

Asset Health and Growth Cost Change 2026

Growth Unlocked: Water for the New Economy

UUW26-02

April 2026



Executive Summary

UW is pleased to submit its proposals for Growth and Asset Health investment to Ofwat's 2026 Cost Change process.

We are committed to supporting the Government's growth mission and have prepared investment plans to help unlock opportunities across the North West that would generate economic growth and support resilience, creating over 4,000 new jobs in our supply chain, supporting Government's housing, digital and net zero ambitions and strengthening long term service resilience. This is in addition to the 30,000 additional jobs that we estimate are already supported through our existing AMP8 programme.

Our growth proposals have been designed to support the increase in housing targets and the emergence of large-scale industrial demand from AI data centres and the HyNet clean energy cluster. The proposed investment is beyond that reflected in the PR24 determination.

Investing for Growth

Our Growth investment programme for AMP8 totals £637m and focuses on three investment cases:

- **New water infrastructure for East Manchester data centres (£175m):** This investment will support necessary expansion of AI and digital infrastructure, new treatment capacity and dedicated pipelines to seven data centre sites. This will enable over 700 jobs and strengthen resilience across Greater Manchester.
- **Non-potable water system for HyNet in Ellesmere Port (£176m):** This investment will provide water supplies for hydrogen production and carbon capture industries by delivering staged upgrades including the River Weaver abstraction, strategic transfer mains and blending/storage infrastructure. This will enable over 1,000 jobs (including AMP9) across the supply chain. The HyNet infrastructure is set to enable an annual reduction in emissions of up to 10 million tonnes of CO₂ and a major regional economic value uplift.
- **Wastewater treatment capacity for new homes (£286m):** This investment involves taking a forward looking 10-year view of capacity needs by upgrading 34 wastewater treatment works to support long term population growth. This will enable 1,200 jobs, add around 116,498 of population equivalent of capacity and improve the efficiency of upgrades over the long term.

Investing for Asset Health

Our Asset Health investment programme totals £339m in AMP8 and will strengthen long term serviceability across five asset classes, addressing deterioration that cannot be addressed through base allowances and reducing risks to customers and the environment. This will enable over 1,100 jobs across the supply chain. It focuses on five investment cases:

- **Protecting Rapid Gravity Filters (£18m):** Delivering the structural remediation of our filters to protect headroom and avoid reactive failures;
- **Enhancing Water Network Storage (£78m):** Enabling the refurbishment of 24 treated water tanks to improve resilience, water quality and operability;
- **Upgrading Boreholes (£13m):** Facilitating the modernisation of headworks, cleaning and relining to reduce contamination and supply risks;
- **Supporting Gravity Sewers (£188m):** Carrying out 4,173km of survey and remediation to stabilise sewer network health, reduce future collapses and reactive workload; and,
- **Protecting Trickling Filters (£41m):** Refurbishing and renewing our assets and maintain long term compliance and serviceability.

The investment proposals submitted in 2026 through the Cost Change process on Growth and Asset Health total £976m in AMP8 (2022-23 prices).

We have also submitted an additional asset health investment case for information covering priority risks associated with a Glass Reinforced Plastic (GRP) final effluent pipeline system.

This document also sets out our deliverability assessments showing that the proposed programme is deliverable and will allow us to optimise the utilisation of our supply chain by smoothing the investment across AMPs. These proposals build on UUW's strong track record of having delivered 100 percent of our regulatory commitments on time for this first year of AMP8.

Overall, in preparing our proposals we have taken care to:

- avoid any double funding and ensure that the investment is incremental to the Final Determination (FD);
- align approaches with PR24 precedents and modelled costs, wherever possible; and,
- ensure appropriate customer protection measures with Price Control Deliverables across all investment cases.

Independent assurance has been provided for both Growth and Asset Health cases as per Ofwat's guidance.

To finance the proposals would require a £1,010.2m RCV adjustment and increase wholesale revenues by around £139.7m. UUW plans to apply for in-period revenue adjustments once Ofwat completes the necessary licence modifications for growth investment.

Document Structure

This document is structured as follows:

- **Section 1** provides the strategic context for our submission, what has changed since PR24 FD and the benefits from our proposals;
- **Section 2** sets out our growth investment and the specific infrastructure required to support housing and industrial growth;
- **Section 3** sets out the asset health investment and the specific asset classes to increase resilience;
- **Section 4** covers customer protection measures, price control deliverables and the third party assurance underpinning our proposals;
- **Section 5** includes an assessment of the financeability of the proposals, including impacts on bills, revenues and RCV, and arrangements for reconciliation at PR29;
- **Section 6** summarises our customer research and how we have used customer insights to inform our investment proposals;
- **Section 7** provides evidence of UUW's capability and readiness to deliver the proposed programme, drawing on its track record and supply chain capacity; and,
- **Section 8** discusses issues associated with future cost change proposals.

1. Growth Unlocked: Water for the New Economy

UW is pleased to submit to Ofwat its plans for the Cost Change process on Growth and Asset Health for the 2026 submission window. In line with our Stronger, Greener and Healthier purpose and our strategy for the North West, the plans set out in this submission will deliver significant benefits to communities, the environment and will maximise opportunities for economic growth.

Our ambition is to be an enabler and a catalyst in full support of Government's ambitions for housing and growth, its industrial strategy for green energy, and our digital economy.

1.1 What has changed since the Final Determination

As we begin the second year of AMP8, we are engaged in our largest ever investment programme to meet the significant needs for growth identified in our business plan. We are on track delivering the outcomes set out in the Final Determination (FD) and are also maximising opportunities to deliver more within existing allowances. However, reflecting this intense focus on national and regional growth and resilience, we have prepared our plans to support the Government's mission on growth and maximise our preparedness for future industrial and domestic developments.

Since our PR24 Draft Determination Representation, we have identified significant changes in our planning assumptions, which impact the projects necessary to support economic growth and meet additional future demand.

Firstly, we have seen significant increases in housing targets, with new mandatory requirements for local authorities. In the North West, this equates to around 65,000 additional homes by 2030 compared to previous targets, reflecting a substantial uplift in annual housing need following the Government's 2024 planning reforms. There have also been new designations for development of greenfield sites through the New Towns Taskforce¹ and a renewed commitment to growth through the Places for Everyone² programme by the Greater Manchester Combined Authority. The Ministry of Housing has also recently confirmed³ Greater Manchester's plans for the establishment of a new town in Victoria North with 15,000 new homes as part of a regeneration plan at the heart of Greater Manchester. There have also been announcements for housing plans⁴ in support of the expansion by the defence sector in Barrow-in-Furness⁵.

Secondly, we have seen the significant maturity of new strategic industrial developments in green energy and AI data centres, generating large additional demands for water by 2030. Green energy infrastructure at the Hynet cluster has been recently confirmed as one of the highest priority programmes included in the government's Major Projects Portfolio projects⁶. New demand from data centres also represents a significant change: before the FD for PR24, data centre policy was largely absent from formal industrial strategies. Soon afterwards, data centres have been recognised as national infrastructure critical to supporting AI, cloud computing, and secure digital services. The National Infrastructure and Service Acceleration (NISA)⁷ unit has been tasked with fast-tracking the development of both HyNet and data centres in the Manchester area. This marks a significant policy change and reflects a broader and increased ambition to embed digital capacity into the UK's industrial fabric. The recent development of Government's ambitions presents a larger and accelerated demand for infrastructure, beyond that embedded in our business plan submissions or reflected in the FD. Beyond these

¹ [The New Towns Taskforce - GOV.UK](#)

² [Places For Everyone - Greater Manchester Combined Authority](#)

³ [Seven new towns proposed to kickstart housebuilding push - GOV.UK](#) and [Victoria North - Victoria North](#).

⁴ [Marina Village partnership agreed to support new homes in Barrow | Westmorland and Furness Council](#)

⁵ [Our plan for Barrow - Barrow Rising](#)

⁶ [Government Major Projects Portfolio - GOV.UK](#)

⁷ [Government ushers in new era for UK infrastructure delivery - GOV.UK](#)

unforeseeable changes and new requirements, we also recognise the importance and urgency of improving our resilience to support Government’s aim to “kickstart economic growth”.

Thirdly, we have taken a more proactive and longer term look ahead at the needs and potential future growth constraints to remove current and future barriers. This involved investigating additional investment needs above and beyond PR24 that can support growth and that can be delivered more cost effectively, ultimately contributing to a more efficient utilisation of our supply chain capacity across AMPs. To this end, our proposals will help improve our ability to respond to, and support, the Government’s growth objectives and aspirations across the North West.

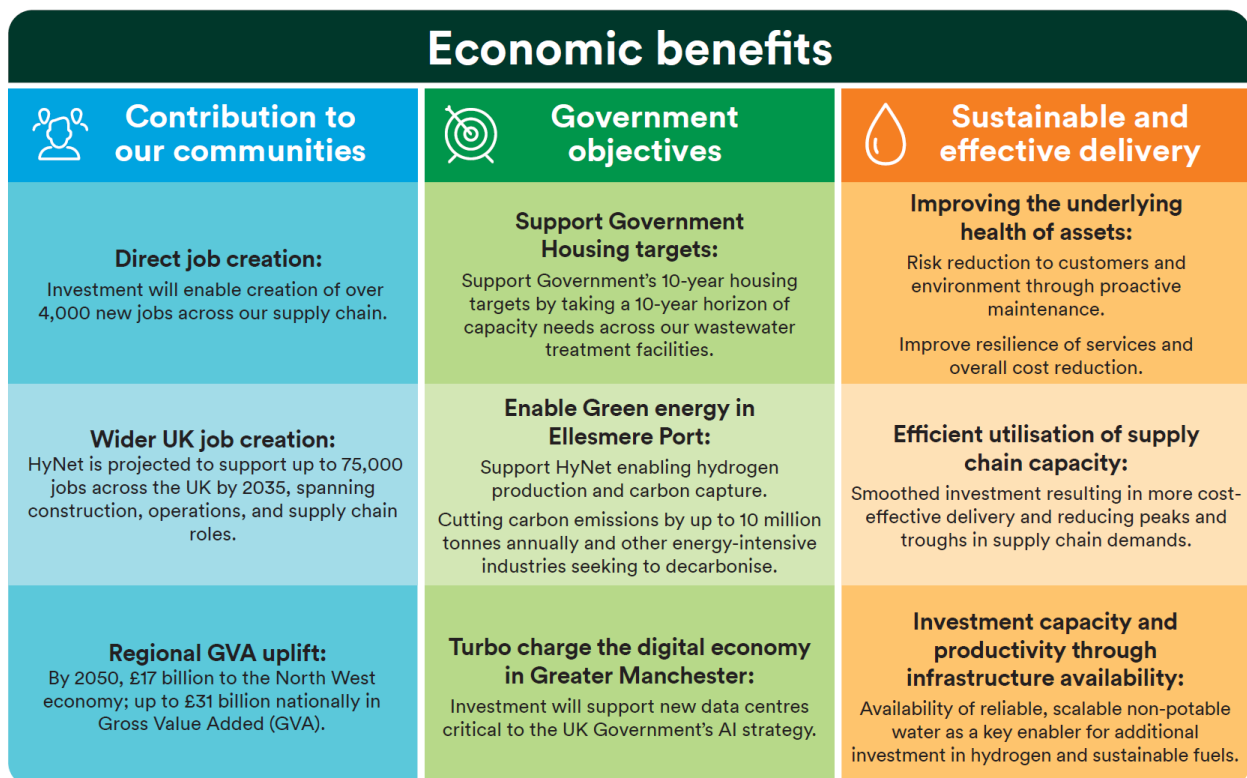
Finally, to ensure that we continue to develop evidence-based plans and target efficient interventions on our existing asset base, since we submitted our business plan **we have undertaken widespread asset inspections across more than 200 of our water and wastewater treatment sites, covering five of the asset classes that are in the scope of Ofwat’s Asset Health Cost Change process.** We have also used information gathered from our AMP8 proactive programmes for sewer remediation to better understand the current condition of our sewer network. The result of these surveys and inspections directly inform our Asset Health investment proposals and support the delivery of our asset management strategies.

1.2 Delivering economic benefits throughout the North West

We are already a major employer in the local economy, supporting 1 in every 100 jobs in the region and training a talented and diverse pool of apprentices and graduates. We estimate that this plan could support an additional 4,000 jobs in our supply chain in addition to the 30,000 jobs that our AMP8 Business Plan is enabling across UUW and the supply chain. As it completes, this programme of investment will also help attract and facilitate much needed, sustainable investment into the North West economy.

We have prioritised investment based on a best value approach, seeking to drive additional benefits through the choices we make on where and how to invest. Our plans reflect estimated total expenditure of £976m for AMP8 across Growth and Asset Health cases. The proposals also reflect an assumed £102m of capital expenditure in AMP9. Figure 1 below summarises the economic benefits from our plans.

Figure 1: Economic benefits



Source: UUW analysis

In terms of benefits our proposals will support:

- **Direct job creation:** The investment will enable the creation of over 4,000 new jobs across our supply chain in addition to our existing AMP8 programme. This is addition to the 30,000 jobs in the supply chain that our existing AMP8 programme is already supporting.
- **Government housing targets across the North West:** The investment will support Government's 10-year housing targets by taking a 10-year planning horizon of the capacity needs across our wastewater treatment facilities and reducing the need for a reactive incremental investment.
- **Green energy infrastructure in Ellesmere Port:** The investment will support HyNet, one of the largest hydrogen projects in the UK enabling hydrogen production and carbon capture. This will contribute to cutting carbon emissions by up to 10 million tonnes each year and other energy-intensive industries seeking to decarbonise.
- **Wider UK job creation:** HyNet alone is projected to support up to 75,000 jobs across the UK by 2035⁸, spanning construction, operations, and supply chain roles.
- **Regional economic uplift:** The combined effects of direct spend on HyNet North West, and from related inward investment, will result in £31 billion in Gross Value Added⁹ for the UK as a whole and around £17¹⁰ billion for the North West to 2050.
- **Development of the digital economy in Greater Manchester:** The investment will support new data centres critical to the UK Government's AI strategy.
- **Improving the underlying health of regional water and wastewater assets:** The investment in asset health across five asset classes will reduce risks to customers and the environment, improve resilience of services and reduce the overall cost through a more pro-active maintenance activity.
- **More efficient utilisation of supply chain capacity:** The investment will allow us to smooth both the investment profile (and the impact on customer bills) across AMPs, ultimately reducing the overall costs to customers through more cost-effective delivery and reducing peaks and troughs in supply chain demands. It provides a more stable pipeline of work and helps to avoid dramatic bill hikes at PR29.
- **Investment capacity and productivity through infrastructure availability:** The availability of reliable, scalable non-potable water infrastructure is a key enabler for additional inward investment in hydrogen production and sustainable fuels. AI data centres will also contribute to the wider productivity gains of the economy.

