

PR19 Business Plan Presentation Pro-forma – August 2018 update

Briefing for Ofwat Non-Executive Directors and senior leadership

As indicated in our final methodology for the 2019 price review (PR19) published in December, this pro-forma draws together high level information and key metrics from the business plan and explains the drivers behind the business plan, the key benefits for customers and the impact on customer bills.

The pro-forma has been developed to support discussion at the PR19 business plan presentations taking place during September-October 2018, and to ensure a consistent approach across companies to briefing Ofwat board members for these. The pro-forma will be provided to Ofwat Board members and senior leadership ahead of these presentations. These presentations will not form part of our initial assessment of business plans process, nor are a substitute in any way for business plans.

The presentations are scheduled for an hour, with a presentation of 15 minutes followed by up to 45 minutes for questions and discussion. These presentations provide an opportunity for companies to set out their business plans to Ofwat, including Ofwat Board members. **We do not expect companies to use this pro-forma as the basis for the presentation itself.**

For PR19, we expect companies to deliver an ambitious business plan that delivers on our four key themes of innovation, great customer service, affordability and increased resilience. We are expecting companies to challenge themselves in these areas, and this pro-forma and the business plan presentations provide an opportunity for companies to demonstrate how they are meeting this challenge.

Guidance on completing the pro-forma

To support companies in completing this pro-forma, we have published guidance tables which include references to the relevant PR19 business plan tables to draw the information requested from. Where the information requested is not held in PR19 business plan tables, we have indicated where this should be drawn from by companies (for example, the PR14 final determination). The PR19 bill movement model has also been published in order to complete the bill movement waterfall chart (table 2.1).

Submission of pro-forma to Ofwat

We expect companies to submit the completed pro-forma, guidance tables and PR19 bill movement model to Ofwat along with PR19 Business Plans by 5pm Monday 3 September 2018.

Publication of the completed pro-forma

As outlined in our final methodology, to improve transparency we want companies to make their business plans available to us, companies, customers, stakeholders and other regulators. We therefore expect them to publish the whole of their business plans at the same time as they submit their plans to us in September 2018. We ask that companies publish their completed pro-forma, guidance tables and PR19 bill movement model alongside their business plans as well as submitting these to us on 3 September 2018.

If a company considers some information should not be published – because it is commercially sensitive information, for example – then the company will need to provide its stakeholders and us with strong, robust reasons that are specific to the information concerned.

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1. Background

1.1 Company pen pic

Please provide a short summary of the ownership structure of the company, including whether there have been any changes to this since 2014 [max. 150 words].

United Utilities is a water and wastewater company located in Warrington, serving the North West of England.

United Utilities Water Limited is wholly-owned and the principal subsidiary of United Utilities Group PLC, accounting for approximately 98% of group revenues. United Utilities is a publicly listed FTSE100 company, listed on the London Stock Exchange. There have been no changes to this structure since 2014.

1.2 List of attendees

Please provide the names and job titles of attendees for the business plan presentation meeting. Please note there is an opportunity to provide more detailed attendee biographies in Appendix 1.

United Utilities Water Limited

- Dr John McAdam (Chairman)
- Mark Clare (Senior Independent Non-Executive Director)
- Steve Mogford (Chief Executive Officer, CEO)
- Russ Houlden (Chief Financial Officer, CFO)
- Steve Fraser (Chief Operating Officer, COO)
- Louise Beardmore (Customer Services and People Director)
- James Bullock (Strategy and Regulation Director)
- Jo Harrison (Asset Management Director)

Your Voice (CCG)

- Bernice Law (Chair)

2. Key business plan metrics

PR19 key themes

Please set out here how you consider the approach you have taken to your business plan is consistent with the key themes for PR19 of innovation, great customer service, affordability and increased resilience. Where relevant, you may wish to additionally link this to information included elsewhere in this pro-forma [max. 300 words].

Affordability

Our 10.5% bill reduction cements 15 years of below inflation increases for customers. This is supported by £1bn reduction in wholesale totex and 33% reduction in retail costs vs AMP5.

Our plan supports a 250,000 reduction in the number of households in water poverty by 2025. We are committing to a minimum of £72m of company funding for financial support schemes. This will take a further 66,500 households out of water poverty through targeted support.

Innovation

Our plan drives forward systems thinking in AMP7 through further investment and an ODI which rewards development and demonstration of enhanced corporate capability.

We outline 26 major case studies of innovation – from satellites to sniffer dogs – driving £450m of cost savings compared to AMP5. A further £359m of savings have been identified from a full scale review of market engagement and make-or-buy decisions.

Great customer service

As #1 ranked WASC in the UK Customer Services Institute survey, we will deliver great customer service through the widest range of digital and traditional channels.

By 2025 we will deliver a 5x increase the number of customers supported through Priority Services compared to 2015. We will continue our leadership on services to vulnerable and financially stressed customers under the scrutiny of an Independent Affordability and Vulnerability panel.

Resilience

We plan to push further our position as a sector leader on financial and corporate resilience, supported by sound financing policies and corporate systems. We will continue to target frontier shifting, leading environmental performance.

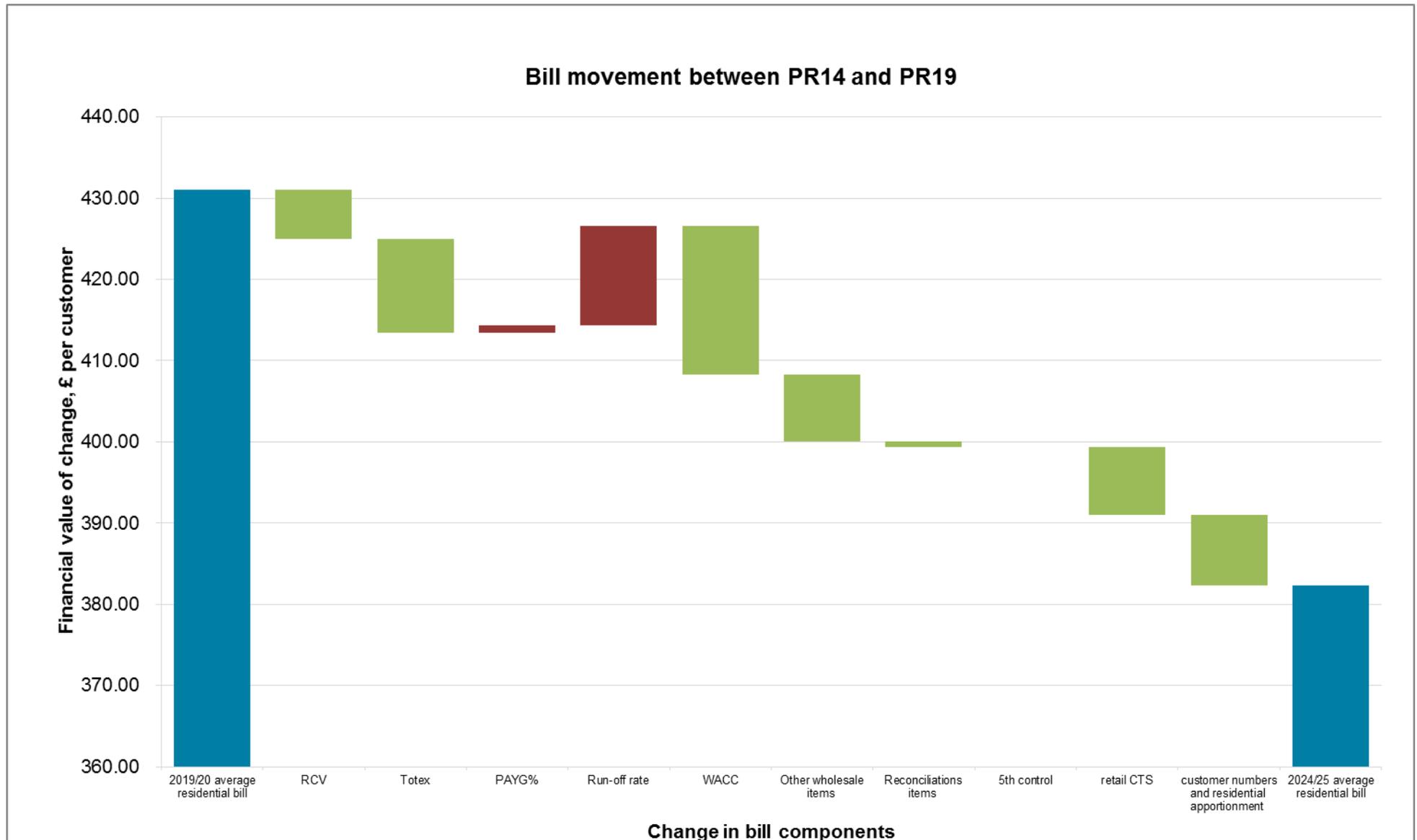
We have committed an additional £250m investment in resilience during AMP6 and will continue to deliver an improving underlying operational resilience capability in AMP7. We will also procure a major resilience project to support water supplies for customers in Manchester and the Pennines, through an innovative direct procurement approach.

