatment and disposal activities continue to make sure that we meet our environmental requirements. We are continuing to make better use of this valuable resource by promoting the use of sludge as an alternative to fertiliser and other energy sources. We made significant progress in increasing the amount of energy generated from our sludge, with a target of producing 35% of our own electricity by 2020.



# Looking to the future



**We brought forward our investment programme to deliver the early benefit of operational efficiencies and provide a better service to our customers, as measured through our target measures. Our innovative systems thinking approach to information, assets and people continues to lead to long-term operational improvements in service delivery, resilience and investment efficiencies.**

In the first two years of the 2015-2020 period we outperformed some measures and underperformed others but, overall, we earned an outperformance payment. In 2017-2018 we have seen mixed performance again which, overall, has resulted in a penalty. Further work is needed to make sure we meet the tougher targets for the next two years, but the improvements in performance we have made so far and the plans we have in place mean we are expecting to earn a small outperformance payment over the full 2015-2020 period.

We delivered a strong set of financial results for the year, supported by a strong capital structure and solid investment-grade credit rating. This means that we have continued to deliver a strong performance for our customers, shareholders and the environment. We are sharing the success and have committed to £250 million of further investment to support resilience projects that will bring extra customer benefits, both over the next three years and in the longer term.

We want to make it easier for you to see how we are doing in meeting our commitments, and have been working with other companies and regulators to develop comparable measures. Our plans for 2020-2025 will incorporate these common measures so customers can compare how we are performing against other companies. We realise that some of the combined measures we are currently reporting against are complex, so in the future we will simplify them to make it easier to see where we are performing well and where we could do better.

We are advanced in our plans for 2020-2025, informed by extensive consultation with customers regarding their needs and priorities. We will publish our draft PR19 business plan in September 2018 and we are confident that it will deliver against the four key themes – great customer service, affordable bills, innovation and resilience. These are not new for us in the way that we run our business and have been areas of focus for us for some time. In many of these areas, we are a leader in the industry and already have plans in place to build on this from 2020 and beyond.

You can read more on our overall performance this year on our [website](#).



# Our full performance scorecard for 2017-2018

## Appendix 1

Performance commitment	Performance			Target		2017/18 incentives	
	2015/16	2016/17	2017/18	2017/18	Pass / Fail	Impact	Value £m
<b>We promise to provide you with great water</b>							
Drinking Water Safety Plan risk score	4.3	4.3	4.3	<=4.3	Pass	Reputational	
Water quality events DWI category 3 or above	35	22	27	<=10	Fail	Penalty	-0.745
Water Quality Service Index	120.5	116.9	98.6	>=145.9	Fail	Penalty	-3.619
Average minutes supply lost per property (a year)	16:42	13:33	13:09	<=12	Fail	Penalty	-5.962
Reliable water service index	16.4	77.8	70.8	>=100	Fail	Penalty	-7.974
Security of supply index (SoSI)	100	100	100	=100	Pass	At target	
Total leakage at or below target	10.8	23.4	9.1	>=0	Pass	Deadband	
Resilience of impounding reservoirs	161.61	164.25	165.42	>=164.44	Pass	No out performance payment	
Thirlmere transfer into West Cumbria (see note 1)	2	5	25.0	>=21	On track	At target	
<b>We promise to dispose of your wastewater</b>							
Private sewers service index	91.69	91.92	85.00	<=100	Pass	Out performance payment	7.376
Wastewater network performance index	90.95	89.47	86.17	<=99.4	Pass	At target	
Future flood risk	16,472	16,418	16,395	<=16,341	Fail	Reputational	
Sewer flooding index	100.8	94.4	70.0	<=73.9	Pass	Deadband	
<b>We promise to give you value for money</b>							
Number of free water meters installed	27,197	32,447	36,615	>=57,393	Fail	Reputational	
Customers saying that we offer value for money	50	52	52	>=51	Pass	Reputational	
Per household consumption	303	305	311	<=289	Fail	Reputational	
<b>We promise to deliver customer service you can rely on</b>							
Service incentive mechanism (SIM) (see note 2)	82	85	87	UQWASQ	TBC	TBC	TBC
Customer Experience Programme (see note 1)	0.001	0.363	2.576	>=6.396	On track	Deadband	
Delivering our commitments to developers	95%	98%	94%	>=93%	Pass	Reputational	
<b>We promise to protect and enhance the environment</b>							
Contribution to rivers improved - water programme	30.8	82.6	86.0	>=6.6km	Pass	Out performance payment	0.185
Contribution to bathing waters improved	0.47	0.66	1.49	>=1.49	Pass	No out performance payment	
Protecting rivers from deterioration due to growth	48.0	48.0	210.5	>=190.1	Pass	No out performance payment	
Maintaining our wastewater treatment works	91.48	58.71	30.47	<=83	Pass	No out performance payment	
Contribution to rivers improved wastewater (Km)	0.75	46.98	120.73	>=121.83	On track	Out performance payment	0.428
Wastewater (category 1 & 2) pollution incidents	4	2	0	<=3	Pass	No out performance payment	
Wastewater category 3 pollution incidents	136	150	129	<=198	Pass	Out performance payment	3.278
Satisfactory sludge disposal	100.00	100.00	100.00	<=100	Pass	At target	
<b>Totals</b>							
Total incentive position <sup>3</sup>							-7.033

Here is our performance scorecard, as included within our Annual Performance Report (APR).