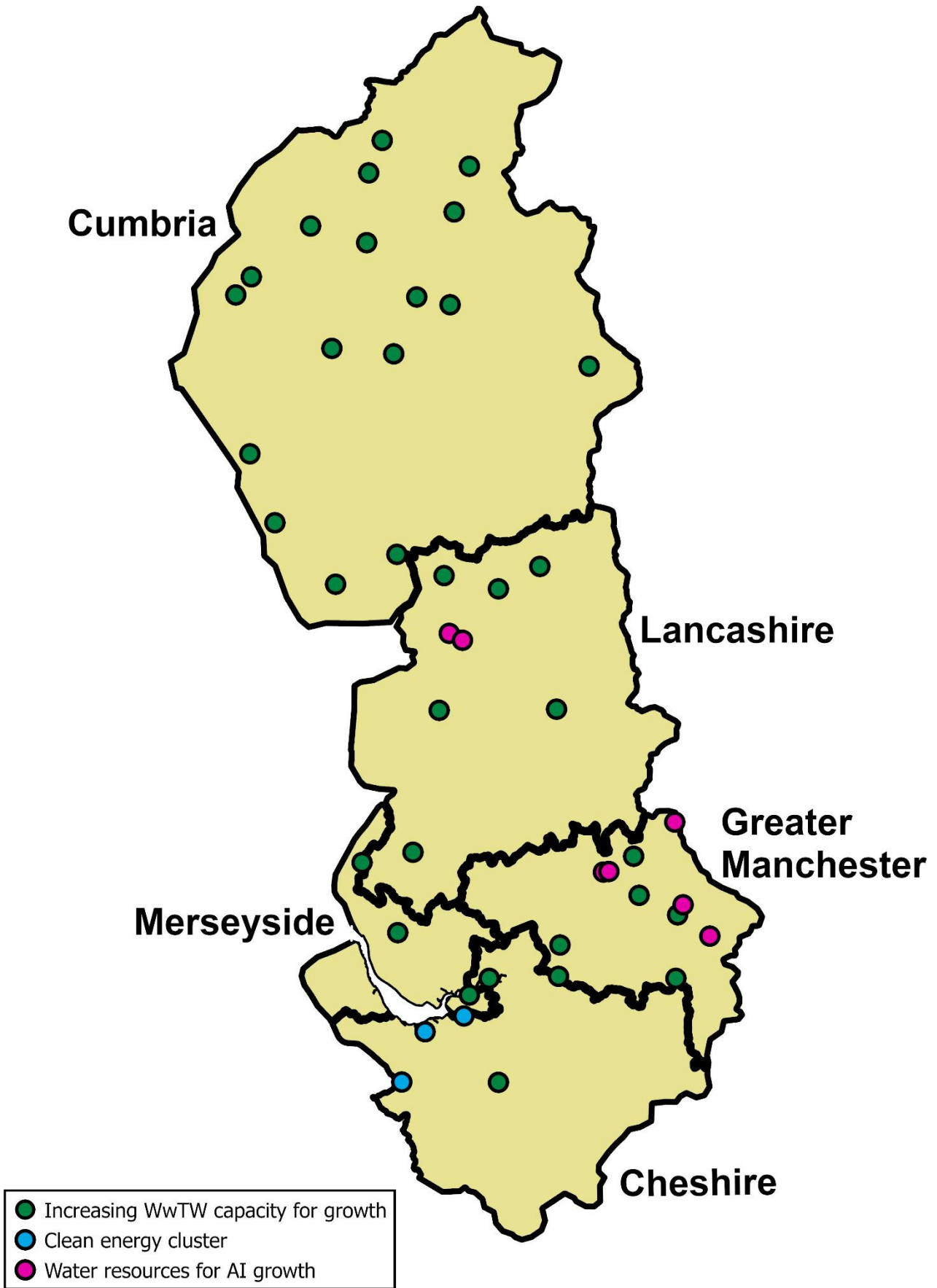
Our proposals will target investment across each of the North West's five counties, Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside. Figure 2 below sets out our investment proposals for growth, and Figure shows our proposed asset health investments across the five counties we serve in the North West.

⁸ [HyNet-NW-CO2-consultation-launch.pdf](#)

⁹ The Gross Value Added is an economic metric measuring the value of goods and services produced in an area, industry, or sector, calculated as total output minus intermediate consumption.

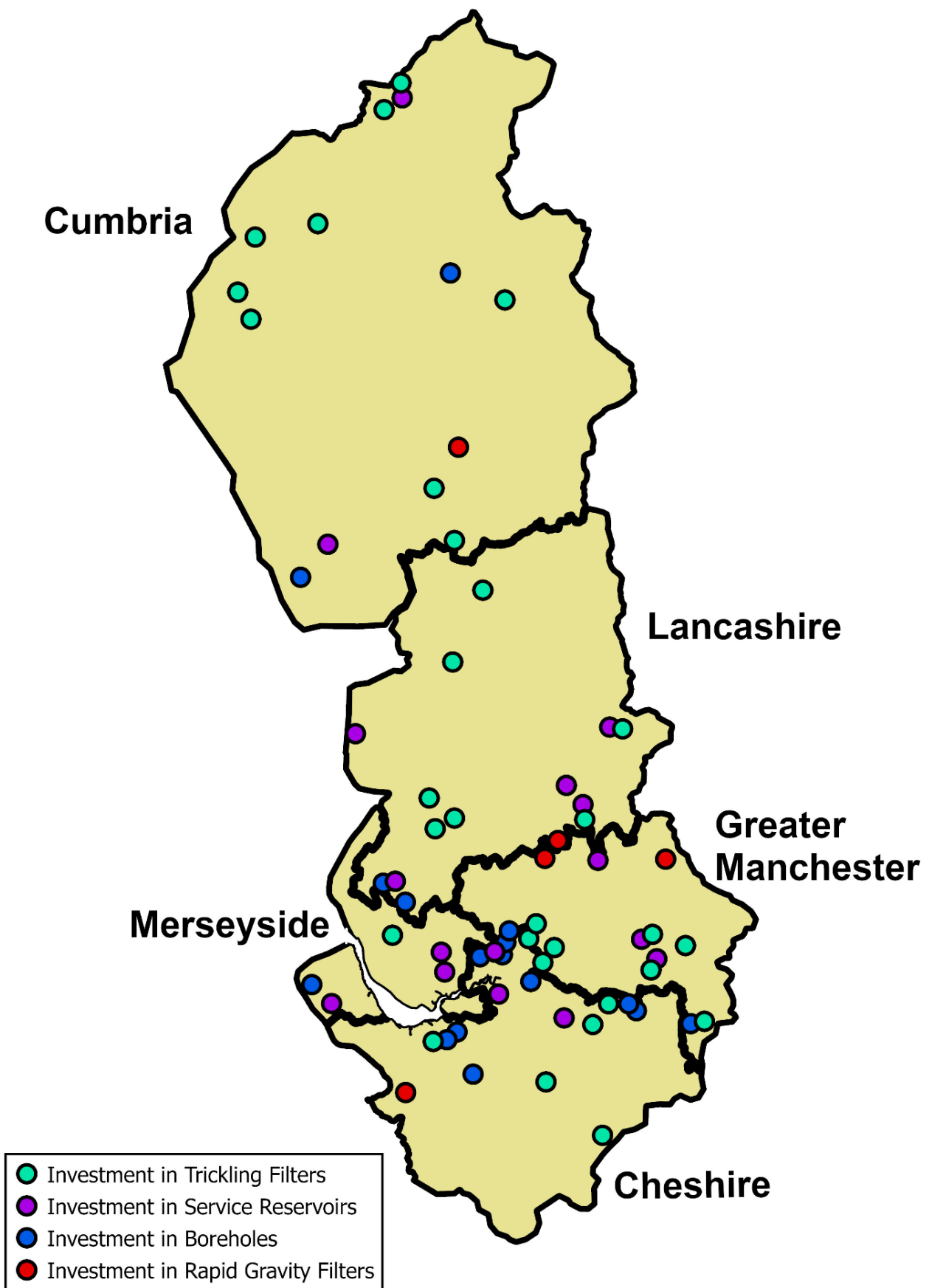
¹⁰ [HyNet NW-Vision-Document-2020 FINAL.pdf](#)

Figure 2: Map illustrating growth investment across the North West



Source: UUW analysis

Figure 3: Map illustrating asset health investment across the North West



Source: UUW analysis

In preparing our proposals, we have been careful to ensure that our proposals are appropriately scoped, efficient and deliverable. We have done this by optimising our existing AMP8 portfolio of projects at a catchment level, adhering to Ofwat's regulatory precedents from PR24 and maximising cost efficiency. We have engaged with our key stakeholder community and our proposals are underpinned by letters of endorsement from our key stakeholders.

Pending Ofwat's consultation on licence changes to enable in-period revenue adjustments for growth investment, UUW plans to submit a proposal in 2027 for in-period revenue adjustments for both our Growth and Asset Health investment proposals. Alongside any proposal for in-period adjustments, we will provide evidence of customer research on bill impacts and explain how we continue to deliver on commitments to support affordability and ensure that vulnerable customers are supported throughout the North West.

1.3 About this submission

The proposals included within this submission total £1,078m of investment (2022-23 CPIH) for Growth and Asset Health combined (of which £976m within AMP8). The Windermere gated programme is also included in the Data Table submission and reflects the Package 1 and 2 submissions to Ofwat under the large gated schemes process. All the investment set out in this submission is distinct and incremental to Ofwat's FD. The cases attached to this submission contain clear evidence of need, benefits and cost efficiency.

Table 1: Total investment for Growth and Asset Health (£m 2022-23 CPIH)

| | AMP8 | AMP9* | Total investment |
|--------------|------------|------------|------------------|
| Growth | 637 | 102 | 739 |
| Asset Health | 339 | - | 339 |
| Total | 976 | 102 | 1,078 |

* AMP9 reflects capital expenditure only, with spend deferred into this period due to deliverability considerations

Source: UUW analysis

We are providing three enhancement cases on Growth and five investment cases on Asset Health. Our investment cases set out the detail of our proposals, evidence around efficient costs, deliverability assessment and timing and customer protection measures. We have also attached a set of cost change data tables.

Table 2: Total investment for Growth and Asset Health (£m 2022-23 CPIH)

| Category | Scheme | Document ID | AMP8 value | Total investment AMP8 and AMP9 |
|--------------|--|-------------|------------|--------------------------------|
| Growth | Enabling data centre growth | UUW26-03 | 175 | 179 |
| | Clean energy growth in Ellesmere Port | UUW26-05 | 176 | 251 |
| | WwTW capacity for New Homes | UUW26-07 | 286 | 309 |
| Asset Health | Protecting Rapid Gravity Filters | UUW26-12 | 18 | 18 |
| | Enhancing Water Network Storage Assets | UUW26-13 | 78 | 78 |
| | Upgrading Boreholes | UUW26-14 | 13 | 13 |
| | Supporting Gravity Sewers | UUW26-15 | 188 | 188 |
| | Protecting Trickling filters | UUW26-16 | 41 | 41 |
| Total | | | 976 | 1,078 |

Source: UUW analysis

We welcome further engagement with Ofwat as it assesses the detail of our proposals. As we progress through this work we expect to examine whether further amendments would be beneficial and in the best long term interests of customers and the environment in the North West.

Table 3: Submission suite

| Doc Ref | Document Title | Description |
|----------|---|---|
| UUW26-01 | Table of Contents and Redactions | Readme first file: contents and redactions |
| UUW26-02 | Growth Unlocked: Water for the New Economy | Cost change main document |
| UUW26-03 | Growth in Water Resources – Enabling data centre growth | Data centres enhancement case |
| UUW26-04 | Growth in Water Resources – Enabling data centre growth annex | Annex to the data centres enhancement case |
| UUW26-05 | Growth in Water Resources – Clean energy growth in Ellesmere Port | Clean energy enhancement case |
| UUW26-06 | Growth in Water Resources – Clean energy growth in Ellesmere Port annex | Annex to the clean energy enhancement case |
| UUW26-07 | Growth at Sewage Treatment Works – WwTW capacity for New Homes | Growth at sewage treatment works enhancement case |
| UUW26-08 | Growth at Sewage Treatment Works – WwTW capacity for New Homes annex | Annex to the growth at sewage treatment works enhancement case |
| UUW26-09 | Growth Submission – Commercial assurance report | Commercial assurance report for the Growth submission material |
| UUW26-10 | Growth Submission – Technical assurance report | Technical assurance report for the Growth submission material |
| UUW26-11 | Growth Submission – PCDs | Growth submission – PCDs spreadsheet |
| UUW26-12 | Asset Health Business Case – Protecting Rapid Gravity Filters | Rapid gravity filters business case |
| UUW26-13 | Asset Health Business Case – Enhancing Water Network Storage Assets | Water network storage assets business case |
| UUW26-14 | Asset Health Business Case – Upgrading Boreholes | Boreholes business case |
| UUW26-15 | Asset Health Business Case – Supporting Gravity Sewers | Gravity sewers business case |
| UUW26-16 | Asset Health Business Case – Protecting Trickling Filters | Trickling filters business case |
| UUW26-17 | Asset Health Business Case – Replacing GRP Pipelines | GRP Pipelines case |
| UUW26-18 | Asset Health – What base buys methodology | Asset Health – What base buys methodology |
| UUW26-19 | Asset Health – assurance report | Asset Health technical and commercial assurance report |
| UUW26-20 | Asset Health – PCDs | Asset Health – PCDs spreadsheet |
| UUW26-21 | Cost change tables | Cost change tables (for Growth, Asset Health and Windermere submissions) |
| UUW26-22 | Cost change tables commentary | Cost change tables commentary (for Growth, Asset Health and Windermere submissions) |
| UUW26-23 | Cost change financial model | Cost change financial model |
| UUW26-24 | PR24 financial model update | PR24 financial model updated for cost change |
| UUW26-25 | Letters of support | Stakeholder letters of support |
| UUW26-26 | Customer research | Customer research supporting document for both Growth and Asset Health submissions |
| UUW26-27 | Deliverability risk register | Deliverability risk register for both Growth and Asset Health submissions |
| UUW26-28 | Benchmarking reports | Cost benchmarking reports for both Growth and Asset Health submissions |
| UUW26-29 | Glossary of terms | Submission glossary of terms |

Source: UUW analysis

2. Investing in Growth

2.1 Enhancement cases

The Cost Change process for Growth allows for investment in the following areas; ‘Growth at sewage treatment works’, ‘Water and wastewater network reinforcement’, ‘Growth at sludge treatment centres’ and ‘Water resources options’. Our proposals cover three programmes of investment across the two investment drivers ‘Water resources options’ and ‘Growth at sewage treatment works’.

These include:

- Growth in Water Resources Options - New water infrastructure to enable data centre growth - Powering AI from East Manchester;
- Growth in Water Resources Options - New water infrastructure to enable clean energy growth in Ellesmere Port; and,
- Growth at Sewage Treatment Works - Supporting Growth of New Homes by increasing WwTW capacity.

Figure 4 shows the proposed enhancement expenditure associated with these cases. It uses the FD enhancement allowance as the baseline.

Figure 4: The total enhancement expenditure on growth in AMP8, 2022-23 prices



Source: FD24 and UUW analysis

Table 4 below summarises the proposals and the benefits.