Table 2.1: Waterfall chart

This chart provides an overview of what is driving changes to bills between 2019-20 and 2024-25. The inputs to the waterfall chart are in price base 2017-18 year average CPIH deflated. We have published the [PR19 bill movement model](#) in order for companies to developed the waterfall chart.

Inputs to bill movement chart	£ per customer
2019-20 Bill	431.04
Changes between 2019/20 and 2024/25	
Change in RCV	(6.11)
Change in Totex	(11.52)
Change in PAYG%	0.89
Change in Run-off rate	12.28
Change in WACC	(18.35)
Change in Other wholesale items	(8.14)
Change in Reconciliations items	(0.71)
Change in retail CTS	(8.40)
Change in customer numbers and residential apportionment	(8.63)
2024-25 Bill	382.33

Business plan briefing
United Utilities Water Limited



* Ofwat calculates the return on RCV using a real WACC. Ofwat used a WACC expressed in real RPI terms for PR14 returns, while it is using a WACC expressed in real CPIH terms for PR19 calculations. The use of the real CPIH terms WACC reduces the fall in bills at PR19 from lowering the nominal WACC. This is because the real CPIH terms WACC is around one percent higher than the WACC expressed in real RPI terms.

Explanation of movement in customers' bills

Please set out the key factors that are driving the movement in customers' bills from PR14 to PR19 [max. 200 words].

Our business plan proposes to reduce bills by 10.5% (£45 in real terms) from £427 in 2019/20 to £382 in 2024/25.

Assuming 2% per annum CPIH inflation, we anticipate our bills will fall by £5 in nominal terms between 2019/20 and 2024/25. Our view of the key drivers is as follows:

We face the following upward pressures on bills:

- £12 increase due to new environmental obligations and other service enhancements
- £0.5 from expected completion of first phase of Manchester & Pennines Resilience project (final bill impact will be £8 by 2029/30)

We have achieved bill reduction through the following actions:

- £21 due to embracing Ofwat's AMP7 WACC guidance, including the resulting impact on tax
- £21 from lower base costs to maintain services, including reduced recovery of pension deficit payments
 - £13 from wholesale
 - £8 from residential retail
- £3 from lower PAYG advancement (compared with PR14) to maintain financeability
- £9 due to increases in customer numbers
- £3 due to other items (e.g. AMP6 reconciliation, PR14 CIS adjustment, revenue re-profiling, etc.)

Our expected 2019/20 average bill of £427 is also £4 lower than the £431 on the chart, as we will be passing back over-recovery of prior year revenues to customers.

Customer Expectations

Please provide a brief summary of your understanding of your customers' expectations and preferences for your business plan. [max 300 words].

Customers want better value for money, from a service provider that cares about them and the community they serve, acting responsibly and with integrity and more importantly listening to what they want and need and responding quickly.

They want us to deliver great service and be available at a time that suits them and to interact via a channel of their choice, whether digital or traditional.

They want us to avoid service failure and innovate to achieve this. But if there are service interruptions they want to be kept proactively informed and for us to put things right quickly, say sorry and learn from our mistakes.

They want us to protect the quality of their water supplies, to minimise pollution and maximise our positive impact on the environment. They do not want us to waste resources. They expect us to be fair with all stakeholders including shareholders and employees.

They and we recognise the important role we play in supporting customers in vulnerable circumstances by proactively offering them bespoke and targeted help and differentiating our service accordingly. Recognising the demographics of our region customers want support to keep bills low, providing them with information about their use of the service and how they can do more to reduce their bills by using less. If times are hard they want help and support to avoid or recover from debt. They also expect us to be firm and fair with those customers who have the means to pay but choose not to.

Customers expect us to set stretching targets for delivery. They expect us to be continuously evaluating and benchmarking ourselves with customer brands that champion great service, innovating for today and tomorrow.

Business plan briefing
United Utilities Water Limited

Table 2.2: Key business plan metrics

Metric	PR14 (2019-20) 31 March 2020 estimate	PR19 (2024-25) 31 March 2025 estimate	2019-20 to 2024-25 % change (leakage and PCC)
Number of residential water only customers (000s)	72.196	74.263	
Number of residential wastewater only customers (000s)	75.038	74.658	
Number of residential water and wastewater customers (000s)	2873.192	2990.544	
Total leakage (MI per day) Based on PR19 definition, annual average	448.23	381.00	-15.00%
Leakage (cubic metres per km of main per day) Based on PR19 definition, annual average	10.8	8.8	-18.7%
Leakage (litres per property per day) Based on PR19 definition, annual average	134.5	106.9	-20.5%
Per Capita Consumption (PCC) Based on PR19 definition, annual average	140.72	136.29	-3.14%
ODI RoRE range	-2.0% +0.7%	-1.86% +1.90%	
Appointee WACC (real RPI)	3.54%	2.40%	
Appointee WACC (real CPIH)	4.56%	3.40%	
Credit rating – actual financial structure	A3/BBB+	A3 (Moody's) / BBB+ (S&P)	
Metric	PR14 (2015-2020 Average)	PR19 (2020-25 Average)	
Adjusted interest cover notional	2.02	1.55	
FFO net debt notional (1)	0.11	0.10	
Metric	2017-18 Actual	PR19 (2020-25 Average)	
Actual gearing	64.69%	60.94%	
Adjusted interest cover actual	2.98	2.29	
FFO net debt actual (1)	0.11	0.11	

(1) FFO:Debt values are reported here on a different basis than those used by credit ratings agency Standard & Poor's. For example, the FFO component only deducts cash interest, not the total interest expensed.

Commitment to financial resilience

Please set out here how you will maintain commitment to financial resilience [max. 150 words].

UUW is a conventionally geared and financed company with a strong track record of prudent financial stewardship. The business plan further builds on this approach.

- We target credit ratings of Baa1/BBB+ for the notional company - which corresponds to A3/BBB+ for the actual company - with gearing reducing through AMP7.
- Delivery against our plan would provide sufficient financial headroom to withstand significant external shocks through additional sources of liquidity and we have sought independent external advice which supports this view.
- We have set out a clear dividend policy calibrated to the allowed equity return, gearing and outperformance.
- We have worked hard to deliver sustainable funding of our pension scheme, resulting in an IFRS pension surplus.
- We have adopted Ofwat's gearing incentive mechanism, without any glidepath. If gearing were to exceed 70% and dividends continued to be paid, we would publish our plan to return gearing to more normalised levels.

