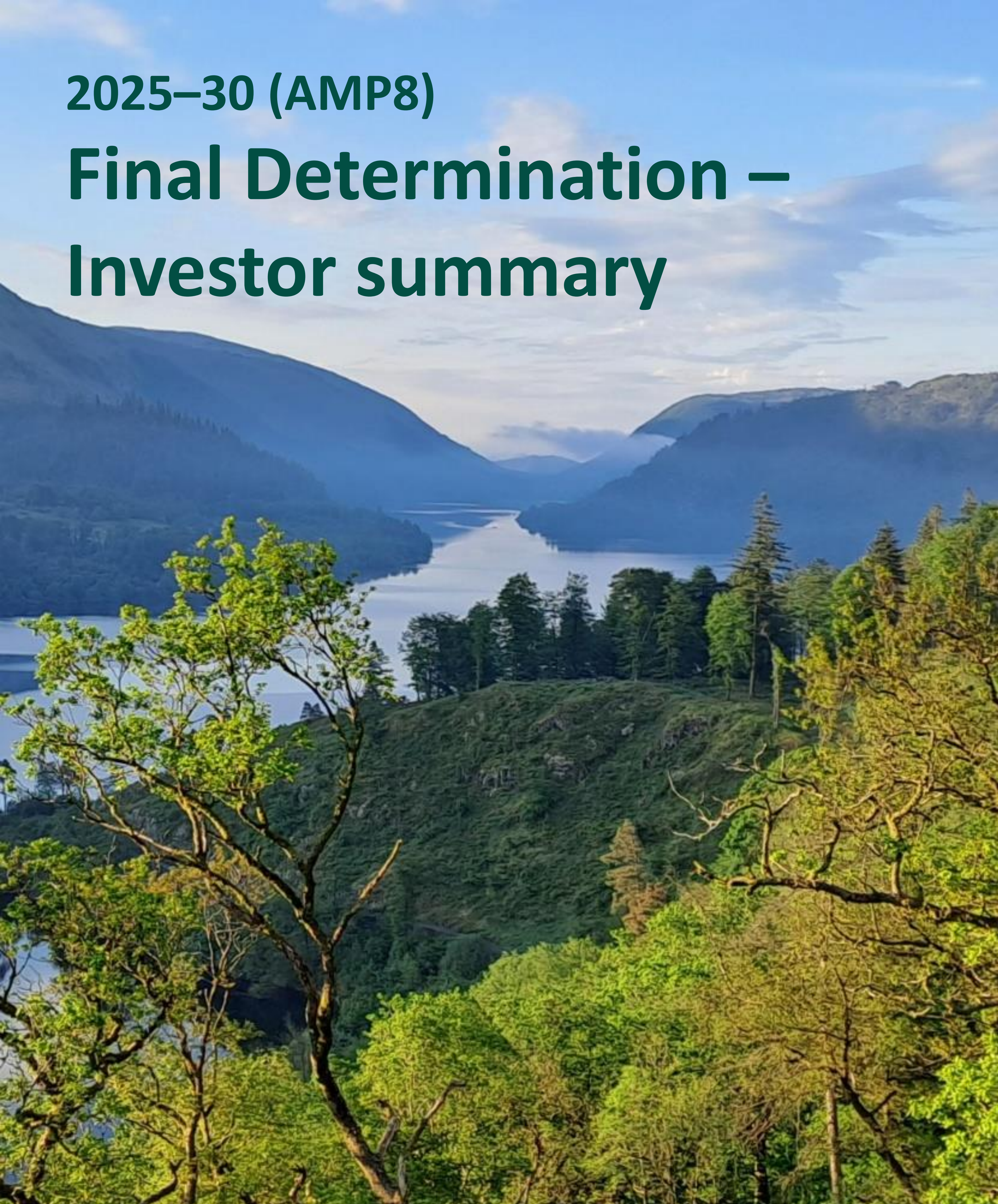
2025–30 (AMP8)