Table 4: Investment proposals, outputs and benefits

| ID | Cases | What does it involve | Direct and indirect benefits |
|----------|---|--|--|
| UUW26-03 | Growth in Water Resources – Enabling data centre growth | Invest £179m (£175m AMP8) of totex to upgrade the water infrastructure in East Manchester to meet surging demand from data centre development. | <ul style="list-style-type: none"> • Generate over 1,000 new jobs in our supply chain. • Improved water supply resilience to accommodate data centre demand while protecting the wider system. • Enable digital economy and Government’s AI strategy. • Explore use of non-potable reuse and low-carbon localised supply outside WRMP. |
| UUW26-05 | Growth in Water Resources – Clean energy growth in Ellesmere Port | Invest £251m (£176m AMP8) to provide a non-potable water supply to the HyNet industrial cluster | <ul style="list-style-type: none"> • Generate over 700 additional jobs in our supply chain. • New capacity creation of the Wirral non-potable network, including River Dee crossing and hydraulic upgrades. • Enable the HyNet initiative that is expected to deliver £17 billion to the North West economy and deliver up to £31 billion of national economic benefit by 2050. |
| UUW26-07 | Growth at Sewage Treatment Works – WwTW capacity for New Homes | Invest an additional £309m (£286m AMP8) in treatment capacity at 34 wastewater treatment works across the North West. | <ul style="list-style-type: none"> • Generate over 1,200 additional jobs in our supply chain. • Additional 116,498 PE at 34 WwTWs. • More cost-effective interventions and reduced impact to customers through upgrading WwTWs once in 25-year period. • Resilient service to customers now, and in the future when the growth materialises. |

Source: UUW analysis

2.2 Growth enhancement case- new water infrastructure to enable data centre growth – Powering AI from East Manchester

We propose a £179m (£175m AMP8) upgrade to the water infrastructure in East Manchester to meet surging demand from data centre development.

The UK Government launched the AI Growth Zone programme in early 2025, with Greater Manchester, Liverpool and Blackpool positioning themselves as priority areas for digital infrastructure. Since then, we have received a surge of formal applications from data centre developers requiring water connections from 2026 onwards. This was not anticipated in either our WRMP or PR24 business plan. Forecast peak demand has now risen to 70 MI/d by 2040, with the majority materialising during AMP8.

To meet this step change in demand, we propose a £179 million (£175 million AMP8) enhancement to meet the highest certainty applications by delivering:

- New clarification treatment to increase treatment capacity within the existing water system so that the Manchester Ring Main can meet periods of peak demand associated with confirmed data centre growth.
- Construction of dedicated pipeline connections from the Manchester Ring Main to seven known data centre sites: assets that are designed to meet high peak cooling demands.
- A targeted package of water resource, treatment and network interventions at Northern Gateway Rochdale, a defined development supported by Greater Manchester Combined Authority.

Normally for new non-household developments, new water resources and treatment costs would be funded via the RCV through the price control, and the potable water infrastructure costs (to enable the connection) would be recoverable from developers (through the third-party reconciliation model). Given the scale and significance of the infrastructure requirements in this case, and the risk that this could be a barrier to the growth, we are proposing that the RCV should reflect all cost until costs are recovered from the 'special agreement' supply price to the end customer.

We set out full details of the enhancement case in *"UUW26-03 Growth in Water Resources – Enabling data centre growth"*.

2.3 Growth enhancement case-new water infrastructure to enable clean energy growth in Ellesmere Port

We propose a £251m (£176m AMP8) investment to provide a non-potable water supply to the HyNet industrial cluster, which is expected to cut carbon emissions by up to 10 million tonnes each year.

HyNet North West is one of the UK's most important industrial decarbonisation programmes. It is central to the government's Net Zero Strategy and is backed by confirmed Government funding and active developer plans. By 2030, HyNet is expected to cut carbon emissions by up to 10 million tonnes each year and deliver up to 3 terawatt-hours of low-carbon hydrogen to industry, transport and heat users across the North West¹¹.

However, we expect HyNet's non-potable water demand to reach 13 million litres per day by 2028, 30 million litres per day by 2030 and over 49 million litres per day by 2033. Demand is expected to continue increasing, with potential peak requirements of up to 76 million litres per day by 2040.

To meet this demand, we have developed a staged strategic investment programme focused on non-potable water supply, delivering:

- Investment in new capacity through targeted upgrades to the existing Wirral raw water network.
- Investment for the River Weaver Strategic Non-Potable Supply comprising of a new abstraction from the River Weaver and a strategic transfer main to the central balancing infrastructure.
- Central Blending and Storage infrastructure that enables water from multiple supply routes to be integrated and managed as a single system.
- Strengthening the transfer capacity within the Ellesmere Port system through the Ellesmere Port West Reinforcement Main, enabling water to be moved efficiently from strategic supply routes to industrial users. This stage is required to support continued growth during AMP8 and to ensure that water availability does not become a constraint as clean energy demand scales up.
- The provision for future supply of recycled final effluent to industrial users, as part of a planned transition to recycled water. This stage is scheduled for AMP9 and is subject to the necessary regulatory and legislative changes.

We set out full details of the enhancement case in *"UUW26-05 Growth in Water Resources – Clean energy growth in Ellesmere Port"*.

¹¹ [Major blueprint to create green jobs and slash emissions from industry, schools and hospitals - GOV.UK](https://www.gov.uk/government/consultations/major-blueprint-to-create-green-jobs-and-slash-emissions-from-industry-schools-and-hospitals)

2.4 Supporting Growth of New Homes by increasing Wastewater Treatment Capacity

We propose that we invest an additional £309m (£286m AMP8) in treatment capacity at 34 wastewater treatment works across the North.

This investment ensures that UUW can support domestic housing targets and invest to support the growth we expect over the next 10 years across the region. This will help to support the Government's 'Plan for Change' and its new mandatory housing targets with an additional 66,000 homes.

We consider the optimal way to plan for growth over the long term is to extend the horizon of forecast population growth beyond AMP8 to 2035. This aligns with the methodology adopted by Ofwat in its FD. Having first considered population growth over a longer timeframe, we propose to design and build a solution with a 25-year time horizon. This approach ensures that treatment capacity does not restrict housing growth and is delivered in the most cost-efficient way for customers over the long term, avoiding inefficient incremental changes at the same site every AMP.

We have challenged ourselves to deliver these interventions in line with Ofwat's PR24 benchmarking model across 34 sites.

We set out full details of the enhancement case in "*UUW26-07 Growth at Sewage Treatment Works – WwTW capacity for New Homes*".

3. Investing in Asset Health

We are taking an active and adaptive approach to maintaining operational resilience, with a systems approach to assets and resilience. To this end, we are pleased to submit our proposals for additional, high priority Asset Health investment, improving the long term health of our assets in line with our Strategic Asset Management Plan by taking a more proactive maintenance approach and reducing the overall risk to customer service and the environment. To this end, we have prepared five business cases covering our proposed different asset classes.

This is consistent with our ambition and our commitment to the highest standard of asset management as evidenced by our decision to undertake, and successfully become, the first water company to obtain a certification of the latest 2024 International Standard for Asset Management 550001.

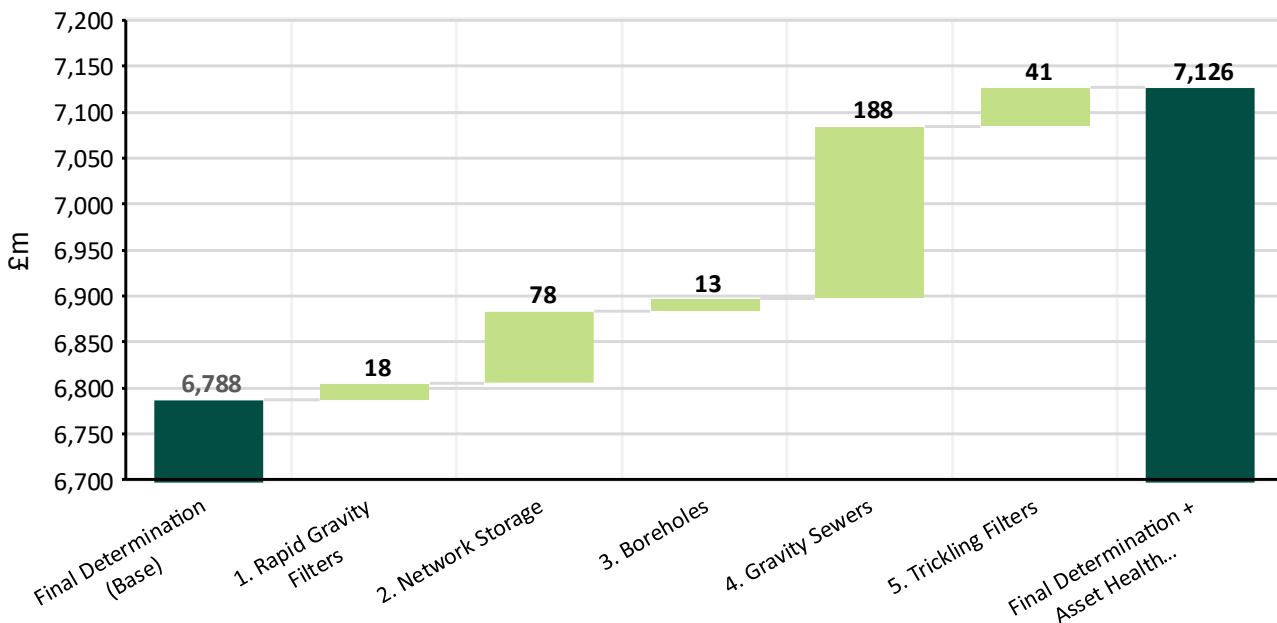
3.1 Specific investment cases per asset class

Our proposals cover five programmes of investment. These include:

- Protecting Rapid Gravity Filters;
- Enhancing Treated Water Storage;
- Upgrading Boreholes;
- Protecting Trickling Filters; and,
- Supporting Gravity Sewers.

Figure 5 shows the proposed expenditure associated with these cases. It uses the FD base allowance as the baseline.

Figure 5: The total expenditure on Asset Health in AMP8, 2022-23 prices



Source: FD24 and U UW analysis

We have also submitted an additional Asset Health case for information. This addresses priority risks associated with a Glass Reinforced Plastic final effluent pipeline for the protection of the Fylde Coast peninsula. We plan to formally submit this case in 2027, along with a wider GRP scope, pending Ofwat’s introduction of new asset classes that will form part of the Asset Health Cost Change in future years of AMP8.

3.2 Protecting Rapid Gravity Filters

This case sets out plans for investment for the remediation of structural aspects of Rapid Gravity Filter (RGF) assets at five Water Treatment Works through total expenditure of £18 million for maintenance of filters.

RGFs treat approximately 93 percent of water supplied to customers, with a significant proportion installed prior to 1970 and now operating beyond original design life. Asset condition evidence and performance data show accelerating deterioration of concrete structures and filter floors at a small number of critical sites. Completing refurbishment work prior to reaching the unacceptable threshold of deterioration reduces the risk held by these ageing assets. The risk is increasing faster than can be managed through our base allowances so our investment proposal outlines key steps to mitigate this to the benefit of customers.

The investment covers two types of interventions: overall concrete remediation and floor refurbishment. It will avoid reduction in headroom at water treatment works and reduce the risk of expensive reactive remedials while protecting the security of supply and helping to ensure a reliable, wholesome water supply to customers in the North West.

We set out full details of the asset health case in “UUW26-12 Asset Health Business Case – Protecting Rapid Gravity Filters”.

3.3 Enhancing Water Network Storage Assets

This case sets out our plans to accelerate investment at 24 treated water storage tanks across 17 sites through total expenditure of £78 million.

Water network storage assets help maintain the appropriate flow and pressure to customers, providing resilience of storage in case of upstream supply interruption. During AMP6 and AMP7 we gained a much richer understanding of the structural health of the asset base and associated investment needs as we invested heavily to deliver a transformation in water quality compliance and risk.

The investment will help stabilise the health of water tanks through the refurbishment and replacement of roof membranes, and tanks. This will enable us to meet water quality standards and enhance resilience in the most efficient way over the long term, improving safety and reducing ongoing costs associated with routine inspection and maintenance.

The investment will also improve the operability of our water tanks through recommissioning and the splitting of water tank compartments. This will act to reduce customer service risks and enable more effective maintenance of these assets maximising their service lives.

We set out full details of the asset health case in “UUW26-13 Asset Health Business Case – Enhancing Water Network Storage Assets”.

3.4 Upgrading Boreholes

This case sets out our plans to invest at 24 boreholes through total expenditure of £13 million to improve serviceability and reduce the risk of contamination and supply service failure.

The need for this investment has arisen through the identification and escalation of asset health risks via our established asset and operational risk management processes, including Drinking Water Safety Plans. The investment will improve yield and reliability across priority assets to ensure we meet long term reliability, resilience and water quality.

The investment will involve:

- Bringing borehole headworks to modern standards by raising subterranean headworks structures, replacing non-preferred materials and improving the associated instrumentation to reduce the risk of raw water deterioration, improve efficiency, and reduce the health and safety risks.

- Returning borehole linings to optimal serviceability by cleaning the bore to reduce the risk of elevated turbidity with associated automatic shutdowns and to protect from reduced yield.
- Renewing boreholes by redrilling or relining to improve the integrity of the assets. This enables better use to be made of existing abstraction licences, reduced risk of water supply service failure and raw water quality deterioration.

We set out full details of the asset health case in *“UUW26-14 Asset Health Business Case – Upgrading Boreholes”*.

3.5 Protecting Trickling filters

This case sets out our plans for addressing material and evidenced deterioration across our trickling filter wastewater treatment estate. We have included remediation of our secondary treatment trickling filters and an additional investment at nitrifying trickling filters for a total claim of £41 million.

This proposal will deliver a defined programme of civil refurbishment and proportionate associated renewal targeting the highest risk assets where base expenditure is no longer sufficient to maintain long term serviceability, safety, and environmental compliance. The need for this investment has arisen through the successful identification and escalation of asset health risks via our established asset and operational risk management processes.

The investment will restore and stabilise asset condition through targeted civil refurbishment, NTF floor replacement and proportionate Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) renewal on the highest-risk assets. This will reduce environmental and safety risk, improve maintainability, and avoid more disruptive and costly intervention in future periods. Delivered in line with the Trickling Filters Asset Class Strategy and established AMP8 delivery models, the programme represents a proportionate, evidence-led and lowest whole-life cost approach for customers, supporting long-term service resilience and environmental protection.

We set out full details of the asset health case in *UUW26-16 Asset Health Business Case – Protecting Trickling Filters*.

3.6 Supporting Gravity Sewers

This case sets out our plans to accelerate £188 million of additional investment to address structural deterioration across UUW’s gravity sewer network. The proposal increases the scale of proactive, condition-led intervention in AMP8, protecting long-term service performance and environmental outcomes.

Gravity sewers are critical to wastewater service reliability. Improved condition insight from expanded CCTV inspection and AI-enabled defect classification shows a growing number of assets entering structural Grade 3, the optimal point for cost-effective intervention. While AMP8 base investment supports increased proactive activity, it is insufficient to achieve a sustainable rate of renewal or to arrest ongoing deterioration of asset health.

The investment will stabilise gravity sewer condition through targeted trenchless rehabilitation supported by representative random sampling in line with Ofwat guidance. Acting earlier enables lower-cost, less disruptive interventions, reducing the risk of flooding, pollution and emergency repairs, and delivering the lowest whole-life cost approach for customers while establishing a sustainable long-term asset health trajectory beyond AMP8.