Table 2.3: RCV

Control	1 April 2020 (£m) Opening RCV 2017-18 FYA (CPIH deflated)	30 March 2025 (£m) Closing RCV (2) 2017-18 FYA (CPIH deflated)	% growth
Water resources RCV	556.543	518.547	-7%
Water network Plus RCV	3,418.766	3,157.346	-8%
Wastewater network Plus RCV	6,801.587	6,694.946	-2%
Bioresources RCV	438.820	399.851	-9%

Table 2.4: Dividends

Metric £m	2015-16	2016-17	2017-18		
Outturn (nominal prices)					
Dividends (based on PR14 actual company structure) (3)	180.367	242.688	311.056		
Outturn (nominal prices)	2020-21	2021-22	2022-23	2023-24	2024-25
Dividends (based on PR19 actual company structure)	220.788	227.201	234.195	241.589	249.629

(2) RCV values in 2025 exclude “RPI-wedge” inflation, the annual difference between RPI and CPIH, which applies to the RPI indexed portion of the RCV. This leads to an understatement of the 2025 RCV in this table of c.2%.

(3) The 2017/18 dividend of £311m includes distributed outperformance in relation to 2016/17 and 2017/18 of £94.070m as set out on p157 our 2017/18 Annual Performance Report.

Dividend Policy

Please provide a short statement here on your company's dividend policy [max. 150 words].

Our dividend policy has three core components:

- Base dividend of 5% of equity RCV, in line with Ofwat IAP test
- A further potential distribution of 2% of RORE, reflecting, for example, outperformance
- Further distributions in excess of this to be matched 1:1 with additional customer benefits

Distributions may vary from this:

- to manage high (>70%) or low (<60%) gearing back into the normal range;
- in the event of the company delivering poor performance or materially failing statutory obligations;
- if payment of a dividend would seriously detriment financial resilience for stakeholders including customers and employees; or,
- in the event of truly exceptional or unforeseen circumstances.

The Board will explain its dividend policy every year.

The overarching aim is to embed a clear commitment to responsible financing and benefit sharing, building trust and confidence in our treatment of stakeholders. We expect our decisions on dividends to be judged on that basis.

3. Appendices

Appendix 1: Company presentation attendee biographies

Please include biographies for all company presentation attendees, including the Customer Challenge Group Chair (if attending).

[Max. 100 words per attendee]

Dr John McAdam (Chairman)

John was appointed as non-executive director of United Utilities Group PLC in February 2008 and chairman in July 2008. He was appointed Chairman of United Utilities Water Limited in March 2011. He spent the majority of his career at ICI plc, being appointed to the board in 1999 and as chief executive in 2003, a position held until 2007. He previously held roles as: senior independent director at J Sainsbury plc; non-executive director of Rolls-Royce Holdings plc and senior independent director at Electra Private Equity PLC. He is Chairman of Rentokil Initial plc and senior independent director of Cobham plc.

Mark Clare (Senior Independent Non-Executive Director)

Mark joined the boards of United Utilities in November 2013. He retired as chief executive at Barratt Developments plc in July 2015, a role he had held for nine years. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles within both Centrica plc and British Gas. Mark was also a non-executive director of BAA plc, the airports operator, and Ladbrokes Coral PLC. He is non-executive chairman of Grainger plc and a non-executive director of Premier Marinas Holdings Limited.

Steve Mogford (Chief Executive Officer, CEO)

Steve was appointed as CEO of United Utilities Group PLC in January 2011, and to the Board of United Utilities Water Limited in March 2011. Prior to joining the United Utilities group he was chief executive of SELEX Galileo, the defence electronics company owned by Italian aerospace and defence organisation Finmeccanica, and chief operating officer at BAE Systems PLC and a member of its PLC board, he spent his earlier career with British Aerospace PLC. He is the senior independent non-executive director at G4S PLC.

Russ Houlden (Chief Financial Officer, CFO)

Russ joined the boards of United Utilities Group PLC and United Utilities Water Limited as CFO in October 2010. He previously held roles as chief financial officer at Telecom New Zealand and finance director of: Lovells; BT Wholesale; BT Networks and Information Services; ICI Polyurethanes; and ICI Japan. He is a member of the supervisory board and chairman of the audit committee of Orange Polska SA, the largest listed telecommunications company in Poland. He is a member of the main committee and chairman of the financial reporting committee of the 100 Group.

Steve Fraser (Chief Operating Officer, COO)

Steve has a wide range of project and contract management experience within the infrastructure sector. Prior to joining United Utilities in 2005, he was operations director of Bethell plc, the power and construction group. He served on the United Utilities Water board from 2009 to 2011, and was reappointed as managing director in April 2013. He was appointed COO of United Utilities Water Limited in August 2017 and was also appointed to the board of United Utilities Group PLC in August 2017.

Louise Beardmore (Customer Services and People Director)

Louise has worked within the United Utilities Group for over 20 years, she held a number of senior positions within the group, leading teams in water operations, customer services and HR. She was appointed as a member of the executive team as customer services director in April 2016. Prior to that role, Louise was head of business transformation managing all aspects of transformation across the group driving people, process and technology changes to improve service and drive efficiency. In January 2018, she also assumed responsibility for human resources.

James Bullock (Strategy and Regulation Director)

James joined United Utilities Water Limited in 2012 as director of economic regulation. He was appointed strategy and regulation director and as a member of the executive team in January 2018. He started his career at PwC in London and has also held a variety of roles at ABN AMRO Investment Bank, the Office of Communications (Ofcom) and Water UK.

Jo Harrison (Asset Management Director)

Jo has over 20 years of experience of working in the water industry, joining the United Utilities group in 1998. In her current role she is accountable for setting the asset management strategy for the wholesale business for the next 25 years; including developing and strengthening United Utilities' approach to asset management and environmental regulation and quality as well as improving service to the customers.

Bernice Law (Chair, YourVoice)

Bernice was appointed deputy chair of the United Utilities CCG in 2012 and became chair of the successor, refreshed YourVoice panel in 2017. Bernice retired in 2014 after 40 years in public service working in local and regional government across the North West, ultimately as Chief Executive of Warrington Borough Council. In 2003 Bernice was appointed Chief Operating Officer and Deputy Chief Executive of the North West Regional Development Agency. In 2008, seconded to the Culture Company as Chief Operating Officer, Bernice led the successful delivery of Liverpool Capital of Culture, leaving a great legacy for Liverpool and the NorthWest.

Appendix 2: Business plan executive summary

Please provide a copy (in file formats that can be opened in word) of the executive summary for your business plan.

1. Trusted to deliver value, transparently, every day

1.1 Executive summary



United Utilities is privileged to serve the people and environment of the North West. Over three million homes and 200,000 businesses depend upon us each and every day.

Our commitment to them is to be a transparent, resilient provider of high quality, value for money water and wastewater services. We are pleased to present our business plan to 2025:

- **10.5% real terms reduction in average bills between 2020 and 2025:** Bills lower in real terms than in 2010, contributing towards 250,000 households moving out of water poverty by 2025
- **Help for those who need it most:** Enhanced services for vulnerable customers and increased funding for financial assistance, helping a further 66,500 households out of water poverty
- **Targeting stretching service levels for customers and environment:** Unprecedented extent of customer engagement supports improvements in service standards
- **Reduction of £1bn in expenditure compared to AMP5:** Innovation, efficiency and use of market mechanisms are contributors to lower costs
- **Delivering for the long term:** Major water resilience scheme to be directly procured for customers in Manchester and the Pennines
- **Building on systems thinking:** Proposals to facilitate investment on measurable forward shift in technology capability
- **High levels of corporate legitimacy:** Responsible corporate structure aligned with industry leading environmental performance and strong financial resilience

Our purpose is to provide great service to our customers and communities in the North West, creating long-term value for all of our stakeholders.

Our vision is to be the best UK water and wastewater company. We will realise this by providing the best service to our customers, at the lowest sustainable cost, in a responsible manner.

Our core values are **customer focus, innovation** and **integrity**. Never have these been more appropriate than now, when we need to respond to scrutiny of how the private sector delivers a vital public service.