Final Determination – Investor summary



United Utilities

Water for the North West

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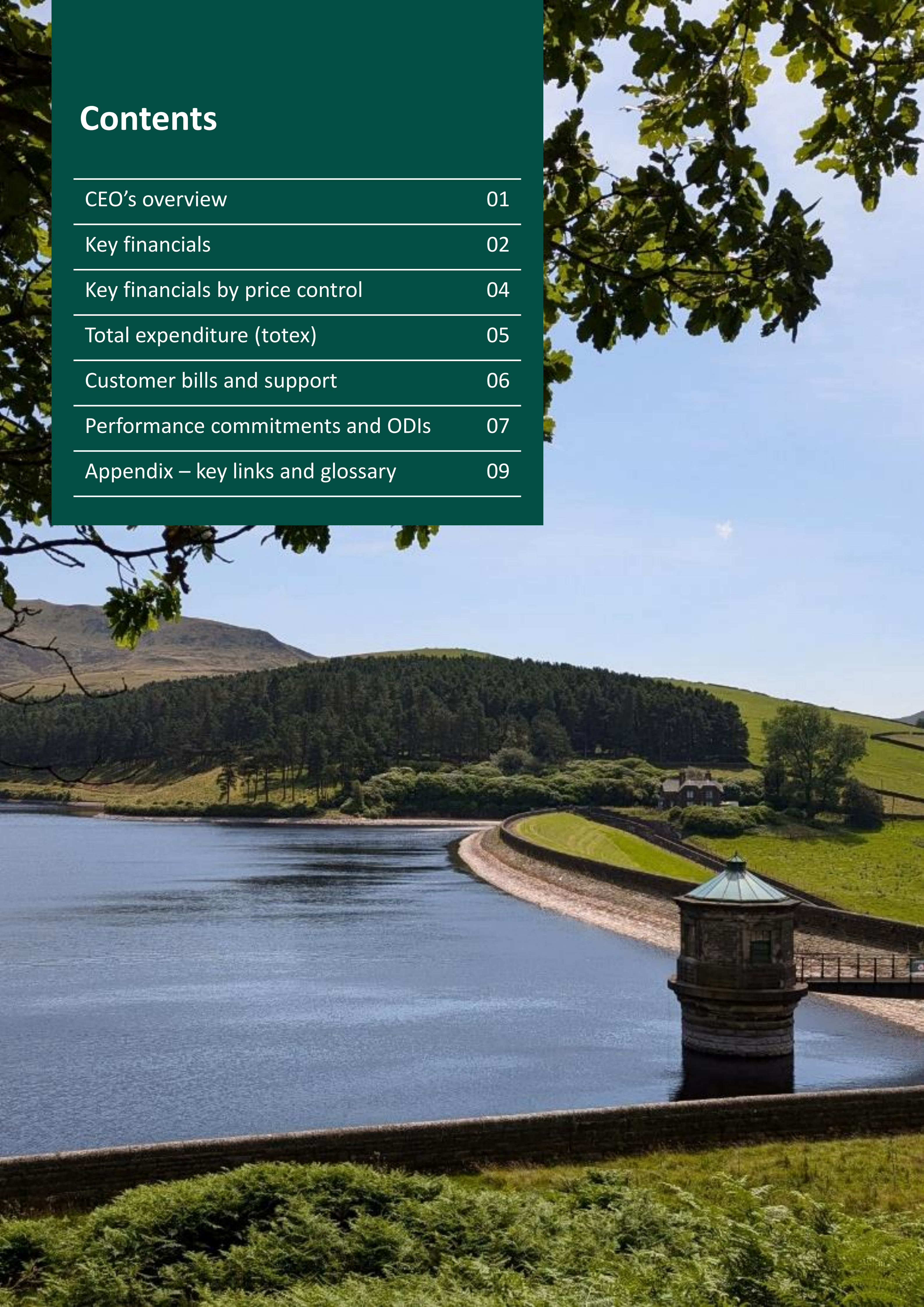


CEO's overview

The final determination gives us certainty over our investment levels and performance targets for the next five years, allowing us to focus on progressing what will be the largest investment in water and wastewater infrastructure in more than a century.
Our £13 billion allowance will help us to deliver a step change on the things that matter most to our stakeholders, including an industry-leading programme to reduce spills from storm overflows.

With annual asset base growth of around 7 per cent taking our AMP8 closing regulatory capital value (RCV) to over £21 billion, this marks the beginning of a higher growth phase. This growth stems from a number of long-term investment drivers, including the Environment Act 2021, tightening environmental standards, renewal and replacement of ageing infrastructure, long-term resource management, resilience to climate change, and net zero targets.

It is not just the level of investment and growth that is new for AMP8. Returns have been reset and we will see a number of changes, including many to the outcome delivery incentive (ODI) regime. There will be a more focused set of performance commitments overall, with the balance shifting to more common and fewer bespoke, meaning more comparability and common areas of focus across the industry. Ofwat has also introduced price control deliverables (PCDs) and a new mechanism designed to protect companies and customers if sector performance on common PCs is materially different than expected when setting targets.

With such a large programme to deliver, supply chain readiness and efficiency are high priorities. We undertook extensive early supply chain engagement, and we are using a number of tools and techniques to improve our efficiency further.

Louise Beardmore, Chief Executive Officer

We are well placed to deliver this step-up in investment, given our strong financial position. Our balance sheet strength and relatively low gearing mean we have the ability to fund our plans without needing recourse to equity, and our excellent historic performance and investment-grade credit ratings position us well to maintain highly efficient debt costs.

We have already begun work on delivery, making a fast start on the improvements that we have set out to achieve over the next five years, and we are already seeing the fruits of that labour coming through with significant improvements in areas such as reducing spills from storm overflows.