We set out full details of the asset health case in *“UUW26-15 Asset Health Business Case – Supporting Gravity Sewers”*.

4. Customer protection

4.1 A principles-based approach

In preparing our investment proposals, we have adhered consistently to the following principles:

1. **Effective deliverability:** We are mindful that AMP8 represents a major increase in the scale of our investment programmes and have rigorously tested the capacity of our supply chain to ensure deliverability of the proposed additional investment to ensure customers receive the benefits they are paying for. The investment proposed is not only deliverable but will facilitate a more efficient utilisation of our supply chain across AMPs, reducing the overall cost to customers.
2. **No double funding or duplication with existing AMP8 allowances:** This involved ensuring that our proposals:
 - a. Are demonstrably above and beyond what we have committed in AMP8.
 - b. Do not include any base expenditure element which would be already implicitly funded from existing allowances.
3. **Optimising AMP8 allowances before seeking additional funding:** This involved pursuing, whenever reasonable and possible, the delivery of this additional investment through the existing funding mechanisms or allowances as per Ofwat's FD for PR24.
4. **Aligning with existing regulatory precedent:** In assessing our efficient costs, we have sought to use existing comparative cost models and have avoided making changes to Ofwat's PR24 modelling approach. Where no PR24 cost models were available, we have provided robust evidence of external benchmarking.
5. **Ensuring robust and appropriate customer protection measures:** All our investment cases include Price Control Deliverables (PCDs) that ensure customers are protected if the specific outputs are not delivered.

As a result of this rigorous challenge process, we have not included speculative growth or where we know the growth will materialise but there are still insufficiently clear requirements. For example, we expect there to be additional demand in future as a result of the expansion plans by the defence sector in the Barrow-in-Furness area. However, at this stage we have not included any growth proposals on this given the uncertainty around scale and timing of the specific requirements.

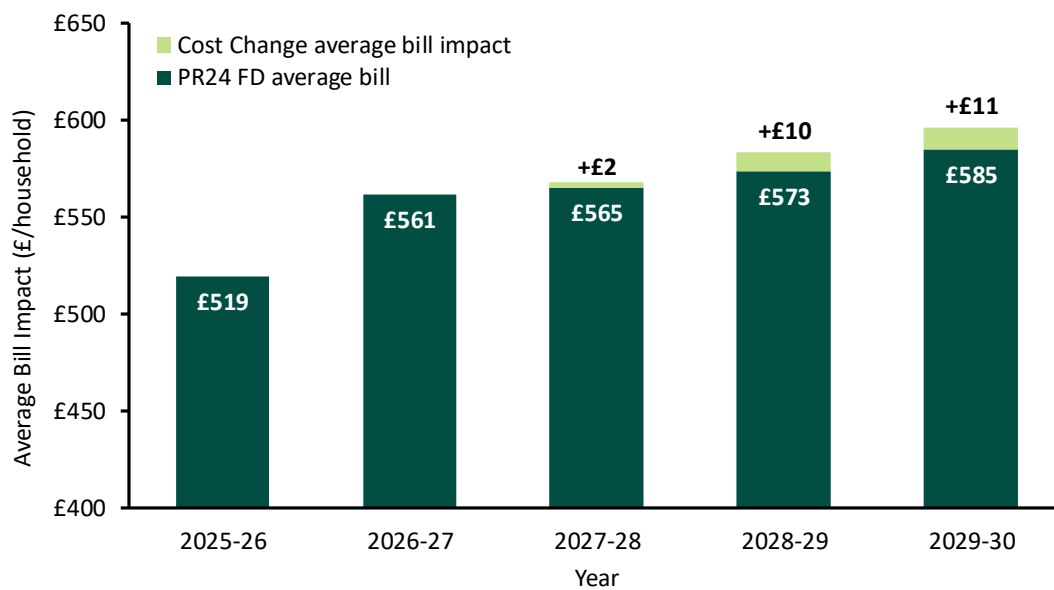
4.2 Customer support

Our proposals reflect customers' priorities and support government's growth objectives. We have been carrying out research and listening to customers across the region to understand what really matters and have used the insights that we have gathered to inform our investment proposals. However, we also recognise that any increase in bills is unwelcome for many at a time when households and businesses are finding it increasingly challenging to face cost of living pressures.

At this stage we are not seeking in-period revenue adjustments so there will be no immediate impact on customer bills. Instead, we plan to submit a proposal to Ofwat in 2027 informed by, amongst other evidence, appropriate affordability testing for the in-period revenue adjustments.

However, for transparency, we anticipate that the average household bill would see an increase by 2029-30 of around £11 in real terms while receiving an additional investment of £325 per property (£246 per property excluding third party expenditure). This is equivalent to a 1.8 percent increase in the average bill as shown in Figure 6 below.

Figure 6: PR24 Final Determination average bill and impact of Cost Change submission (£/household, before inflation in 2022-23 prices and net of third party revenues)¹²



Source: UUW26-24 PR24 financial model update, RR14

UUW takes very seriously any impact on customer bills and the affordability issues facing customers, including vulnerable customers. For this reason, at PR24 UUW provided a leading package of support by:

- putting in place the largest ever package of affordability support of over half a billion pounds of affordability support to help customers who might otherwise struggle to pay their bill;
- including a £200m contribution from shareholders, which is given precedence over any dividend payment in AMP8;
- providing an overall support package for around 590,000 customers which means that one in six households can receive some form of financial support in the North West; and,
- extending support for customers in vulnerable situations, targeting a 130 per cent increase in the number of customers registered for priority services.

We will continue working towards our aim of ensuring that water poverty does not increase and that vulnerable customers receive appropriate support throughout the North West. Alongside any proposal for in-period adjustments, we will provide evidence of customer research on bill impacts and explain how we continue to deliver on commitments to support affordability and ensure that vulnerable customers are supported throughout the North West.

4.3 Customer protection: PCDs for investment delivery

We propose PCDs for each of the new investments. These PCDs are based on the parameters and methodology for PCDs in the PR24 FDs. Where possible and appropriate, we propose a PCD that mirrors an existing PCD established at PR24. Where this is not possible, we use elements (e.g. delivery units, flexibility) from the FD PCD framework and apply them to create appropriate tailored PCDs. We consider that our proposals offer suitable customer protection for the proposed allowance, measured on appropriate deliverable outputs.

For Asset Health, we have proposed PCDs for all the incremental investment across all five priority asset classes. We also note that Ofwat has asked companies to estimate the level of asset maintenance and renewal

¹² 2028 revenue would be reprofiled on an NPV-neutral basis into latter years. Submissions in 2027 for in-period adjustments will apply to revenues from 2028-29 onwards. Therefore, there would be no customer bill impact until 2028-29.

expenditure assumed to have been funded through AMP8 base expenditure allowances (i.e. What Base Buys or WBB) for the priority asset classes and apply PCDs to the assessed WBB.

We have however highlighted the limitations of any mechanistic approach used to assess WBB for individual asset classes and the data issues associated with the assessment. In applying any methodology, we believe that Ofwat should give significant consideration to the risk of an overstatement and the potential impacts this could have on restricting companies' base expenditure decisions in a way that would be inconsistent with the PR24 approach to base expenditure allowances.

We therefore believe that our WBB estimates very much represents the upper end of the range that should be considered for WBB and that, in view of the risks associated with over-estimation, Ofwat should consider whether lower limits should be binding on companies. We have therefore proposed potential mitigations that Ofwat could consider in the "UUW26-18 Asset Health - What base buys methodology" document.

An overview of each PCD is shown in Table 5 below.

Table 5: Overview of proposed PCDs

| Submission case ID | PCD claw back mechanism for non-delivery Base Enhancement / Cost Change Claim | Direct copy of / Informed by PCDs in the FD | Delivery unit assessed for claw back |
|--|--|---|--|
| UUW26-03 data centres | n/a Yes | Yes, e.g. A) PCDW16c, B) PCDWW32b | Two separate PCDs: A) delivery of named enhancement; B) spend on 3 named scheme elements as percentage of allowance |
| UUW26-05 Clean Energy | n/a Yes | Yes, e.g. PCDWW32 | Spend on Clean Energy schemes delivered |
| UUW26-07 New Homes | n/a Yes | Yes, PCDWW27 | Direct copy of FD Scheme level PCD "Growth at STWs PCDWW27" |
| UUW26-14 Boreholes | Yes Yes | Yes, e.g. PCDWW2b, PCDWW3, PCDWW18 | Expenditure based Base PCD across the asset classes plus named output based PCD for borehole cost change claim (5 output types) |
| UUW26-13 Water Network Storage Assets | Yes Yes | Yes, e.g. PCDW16c | Expenditure based Base PCD across the asset classes plus named output based PCD for water network storage cost change claim (18 outputs) |
| UUW26-16 Trickling Filters | Yes Yes | Yes, e.g. PCDWW2b, PCDWW3, PCDWW18 | Expenditure based Base PCD across the asset classes plus named output based PCD for trickling filter cost change claim with volumetric outputs (4 output types) |
| UUW26-15 Gravity Sewers | Yes Yes | Yes, PCDB1 | Output based Base PCD on base expenditure plus named output based PCD for gravity sewers cost change claim with flexibility in delivered quantity (2 output types) |
| UUW26-12 Rapid Gravity Filters | Yes Yes | Yes, e.g. PCDWW2b, PCDWW3, PCDWW18 | Expenditure based Base PCD across the asset classes plus named output based PCD for RGF cost change claim (2 output types) |

Source: UUW analysis

We have provided PCD tables in our submission suite (UUW026-20 Asset Health – PCDs and UUW26-11 Growth Submission – PCDs).

4.4 Performance commitments

We have reviewed the impact of the investment proposals on performance commitment levels (PCLs) and do not consider that the investment will have any material impact on the PR24 FD PCLs.

Our plans are largely delivered in the final two years of AMP8 and early AMP9 and are focussed on a small subset of the region's total asset base. As such, we do not expect that material changes to PCLs could be reasonably estimated or justified for the current regulatory period, taking into account the scale of interventions opposite the size of the asset base and the timing of investment completion, towards the end of AMP8 and/or during AMP9. We have, however, designed our interventions so that delivery of the proposed investments will not cause such disruption as to cause a detrimental impact on performance opposite pre-existing performance targets. We will therefore continue to target performance in line with the AMP8 FD.

It is also important to mention that the investment is targeted to develop new water resources and increase our treatment wastewater capacity to meet additional demand for water and wastewater services, not to provide short term service improvements.

The investment in Asset Health will also primarily support risk reduction rather than short-term performance improvement. The investment will mitigate material and increasing risks to resilience and environmental compliance arising from deteriorating asset health.

In conclusion, the delivery of the interventions set out in the proposals is not anticipated to provide any measurable and material in-period performance improvements. We provide a more detailed assessment in each investment case.

4.5 Ensuring a high-quality plan

There has been a thorough approach to assessing the quality of our proposals and assuring the coherence of its output.

The submission has been subject to assurance under our three lines of assurance framework.

- **First line:** Management accountability for developing and maintaining sound processes, systems and controls in the review and sign-off of submission materials;
- **Second line:** Oversight from a separate business unit. This is frequently provided by our Corporate Audit team undertaking targeted reviews of key submissions; and,
- **Third line:** Independent audit and assurance activities undertaken by specialist external auditors.

Each deliverable was subject to a structured risk assessment to determine the appropriate level of governance and assurance, using a framework aligned with that applied to the Annual Performance Report and PR24 submissions, with refinements to reflect the Cost Change process. Risks were assessed based on impact and probability of misreporting, generating an overall combined risk rating and informing proportionate assurance requirements. The UUW Assurance Framework, externally assured by Deloitte in June 2023, was confirmed to be effective in both design and operation and to provide appropriate, proportionate and value-adding assurance to the UUW Board, supporting regulatory submissions over the past four to five years.

In developing our proposals, we have established robust governance arrangements to provide a clear framework of authority, accountability and oversight for the investment programme, ensuring that key sponsors and stakeholders were appropriately informed of progress and emerging issues. Oversight was primarily delivered through four established governance forums: the Future Plan Strategy and Regulation Group, the Future Plan Technical Oversight Group, the Future Plan Strategy Board and the UUW Board. A "RACI" matrix documented who would be Responsible, Accountable, Consulted and Informed, ensuring clarity of ownership and executive-level accountability for all key activities and outputs.

4.6 Third party assurance

Our assurance approach is based on existing and proven frameworks within UUW to ensure that we have confidence in all elements of the Cost Change submission. We have carried out external assurance in line with the published requirements. Both submissions have the same overarching requirements, which are split into Technical and Commercial.

The Technical Assurance confirms that the proposed investment meets the requirements set out in Ofwat's guidance for the following areas:

- Need for a step change in investment;
- Best option for customers; and,
- Investment delivery plan.

The Commercial Assurance provides a view on the robustness of the costs proposed by the company and whether they are efficient and represent industry best practice. This includes an assessment of cost estimation approach.

The Commercial Assurance also provides a view that that the proposed investment meets the requirements set out in this document for the following areas:

- Robust and efficient costs; and,
- Customer protection.

We have used separate assurers for the two components of the submission: Jacobs for Growth and Deloitte for Asset Health.

Growth Submission: Assurance

Jacobs has assured the Growth submission in line with the requirements set out in the guidance and has provided the following technical assurance statement:

“Based on our scope of work and the limited assurance undertaken, and following the resolution of the material actions raised during our initial audit, we confirm the below for all business cases:

- *The company's investment proposal is based on clear engineering rationale;*
- *The business cases are supported by sufficient and convincing evidence;*
- *The proposed investment meets the requirements of the following gates:*
 - *Need for a step change in investment;*
 - *Best option for customers;*
 - *Investment delivery plan”*

Source: UUW26-10 Growth Submission- Technical assurance report

Jacobs also provided the following commercial assurance statement:

“Based on our scope of work and the limited assurance undertaken, we did not find any material issues or misstatement. We consider that:

- *The costs proposed by the company are underpinned by a robust cost estimation methodology;*
- *The business cases are underpinned by a robust best value analysis;*
- *The business case is supported by evidence and we consider the case to be based on real growth factors;*
 - *The proposed investment meets the requirements of the following gates:*
 - *Robust and efficient costs*
 - *Customer protection”.*

Source: UUW26-09 Growth Submission- Commercial assurance report

Asset Health Submission: Assurance

Deloitte has assured the Asset Health submission in line with the requirements set out in the guidance and has provided the following assurance statement.

Technical Assessment:

Based on the scope of our work, UUW has demonstrated and undertaken a thorough process and evidence-based approach to the technical components required as part of the Asset Health submission and the six business cases. The company's investment proposal is based on documented engineering rationale and supported by the investment delivery plan, approved by the relevant UUW owners. Each of the six business cases has been developed by UUW with a significant volume of supporting evidence and analysis prepared and collated as part of the overall submission process. UUW identified and understood the work required to meet Ofwat's requirements and prepared the required supporting evidence. We have examined the business cases and, on a sample basis as agreed, inspected the supporting evidence and data. On this basis, the proposed investments meet the Ofwat requirements for a need for a step change in investment, and consideration has been given regarding the best option for customers and for the investment delivery plan.