Our plan builds on a strong track record of performance:

- ➔ We are achieving 4* industry leading environmental performance as measured by the Environment Agency.
- ➔ We have our highest ever customer satisfaction scores in both the SIM and UKCSI measures.
- ➔ We are a leading WaSC on key Drinking Water Inspectorate metrics – CRI and Mean Zonal Compliance.
- ➔ We are delivering significant cost efficiencies compared to the past. Average bills have fallen in real terms over the past decade and will continue to fall through to 2025.
- ➔ Meanwhile, over the past 10 years we have voluntarily reinvested half a billion pounds of outperformance back into the business to secure delivery of resilient services for customers.

This document sets out our ambition to deliver a better quality, more reliable water and wastewater service for customers in the North West to 2025 and beyond. We are cutting bills, delivering higher standards of service, increasing resilience, delivering innovation and investing for the long term.



Affordability

Improving affordability for customers overall and targeting additional support where needed most

Delivery of this business plan will mean that average bills for U UW customers fall in real terms over the 15 years from 2010 to 2025, whilst service standards and environmental quality continue a path of significant improvement. This is a strong value for money proposition, supported by over 80% of customers and which we are committed to deliver.

As well as value, we must deliver affordability. In a region which is home to 41 out of the 100 most deprived communities in England and Wales, we must ensure that we provide service to customers at a price they can afford to pay, for the long term.

We have worked hard to be at the frontier of the industry in delivering affordability schemes and other priority services. We commence AMP7 with over 115,000 customers on financial assistance schemes – double the commitment we gave at PR14. Based on this plan, we expect that 250,000 fewer households would be in water poverty in 2025 compared to now. We aim to help a further 66,500 households out of water poverty through direct support.

In AMP7 we will fully roll out innovative affordability schemes piloted during AMP6. Our unique “lowest bill guarantee” is one new approach to charging which gives confidence to customers that a meter would save money – as well as water. Crucially, effective engagement to build trust on affordability means we are able to help drive engagement with water usage, encouraging sustainable reductions in demand.

Helping the most vulnerable through partnership on priority services

Priority services go wider than financial support. We have led the delivery of tailored services to customers reflecting a broad spectrum of potential needs. To achieve this, we have reached out, reforming our offering by listening to expertise from skilled partners such as Age UK, StepChange and Citizens Advice. Training from organisations like MIND and the Samaritans means we have a dedicated team who are able to spot the signs of vulnerability so that we can deliver an appropriate service.

In AMP6 we created an independent advisory panel on affordability and vulnerability and produced an annual report on our plans and progress. During AMP7 the panel will continue to challenge the company on its approach as we aim to increase take-up of Priority Services to 105,000 by 2025 and deliver enhanced offerings including guaranteed proactive contacts to customers following a network event and prioritised direct delivery of bottled water within four hours of an extended supply interruption.



Customer engagement

Scrutiny of our engagement from an empowered customer challenge group

An independent customer challenge group, YourVoice, has challenged us on how to engage, interpret research findings and reflect them in the business plan. During AMP6, U UW gave YourVoice an enhanced role in providing oversight on how we reported our performance to customers, leading to an industry leading approach to our performance reporting. In AMP7 we will retain their role as scrutineers of our customer engagement and challenging us on how we account to stakeholders for what we have and have not delivered. YourVoice has provided an independently written assessment of our AMP7 approach to customer engagement.



Customer outcomes

Stretching targets to deliver the service standards that customers want

This is a plan which embraces stretching targets for service standards in AMP7 and AMP8. We have adopted Ofwat's common performance commitments and have set ourselves the challenge of achieving our highest ever customer service standards. Sometimes we are accepting targets which may ultimately prove to be out of reach in AMP7 – but by innovating and targeting resources efficiently we have a realistic prospect of achieving our ambition.

We have built our long term plans based on understanding our customers and their priorities. We have reflected the accumulation of insight from our day to day interactions, ongoing conversations, and over 90 bespoke engagement exercises since 2015 to help us prioritise long term investment. Our engagement includes innovative behavioural science and immersive research techniques to supplement stated preference approaches. We have heard and acted on feedback from all sections of the customer base, encompassing household customers, the business community and those who are hard to reach.

Our AMP7 plans have been demonstrably improved by applying customer insight from over 2 million pieces of data. We have taken independent advice through a far-reaching and high-quality triangulation exercise to ensure we have given proper weighting to competing customer valuations. And we are already implementing changes to our service during AMP6, based on our learning from customers, such as the co-created design now applied to bills - tailored by customer segments in order to improve levels of engagement with water consumption and saving money.

Key performance commitments in this plan

Water resources:

- Improving dam safety through an industry leading reservoir resilience programme
- Developing our catchment based approach and extending safeguard zones to improve resilience

Water network plus:

- Reducing leakage by 15% to help ensure long term supply resilience
- 33% reduction in supply interruptions in AMP7, targeting industry upper quartile performance by the end of AMP8
- Delivering government ambition by working with customers to deliver significant reductions in per capita consumption, reducing it by over 3% in AMP7 and 13% by 2045

Wastewater network plus:

- Driving industry leading performance for pollution incidents, further moving the frontier in AMP7
- 30% reduction in sewer flooding in AMP7, targeting industry upper quartile performance by end of AMP8
- Embedding our industry-leading integrated catchment approach to deliver natural capital benefits for customers and the environment

Bioresources:

- 100% of biosolids will be compliant with the Biosolids Assurance Scheme in AMP7
- We will emit fewer tonnes of Nitrous Oxide for every unit of renewable energy generated

Residential retail:

- Our plan is expected to contribute to a reduction of 250,000 in the number of households experiencing water poverty compared to now, with a further 66,500 helped out of water poverty through additional direct support
- 105,000 customers in vulnerable circumstances to benefit from priority services offering

Environmental excellence in a diverse region

Many of our facilities both operate in and rely upon environmentally sensitive areas, including the UNESCO World Heritage site of the Lake District National Park and the beaches of the Fylde Coast. Our work needs to meet and improve standards for river quality, bathing waters and biodiversity. The Environment Agency regards our environmental performance as industry leading. In AMP7 we will continue our support for a thriving environment for current and future generations of residents and visitors to enjoy and our plan is designed to deliver all required environmental obligations.

The key metropolitan areas of the North West – already home to a population of over 7 million people – are targeted for significant future growth. Our plan reflects our responsibility to support the provision and most efficient use of infrastructure to underpin economic development and population increases.



Innovation

Efficiency through innovation and markets

In AMP5, total expenditure across retail and wholesale services was c£7.2bn. In AMP7, we expect this to be £5.9bn. During AMP6 we have transformed our level of efficiency so that we are delivering a better level of service at significantly reduced costs. We estimate that over £400m of this saving results from innovations applied in AMP6 and planned for AMP7.

A further £359m saving has been achieved through the application of an industry leading market testing framework to 100% of our cost base. This approach - developed with Salford University - has revealed new and better means of procuring products and services from the market. Our work with quality regulators has ensured that the investment programme reflects only cost-beneficial requirements with an appropriate contribution from the water company. We expect this engagement has reduced costs by £110m for AMP7.

We have also reduced retail costs by nearly a third over the same period and forecast annual costs to be £98m in 2024/25 compared to £146m in 2014/15. We are successfully reducing bad debt. We expect it to more than halve from £74.5m in the first year of AMP6 to £35.4m at the end of AMP7.

Our cost reductions in AMP7 are greater than those observed across many other industries, and we expect that our proposals will be significantly below Ofwat's assessment of efficient costs.

Looking beyond the sector to identify innovation in delivery of service

Education and inspiration from other sectors is core to how we are improving our service and increasing efficiency. Our business plan includes 26 clear examples of innovation case studies deployed in AMP6 or planned for AMP7. These include the application of design for manufacturing and assembly (DFMA) techniques which have been adopted from other sectors as well as the UK's water industry's leading deployment of Nereda wastewater technology. We have begun use of software robots to automate processes and deployed sniffer dogs to pinpoint leaks in rural areas.