We are well placed, we are ready, and we are committed to building a stronger, greener and healthier North West.

Largest ever	Higher growth	WACC	Dividend policy
Investment plan, with capital expenditure more than double AMP7	c7% compound annual growth rate (CAGR) of our asset base, up from 5.2% in AMP7	4.03% with opportunities for outperformance	Continuing to grow in line with CPIH inflation
Spill reduction	**ODIs**	**Sector-leading**	**Strong track record**
Industry-leading investment programme to reduce by >60%	Company-specific targets on key PCs, downside risk protections on 91% of common PCs	Affordability support, helping one in six households	History of outperformance and robust financial position

Key financials

United Utilities Water Ltd (UUW) £m	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Wholesale totex (gross)	2,617.2	2,568.0	2,883.4	2,604.5	1,988.6	**12,661.7**
Wholesale totex (net)	2,509.9	2,451.2	2,757.6	2,479.8	1,863.5	**12,062.0**
Capital expenditure	1,448.9	1,623.7	1,925.2	1,635.6	976.5	**7,609.8**
RCV – year end (nominal)[1]	16,148	17,581	19,367	20,845	21,556	**n/a**
Revenue build-up £m	**2025–26**	**2026–27**	**2027–28**	**2028–29**	**2029–30**	**AMP8 total**
PAYG	843.2	909.6	915.4	914.1	957.2	**4,539.5**
RCV run-off	612.7	626.7	645.0	665.8	693.0	**3,243.2**
Return on capital	545.4	578.1	618.5	657.5	677.5	**3,077.0**
Other adjustments	113.8	157.3	98.8	98.8	84.2	**552.8**
Allowed revenue (wholesale)	**2,115.1**	**2,271.8**	**2,277.6**	**2,336.2**	**2,411.8**	**11,412.6**
Other adjustments	76.7	82.1	87.5	86.9	87.2	**420.4**
Revenue control (wholesale)	**2,191.8**	**2,354.0**	**2,365.1**	**2,423.1**	**2,499.0**	**11,833.0**
K factor	13.38%	8.08%	1.43%	2.47%	1.06%	**n/a**
Allowed revenue (residential retail)	**174.2**	**173.7**	**159.1**	**162.3**	**167.0**	**836.4**
Allowed revenue (wholesale + retail)	**2,366.0**	**2,527.7**	**2,524.2**	**2,585.4**	**2,666.0**	**12,669.4**
Average household bill (£)	519.18	561.27	565.32	573.08	584.83	**n/a**

1 Calculated on a nominal basis using OBR long-run CPIH forecasts
2 All figures are taken from the FD and, unless otherwise stated, are presented in real CPIH-stripped FYA 2022/23 price base

Allowed return (WACC), CPIH-stripped[1]

	AMP7	AMP8
Notional gearing	60%	55%
Risk-free rate	(1.39%)	1.52%
- RPI–CPIH wedge	*1.0%*	*0.33%*
Total market return	6.50%	6.83%
Market risk premium	7.89%	5.31%
Debt beta	0.125	0.10
Unlevered equity beta	0.29	0.28
Re-levered equity beta	0.71	0.62
Allowed return on equity - midpoint	4.19%	4.83%
Adjustment from CAPM midpoint	-	0.27%[2]
Allowed return on equity - point	**4.19%**	**5.10%**
Cost of embedded debt	2.42%	2.77%
Cost of new debt	0.53%	3.74%
- Benchmark index[4] adjustment	*(0.15%)*	*0.30%*
Proportion of new debt	20%	24%
Issuance and liquidity costs	0.10%	0.15%
Allowed return on debt	**2.14%**	**3.15%**
Appointee WACC	**2.96%**	**4.03%**
Retail net margin deduction	0.04%	0.06%
Wholesale WACC	**2.92%**	**3.97%**

Allowed return is set by reference to a notional gearing level and stated in real terms, with the inflationary component provided through CPIH indexation of RCV.

The cost of equity allowance is 0.91% higher than AMP7. At 55% notional gearing, AMP7 would have been 3.67%, making AMP8 1.43% higher on a like-for-like basis.

The cost of embedded debt reflects a single sector allowance of 4.82% in nominal terms, based on the median of the sector's AMP8 cost of debt projections[3] for debt issued before 1 April 2025 that will remain in place for at least part of AMP8. The new debt allowance will be restated by Ofwat's debt indexation mechanism and reconciled at the end of AMP8, applying a positive 30bps adjustment to the iBoXX[4], versus a negative 15bps adjustment in AMP7, and converting to real using a 2% CPIH assumption. A trailing average rate is applied to new debt, assuming this is raised evenly across AMP8. A further 15bps is added to the cost of both new and embedded debt to cover issuance and liquidity costs.