Commercial Assessment:

Based on the scope of our work, UUW has demonstrated that it has taken a considered, proportionate and evidence-based assessment of the costs proposed. These can be traced back, and are aligned to, the requirements set out by Ofwat. A detailed assessment of the cost estimation approach has been undertaken by UUW based on the Ofwat requirements for robust and efficient costs and customer protection.

Overall Position:

Based on the agreed scope of work undertaken, Deloitte provided findings and recommended actions (for the technical, commercial and condition sample elements) to the UUW Asset Health Team and the Executive Group. These were acknowledged by UUW and actions taken to further enhance and develop the business cases to meet the Ofwat stated requirements. This included additional optioneering and strengthening internal governance review and approval processes and the associated evidence prepared in relation to finalising the six business cases.

It is recognised this has been a hugely demanding period and a significant challenge for the UUW team to get the business cases completed, ready for Board approval and subsequent submission to Ofwat. There was a substantial volume of work required for each case, with supporting evidence and internal review and sign off processes rightly needing to be followed and completed.

On the basis the actions contained in this memo are fully closed out by UUW, Deloitte has not identified any significant reasons that would prevent UUW submitting the Asset Health documentation to Ofwat."

Source: UUW26-19 Asset Health - assurance report

Both submissions' assurance reports are included within "UUW26-09 Growth Submission – commercial assurance report" and "UUW26-10 Growth Submission – technical assurance report and UUW26-19 Asset Health assurance report", which can be found in the submission suite.

On the basis of these assurance findings, we believe that the Cost Change proposals are of high quality, represent strong outcomes for customers and the environment, offer good value for money, are capable of implementation by the company alongside existing regulatory and statutory commitments and are consistent with the company's purpose, vision and values.

5. Financeability

As is the case in a Price Review, customers will not pay for the additional capital expenditure in this proposal as it is incurred. Instead, it will be added to the RCV and recovered more gradually over time. This occurs as customers pay for the depreciation of the RCV (termed 'RCV run-off'), and the cost of financing the initial investment (termed 'return on capital'.) These are separate from operating costs (often termed 'Pay As You Go' or 'PAYG'). As the revenues recovered from customers for the investment in this cost change submission will be more gradual, the company must be able to finance the investment by borrowing from investors.

This section details the resulting adjustments to revenues and the RCV of the proposed expenditure, as well as any actions required to ensure that the company (both notional and actual company structure) can remain financeable at the target credit ratings so that it can borrow the amount not paid for by customers in AMP8 from investors. In line with Ofwat's latest published guidance, we understand that during 2026 it will consult on the required modifications to the licence to enable in-period revenue adjustments for Growth submissions from 2027. Companies will be able to retrospectively seek in-period adjustments in 2027 for their 2026 submission.

As we evidence in this chapter, although we are not seeking in-period adjustments for any cases in our 2026 submission, they are necessary to ensure the notional company remains financeable at Ofwat's target ratings. Therefore, once the necessary licence modifications have been made to enable in-period adjustments for Growth from 2027, we will seek in-period revenue adjustments for all claims, covering both 2026 and any 2027 submissions.

As part of this proposal, we will provide customer bill testing and evidence of bill acceptability of our proposals in aggregate, rather than on a case by case basis. This will ensure that we take a complete, transparent and comprehensive approach to the impact on customers' bills reflecting the full investment requirements related to our investment proposals. As part of that submission, and considering the customer research and engagement with customers, we will consider the package of measures that ensures UuW continues to provide effective support for affordability and to protect vulnerable customers.

Table 6: Timeline and activities to support in-period adjustments for Growth and Asset Health

| Date | Activity |
|-----------------------|--|
| 01 Mar – 01 May 2026 | UuW submits case for additional investment to Ofwat's Cost Change process. All cases are submitted as 'end of period adjustments' for totex, with an in-period adjustment for equity issuance allowance (our 'current revenue submission'). |
| During 2026 | Ofwat consults on licence amendments to enable companies to receive in-period adjustments for growth expenditure and extended Asset Health classes |
| During 2026 | UuW undertakes customer research and engagement on the proposals in aggregate, rather than on a case by case basis. |
| (by) 15 August 2026 | Ofwat publishes company Draft Determinations for consultation (up to 8 weeks) |
| (by) 15 December 2026 | Ofwat publishes company Final Determinations as an 'end of period' adjustment. |
| (by) 31 March 2027 | Ofwat concludes its consultation on in-period adjustments for Growth cases, with the necessary amendments of company licences to enable in-period adjustments for growth submissions if accepted and on additional Asset Health classes. |
| 01 Mar – 01 May 2027 | UuW submits a case seeking in-period adjustments for components of its 2026 Final Determinations supported by the appropriate customer evidence (and any new case as part of a 2027 submission). All cases are submitted as 'in-period adjustments' (our 'revised revenue submission'). |
| (by) 15 August 2027 | Ofwat publishes company Draft Determinations for consultation (up to 8 weeks). |
| (by) 15 December 2027 | Ofwat publishes company Final Determinations as an 'in-period' adjustment. |
| 01 April 2028 | In-period revenues for 2026 (and 2027) submissions commence. |

Source: UuW's timeline based on Ofwat's published Cost Change Guidance

5.1 Revenue, RCV and average bills

5.1.1 Summary of revenue and RCV adjustments

The 2026 Cost Change submission results in a total additional £139.7m of revenue and £1,010.2m of RCV adjustments, detailed below.

In this 2026 submission, we are not seeking in-period adjustments now for the additional expenditure. We are only seeking £19.2m of these revenues as in-period adjustments, for the additional equity issuance allowance (our 'current revenue submission') required to maintain notional company gearing within the target ranges (<57.5%). This is because the functionality of the Cost Change model does not enable equity issuance allowance as an end of period adjustment, so we have included as an in-period adjustment for completeness.

However, to ensure that the notional company remains financeable at the target ratings, additional in-period revenues will be required. We will therefore be seeking in-period adjustments for each of the cases in a further submission in 2027; for the PAYG, allowed return and RCV run-off revenues that currently form part of the end of period adjustment, once we have undertaken bill acceptability testing through further customer engagement and Ofwat has concluded the relevant licence change process (our 'revised revenue submission').

Table 7: Summary of the proposed initial adjustments to revenue and RCV (£m, 2022-23 prices), our 'current revenue submission'.

| | 2026 revenue | 2027 revenue | 2028 revenue | 2029 revenue | 2030 revenue | End of period revenue ¹³ | End of period RCV |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|----------------------|
| Water Resources | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.9 | 349.7 |
| Water Network plus | 0.0 | 0.0 | 0.0 | 6.1 | 0.0 | 11.0 | 90.0 |
| Wastewater Network plus | 0.0 | 0.0 | 0.0 | 13.2 | 0.0 | 76.5 | 570.5 |
| Bioresources | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 0.0 | 0.0 | 0.0 | 19.2 | 0.0 | 120.4 | 1,010.2 |

Source: UUW26-23 Cost change financial model

Based on the current model and guidance, revenues can be adjusted either 'in-period' or 'end of period' i.e. at PR29 with the appropriate time value of money adjustment, but the RCV is only explicitly updated as part of the midnight adjustment in PR29. We still consider the RCV should be formally updated on an ongoing annual basis, However, for the purposes of this submission we had included annual RCV additions in the 'shadow RCV', detailed in Table 8 below.

Table 8: 'Shadow' RCV additions over AMP8 (£m, 2022-23 prices)

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------|-------------|--------------|--------------|----------------|
| Water Resources | 0.0 | 2.6 | 54.8 | 221.8 | 349.7 |
| Water Network plus | 0.0 | 0.1 | 4.6 | 69.0 | 90.0 |
| Wastewater Network plus | 5.5 | 32.1 | 180.6 | 408.8 | 570.5 |
| Bioresources | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 5.5 | 34.8 | 240.0 | 699.5 | 1,010.2 |

Source: UUW26-23 Cost change financial model

¹³ Including TVM adjustment

There is currently an issue within the submission tables that incorrectly prevents companies allocating expenditure within the '6_2b Water resources 2' worksheet to Water Network plus. Based on the current RAGs¹⁴, many of our options should sit within Water Network plus. The result is that all expenditure is allocated to Water Resources, which has a lower RCV run-off rate than Water Network plus (see Table 9). This means that the financial model calculates a lower revenue and higher RCV adjustment than it would do if it used the correct run-off rates. This is not an overall value impact, only an error in the allocation between revenue and RCV. We have provided the correct price control allocations in the data table commentary but populate this chapter so that it is consistent with the submitted model and tables, which allocates all expenditure to Water Resources.

The remainder of this chapter details the calculations and assumptions that support each of these adjustments.

5.1.2 Calculation of revenue and RCV adjustments

Irrespective of whether in-period adjustments are sought, revenues are calculated as if they had been assessed at the Price Review; PAYG revenues for any opex, and the run-off and allowed return of the RCV over 2026-30 for any capex recovered over time.

To calculate the revenue and RCV adjustments, we have used Ofwat's Cost Change model¹⁵. In this, we apply the RCV run-off rates for the post-2025 RCV in the PR24 FD, as per Table 9 below, and the Wholesale WACC at 3.97% CPIH-stripped to each price control.

Table 9: UUW run-off rates applied in the calculation of allowed revenue

| Price control | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|-------|-------|-------|-------|-------|
| Water Resources | 2.48% | 2.58% | 2.79% | 2.76% | 2.77% |
| Water Network plus | 5.26% | 5.20% | 5.10% | 5.11% | 5.21% |
| Wastewater Network plus | 3.77% | 3.57% | 3.37% | 3.22% | 3.27% |
| Bioresources | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |

Source: PR24 FD, run off rate for post-2025 RCV

The model calculates additional allowed revenues for the respective 'building blocks' as shown in Table 10 below. The PAYG revenues exclude revenues associated with equity issuance allowances, detailed in section 5.1.4 below.

Table 10: Appointee allowed revenue building blocks, including adjustments for timing (£m, 2022-23 prices)

| | 2026 | 2027 | 2028 | 2029 | 2030 | AMP8 |
|----------------------|------------|------------|-------------|-------------|-------------|--------------|
| PAYG revenue | 0.0 | 0.0 | 1.5 | 2.3 | 5.3 | 9.1 |
| RCV run-off | 0.1 | 0.8 | 5.1 | 16.4 | 29.1 | 51.5 |
| Return on capital | 0.1 | 0.9 | 5.8 | 19.2 | 33.8 | 59.8 |
| Total revenue | 0.2 | 1.7 | 12.3 | 37.9 | 68.2 | 120.4 |

Source: UUW26-23 Cost change financial model

To correspond with Table 7, the revenues are presented **including any adjustments made for the timing of when revenues are recovered** (in-period vs end of period). We detail the approach to in-period adjustments in the following section.

5.1.3 In-period (revenue) adjustments

By default, Cost Change submissions are for 'end of period' adjustments. To qualify for an in-period adjustment, cost change items must first exceed 2% of appointed business turnover (the 'materiality threshold'). Appointed

¹⁴ <https://www.ofwat.gov.uk/wp-content/uploads/2026/03/RAG-4.14-%E2%80%93Guideline-for-the-table-definitions-in-the-annual-performance-report.pdf>

¹⁵ UUW26-23 Cost change financial model

business turnover is forecast to be £2,637m (nominal) for UUW in 2025-26, making the threshold £47.4m (2022-23 prices). Items must each exceed this threshold in isolation rather than combined.

All our cost change items for 2026 exceed the materiality threshold. However, for our 2026 submission, we are not requesting an immediate in-period adjustment (other than for equity issuance allowance as noted above). Currently Condition B does not allow companies to seek in-period adjustments for Growth. Ofwat will consult on this addition this year to enable claims for in-period adjustments to be reflected from 2027 onwards.

Therefore, we plan to seek in-period adjustments for all cases as part of the 2027 submission window, with customer testing being undertaken against the combined package, rather than just on an individual case by case basis.

Table 11: 2026 A summary of UUW Cost Change submission proposal for in-period adjustments (2022-23 prices)

| Cost change item | Proposal for in-period adjustment? | Totex £m | Materiality % |
|--|------------------------------------|----------|---------------|
| Asset health | Proposal to be made in 2027 | 338.8 | 14.3% |
| Large schemes gated process (Windermere) | Proposal to be made in 2027 | 92.7 | 3.9% |
| Growth | Unable to propose until 2027 | 637.0 | 26.9% |

Source: UUW analysis

We would expect to reprofile any in-period revenues in our 2027 submission to ensure that historic revenues not yet recovered were captured and bill profiles were appropriately managed.

5.1.4 Equity issuance cost allowance (notional company)

We detail the financeability of the notional company in section 5.2.2. To ensure that the **notional company gearing remains less than 57.5%** in each year over AMP8, consistent with Ofwat's approach in PR24¹⁶, **£916.0m (nominal) of additional equity is required in 2028-29** (above that assumed in the PR24 FD). With an allowance equal to 2.5% of any equity issuance, this results in **an additional allowance of £19.2m** (2022-23 prices). The functionality of the Cost Change model does not enable this to be an end of period revenue adjustment; therefore, this appears as an in-period adjustment in Table 7.

Table 12: Additional equity requirements for the notional company and associated equity issuance allowance (£m, 2022-23 prices)

| | 2026 | 2027 | 2028 | 2029 | 2030 | AMP8 |
|----------------------------|------|------|------|-------|------|-------|
| Equity injection (nominal) | 0.0 | 0.0 | 0.0 | 916.0 | 0.0 | 916.0 |
| Equity injection (real) | 0.0 | 0.0 | 0.0 | 769.3 | 0.0 | 769.3 |
| Equity allowance @2.5% | 0.0 | 0.0 | 0.0 | 19.2 | 0.0 | 19.2 |

Source: UUW26-24 PR24 financial model update

This additional revenue for equity issuance allowances is included within the financeability assessment (section 5.2), where it is included as both opex and revenue.

5.1.5 The impact on average household bills

As described above, we are not requesting any in-period adjustment for the 2026 submission at this time. We have excluded the customer impact of the equity issuance allowance in Table 13 but include the impact within Table 14 once in-period revenues are recognised.

¹⁶ [PR24 final methodology Appendix 10 Aligning risk and return.pdf](#)

Table 13: Impact on average household bills of this submission, before inflation (£/household, 2022-23 prices))

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| PR24 Final determination | 519.18 | 561.27 | 565.32 | 573.08 | 584.83 |
| 2026 submission impact | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PR24 + Cost Change | 519.18 | 561.27 | 565.32 | 573.08 | 584.83 |

Source: UUW analysis

However, as mentioned above, we are expecting to seek in-period revenues in a 2027 submission. These revenues are required to ensure that the notional company remains financeable within the target credit ratings (see section 5.2.2).

For transparency, we have therefore also provided the indicative impact of these revenues (including the equity issuance allowance) in Table 14. By 2029-30 the increase to average bills, before inflation, would be £11.05 per household. Without third party revenues the total increase in revenues, if attributed only to customers, would be £13.99. However, to ensure that customers do not bear any additional costs, we propose to recover up-front revenues from third parties equal to the run-off and allowed return revenues generated in the cost change model prior to commissioning. This way, customers would not pay for any third party activity or be made worse off over time. Table 14 summarises these impacts.