We have used external partners to seek the most exciting developments in global technology and develop a comprehensive maturity model so that we can track our development. During AMP6 we approached 1,500 potential suppliers from around the world and selected 10 leading ideas to work with us in our Innovation Lab on breakthrough technologies and ideas. Many of them are small companies and startups taking their first steps towards partnering with a major operator in the sector. They want to help us improve. We want to learn.

In AMP6 our systems thinking approach to managing water and wastewater networks drew on experience from the oil and gas, manufacturing and technology sectors. It was instrumental in supporting our successful efforts to respond to this year's freeze/thaw event. In AMP7 we propose incentives through a Systems Thinking ODI for additional innovation and adoption of technology in this area to create a clearly charted step change in capability. This mechanism provides scope for flexible acceleration in adopting new technology so it can improve service delivery to customers faster.

Innovation in catchment services

UU pioneered catchment management in the sector 15 years ago, starting with SCaMP at PR04. As an environmentally sustainable, cost effective approach, catchment management will be more significant in AMP7 than ever before and we are extending its boundaries into water quality, resources and flooding initiatives. We are working with leading academic institutions, customers and stakeholders to design and deliver innovative and sustainable treatment solutions alongside catchment interventions to deliver an integrated catchment strategy in 26 catchments across the region. We have leveraged external funding, designed novel treatment technologies, worked with farmers and trialed reverse auctions to optimise our approach. We are also starting to work with other sectors such as the dairy and insurance industries to explore novel funding mechanisms. During AMP7 we expect that catchment solutions will be deployed to a North West population equivalent of 1 million.

Innovation in retail through deeper customer engagement

In retail services, we have won cross-sector recognition for our innovative "Town Action Planning" initiative - a new approach to engaging with customers who typically had never engaged with us before - in order to identify and utilise the best means of getting out of debt. 20,000 customers committed to new payment arrangements, of which 67% have been maintained. Customer satisfaction with the visits was measured at 4.76 out of 5. Meanwhile, we are pioneering the approach to collaboration between water and energy companies in bringing together priority services for vulnerable customers. This AMP6 pilot with Electricity North West - monitored by the UK Regulators Network - provides both industries with clear signposting for what they can aspire to achieve in AMP7.



Resilience

Raising the bar on operational resilience and learning lessons from AMP6

In 2015 we had to manage a major water quality incident in Lancashire which meant that some customers were advised to boil their water before drinking it. This affected 320,000 properties for up to a month in some cases. Later that year storms Desmond, Eva and Frank caused widespread flooding, affecting a broad swathe of infrastructure, including our own treatment works and supply infrastructure.

These events were complex and difficult and caused considerable disruption for customers. Whilst we consider that overall we responded well, there were many lessons learned by us about resilience and recovery. We decided to reinvest £250m of outperformance during AMP6 to improve resilience. This enhances our capability to maintain services in AMP7 through investments such as “safe start up to waste” processes at every major water treatment works, raising the level of key assets to the first floor and securing additional “alternative supply vehicles” to provide flexible and nimble responses to water supply issues.

For AMP7 we have assessed resilience through a comprehensive framework. The Board regularly reviews the outputs of a detailed, integrated, forward looking, objective and quantitative risk management process aligned to international risk management standards. This process identifies key business risks that may affect services to customers. During AMP7 we plan to deliver resilient services primarily through our core totex budget. In both water and wastewater we will make significant use of new network investment to help us anticipate and intervene on potential issues before customer services are impacted.

Major resilience investment supporting customers in Manchester and the Pennines

One area where we must look beyond the core totex budget is a significant project to ensure the resilience of potable water supplies to populations in Manchester and the Pennines. They are served by the Haweswater Aqueduct, an asset built in the immediate post-war period.

This aqueduct supplies a third of the region’s drinking water every day but investigations have revealed that its condition is deteriorating. We are already undertaking additional investment of £35m to reinforce the worst affected parts of the tunnel, but a longer term solution is required. We have performed an optioneering exercise covering over 400 different solutions so as to consult customers on a range of approaches to manage the risk. Our plan proposes a direct procurement for customers approach to deliver replacement tunnels in AMP7 and AMP8 as these are most likely to be the best value solution.



Confidence and assurance

Transparency, trust and acting in the public interest

United Utilities is a publicly listed, responsibly financed company. We believe that we currently achieve industry leading levels of transparency and good governance. We also lead the industry on financial resilience and have a track record of responsible financial and corporate stewardship.

In AMP5 and AMP6 we have voluntarily reinvested over half a billion pounds of outperformance back into the business, sharing the benefit with customers. We have also made substantial contributions towards customer affordability schemes out of shareholder funds. In AMP7, we are going further by pre-committing to a guaranteed rate of benefit sharing with customers through our Resilient Communities Initiative, linked to responsible approaches to gearing and dividend distributions. Customers and stakeholders will be consulted about their priorities for such spending. We are also looking to build on already

Board ownership of the business plan

The Board has driven the strategic development of the company’s business plan. It had challenged the Executive to put forward a strong proposition for customers and the environment which ensures high quality service for customers that is financeable and deliverable. The Board will hold management to account for its delivery. The Board’s assurance over the plan is covered in detail in this submission and we are pleased to present a plan which is compelling, stretching and resilient, designed to deliver – and in many cases exceed – the company’s statutory obligations whilst lowering bills through more efficient costs.

Appendix 3: CCG report executive summary

Please provide a copy (in file formats that can be opened in word) of the executive summary from the CCG report on your company.

RISING TO THE CHALLENGE



REPORT OF YOURVOICE CUSTOMER CHALLENGE GROUP TO OFWAT ON UNITED UTILITIES' 2020-25 BUSINESS PLAN

31 August 2018

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Foreword

The title of our report sums up the PR19 process from the perspective of the YourVoice CCG - and indeed for United Utilities, which has shown a growing maturity in its efforts to seek and reflect customer views.

My thanks go to the members of the panel for their time and effort and the excellent way in which they have worked together.

Working through three sub-groups, we provided critical insight and challenge to the company in designing, refining, executing and interpreting its customer research, engagement, affordability, vulnerability and environmental work. We challenged the performance, longer term planning and efficiency of the company, as well as looking in detail at proposed ODIs and seeking changes to descriptions and performance targets.

YourVoice has made a significant contribution to United Utilities delivering a transparent and customer-focussed price review, through designing and delivering a varied programme of work using innovative techniques to produce comprehensive and inclusive customer engagement. It is clear that the company has developed a genuine understanding of its customers' priorities and needs, and reflected these in the PR19 business plan. YourVoice considers that United Utilities is now treating customers more as active participants rather than passive recipients of services.

Importantly, we challenged the company to have its triangulation methodology and practice independently reviewed, and jointly appointed ICF to do this. This gave the CCG confidence and assurance that such a large and eclectic amount of customer engagement data was being used correctly and proportionately in the business plan.

We have not agreed on everything and our Challenge Log shows in some detail the wide ranging challenges we made and how the company responded.

We would particularly like to highlight the company's work on affordability and vulnerability which we believe is leading the way, not just in the water industry, but across the utilities sector, as demonstrated by the priority services scheme and the ambition to lift more people out of water poverty.

We welcome the way in which United Utilities has responded to challenges from YourVoice and customers on issues of affordability, and understand that it will submit a business plan which will deliver a 10.5% reduction in the average bill between 2020 and 2025. This is lower in real terms than in 2010 while maintaining or improving service levels - a good result for customers.

I would like to thank the company for being open and responsive throughout the process. My thanks also go to Neil Cumberlidge for his work in preparing this report, which is an excellent reflection of our work over the last two years.

I wholeheartedly recommend our report to Ofwat, and believe that YourVoice has made a positive difference to the price review process for customers in the North West of England.