It lists our key performance measures and performance for the first three years of the current regulatory period (2015-2016, 2016-2017, 2017-2018). The scorecard shows the target performance for 2017-2018, whether we met the target and if we receive a penalty or out performance payment for our 2017-2018.

To see the APR  [click here](#)

 Met or beat our performance commitment (and will receive a financial out-performance payment, where this applies)

 Failed to meet our performance commitment (and will pay a financial penalty, where this applies)

<sup>1</sup> The penalty or out-performance payment for these measures is based upon the performance at the end of the five year period only. The annual performance assesses whether we are on track to achieve this target.

<sup>2</sup> Upper quartile for water and sewerage companies. Our calculations show we have met our target for 2017/18 however this is a measure of our performance relative to other companies and we are waiting for confirmation from Ofwat that we have passed.

<sup>3</sup> Although a total incentive position is provided in the table, actual penalties or out-performance payments are determined individually for each price control.

Please note: Plain English Campaign's Crystal Mark does not apply to our performance scorecard.

# Penalties and outperformance payment for our performance – how does it work?

## Appendix 2

**At the 2014 Price Review, we set annual performance commitments based on what our customers and stakeholders told us they would be willing to pay for our service, or on the cost of service failure. Many of our 2015-2020 performance commitments are challenging and require a significant improvement on our 2010-2015 levels of performance.**

Some of our performance commitments don't carry a penalty or outperformance payment, but they do have a 'reputational incentive' as our success or failure affects how we are seen as a company. Some reputational incentives are a focus for our regulators. For example, if we failed to maintain our Drinking Water Safety Plan score this would affect our reputation and the Drinking Water inspectorate could also take regulatory action against us.

Most of the performance commitments do carry a penalty if we do not achieve them, and for some of these we can also earn an outperformance payment if we beat the commitment.

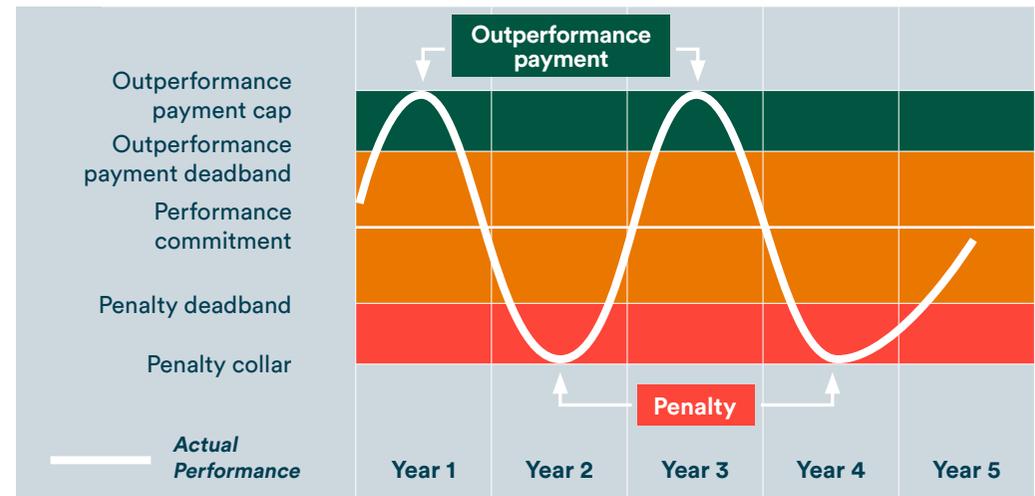
If we meet the performance commitments, we break even and don't earn an outperformance payment or have to pay a penalty. We only start to earn money once we beat the target, or have to pay a penalty if we drop below a target. There is a limit or 'cap' to the amount we can receive from an outperformance payment for each promise in any given year. Customers told us that they were willing to pay for improved service in some areas. Any outperformance payment that we might achieve will only affect bills after the 2015-2020 period.

There is also a limit (known as a 'collar') to the amount we have to pay in penalties for underperforming. For some measures, we have to outperform (or underperform) by a certain level, before there is a financial effect. This is because target setting is not always a precise science.

For example, when we get lots of rain it might be difficult to meet our sewer flooding commitment. That's why there's a margin or buffer built into this measure (known as the 'deadband'), which means we don't immediately pay penalties as soon as we fall below a target. Similarly, we don't immediately

receive an outperformance payment as soon as we outperform a target. We have to get beyond the outperformance payment 'deadband' to start earning outperformance payments – to guarantee our great performance is the result of our own efforts, and not the happy result of external factors, such as a mild winter, for example.