Table 14: Forecast impact on average household bills, before inflation (£/household, 2022-23 prices)

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-------------|-------------|--------------|---------------|---------------|
| PR24 Final determination | 519.18 | 561.27 | 565.32 | 573.08 | 584.83 |
| 2027 submission impact - total | 0.00 | 0.00 | +2.70 | +11.55 | +13.99 |
| PR24 + Cost Change | 519.18 | 561.27 | 568.02 | 584.63 | 598.82 |
| Less Third party funded | 0.00 | 0.00 | (0.25) | (1.33) | (2.95) |
| PR24 + Cost Change - 3rd party | 519.18 | 561.27 | 567.77 | 583.30 | 595.88 |
| 2027 submission impact – household | 0.00 | 0.00 | +2.45 | +10.22 | +11.05 |

Source: UUW analysis

5.2 Financeability

We have considered the financial headroom available to deliver our proposals on both the actual company and notional company basis.

5.2.1 Actual company

On an actual company basis, following acceptance of the PR24 FD by the company, the board of the group's listed parent, United Utilities Group PLC, published a financial framework for AMP8 intended to provide clarity to both equity and credit investors as to key metrics for AMP8. This included a **reaffirmation of our longstanding target gearing range of 55% to 65% net debt to RCV, along with confirmation that solid investment grade credit ratings for the company would be targeted**, consistent with Moody's (Baa1), Fitch (BBB+) and S&P (BBB+).

These target credit ratings are two notches above the minimum investment grade (BBB-/Baa3) to ensure that the company maintains a robust position from a financial resilience perspective, and versus the wider sector (as illustrated in Table 15 below).

Table 15: Summary of water sector debt ratings as at 31 March 2026

| | Rating | Moody's | S&P | Fitch |
|-----------------------------|-----------------------------|---------------------------|----------------------|------------------------------------|
| Investment grade | A2 / A negative | | | |
| | A3 / A- positive | | | |
| | A3 / A- stable | AFW | | <u>UU</u> , ANG, HD, SWW, SVT, WSH |
| | A3 / A- negative | | | |
| | Baa1 / BBB+ positive | | | |
| | Baa1 / BBB+ stable | <u>UU</u> , ANG, SVT, WSH | <u>UU</u> , YKS, SSW | YKS, AFW |
| | Baa1 / BBB+ negative | NTH, SWW, WSX, SES | WSH, AFW | NTH, WSX |
| | Baa2 / BBB positive | | | |
| | Baa2 / BBB stable | YKS, SSW, PRT | SES | |
| | Baa2 / BBB negative | | | |
| | Baa3 / BBB- positive | | | |
| | Baa3 / BBB- stable | | | STH |
| | Baa3 / BBB- negative | SEW | STH, SEW | |
| | Ba1 / BB+ negative | STH | | |
| Non-investment grade | B2 / B stable | TMS_SS | | |
| | Caa2 / CCC negative | | TMS | |
| | Caa3 / CCC- stable | TMS | | |
| | A2 / A stable | | | |
| | A2 / A negative | | | |

Source: UUW analysis. Note: the above graphic skips several sub-investment grade notches. TMS_SS refers to the new Thames Water Super Senior Issuer PLC.

The board has carefully considered the impact of this cost change submission reviewing key metrics on an actual company basis, including credit ratios consistent with maintaining the above ratings targets for the company, absent any adverse changes in ratings agency methodologies.

Further, the respective boards of the company and its listed parent are confident that the company and the wider group maintains good access to capital markets to support such financeability objectives on an actual company basis, and maintain metrics aligned with our published AMP8 financial framework.

5.2.2 Notional company

In addition to assessing the impact of the investment of the actual company structure and conditions, we have considered the impact on the notional company in line with Ofwat's approach to assessing financeability at PR24¹⁷.

We continue to target credit ratings of at least two notches above the minimum investment grade (BBB+/Baa1) for the notional company. Without seeking any in-period revenues in this year's submission¹⁸, revenues are unchanged from the FD when assessing financeability. This causes debt metrics to fail to achieve their minimum threshold levels, as the FD was not set with the headroom required to absorb the additional expenditure. However, as we are unable to change the WACC (or revenues) to solve this, we only focus on what we can control - gearing through the balance of debt and equity financing. We expect that once we seek in-period revenues in 2027, we would be able to ensure that all metrics achieve their minimum thresholds for the target ratings.

¹⁷ [PR24 final methodology Appendix 10 Aligning risk and return.pdf](#)

¹⁸ UUW26-23 Cost change financial model

To ensure that the notional company remains within the target gearing range, with no additional in-period revenues, an additional equity of £916.0m (nominal) is required within the notional company financial model.

We have provided an updated PR24 financial model¹⁹ alongside this submission to detail the adjustments and impacts when testing the notional company's financeability.

To arrive at these adjustments, we have assessed the AMP8 average for each key financial ratio (as shown in table RR16) for the notional company across four different scenarios;

- **PR24 FD:** The baseline position as at the PR24 FD,
- **+Cost change with no equity:** The ratios after including the additional expenditure with no additional revenue and with no additional equity,
- **+Cost change with equity:** The ratios after including the additional expenditure with no additional revenue but £916.0m (nominal) of additional equity (this cost change submission's proposal), and
- **+Cost change with equity and revenue:** The ratios after including the additional expenditure with £133.2m additional revenue but £836.3m (nominal) of additional equity (indicative 2027 cost change submission's proposal).

Table 16 summarises the results.

Scenario 3 presents the resulting notional company ratios that are aligned to this submission. Scenario 4 presents the resulting notional company ratios if we allow additional ('natural') revenues within the financial model.

As stated, we mirror Ofwat's approach to managing financeability from the FD by limiting gearing to a maximum of 57.5%²⁰. Whenever this threshold is exceeded, additional equity is injected to reduce gearing back to the 55.0% level for the notional company in that year.

In Scenario 3, only by including £916.0m (nominal) of additional equity in 2028-29 can we ensure that the notional company remains compliant with Ofwat's approach at PR24 and not exceed the 57.5% gearing threshold. However, without the addition of in-period revenues, the notional company exceeds the target thresholds for adjusted cash interest cover (>1.70) and FFO/Net Debt (alternative calculation) (>9.00%) when modelling the additional expenditure.

Table 16: Summary of notional company key financial ratios, AMP8 average 2025-30

| | 1. PR24 FD | 2. +Cost change with no equity | 3. +Cost change with equity | 4. +Cost change with equity and revenue |
|--|--------------|--------------------------------|-----------------------------|---|
| Gearing | 56.37% | 57.73% | 55.90% | 55.80% |
| Interest cover | 3.41 | 3.27 | 3.35 | 3.43 |
| Adjusted cash interest cover | 1.69 | 1.59 | 1.63 | 1.70 |
| Adjusted cash interest cover (alternative calculation) | 1.69 | 1.59 | 1.63 | 1.70 |
| FFO/Net Debt | 9.95% | 9.30% | 9.67% | 10.00% |
| FFO/Net Debt (alternative calculation) | 9.04% | 8.42% | 8.77% | 9.10% |
| Dividend cover | 0.61 | 0.43 | 0.43 | 0.51 |
| RCF/Net Debt | 0.06 | 0.06 | 0.06 | 0.06 |

¹⁹ UUW26-24 PR24 financial model update

²⁰ "Whilst it is to be expected that gearing will fluctuate between periods as companies raise debt and equity to fund investment, we consider it appropriate for the notional company to maintain gearing close to 55% throughout the period. This ensures that companies can access debt funding on efficient terms. We consider our approach to allowing gearing to fluctuate between 55% and 57.5% for our PR24 final determinations is therefore reasonable for the notional company." [PR24-final-determinations-Aligning-risk-and-return-appendix-1.pdf](#), page 67.

| | 1. PR24 FD | 2. +Cost change with no equity | 3. +Cost change with equity | 4. +Cost change with equity and revenue |
|----------------------------|------------|--------------------------------|-----------------------------|---|
| RCF/Capex | 0.41 | 0.34 | 0.34 | 0.36 |
| Return on capital employed | 5.12% | 4.93% | 4.90% | 5.07% |
| Dividend yield | 4.62% | 4.61% | 4.80% | 4.78% |
| RORE | 5.24% | 5.23% | 5.23% | 5.24% |

Source: UUW26-24 PR24 financial model update, RR16

However, if we allow for the additional £133.2m revenues calculated by the financial model interest cover and FFO/net debt metrics are satisfied, with less additional equity (£836.3m, nominal) being required in 2028-29 to return the notional company gearing back to 55.0%.

While equity on its own is sufficient to satisfy the gearing target, revenues are also required to ensure all ratios achieve their minimum levels on average over the AMP. This is why we will seek additional in-period revenues as part of a 2027 submission.

Table 17: Summary of notional company gearing

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2025-30 |
|--------------------------------------|---------|---------|---------|---------------|---------------|---------------|
| PR24 FD | 57.11% | 55.00% | 55.00% | 57.10% | 57.46% | 56.37% |
| +Cost change with no equity | 57.13% | 55.12% | 55.75% | 59.12% | 60.57% | 57.73% |
| +Cost change with equity | 57.13% | 55.12% | 55.75% | 55.00% | 56.64% | 55.90% |
| +Cost change with equity and revenue | 57.13% | 55.12% | 55.67% | 55.00% | 56.26% | 55.80% |

Source: UUW26-24 PR24 financial model update, RR16

5.3 Reconciling performance at PR29

Ofwat's guidance note for the Cost Change process²¹ does not explicitly cover the topic of reconciling performance at PR29. The table set out in section A8.1 from the guidance explains that outputs of the cost change process will be used within the 'cost sharing' reconciliation model, but provides no specific details, for example on cost sharing rates. We also note that currently the cost reconciliation model does not have the functionality to allow inputs of additional allowances for 'Growth'. It is also unclear how any of the other ex-post adjustments for Cost Change allowances would be made.

It is essential that as part of its Cost Change Draft Determinations (at the latest) Ofwat confirms all intended reconciliations to be made at PR29. This should include updates to existing reconciliation models where necessary and/or additional models for bespoke reconciliations. **We believe it is imperative that the full suite of reconciliation mechanisms that apply to the FD should include Cost Change additions and we cannot foresee any reason why these should not be included.** For the most part, Cost Change submissions are cases where Ofwat has deferred its decision from the FD. If these allowances had been included in the PR24 FDs, the full package of mechanisms would have automatically applied²². **Cost sharing, real price effect (RPE) adjustments and the cost of new debt indexation mechanisms** therefore should apply to allowances made through the Cost Change process. Ofwat should also **ensure that any additions are reflected in the reported RCV in AMP8**, as would be the case had the costs been included in the FDs.

For the avoidance of doubt, we summarise the necessary reconciliations below. We would be happy to support Ofwat in the development of the approach and the technical adjustments to the models required to enable these necessary additions.

²¹ <https://www.ofwat.gov.uk/wp-content/uploads/2025/11/Cost-change-process-guidance-note.pdf>

²² Ofwat itself uses this as justification for why it intends to use the PR24 WACC within any calculations of the allowed return <https://www.ofwat.gov.uk/wp-content/uploads/2025/11/Cost-change-process-final-decision.pdf> (page 18).

We have not covered the Delayed Delivery Cashflow Mechanism (DDCM) or tax reconciliation, even though they would theoretically be impacted by making additional totex allowances. We anticipate that Ofwat would be unlikely to make additional cost change allowances if it had serious concerns about the underlying delivery of the PR24 FD (for the DDCM) and with the current tax rules, companies are not expected to pay corporation tax and so additional totex will only further increase tax losses. It may be however necessary to revisit these models in the future if circumstances change.

5.3.1 Cost sharing and Real Price Effects (RPE)

There are two existing reconciliation mechanisms that should include Cost Change allowances when reconciling performance at PR29; the 'Cost sharing reconciliation' and the 'Real Price Effects (RPE)' model²³.

Cost sharing reconciliation

Ofwat should apply the same approach to cost sharing for all Cost Change allowances that it did for totex allowances within the PR24 FD. This means that ex-post variations in:

- 'standard' enhancement expenditure²⁴ should be shared 40:40,
- large gated schemes should be shared 25:25, and
- base expenditure (asset health) should be shared 50:50.

This will ensure that the risk of ex-post totex variations is shared between customers and companies in a consistent way to the PR24 FD.

The cost sharing model already has dedicated inputs for the Cost Change items that were previously Notified Items in the FD (PFAS etc.) and 'Asset Health' but it does not have inputs for 'Growth' submissions. **Ofwat should update the model to include the Growth category**, in line with the revised approach to Cost Change. As part of this update, Ofwat should also recognise that the 'opex percentage' for Cost Change allowances may differ significantly from the rest of cost sharing adjustments, with most Cost Change allowances expected to be for additional capex, rather than opex. Applying an incorrect opex percentage to any adjustment would result in revenue, rather than RCV adjustments, harming customers in the short term if companies spent more than their allowances. **Ofwat should include additional inputs for opex percentages** on cost change allowances to ensure appropriate adjustments at PR29.

By including the additional Cost Change items within the current cost sharing reconciliation model, this will then also automatically ensure that the **Aggregate Sharing Mechanism (ASM)** for totex over/underspends captures any variances against these allowances within its calculations.

Real Price Effects (RPE)

Ofwat's approach to setting cost allowances at PR24 included adjusting for future changes in the frontier efficiency and real price effects (RPE). Several RPEs were accounted for within company totex allowances:

- Base expenditure has RPEs for labour and energy, whereas
- Enhancement expenditure has RPEs for labour, energy, and materials, plant and equipment.

Where Ofwat uses models to set allowances, we expect that it will continue with this approach, making totex allowances for Cost Change cases in line with the PR24 approach and assumptions. Therefore, it should also ensure that the RPE adjustment is reconciled at the end of the period to ensure that any ex-post variation in the relevant indices is reflected in the allowance resulting from the Cost Change determination that flows into cost sharing.

Where Ofwat undertakes deep dives on company Cost Change submissions, it may not be possible to make an adjustment for RPEs.

²³ <https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review/pr24-reconciliations/>

²⁴ Our starting assumptions would be that Growth cases would typically fall under the 'standard' enhancement category for the purpose of cost sharing, but Ofwat should confirm the proposed sharing rates in its Draft Determinations.

The ‘Real Price Effects (RPE)’ model does not currently have any dedicated inputs for any cost change items and would need to be updated. We stand ready to support Ofwat in implementing the necessary changes.

5.3.2 An in-period update of the reported RCV

We continue to believe that the correct approach is for **Ofwat to make a formal update to the RCV as part of the cost change process determination, in line with the approach taken for a traditional IDoK**, not simply publish a commitment to update it as part of the midnight adjustment at PR29.

We highlighted previously in our consultation response²⁵ that *“updating the RCV during the period avoids any negative ratings assessments caused by what is simply a timing difference; although Fitch recognises the shadow RCV, Moody’s and S&P use the published RCV. Even a temporary deterioration in a company’s gearing can lead to ratings downgrades, increasing the cost of borrowing, which is to the long run detriment of customers. In some instances, it could also result in issues with a company’s debt covenants, where a minimum level of gearing is required.”*

If the general principle is that the Cost Change process is intended to emulate Ofwat’s decisions and methods from its FD, then this would logically also mean that the RCV should be formally updated as part of the Cost Change FD.