1 As the AMP7 and AMP8 allowed WACCs use different gearing, the WACC sub-elements are not necessarily directly comparable
2 Calculated as the difference between the allowed cost of equity point estimate and the midpoint of the allowed cost of equity range
3 Ofwat's assessment excluded swap, junior debt and intercompany debt instruments
4 The debt indexation mechanism will observe the nominal iBoxx A and BBB 10-year+ non-financial bond indices across AMP8

Dividend policy

The board has set a group dividend policy for AMP8 of annual growth by CPIH inflation. This is based on expected returns from UUW for AMP8 performance, including the base dividend return of 4 per cent (nominal) on the equity portion of the shadow RCV, together with accumulated outperformance in prior periods that has been retained by the group after sharing with customers. This is the fourth consecutive AMP with the group dividend growing at least in line with inflation.

Gearing

Group gearing, measured as group net debt to UUW's RCV, has remained stable and comfortably within our target range of 55 to 65 per cent for the last 20 years. It remains one of the lowest in the sector, and we believe it is appropriate to retain this target range over AMP8, helping us to maintain efficient access to debt capital markets throughout the economic cycle.

Credit ratings

Assuming no significant changes to existing rating agency methodologies or sector risk assessments, we aim to target for UUW maintaining a long-term issuer credit rating of at least Baa1 with Moody's, a senior unsecured debt rating of at least BBB+ with Fitch, and a long-term issuer credit rating of BBB+ with Standard & Poor's (S&P).

Responsible approach to sharing outperformance

We have a strong track record of voluntarily sharing our outperformance with customers and other stakeholders, as we believe this is the fair and responsible thing to do. Across 2010–25, we have invested over £2 billion above our regulatory allowance in additional totex, pensions deficit repair contributions, and support for customers in difficult financial circumstances. CommUnity Share 2030 builds on this track record.

In addition to our contributions to financial assistance schemes over AMP8, we have committed that:

- In the event we adopt gearing above 70%, the financial benefits arising from gearing exceeding 65% will be shared equally with customers; and
- If dividend distributions to shareholders are much higher than forecast in our business plan, as a result of RoRE outperformance above 3%, customers would receive matching benefits.

AMP8 uncertainty mechanisms

Storm overflows – Ofwat expects companies with new requirements (for example, in our storm overflow discharge reduction plan) to use price control deliverable (PCD) flexibility to swap schemes and deliver equivalent storage volumes at different sites. Ofwat will provide additional funding for companies through the PR24 reconciliation at PR29, subject to companies having delivered all of their existing investigations and spent all existing funding for investigations.

Notified items – Items that have not been allowed for, either in full or in part, in the Final Determination, but where Ofwat has stated that increased costs could be subject to an interim determination if additional costs are incurred that can be recovered within the price control period, subject to conditions. There were four notified items within the AMP8 Final Determination – bioresources (sludge spreading), major projects (Windermere), forever chemicals (PFAS), and cyber security.

Gated mechanism – Where large schemes have a high degree of uncertainty, Ofwat includes these in a new gated mechanism for AMP8.

In our Draft Determination representation, we identified £186 million of additional scope in relation to solutions for Windermere, which was suitable for this process. This was reflected in the Final Determination, with an initial £11 million of the total allowed to ensure the schemes can be more clearly developed and defined, with a view to enhancing the asset's function beyond permit compliance.

At each gate, companies will submit information about their work on a solution, which will be assessed to ensure they are making progress on investigation and development of solutions. Ofwat will then decide whether they will continue to allow funding for the company to further investigate and develop a solution to the next gate.

Accelerated investment

We've already been ramping up delivery of our AMP8 programme, with a large number of delivery partners already onboarded. Mobilising our supply chain ahead of the start of AMP8 enabled us to get started early on the things that matter most to our stakeholders, including moving at pace and scale to reduce storm overflows and improve wastewater services. As part of the accelerated infrastructure delivery project approved by Ofwat, we have made significant progress on our storm overflow programme, and we have already seen excellent results having delivered a significant reduction in the number of spills.

Key financials by price control

Water resources

This price control covers activities in relation to abstraction licences and raw water abstraction. Allowed revenues are calculated in real terms as set out below and will be increased by CPIH inflation each year.

£m[1]	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Totex allowance (net)[2]	139.7	133.5	151.9	140.6	121.0	**686.7**
PAYG rate (%)	53.4%	61.0%	55.3%	61.4%	68.4%	**59.6%**
PAYG	**74.6**	**81.5**	**84.0**	**86.2**	**82.8**	**409.1**
RCV run-off rate (%)	2.5%	2.6%	2.8%	2.8%	2.8%	**2.7%**
RCV run-off	**18.7**	**20.4**	**23.2**	**24.0**	**24.7**	**111.0**
Return on capital	28.9	30.4	31.9	33.3	34.2	**158.7**
Other adjustments[3]	(9.0)	(8.5)	(8.4)	(8.4)	(8.4)	**(42.8)**
Allowed revenue	**113.1**	**123.8**	**130.7**	**135.2**	**133.3**	**636.0**
Other adjustments[4]	(1.2)	(1.5)	(1.5)	(1.5)	(1.5)	**(7.3)**
Revenue control	**111.8**	**122.2**	**129.1**	**133.7**	**131.8**	**628.6**
K factor	(13.35%)	9.46%	5.93%	3.54%	(1.67%)	**n/a**

Water network plus

This price control covers all activities carried out in performance of our functions as a water undertaker that are not designated as Water Resources or Retail activities. Allowed revenues are calculated in real terms as set out below and will be increased by CPIH inflation each year.