Bernice Law
Chair, YourVoice CCG

Rising to the Challenge - Executive Summary

i. This report describes the work of the YourVoice Customer Challenge Group (CCG) in scrutinising and challenging United Utilities' (UU) customer engagement and research activities, and provides advice to Ofwat on the quality and impact of that engagement/research and the extent to which it has driven the company's decision-making and development of its PR19 business plan.

ii. The report is in three Parts:

- ❖ Part 1 provides important contextual and background information, including the key features of the region in which UU operates, the role, membership and ways of working of the YourVoice panel and an overview of UU's customer engagement and research programme.
- ❖ Part 2 examines from the perspective of YourVoice the quality and impact of UU's customer engagement and research programme, and the extent to which it has driven the development of the company's PR19 business plan, and seeks to address directly the seven sets of questions presented by Ofwat in its guidance to CCGs.
- ❖ Part 3 provides other relevant information, including YourVoice's environmental work, the views of environmental and statutory regulators and other issues that YourVoice wish to draw to Ofwat's attention.

iii. The main report is supported by three Appendices providing more information about the members of YourVoice, the CCG's Terms of Reference and a detailed Challenge Log recording the views and challenges presented by the YourVoice panel to UU and the way in which the company responded.



Part 1 – Background, Context and Structure

iv. There are a number of features and characteristics of the North West that are important in shaping the way in which UU manages its assets and delivers water and wastewater services to its customers. In particular:

- *High levels of deprivation concentrated in a relatively high number of localities present particular challenges in terms of bill affordability and debt management.*
- *The diverse geography ranging from dense urban conurbations to remote rural areas presents operational and other challenges.*
- *UU is part of and influences the third largest regional economy in the UK, and needs to understand and respond to the economic and housing growth aspirations of the five sub-regions of the North West.*
- *UU is recognised as a key player in conserving the North West's landscape, wildlife and cultural assets, in addressing flood risk and river/bathing water quality and in providing access and recreation opportunities.*

- *UU needs to deal with different governance arrangements in each of the five sub-regions, with varying levels of devolution and availability of funding and strategic powers.*

v. YourVoice was established in 2015 to provide independent advice and challenge to UU across the full range of its customer engagement and research activities, and the membership has been refreshed to ensure a healthy dynamic between customer, business, social, regulatory and environmental interests. Key points to note are:

- *The CCG is led by an independent Chair appointed following an open, transparent and rigorous recruitment process.*
- *The main YourVoice panel is supported by three Sub-Groups looking in more detail at customer engagement, environmental and affordability/vulnerability aspects.*
- *Secretarial and administrative support is provided by UU but YourVoice acts at arms-length from the company, including agreeing meeting agenda, commissioning papers and obtaining specialist external support where needed.*
- *There is senior-level engagement by UU with four Directors attending all meetings, and the YourVoice Chair attends relevant UU Board meetings and has unrestricted access to Board members.*
- *A Challenge Log is maintained to record specific challenges and views provided by YourVoice and its Sub-Groups, and the way in which the company responded.*
- *A key principle underpinning YourVoice's work is securing a 'Golden Thread' whereby the CCG challenges and shapes the type, form and quality of customer engagement and research, looks at the consideration of results and then scrutinises the way in which results feed through into the company's operational activities and business plan.*

vi. UU have undertaken a comprehensive and wide-ranging programme of customer engagement and research, embracing over 90 specific pieces of work and utilising a wide range of techniques to explore and understand customer's views, needs and priorities. YourVoice has been directly involved in the overwhelming majority of these projects through:

- *Critically reviewing the development and commissioning of research projects.*
- *Providing challenge and input in developing and piloting research materials.*
- *Observing and feeding back on research events.*
- *Participating in debriefings by researchers to UU staff.*
- *Reviewing results and considering their implications and next steps.*

Part 2 – Quality and Impact of Customer Engagement

vii. YourVoice considers there to be strong evidence that UU is operating in a customer-centric way, has developed a genuine understanding of its customers' priorities, needs and requirements and is engaging them on the issues that really matter. In particular, we would highlight:

- *The development of a broader and deeper customer research and engagement programme which places less emphasis on traditional valuation techniques and incorporates a number of innovative approaches such as the use of behavioural economics techniques and making better use of day-to-day customer transactional data.*
- *The strong, ongoing dialogue with YourVoice and the rigorous challenge across the entire breadth of UU's research programme.*

- *The company's work to engage key regional stakeholders to understand their priorities and how these relate to UU's plans.*
- *A sound understanding of customers' overall priorities for improving UU services and the use of segmentation techniques to deepen understanding of customer's lifestyles, needs and requirements, to enable research and delivery of services to be better targeted.*
- *The broadening of customer engagement to include non-household customers and to enhance understanding of young people's needs and aspirations.*

viii. YourVoice believes that UU is travelling clearly in the direction of treating customers as active participants rather than passive recipients of services, and is engaging with customers in an open, two-way and dynamic manner. Good progress is being made across all elements of the *Futures-Action-Communities-Experience* customer participation model and we would highlight in particular:

- *The range of research projects to engage customers on longer term issues covering the resilience of water supplies and on the application of innovative approaches such as Systems Thinking.*
- *The use of behavioural insight techniques and tools to explore customer views and approaches in relation to issues such as water efficiency, sewer blockages and debt avoidance.*
- *The piloting of workshops bringing together local communities and key stakeholders to consider and co-create solutions to water catchment challenges, and the development of the WaterTalk online community to explore key issues in depth.*
- *The development of multi-channel options for engaging with customers, including a new web-based customer portal, integrated mobile phone App and interactive customer roadshows.*

ix. YourVoice considers there to be strong evidence that UU has made significant improvements in the way in which it engages with and informs customers about how it is performing against current plans and targets. In particular, we would highlight:

- *The regular quarterly reporting to YourVoice on progress against performance commitments in the current business plan, and the resulting rigorous challenge, leading to new approaches such as the 'lowest bill guarantee' for new metered customers.*
- *The improvements made to the company's Annual Performance Reports, including the opportunity for YourVoice to provide critical comment, together with the production of an accessible 'plain-English' customer summary document and an accompanying YourVoice statement highlighted as best practice by Ofwat.*
- *The injection of a stronger emphasis in both quarterly and annual reporting on comparing UU's performance with other water companies.*
- *Seeking feedback from customers affected by major operational incidents and using that feedback to improve 'in-incident' communications to target the needs of particular customers such as businesses and vulnerable people.*

x. YourVoice considers there is good evidence that UU has made strong efforts to engage with and understand the needs, circumstances and requirements of different customers, particularly those classed as 'vulnerable' and 'hard to reach'. In particular, we would highlight:

- *The establishment of an Independent Affordability and Vulnerability Panel to provide expert challenge on issues relating to vulnerability and affordability, and provide a voice for those customers who have traditionally found it hard to raise concerns due to their circumstances.*
- *The launch of a revitalised Priority Services offer to identify and address the needs of a wider range of customers in vulnerable circumstances, together with the piloting of collaborative*

data-sharing approaches with other utility providers, and the importance of ensuring that quality standards are maintained while greater numbers of customers receive support.