5.3.3 Cost of new debt indexation

Ofwat has confirmed that it will use a company’s PR24 weighted average cost of capital (WACC) when calculating revenue adjustments, stating that *“this is because this is the allowed return that would have applied had the costs been included in our final determination”*²⁶.

While we consider it would be more appropriate for Ofwat to use a WACC that reflected the current market conditions (e.g. as evidenced by the CMA redeterminations of PR24) as well as assuming no embedded debt, we recognise that Ofwat has set out its decision to use the PR24 WACC for Cost Change in its final guidance. However, for consistency with the PR24 FD, adopting this approach **requires Ofwat to apply the cost of new debt indexation mechanism (DIM) to any allowances made through the Cost Change process**. If the DIM were not to be applied and there was no recognition of the increase in market rates since the FD, then companies would not be receiving the required return to finance their investments.

As stated in the preceding section, we continue to believe that Ofwat should formally update the RCV as part of a Cost Change determination. **If Ofwat formally updates the RCV**, not only will it avoid issues with credit ratings, **but it will also enable the cost of new debt indexation mechanism** to reconcile any differences between the iBoxx benchmark index and the new debt requirements for Cost Change additions, without needing any change to the current approach. This would be our preferred approach to dealing with this issue as it is the simplest to enact.

However, if Ofwat continues with its stated approach to only update the RCV as part of the PR29 midnight adjustment, the impact on the DIM will not automatically be captured within the existing reconciliation mechanism. **We therefore ask that Ofwat either adjust the definition of the RCV within the reconciliation to a ‘shadow RCV’ or undertakes a separate reconciliation of the Cost Change RCV and resulting revenue adjustments over 2025-30.**

²⁵ “Consultation on the PR24 cost change process and proposed licence modifications”, UUW response, September 2025, page 8

²⁶ <https://www.ofwat.gov.uk/wp-content/uploads/2025/11/Cost-change-process-final-decision.pdf> (page18)

6. Customer research

Our proposals are underpinned by a programme of research on customers' priorities. In line with our previous PR24 and ongoing customer research programme, we have sought relevant insights into Regional Growth and Asset Health to understand customer views and preferences and inform investment priorities and option selection.

Our approach has featured an extensive research synthesis²⁷ on the investment priorities around Regional Growth and Asset Health, collating and analysing the body of knowledge gathered throughout PR24 and further bespoke research to establish customer views and preferences. To understand customer views beyond this research base, we have also undertaken bespoke quantitative and qualitative research to inform our submissions:

- For Regional Growth²⁸, we explored customer views on potential challenges that UUW will need to address in this timeframe and, where feasible, to understand the acceptability of the proposals to customers.
- For Asset Health²⁹, we contextualised the topic by using real life and relatable customer assets such as mobile phones and washing machines, to understand customers' approaches to their own decision making on investment. We then explored customers' preferences for UUW's asset health investment.

Our findings show that:

- **Customers want a fair, future-focused and environmentally responsible investment.** Our proposals on growth reflect this, ensuring the investment needed supports housing and new industrial growth. Our funding proposals for our investment is also funded in a way that aligns with customer values.
- **Customers strongly support intergenerational equity.** They expect UUW to take proactive action on major long-term challenges—prioritising safety, service resilience and regulatory compliance. They want companies to act responsibly, not pass costs to future generations, and spend every pound wisely on what matters most. Our proposals on improving Asset Health are directly informed by this.
- **Customers support enhanced investment in wastewater treatment works, driven by both regional growth and environmental concern.** Customers want UUW to stay ahead of the high-impact, long-term issues while still retaining the ability to respond quickly in emergencies and new demands. Our proposals strike that balance, while recognising customer sensitivity to rising bills.
- **Over 81 percent of customers identified advancements in new technology as a key challenge requiring UUW to adapt its business forecast.** This underlines the expectation that we respond decisively to the government's priorities for the digital economy and decarbonisation and the increased water demand to support industrial growth.

For our proposals, we have also explored the theme of intergenerational fairness and how investment should be phased and funded. We have taken steps to ensure our approach is proportionate and comprehensive, with the quantitative survey elements using a robust sample allowing for sub group analysis, and qualitative research using members of our existing research community. In addition to this, we ensured all materials were cognitively tested to ensure they were easy to understand, and we engaged with YourVoice - the Independent Challenge Group for the North West at multiple stages to allow for check and challenge on our approach as set out in "*UUW26-26 Customer Research Approach - Regional Growth and Asset Health*".

²⁷ SHED Research on behalf of United Utilities, Asset Health and Regional Growth Syntheses, 2026

²⁸ Explain Research on behalf of United Utilities, Regional Growth Research, 2026

²⁹ Explain Research on behalf of United Utilities, Asset Health Research, 2026

7. Our capability to deliver

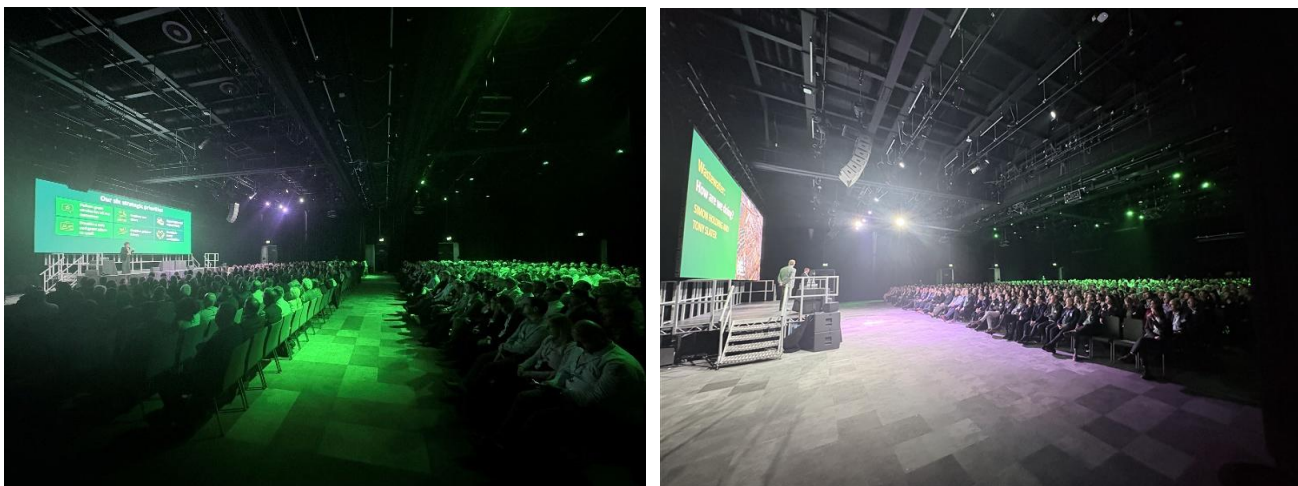
7.1 Deliverability context and track record

Our track record provides added confidence that not only can we deliver, but that we can do so in a way that engenders trust and confidence in the company as a service provider. UUW’s AMP8 plan represents the largest programme of infrastructure improvements ever undertaken in the North West of England, marking the most significant investment in water infrastructure for over a century. We have responded to this once-in-a-generation opportunity to deliver a lasting legacy for customers, communities and the environment by implementing a step-change in our capital delivery approach. This extends across our entire supply chain, ensuring we have the capacity, capability, and resilience across all counties in our region to deliver our baseline programme while maintaining comfortable headroom to accommodate change and additional investment.

Our performance in the first year of AMP8 provides clear, demonstrable evidence that we are firmly on track with delivery. Subject to regulatory confirmation, UUW has achieved 100 percent of its 49 regulatory commitments on Enhancement projects on time in 2025-26, including WINEP, DWI and ITIOS commitments, with in-year capital expenditure of £1.5 billion, a 41 percent increase on the prior year, despite this being the largest first-year investment programme in our history. Over 90 percent of our baseline programme is already allocated to delivery partners and we are making good, early progress to ensure an efficient and assured transition into full delivery.

Feedback from the supply chain reinforces the strength of our approach. British Water’s most recent Supply Chain Impact Survey recognised UUW as the Most Improved Water Company, Best in Class for supplier engagement, and recorded a rise from tenth to third place overall in the British Water Company Performance Survey³⁰. This feedback provides evidence of how our supply chain perceives us and reflects the extensive work undertaken across the business to build strong, collaborative relationships throughout AMP8 mobilisation. We also recently hosted our second “all-partner event” in Blackpool, attended by more than 800 suppliers and partners, where we set out progress, expectations and future plans. The response was overwhelmingly positive, demonstrating that our supply chain is engaged, aligned, and ready to work with us to deliver for the customers and communities that we serve.

Figure 7: Photographs from UU’s supplier engagement event in March 2026



Source: UUW photographic evidence

The progress we have made in procuring and mobilising our new supply chain, combined with our strong 2025-26 delivery performance, shows that UUW is well placed to deliver the remainder of the AMP8 programme and the additional investment proposed in this submission.

³⁰ British Water - United Utilities– Briefing Note: Water and Wastewater Company Performance Survey 2025

7.2 Stepping up our supply chain and delivery strategy for AMP8

As was set out in detail in evidence supporting the deliverability of our PR24 submission³¹, in planning for AMP8 and AMP9 we have developed several different delivery routes (referred to as “runways”) for delivering our capital investment programme. Recognising that we were entering a period where we needed to step up delivery from the levels seen in AMP7, we established these runways to give us access to a significant amount of specialist supply chain capacity and capability not only to deliver AMP8 and AMP9 effectively but also provide sufficient capacity headroom to accommodate fluctuations or potential growth in our programme. Our capital delivery capability is structured as follows:

- **Large projects** will be delivered via our “**Enterprise**” organisation, made up of six of the largest, most capable and innovative domestic and internationally based tier one construction contractors, the world’s largest engineering consultancy, all working alongside each other and UW to successfully deliver our largest and most complex capital investment programmes;
- **Medium sized projects** will be allocated to our “**Detailed Design and Build**” runway – 18 medium sized contractors, ten of whom are specialists in delivering infrastructure projects and who will focus on delivering our overflow programme, and eight of whom are experts in non-infrastructure projects for the delivery of medium sized upgrades to our water and wastewater treatment assets; and,
- **Smaller, less complex projects** will be delivered via our “**Build Only**” runway – 30 small, locally based contractors who will be embedded within our counties, and who are extremely agile and efficient in delivering small projects which have been designed by UW. 20 of these are specialists in civil engineering delivery, and ten have capabilities focussed on mechanical and electrical installations.

In addition, given the critical dependency on accessing specialist design resources (including modelling) which will be needed to produce designs on the scale required to keep our AMP8 programme on track, we have appointed 15 of the world’s largest engineering consultancies covering a range of specialist design services, to provide not only the capacity required for our AMP8 and AMP9 programmes, but also to accommodate additional investment.

7.3 We understand our baseline AMP8 programme and we are on track to deliver it

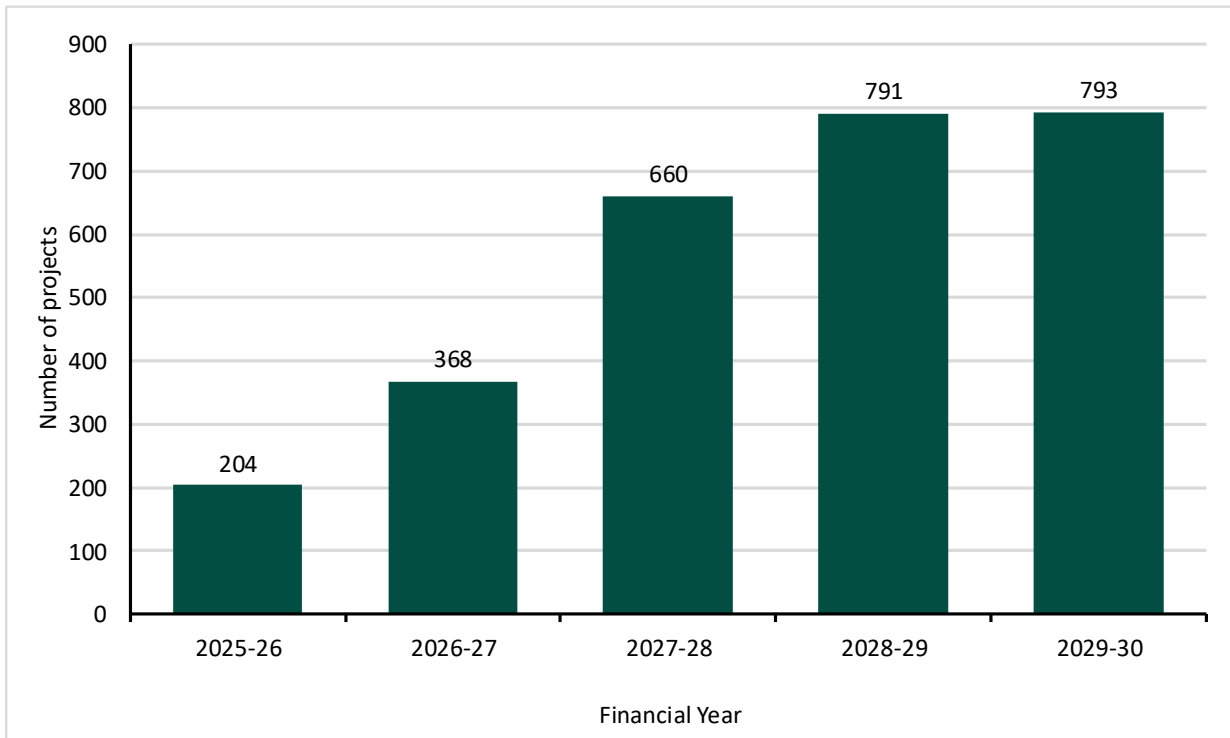
This first year of AMP8 represented the largest first year of an Asset Management Programme in UW history. Despite this scale and complexity, performance has been exceptionally strong; subject to regulatory confirmation, we successfully achieved all 49 of our 2025-26 Regulatory Commitments on Enhancement projects, working in partnership alongside our supply chain partners. Our capital expenditure in 2025/26 of £1.5 billion was in line with expectations, demonstrating our ability to deliver in line with our plan.

Further evidence of our ability and capacity to deliver the increased volume of work can be seen in our strong progress against interim milestones, with 204 projects already in construction, and more than 500 projects currently in design.

Figure 7 below shows the number of AMP8 enhancement projects forecast to enter construction in each year of the AMP period. The profile demonstrates a steady increase in construction activity, with 204 projects already entering construction in FY26 and volumes rising progressively in subsequent years. This early mobilisation, combined with the planned, steady ramp-up through the middle to later years of AMP8, evidences a well-sequenced and sustainable delivery profile. Overall, this provides assurance that the programme is appropriately planned to support the increasing scale of delivery and that we remain on track to deliver the AMP8 enhancement programme.