£m[1]	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Totex allowance (net)[2]	657.4	676.1	711.8	658.7	637.9	**3,341.9**
PAYG rate (%)	55.3%	58.5%	54.7%	58.5%	62.9%	**57.9%**
PAYG	**363.7**	**395.2**	**389.7**	**385.4**	**401.4**	**1,935.4**
RCV run-off rate (%)	5.3%	5.2%	5.1%	5.1%	5.2%	**5.2%**
RCV run-off	**211.7**	**213.2**	**213.7**	**218.6**	**224.5**	**1,081.6**
Return on capital	152.5	155.4	158.8	162.0	163.3	**792.1**
Other adjustments[3]	103.3	123.0	72.4	72.4	57.3	**428.5**
Allowed revenue	**831.2**	**886.8**	**834.6**	**838.5**	**846.6**	**4,237.7**
Other adjustments[4]	35.9	38.6	41.2	41.0	41.1	**197.8**
Revenue control	**867.1**	**925.4**	**875.8**	**879.4**	**887.7**	**4,435.5**
K factor	30.08%	6.85%	(5.34%)	0.36%	0.73%	**n/a**

1 All figures are taken from the FD and, unless otherwise stated, are presented in real CPIH-stripped FYA 2022/23 price base
2 Wholesale totex allowance as allowed within PAYG. This excludes AMP7 transitional investment and accelerated projects which are recovered through RCV run-off, excludes contingent allowances which are recovered once the gated conditions are met, and includes assumed equity issuance costs
3 Other allowed revenue adjustments relate to revenue adjustments for PR19 reconciliations, innovation competition, and tax
4 Other revenue control adjustments relate to the inclusion of developer services, diversions and other contributions price control income, and deduction of non-price control income
5 DPC costs are currently indicative as the final contract has not yet been set. Once this is set, the actual values will be applied as a pass-through cost

Wastewater network plus

This price control covers all activities carried out in performance of our functions as a wastewater undertaker that are not designated as Bioresources activities or Retail activities. Allowed revenues are calculated in real terms as set out below and will be increased by CPIH inflation each year.

£m[1]	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Totex allowance (net)[2]	1,267.2	1,470.5	1,684.5	1,462.4	922.1	6,806.7
PAYG rate (%)	27.2%	25.2%	22.0%	25.2%	41.9%	27.0%
PAYG	**344.8**	**370.1**	**370.8**	**369.1**	**385.9**	**1,840.7**
RCV run-off rate (%)	3.8%	3.6%	3.4%	3.2%	3.3%	3.4%
RCV run-off	**340.0**	**345.9**	**356.1**	**367.8**	**387.3**	**1,797.0**
Return on capital	344.3	370.2	403.5	436.3	453.5	2,007.8
Other adjustments[3]	17.7	42.4	36.0	36.0	36.0	168.0
Allowed revenue	**1,046.7**	**1,128.6**	**1,166.4**	**1,209.1**	**1,262.7**	**5,813.5**
Other adjustments[4]	42.2	45.1	47.9	47.5	47.7	230.4
Revenue control	**1,088.9**	**1,173.7**	**1,214.3**	**1,256.6**	**1,310.3**	**6,043.9**
K factor	23.41%	7.94%	3.69%	3.50%	4.13%	n/a

Bioresources

This price control covers activities in relation to the transport, treatment and disposal of sludge. Allowed revenues are calculated in real terms as set out below and will be increased by CPIH inflation each year. Allowed revenues are calculated based on an assumed volume of sludge and will be adjusted for actual volumes on a two-year lag.

£m[1]	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Totex allowance (net)[2]	157.6	175.1	172.0	159.4	139.2	803.3
PAYG rate (%)	38.2%	35.9%	41.2%	46.0%	62.5%	44.1%
PAYG	**60.2**	**62.8**	**70.8**	**73.4**	**87.0**	**354.2**
RCV run-off rate (%)	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
RCV run-off	**42.3**	**47.3**	**52.1**	**55.4**	**56.5**	**253.7**
Return on capital	19.7	22.1	24.3	25.9	26.4	118.4
Other adjustments[3]	1.8	0.5	(1.2)	(1.2)	(0.7)	(0.9)
Allowed revenue	**124.1**	**132.7**	**146.0**	**153.4**	**169.2**	**725.4**
Other adjustments[4]	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Revenue control	**124.0**	**132.6**	**145.9**	**153.3**	**169.1**	**725.0**
Assumed volume of sludge (tonnes)	213,055	214,505	215,659	216,634	217,504	n/a

Residential retail

This price control covers activities as both a water undertaker and a wastewater undertaker in relation to areas such as billing and metering for household customers. Allowed revenues are calculated in nominal terms as set out below - there is no inflationary increase in retail. Allowed revenues are calculated on the basis of a forecast number of customers and will be adjusted for actual customer numbers each year.