- *The re-packaging and extended reach of financial support schemes for customers in debt or struggling to pay their water bills.*
- *The development of the innovative Town Action Planning approach to engage 'hard to reach' customers living in deprived communities on debt and affordability issues.*
- *UU hosting the first-ever North West Affordability Summit held in January 2018 which brought together experts and stakeholders from across the region and led to agreement on a five-pronged action plan to address key challenges, which is being taken forward by the Independent Affordability and Vulnerability Panel.*

xi. UU has sought to engage customers on a wide range of longer term issues, including the resilience of water systems and services to future events and challenges, and potential impacts on bills and affordability in the longer term. In particular, we would highlight:

- *The research project to explore customers' views on the options for addressing threats posed by the deterioration of the Haweswater Aqueduct to the future resilience of water supplies to the Greater Manchester and Pennines area.*
- *Research has indicated a clear preference by customers for stable, predictable bills over the longer term.*
- *The range and innovative nature of customer research undertaken to inform the approach to future water resource requirements - covering issues such as supply interruptions, flooding, water efficiency, leakage, maintenance of critical water infrastructure/assets, environmental resilience and the cost/benefit impacts of investment across generations.*
- *Strong YourVoice scrutiny and challenge on issues such as leakage reduction, water trading and water efficiency to ensure that the views of customers were represented.*

xii. There is good evidence that the company has engaged customers on a genuine and realistic range of options in developing its PR19 business plan, including service improvement proposals for 2020-25 and longer-term issues concerning the future resilience of water supplies. In particular, we would highlight:

- *The first round of Acceptability Testing undertaken in Autumn 2017 was structured to enable customers to consider up to four options, with associated bill impacts, for each area of service improvement being considered for the PR19 business plan.*
- *The introduction of innovative new approaches to exploring customer preferences, including the application of behavioural insight techniques and the development of an interactive 'Sliders' tool to allow customers to balance and explore trade-offs between different levels and packages of service improvements and associated bill impacts.*
- *The rigorous challenge by YourVoice to ensure that the second round of Acceptability Testing carried out in June 2018 obtained both uninformed and informed customer views on the proposed service improvements, ODIs and bill impacts in the PR19 business plan. The results showed overall high levels of both uninformed (76%) and informed (82%) acceptability for the most likely variant of the PR19 business plan proposals.*
- *Examples of the use of co-creation and co-delivery approaches to address catchment management challenges and the redesign of customer bills.*

xiii. YourVoice believes that the evidence and information obtained from customers has genuinely driven and informed the development of the company's business plan to benefit current and future customers. In particular, we would highlight:

- *The increased breadth, depth and complexity of UU’s customer research programme to support the development of its PR19 business plan made it critically important to ensure that research results were being properly weighted and triangulated, which led to YourVoice and the company jointly commissioning an independent expert assessment of the approach taken.*
- *This external validation exercise undertaken by ICF led to improved transparency and documentation, and concluded that the company had taken a sound and appropriate approach to triangulating research evidence, and that the quality of the business plan evidence was largely attributable to the importance that UU and YourVoice placed on the process of triangulating evidence and assurance.*
- *The extremely rigorous exercise undertaken by YourVoice to scrutinise and challenge all but two of the 44 performance commitments, targets and ODIs (C-Mex and D-Mex were excluded) proposed by UU for its PR19 business plan, aimed at making clear how customer research evidence had been used, considering definitions, coverage and implementation, and assessing the stretch of targets. This led to a wide range of challenges to the company - some of which required substantive changes in the nature of the measure and the targets to be set – which have been addressed in finalising the business plan.*
- *The qualitative research project involving the WaterTalk online customer panel looking at the overall ODI framework, which indicated that customers broadly supported the business plan proposals and that most customers believed that the impact on bills is small and reasonable.*
- *YourVoice has concerns in principle that water companies should not be allowed to receive outperformance payments in cases where they are achieving less than 100% statutory compliance or are failing to avoid incidents such as flooding or pollution which cause significant problems for affected customers. We would like Ofwat to re-examine this issue for the next Price Review.*
- *Scrutiny of the company’s draft PR19 business plan has confirmed that the company has listened to, considered and, where necessary, acted upon the many challenges made by YourVoice throughout the PR19 development process.*
- *The company’s PR19 business plan is intended to deliver significant bill reductions in real terms for customers over 2020-2025, and provide for bill stability into the next 2025-2030 price review period.*

Part 3 – Other Relevant Information

xiv. The work of YourVoice’s Environment Sub-Group to scrutinise the way in which UU’s operational delivery and asset management activities impact on the environment is outlined. We would wish to highlight in particular:

- *the ‘deep dives’ carried out to understand and challenge the company’s approaches to leakage reduction and other key issues; and*
- *our active encouragement to extend the use of integrated catchment management approaches, and to develop a specific performance commitment linked to enhancing natural capital for customers.*

xv. The views of the key environmental and statutory regulators – Environment Agency, Drinking Water Inspectorate and Natural England – on key issues relating to the development of the PR19 business plan are provided.

xvi. YourVoice has noted with interest UU’s proposals to introduce a formal voluntary benefit sharing mechanism, to be known as ‘CommUnity Share’, as part of its PR19 proposals. This will provide a guaranteed minimum funding of £70 million from company sources towards assistance schemes for

financially vulnerable customers and potential additional funding – depending upon gearing and dividend levels – for measures such as discounts on average bills and grants to community schemes. We welcomed the company's intention to consult with customers about the way in which the funds released through this mechanism will be used, and to involve YourVoice in examining this arrangement.

xvii. YourVoice received specific assurance from UU Board members about the company's governance, financial and assurance processes, and on the deliverability and financeability of the PR19 business plan.

xviii. Finally, we highlight YourVoice's interest in the potential of innovation and Systems Thinking approaches to deliver further benefits to customers in the future; and the research project undertaken at our suggestion to explore customer views towards the company investing in Systems Thinking and other types of innovation.

Appendix 4: Current operational performance

Table 4.1: PR14 Performance Commitments

Please indicate in the table below which PR14 performance commitments have been met and which have not been met over the PR14 period. This table is not for Service Incentive Mechanism (SIM) data, for which table 4.2 has been provided. For financial ODIs please also indicate total forecast outperformance payment or underperformance penalty for the PR14 period.

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ¹	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
1	PR14UUWSW_A1	A1: Drinking Water Safety Plan risk score	Yes	Yes	Yes	Yes	Yes	n/a	n/a
2	PR14UUWSW_A2	A2: Water quality events DWI category 3 or above	No	No	No	No	No	-1.7880	-2.0860

¹ **PCL met?** - if the performance commitment level (PCL) for the reporting year was met, or is forecast to be met, enter 'Yes'. If the PCL for the reporting year was not met, or is forecast not to be met, enter 'No'. If a PCL has not been set for the reporting year enter "-" (hyphen).

Business plan briefing
United Utilities Water Limited

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met? ¹	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
3	PR14UUWSW_A3	A3: Water Quality Service Index	Yes	No	No	No	No	-7.0112	-7.2380
4	PR14UUWSW_B1	B1: Average minutes lost per property (a year)	No	Yes	No	Yes	Yes	-5.9616	1.3260
5	PR14UUWSW_B2	B2: Reliable Water Service Index	No	No	No	No	No	-23.9220	-7.9740
6	PR14UUWSW_B3	B3: Security of supply index (SoSI)	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
7	PR14UUWSW_B4	B4: Total leakage at or below target	Yes	Yes	Yes	Yes	Yes	9.1479	3.2912
8	PR14UUWSW_B5	B5: Resilience of impounding reservoirs	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
9	PR14UUWSW_B6	B6: Thirlmere transfer into West Cumbria	Yes	Yes	Yes	Yes	Yes	0.0000	21.2003
10	PR14UUWSW_C1	C1: Contribution to rivers improved - water programme (NEP schemes and abstraction changes at 4 AIM sites)	Yes	Yes	Yes	Yes	Yes	0.4256	0.2075
11	PR14UUWSW_D1	D1: Delivering our commitments to developers, local authorities and highway authorities	Yes	Yes	Yes	Yes	Yes	n/a	n/a
12	PR14UUWSW_E1	E1: Number of free water meters installed	No	No	No	No	No	n/a	n/a
13	PR14UUWSWW_S-A1	S-A1: Private sewers service index	Yes	Yes	Yes	Yes	Yes	22.1280	14.7520
14	PR14UUWSWW_S-A2	S-A2: Wastewater network performance index	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000