There is more information about our performance in relation to penalties and outperformance payment in our full APR 2017-2018 at [unitedutilities.com](http://unitedutilities.com)



There is more information about our performance in relation to penalties and outperformance payment in our full [Annual Performance Report](#)

Please note: Plain English Campaign's Crystal Mark does not apply to this illustration.

# Anticipated performance for the remainder of the 2015-2020 period

## Appendix 3

Although many of our performance commitments are dependent upon factors that are not within our direct control, such as the weather, we expect to at least maintain performance levels over the next two years and we also expect to generate an out-performance payment due to the acceleration of a major project to supply West Cumbria with water from Thirlmere. However, as many of the targets continue to get tougher, we may start to incur additional penalties against a number of these measures. Our current view of the potential future incentive payments for each of our performance measures is shown below.

	Incentive type	Actual incentive			Forecast incentive		
		2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 Total
<b>Water</b>							
A2: Water quality events DWI category 3 or above	Penalty only	-0.4	-0.6	-0.7	-0.9	-1.2	-3.9
A3: Water Quality Service Index	Out performance payment and penalty	0.2	-3.6	-3.6	-3.6	-3.6	-14.2
B1: Average minutes supply lost per property (a year)	Out performance payment and penalty	0.0	0.0	-6.0	0.0	1.3	-4.6
B2: Reliable water service index	Out performance payment and penalty	-8.0	-8.0	-8.0	-8.0	0.0	-31.9
B3: Security of supply index (SoSI)	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
B4: Total leakage at or below target	Out performance payment and penalty	0.0	9.1	0.0	1.6	1.6	12.4
B5: Resilience of impounding reservoirs	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
B6: Thirlmere transfer into West Cumbria	Out performance payment and penalty	0.0	0.0	0.0	0.0	21.2	21.2
C1: Contribution to rivers improved - water programme (NEP schemes and abstraction changes at 4 AIM sites)	Out performance payment and penalty	0.1	0.2	0.2	0.2	0.0	0.6
<b>Water total</b>							<b>-20.4</b>
<b>Wastewater</b>							
S-A1: Private sewers service index	Out performance payment and penalty	7.4	7.4	7.4	7.4	7.4	36.9
S-A2: Wastewater network performance index	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
S-B2: Sewer flooding index	Out performance payment and penalty	0.0	-1.5	0.0	-9.0	-8.8	-19.2
S-C1: Contribution to bathing waters improved (includes NEP phase 3&4 bathing water intermittent discharge projects)	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
S-D1: Protecting rivers from deterioration due to population growth (includes Davyhulme non-delivery penalty)	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
S-D2: Maintaining our wastewater treatment works (includes Oldham and Royton WWTWs special cost factor claims)	Penalty only	0.0	0.0	0.0	0.0	-4.4	-4.4
S-D3: Contribution to rivers improved - wastewater programme (includes Oldham, Royton and Windermere)	Out performance payment and penalty	0.0	0.4	0.4	0.1	0.0	0.8
S-D4a: Wastewater serious (category 1 and 2) pollution incidents	Penalty only	0.0	0.0	0.0	0.0	-0.1	0.0
S-D4b: Wastewater category 3 pollution incidents	Out performance payment and penalty	3.3	3.3	3.3	3.3	3.3	16.4
S-D5: Satisfactory sludge disposal	Penalty only	0.0	0.0	0.0	0.0	0.0	0.0
<b>Wastewater total</b>							<b>30.5</b>
<b>Household retail total (customer experience programme)</b>							<b>-4.7</b>

The Water, Wastewater and Household retail measures are assessed separately. The Water total and Household retail totals are both penalties. These penalties are fully paid to customers through reduced bills during 2020-2025. The Wastewater total is an out performance payment. This payment is received through increases to customer bills during 2020-2025 and over the longer term, to reduce the impact on bills in any year.

In addition to the outcome delivery incentives, there are a number of other incentive mechanisms that will adjust customer bills in the 2020-2025 period.

Our anticipated performance against these incentive mechanisms and the impact that this would have on customer bills is set out within our PR14 reconciliation submission.(link)

Our plans for the 2020-2025 period and the impact of these plans on customer bills will be published on our website in September 2018.

Please note: Plain English Campaign's Crystal Mark does not apply to this appendix.

# Useful links



- [United Utilities Annual Performance Report 2017/18](#)
- [United Utilities Final Assurance Plan for our Annual Performance Report 2017/18](#)
- [Historic yearly reports to our regulator, Ofwat](#)
- [United Utilities Group PLC Annual Report and Financial Statements for the year ended 31 March 2018](#)
- [Historic United Utilities Group PLC Annual Reports](#)
- [Our final Business Plan for 2015-20](#)
- [Playing our part in the North West – 25 year strategy](#)
- [YourVoice customer panel](#)
- [Acting responsibly matters: the way we do business \(our Corporate Responsibility reporting\)](#)
- [Historic United Utilities Corporate Responsibility reports](#)
- [Discover Water – UU performance compared with other water companies](#)