£m[1] (nominal)	2025–26	2026–27	2027–28	2028–29	2029–30	AMP8 total
Total wholesale revenue	2,342.6	2,572.3	2,639.4	2,770.3	2,919.7	13,244.3
Proportion allocated to residential	70.6%	70.5%	70.5%	70.4%	70.3%	70.5%
Wholesale revenue allocated to residential	**1,652.8**	**1,814.7**	**1,861.3**	**1,951.0**	**2,053.8**	**9,333.5**
Residential retail costs	138.2	145.6	150.9	157.4	165.3	757.3
DPC pass-through costs[5]	0.0	42.0	90.4	94.5	97.6	324.6
Total Residential Retail costs	**1,790.9**	**2,002.3**	**2,102.6**	**2,202.8**	**2,316.8**	**10,415.3**
Retail net margin (1.5%)	27.3	30.5	32.0	33.5	35.3	158.6
Other adjustments	28.4	21.5	2.3	2.4	2.4	57.0
Allowed revenue	**193.8**	**197.5**	**185.2**	**193.3**	**203.0**	**972.9**
Forecast customer numbers (‘000s)	3,195.1	3,220.5	3,251.5	3,284.6	3,315.1	n/a

Total expenditure (totex)

Our gross totex allowance for AMP8 is £13.3 billion, which is £12.7 billion net of grants and contributions.

Totex (post-efficiency and real price effects) split by price control

£m[1]	2025–26[2]	2026–27	2027–28	2028–29	2029–30	AMP8 total
Water resources	148.9	133.5	151.9	140.6	121.0	**695.9**
Water network plus	731.8	737.7	781.2	731.3	710.8	**3,692.8**
Wastewater network plus	157.6	175.1	172.0	159.4	139.2	**803.3**
Bioresources	1,578.9	1,521.7	1,778.3	1,573.2	1,017.7	**7,469.8**
Residential retail	124.2	128.0	129.6	132.2	136.0	**650.0**
Gross totex	**2,741.4**	**2,696.0**	**3,013.0**	**2,736.7**	**2,124.7**	**13,311.7**
Grants and contributions (after income offset)	(107.3)	(116.8)	(125.8)	(124.7)	(125.1)	**(599.7)**
Net totex	**2,634.1**	**2,579.2**	**2,887.2**	**2,612.0**	**1,999.6**	**12,712.0**

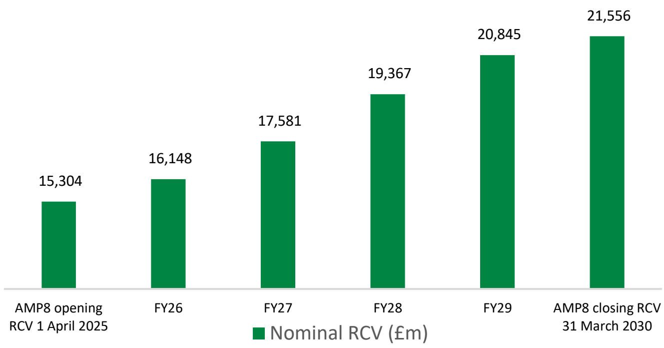
Base / enhancement totex allowances

£m[1]	Base	Enhancement[3]	Gross total	Grants & contributions	Net total
Water resources	414.9	281.0	**695.9**	-	**695.9**
Water network plus	2,898.7	794.1	**3,692.8**	(346.4)	**3,346.4**
Wastewater network plus	2,919.1	4,550.7	**7,469.8**	(253.3)	**7,216.5**
Bioresources	504.6	298.6	**803.2**	-	**803.2**
Residential retail	650.0	-	**650.0**	-	**650.0**
Totex allowance	**7,387.3**	**5,924.4**	**13,311.7**	**(599.7)**	**12,712.0**

1 All figures are taken from the FD and, unless otherwise stated, are presented in real CPIH-stripped FYA 2022/23 price base
2 2025-26 includes £277.5m of transitional investment and accelerated programme projects incurred prior to AMP8 and included in the totex allowance. This is split between £18.0m incurred in 2023/24 and £259.5m included in 2024/25
3 Inclusive of £175.2m of contingent allowance within Wastewater network plus in respect of gated schemes

RCV growth

The below chart shows the projected RCV growth for UUW in AMP8, giving a compound annual growth rate (CAGR) of around 7% across the period.