Business plan briefing
United Utilities Water Limited

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met?¹	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
15	PR14UUWSWW_S-B1	S-B1: Future flood risk	Yes	Yes	No	No	No	n/a	n/a
16	PR14UUWSWW_S-B2	S-B2: Sewer flooding index	No	No	Yes	No	No	-1.4840	-17.6790
17	PR14UUWSWW_S-C1	S-C1: Contribution to bathing waters improved (includes NEP phase 3&4 bathing water intermittent discharge projects)	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
18	PR14UUWSWW_S-D1	S-D1: Protecting rivers from deterioration due to population growth (includes Davyhulme non-delivery penalty)	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
19	PR14UUWSWW_S-D2	S-D2: Maintaining our wastewater treatment works (includes Oldham and Royton WwTWs special cost factor claims)	No	Yes	Yes	No	No	0.0000	-4.4300
20	PR14UUWSWW_S-D3	S-D3: Contribution to rivers improved - wastewater programme (includes Oldham, Royton and Windermere)	Yes	Yes	Yes	Yes	Yes	0.8230	0.0209
21	PR14UUWSWW_S-D4a	S-D4a: Wastewater serious (category 1 and 2) pollution incidents	No	Yes	Yes	Yes	Yes	0.0000	0.0000
22	PR14UUWSWW_S-D4b	S-D4b: Wastewater category 3 pollution incidents	Yes	Yes	Yes	Yes	Yes	9.8340	6.5560
23	PR14UUWSWW_S-D5	S-D5: Satisfactory sludge disposal	Yes	Yes	Yes	Yes	Yes	0.0000	0.0000
24	PR14UUHHR_A-1	A-1: Service incentive mechanism (SIM)	-	-	-	-	-	-	-

Business plan briefing
United Utilities Water Limited

No.	ID (eg W-A1)	Performance commitment	2015-16 PCL met?¹	2016-17 PCL met?	2017-18 PCL met?	2018-19 PCL met? (forecast)	2019-20 PCL met? (forecast)	Cumulative ODI (outperformance payments or underperformance penalties) £m to 4 decimal places 2012-13 prices, net of tax	
								15/16-17/18 Actual	18/19-19/20 Forecast
25	PR14UUHHR_R-A2	R-A2: Customer experience programme	No	No	No	No	No	0.0000	-3.7090
26	PR14UUHHR_B1	B1: Customers saying that we offer value for money	Yes	Yes	Yes	Yes	Yes	n/a	n/a
27	PR14UUHHR_B2	B2: Per household consumption	No	No	No	Yes	Yes	n/a	n/a
Total cumulative financial ODI								2.1917	4.2379

Table 4.2: PR14 Service Incentive Mechanism (SIM) Performance

SIM Performance	2015-16	2016-17	2017-18
Total annual SIM score (out of 100)	82	85	87

Appendix 5: PR19 proposed performance commitments

Table 5.1: Common Performance Commitments

No.	Common performance commitment ²	ID (eg W-A1)	2019-20 forecast performance level (where relevant)	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change (leakage and PCC PCs)
1	Water quality compliance – the DWI's Compliance Risk Index (CRI), a score greater than or equal to zero, where zero is least risk	A01-CF	2.92	0	Under	In-period	
2	Water supply interruptions – average supply interruption greater than 3 hours (minutes per property)	B03-WN	11:50	06:00	Out & under	In-period	
3	Mains bursts – number of water mains bursts per 1,000 kilometres of total length of mains	B02-WN	90.287	125	Out & under	In-period	
4	Unplanned outage – proportion of unplanned outage of the total company production capacity (%)	B04-CF	11.02	10.58	Out & under	In-period	

² This table includes all PR19 common performance commitments with the exception of C-Mex and D-Mex, as the design of these is different.

Business plan briefing
United Utilities Water Limited

No.	Common performance commitment ²	ID (eg W-A1)	2019-20 forecast performance level <small>(where relevant)</small>	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change <small>(leakage and PCC PCs)</small>
5	Leakage – megalitres per day (Ml/d), three-year average	B01-WN	448.20	409.38	Out & under	In-period	-8.7%
6	Per capita consumption – average amount of water used by each person that lives in a household property (litres per person per day), three year average	B05-WN	141.52	137.10	Out & under	In-period	-3.12%
7	Risk of severe restrictions in a drought – percentage of the population the company serves that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought	B06-CF	0	0	NFI		
8	Treatment works compliance – % compliance with environmental permits at water and wastewater treatment works (EA's Environmental Performance Assessment definition)	C02-CF	98.5	99	Out & under	In-period	
9	Internal sewer flooding – number of incidents per year (sewerage companies only)	G02-WWN	1659	733	Out & under	In-period	
10	Sewer collapses – number per 1,000 kilometres of sewer (sewerage companies only)	F01-WWN	4.172	3.811	Out & under	In-period	
11	Pollution incidents – category 1-3 pollution incidents per 1,000km of sewerage network, as reported to the Environment Agency and Natural	C01-WWN	24.386	22.698	Out & under	In-period	

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No.	Common performance commitment ²	ID (eg W-A1)	2019-20 forecast performance level <small>(where relevant)</small>	2024-25 proposed performance commitment level	ODI type	In period / end of period ODI	2019-20 to 2024-25 % change <small>(leakage and PCC PCs)</small>
	Resources Wales (sewerage companies only)						
12	Risk of sewer flooding in a storm – percentage of population at risk of sewer flooding in a 1-in-50 year storm (sewerage companies only)	G01-WWN	15.56	15.02	NFI		

Appendix 6: Expenditure

Table 6.1: Totex

Total expenditure	Price Base	PR14 final determination 2015-2020	Proposed for PR19 2020-2025
Water network plus (£m)	2017-18 FYA (CPIH deflated)	2640.516	2100.806
Water resources (£m)	2017-18 FYA (CPIH deflated)		376.697
Wastewater network plus (£m)	2017-18 FYA (CPIH deflated)	3306.117	2635.011
Bio resources (£m)	2017-18 FYA (CPIH deflated)		378.047
Residential retail costs	Outturn (nominal prices)	553.200	480.087

Table 6.2: Direct Procurement for Customers (DPC) proposals

No.	Project name	Total project cost (£m) 2019-20 to 2049-50 2017-18 FYA (CPIH deflated)
1	Manchester and Pennines Resilience	616.251

Appendix 7: Trust, confidence and assurance

Please explain how the company's full Board has demonstrated that its governance and assurance processes will deliver operational, financial and corporate resilience over the next control period and the long term.

Please explain how the company's full Board has assured themselves that the business plan will enable trust and confidence, including how the company's Board has taken account of the decisions Ofwat set out in its decisions for PR19 business plans to [put the sector in balance](#).

[max. 400 words]

We recognise that operational, financial and corporate resilience are interrelated and need to be considered together to reinforce the overall sustainability of the business.

We use a sophisticated approach to assess, manage and report risks, aligned to ISO 9001. We have a well-established governance structure to review the nature and extent of the risks that the company faces and to review the effectiveness of the risk management processes. The Board itself undertakes a detailed review of risks twice annually and reports on the company's risk management approach in the Annual Report.

We have a corporate culture which learns lessons following incidents to ensure that we have the capability (skills, leadership and systems) to avoid, cope with or recover from disruption. Application of these lessons is evident in how we managed the freeze thaw event earlier in 2018 and the current dry weather.

We maintain high ethical standards of business conduct and corporate governance. We comply fully with the principles and the spirit of the UK Corporate Governance Code and Ofwat's BLTG principles and operate with the transparency and rigour that comes from scrutiny of UU as a listed, FTSE-100 company.

We are financially resilient. In addition to our annual long term viability statement we have prepared a 7 year viability statement, with external assurance, in specific support of our business plan. Our financial forecasts have been rigorously stress tested and we aim to continue to deliver solid investment grade credit ratings.

Reflecting Ofwat's decisions on putting the sector in balance we have:

- Adopted a gearing incentive mechanism, with no glidepath

- Set out a transparent dividend policy, with clear safeguards on gearing, performance and stakeholder protection
- Committed to £71m guaranteed funding of financial support schemes – prior to consideration of dividend payments – with a clear commitment to further benefit sharing where dividends are much higher than anticipated in the business plan
- Brought forward a triennial review on executive pay

This builds on a demonstrably responsible approach to dividends in AMP6, a track record of £500m of voluntary reinvestment in services to customers over the past decade and repeated delivery of a customer-centric approach to performance pay.

We remain committed to achieving the highest standards of transparency and accuracy in our reporting to customers and other stakeholders and using this to drive future engagement.