[1] Opening RCV is adjusted for actual spend, timing differences and full expected value of AMP8 ex-post adjustment mechanisms
[2] AMP8 closing RCV is calculated on a nominal basis using OBR long-run CPIH forecasts

Cost sharing – Our modelled base costs have a cost sharing rate of 50%, meaning over or under-recovery against our totex allowance is shared 50:50 between the company and customers. Over or under-recovery of the majority of enhancement costs is shared 60% with customers, and differences in the level of business rates are shared 90% with customers.

Growth drivers

Base totex – Our allowed base totex of £7.4 billion is broadly in line with our business plan submission.

Enhancement totex – The key driver for the record level of growth in AMP8 compared with previous periods is the significant step-up in enhancement expenditure, in particular to deliver environmental improvements. Our AMP8 investment includes an industry-leading spill reduction programme and an AMP8 environmental programme (WINEP) that is 5.7 times larger than that in our AMP7 determination.

Enhancement totex is primarily addressing new legislative and regulatory requirements, and we expect these drivers will mean higher levels of enhancement expenditure continue well beyond AMP8. Ongoing growth drivers include:

- Environment Act 2021;
- Tightening environmental standards, for example in relation to PFAS and microplastics;
- Replacement and renewal of ageing infrastructure;
- Long-term resource adequacy;
- Climate change adaptation and resilience; and
- Net zero emissions target.

Customer bills and support

Our plan will deliver services that customers value and we have taken robust action to ensure the lowest possible bills for customers. Average household bills, based on Ofwat's financial model, are summarised in the table below.

Household customer bills (2022/23 prices)	2025–26	2026–27	2027–28	2028–29	2029–30
Wholesale revenues (£m)	2,105.66	2,314.55	2,378.19	2,439.31	2,516.48
Retail apportionment (£m)	70.71%	70.78%	70.77%	70.68%	70.57%
Household customers ('000s)	3,195	3,220	3,251	3,285	3,315
Average wholesale bill (£)	466.00	508.66	517.57	524.86	535.67
Average retail bill (£)	53.18	52.61	47.75	48.22	49.17
Average household bill (£)	**519.18**	**561.27**	**565.32**	**573.08**	**584.83**

Affordability support

The record levels of investment needed in AMP8 and beyond require increases in customer bills across the country. With our high level of efficiency and adaptive planning helping to minimise these bill increases, our customers will have one of the lowest average bills of all water and wastewater companies by the end of AMP8. However, many customers will understandably be concerned about affordability challenges.

Our strong track record of helping customers with sector-leading affordability support will be more important than ever, and we have committed to go even further in AMP8 with an unprecedented £525 million to help those in need, enabling us to support one in six households by 2030.

Bad debts remain a key area of focus for us. Having halved our level of household bad debt across AMP6, from a high of 3.6% in 2015/16, our leading approach has enabled us to maintain a low level throughout AMP7, despite a challenging macro-economic environment, driving this down to just 1.5%.

Five counties approach

We operate across five counties in the North West, each with unique needs, challenges and opportunities.

Our innovative place-based planning approach for AMP8 helped us to develop five plans tailored for each county, and we have structured our delivery teams across the counties, with dedicated stakeholder managers for each, to help ensure effective delivery.

Engaging with customers and stakeholders in this localised way helped us to secure strong customer support for our AMP8 plans at 78%, and our approach is providing more transparency and insight about our services than ever before.

Customer service

We have achieved consistently strong levels of customer satisfaction, ranking as the top listed company in each of the last five years, and earning the third highest reward against the Customer Measure of Experience (C-MeX) measure for AMP7.

As the measures of experience broaden and increase in importance in AMP8, it is also notable that we also expect to position in the upper quartile on both the Developer Measure of Experience (D-MeX) and Business Retailer Measure of Experience (BR-MeX).

Performance commitments and ODIs

In AMP8 there has been a shift in the focus of the outcomes framework, meaning there will be fewer performance commitments overall, with much more commonality across the industry.

AMP7	12 common commitments	AMP8	22 common commitments
	27 bespoke commitments		2 bespoke commitments
	7 reputational-only (no financial incentive)		1 reputational-only (no financial incentive)

Reward and penalty ranges on ODIs

	P10	P90
% of 5-year regulated equity	(1.96%)	1.60%

The table shows the range of projected reward or penalty from ODIs in RoRE terms, and this is broadly similar to what was set out in the AMP7 determination (1.8% penalty to 1.5% reward). For AMP8, this equates to a maximum reward of £585 million and a maximum penalty of £716 million over the five years. This range is as set out by Ofwat in the Final Determination, and our own analysis will differ.

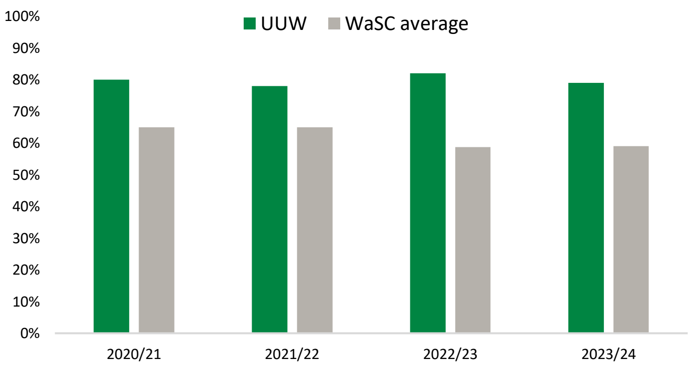
91% of common performance commitments have downside risk protections in the Final Determination, in the form of collars and/or underperformance deadbands.

Strong track record of outperformance

We are a company that consistently delivers top quartile performance against ODIs, and we have met or beaten around 80% of performance commitments across AMP7. This was industry-leading in the first four years (for which peer performance has been published) and, as shown in the chart below, well above the sector average.

We earned a cumulative net ODI reward of £44 million in AMP6, and a cumulative net ODI reward of £129 million in AMP7.

Performance commitments achieved FY21-FY24 (%)



Outturn Adjustment Mechanism (OAM)

Ofwat has introduced a new mechanism for AMP8, designed to protect both companies and customers in the event that sector performance against common performance commitments is materially different than expected when setting targets.

The OAM will be applied on an annual basis, after the aggregate sharing mechanism, and separately for water and wastewater, with a 50bps RoRE deadband before the mechanism triggers.

Common performance commitments

14 of the common performance commitments in AMP8 are well understood from AMP7, and our shadow reporting has helped us understand where the key areas are to target in AMP8.

Importantly, the Final Determination set company-specific targets for United Utilities on key commitments – including spills from storm overflows and internal sewer flooding – where it was recognised that performance is driven by regional factors that create unique challenges.

Bespoke performance commitments

We have two bespoke performance commitments in AMP8, developed through extensive customer and stakeholder research meaning we are incentivised against the things that are important to our customers and other stakeholders:

Wonderful Windermere – supporting improvements to overall water quality, long-term resilience and heritage of Windermere through stewardship of catchment-wide solutions.

Embodied greenhouse gas (GHG) emissions – supporting our ongoing strategy to reduce embodied GHG emissions and, alongside the two common performance commitments to reduce GHG emissions, helping us to achieve our net zero target by 2050.

Appendix

Key links

Further information on aspects of the Final Determination can be found at the links below:

Final determination
Final determinations

Final determination models

Overview of United Utilities' PR24 Final Determination

Totex
Expenditure allowances

Reconciliation between expenditure allowance document and financial model

Common performance commitments
Outcomes data

Outcomes (detailed)
Delivering outcomes for customers and the environment

United Utilities outcomes appendix

Ofwat's financial model
Financial model – United Utilities

Weighted average cost of capital (WACC)
Allowed return appendix

Glossary of key terms

AMP7 / AMP8 – The regulatory cycle is broken up into five-year asset management plan (AMP) periods. AMP7 ran from 1 April 2020 to 31 March 2025. AMP8 will run from 1 April 2025 to 31 March 2030.

Totex – Expenditure allowances are set in terms of total expenditure (totex) rather than separately for operating expenditure (opex) and capital expenditure (capex).

PCs / ODIs – Ofwat sets performance commitments (PCs) with annual targets, and many have outcome delivery incentives (ODIs) attached to reward companies for outperformance or compensate customers by imposing penalties for underperformance.

PCDs – For AMP8, Ofwat also sets price control deliverables (PCDs) for outputs and outcomes, with incentives to encourage companies to deliver on time and penalties to return money to customers if not delivered on time or in full.

RoRE – return on regulated equity (RoRE) measures the regulatory returns (after tax and interest) that companies have earned by reference to the notional regulated equity. In AMP7, notional equity was 40% of the RCV. In AMP8 it has been increased to 45%. RoRE comprises a base allowed return plus or minus any out or under performance earned across totex, ODIs, financing costs and tax.

RCV / PAYG / run-off – Regulatory capital value (RCV) is used to measure the asset base of a company when setting price limits. RCV increases each year by a proportion of totex set at each price review and an adjustment for inflation, and reduces by RCV run-off. In each year, the pay-as-you-go (PAYG) rate sets the amount of in-period totex to be recovered in revenue, and the RCV run-off rate sets the amount of prior period totex to be recovered in revenue. Shadow RCV is adjusted for actual spend and timing differences.

WaSC – Water and sewerage companies (WaSCs) provide water and wastewater services for customers, while water-only companies (WOCs) provide only water services.

United Utilities Water Limited
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

unitedutilities.com

United Utilities

Water for the North West