³¹ [UW48 Deliverability - Overall plan](#)

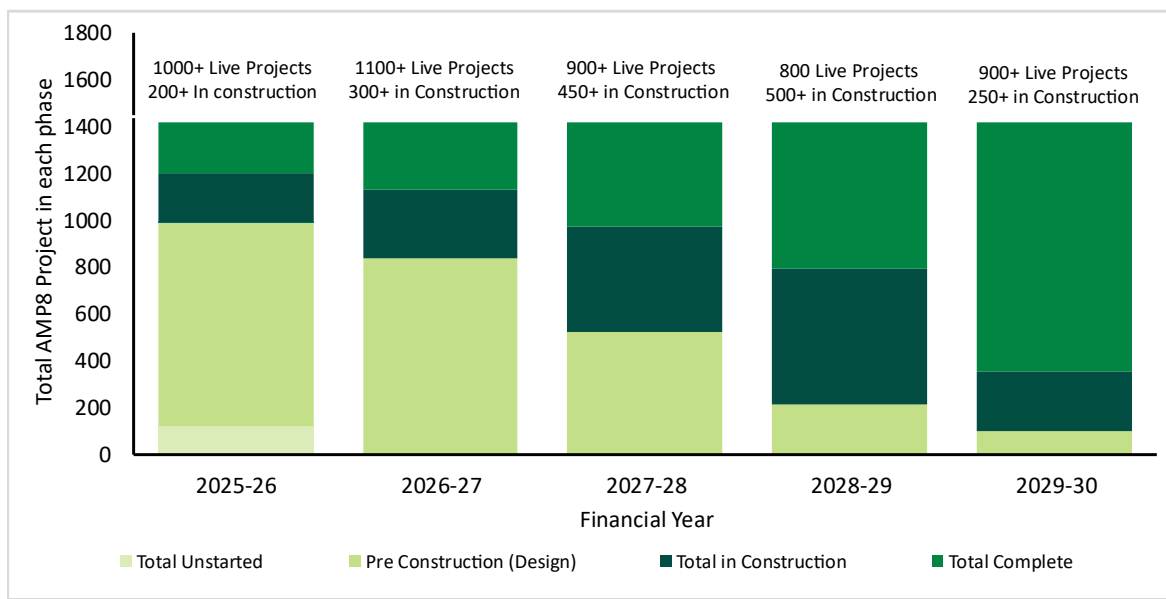
Figure 7: AMP8 Enhancement Projects in construction



Source: UUW analysis

Figure 8 below illustrates the forecast throughput of AMP8 projects across the key lifecycle stages from FY26 to FY30. The profile shows a clear and structured progression of projects from design into construction and then completion over the period, with construction activity increasing to a peak in the middle of AMP8 before tapering as projects are delivered and completed. The growing proportion of completed projects towards FY29 and FY30 demonstrates effective forward planning and delivery momentum. Overall, this profile provides confidence that the capital programme is appropriately sequenced, well-balanced and sustainable, supporting the timely delivery of the AMP8 investment programme at scale.

Figure 8: AMP8 Capital Programme – Project Lifecycle Status



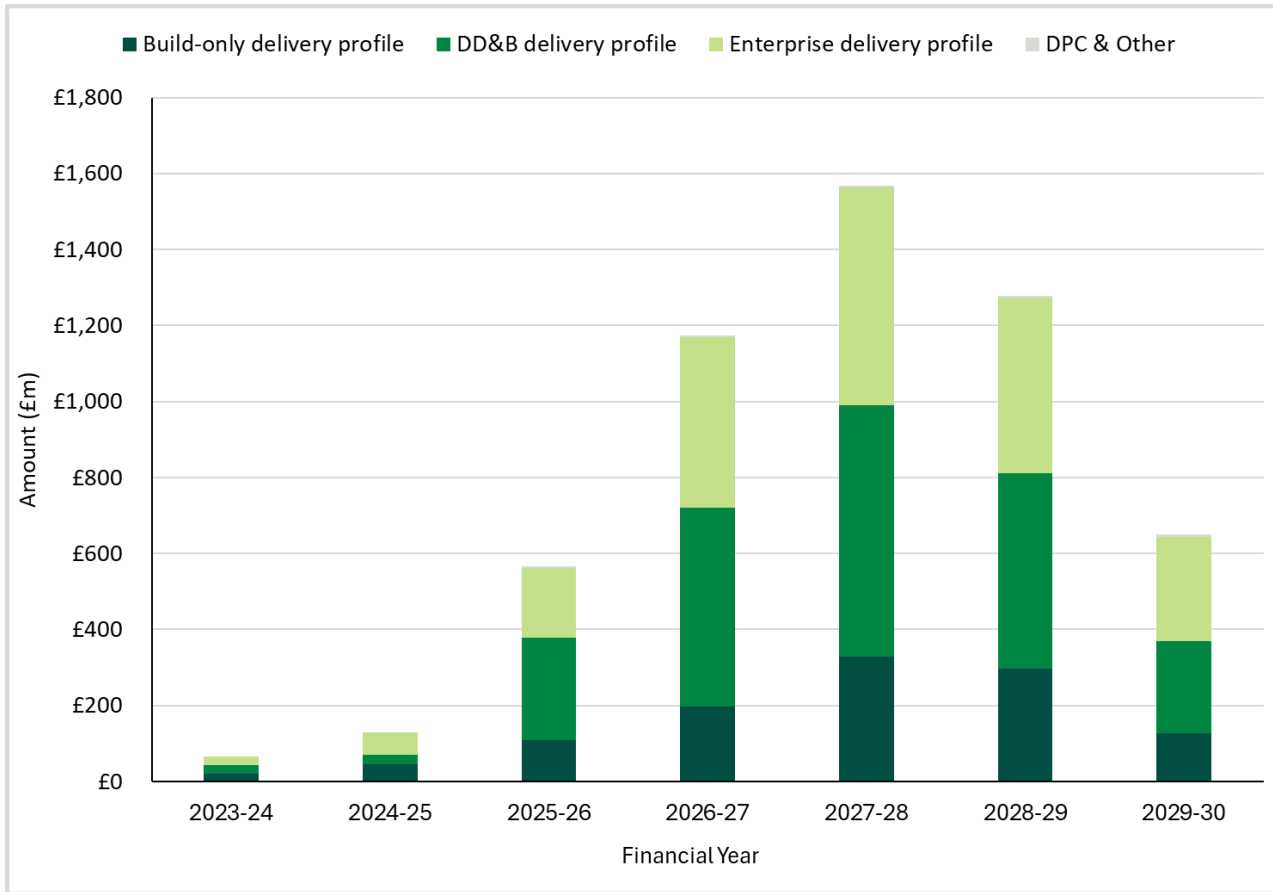
Source: UUW analysis

While our successful first year shows that we are on track to deliver AMP8, in order to ensure that we have sufficient and timely capacity to deliver additional investment we have conducted a full review of our baseline

AMP8 programme and planned spend profile against the confirmed level of supply chain capacity to assess headroom and scope for accommodating additional investment.

Figure 9 below shows our baseline AMP8 programme, with the delivery profile shown annually over the five year AMP8 regulatory cycle. This shows a steep ramp up in delivery during 2025-26 and 2026-27, to a peak in year 2027-28. After this delivery drops off considerably the final two years, before the commencement of AMP9 which we anticipate will see another steep ramp up.

Figure 9: UUW baseline AMP8 programme (£m)



Source: UUW analysis

We also have a clear view on programmatic delivery strategies regarding which delivery runways we will utilise to deliver the projects in our AMP8 programme. We have calculated, by runway, the baseline AMP8 programme and associated allocation to each of the runways described in section 7.2 above. This allows us to assess supply chain capacity for each runway, evidence that there is sufficient capacity to accommodate the baseline AMP8 programme and inform us as to how (and when) we can accommodate growth through the additional investment proposed in this submission.

7.4 Current performance on delivery

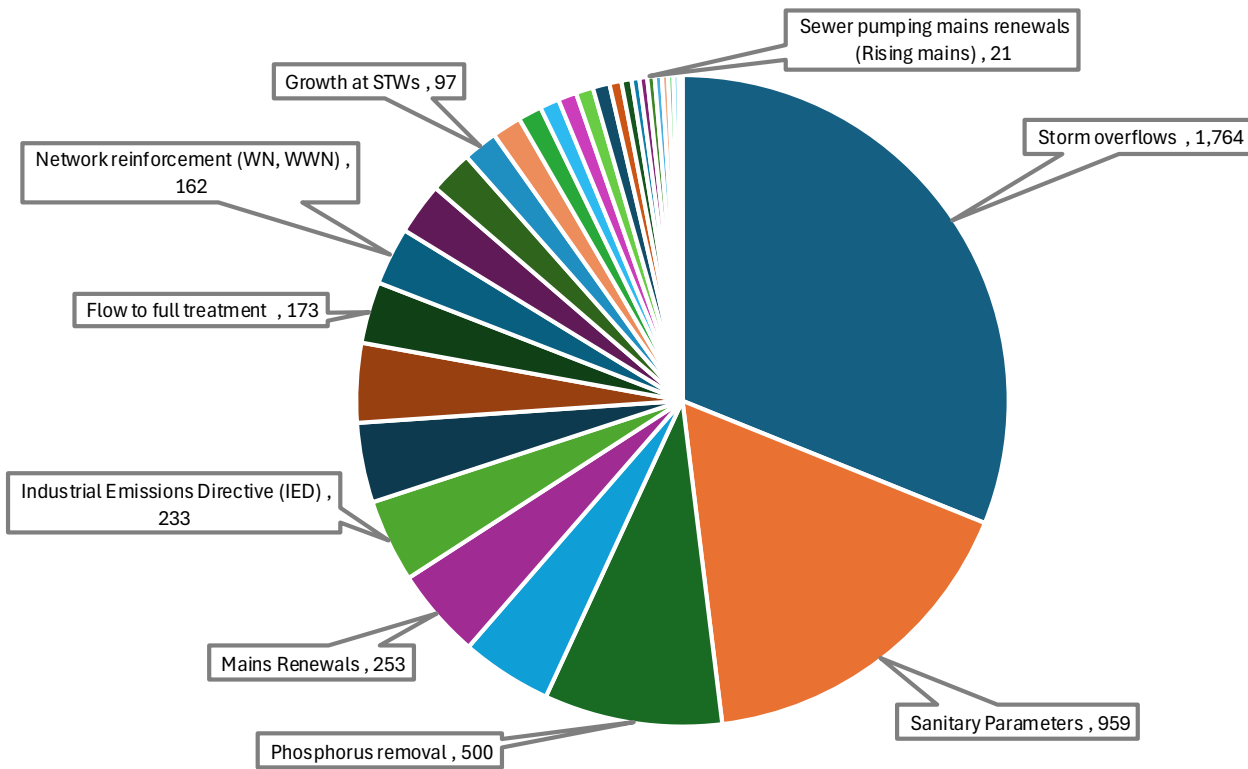
UUW also remains on track with delivery of its PR24 FD PCDs. This is evidenced in the latest Delivery Plan Progress Report (1 May 2026), which provides confidence of our ability to deliver against our commitments and expectations following the November 2025 update.

The Delivery Plan Progress Report provides the detailed update opposite the August 2025 Delivery Plan baseline and sets out our progress in delivering the AMP8 enhancement programme. It outlines performance against PCDs, interim milestones, PCD-related expenditure and scheme-level outcomes across our water and wastewater services.

UUW has 30 PCDs providing customer protection for the delivery of PR24 investment covering both enhancement and certain base allowances. They provide customer protection against £5.7bn of regulatory totex allowances. In Figure 10 we call out the breadth of areas which the FD PCDs provide customer protection on, for the more financially significant PCDs and those of more relevance to this submission.

Several of these PCDs are similar to the nature of delivery and investment included in this cost change submission. These include Growth at STWs and Mains Renewals for example. Our overall progress against these PCDs demonstrates our capability to deliver commitments effectively, even during a period of unprecedented investment. We requested enhanced allowances at PR24 and are on track to deliver the outputs required.

Figure 10: Customer protection provided by UUW's AMP8 PCDs £m



Source: UUW analysis based on Ofwat’s FD

To manage the scale of the AMP8 investment programme we have implemented a strengthened delivery model as described in section 7.2, which is already supporting effective early AMP performance. This provides confidence that we can accommodate additional investment within existing structures and deliver it on time and to specification.

We remain focused on efficient delivery, with customer funding deployed in the right places to secure the best solution ensuring the outputs deliver the best result. This approach requires robust upfront assessment of scope and delivery routes. As a result, the latest May 2026 Delivery Plan Progress Report reflects some timing adjustments relative to the FD and August 2025 Delivery Plan profiles. UUW’s latest PCD RAG ratings show that we are on track to deliver the required outputs, with 96 percent of the value regulated by PR24 PCDs on target and no PCDs rated Red.

In our May 2026 Delivery Plan Progress Report, we anticipate to report only one Amber PCD and have actions in place to accelerate delivery. The Amber rating to the IED PCD reflects a risk related to evidencing delivery rather than point of physical compliance. We are progressing further rationalisation of digestion sites and creating new centralised digestion facilities: whether that is evidenced by the ceasing of IED-related operations at the decommissioned site or whether it requires the additional step of surrendering the permit to the Environment Agency. We have engaged with Ofwat on this matter and have explained this in our response to the recent PCD

guidance consultation (September 2025). Therefore, the Amber rating for this PCD does not reflect delivery underperformance but results from an optimised delivery approach that prioritises customer value and efficiency.

Overall, our spending is broadly in line with U UW's AMP8 enhancement allowances in the FD. Spend profiles are continuing to mature as we progress through the enhancement programmes. With such a significant enhancement programme, some profile changes have been made since the baseline Delivery Plan to maximise efficiency and effective delivery across the programme. Overall, we expect to continue to spend broadly in line with our FD enhancement allowance.

7.5 Understanding our supply chain capacity and ability to accommodate additional investment

We have undertaken significant due diligence on the capacity of bidders throughout the procurement process to inform the appointment of all selected partners into our AMP8 supply chain. We have selected the number of partners for our primary AMP8 and AMP9 delivery runways (which equated to 54 main construction partners and 15 engineering consultants) not only to provide just enough capacity to accommodate the baseline AMP8 programme, but to ensure that there was resilience and headroom in capacity to accommodate fluctuations in the programme, including potential for additional investment, should it be required.

Following the appointments of our new partners, we have focussed on a successful period of partner on-boarding and mobilisation to ensure a smooth transition into the U UW supply chain environment, and to ensure that partners and delivery routes were fully mobilised and ready to deliver at pace and scale. Onboarding covered critical areas such as systems, processes, design requirements and health and safety expectations. During the on-boarding process, and subsequently through regular supplier relationship meetings we have sought to fully understand each partner's:

- Preferred value of any one individual project and the maximum value they could accommodate;
- Maximum number of projects that could be managed at any one time;
- Total capacity, nationwide; committed capacity and residual headroom;
- Total capacity, committed and headroom available in the North West; and,
- Realistic and sustainable level of target turnover in each year of AMP8, and growth plans.

We have specifically engaged with the supply chain as part of preparing this submission to ensure that sufficient resources and capability exists for delivering the proposed solutions in this submission.

We then consolidated all of this information and have built a detailed map of capacity of our entire supply chain and the potential throughput of each runway. This is summarised in the Table 18.

Table 18: Capacity levels (£m, 2022/23 prices) per year of AMP8 (including contractor capacity, design and U UW's client costs capacity)

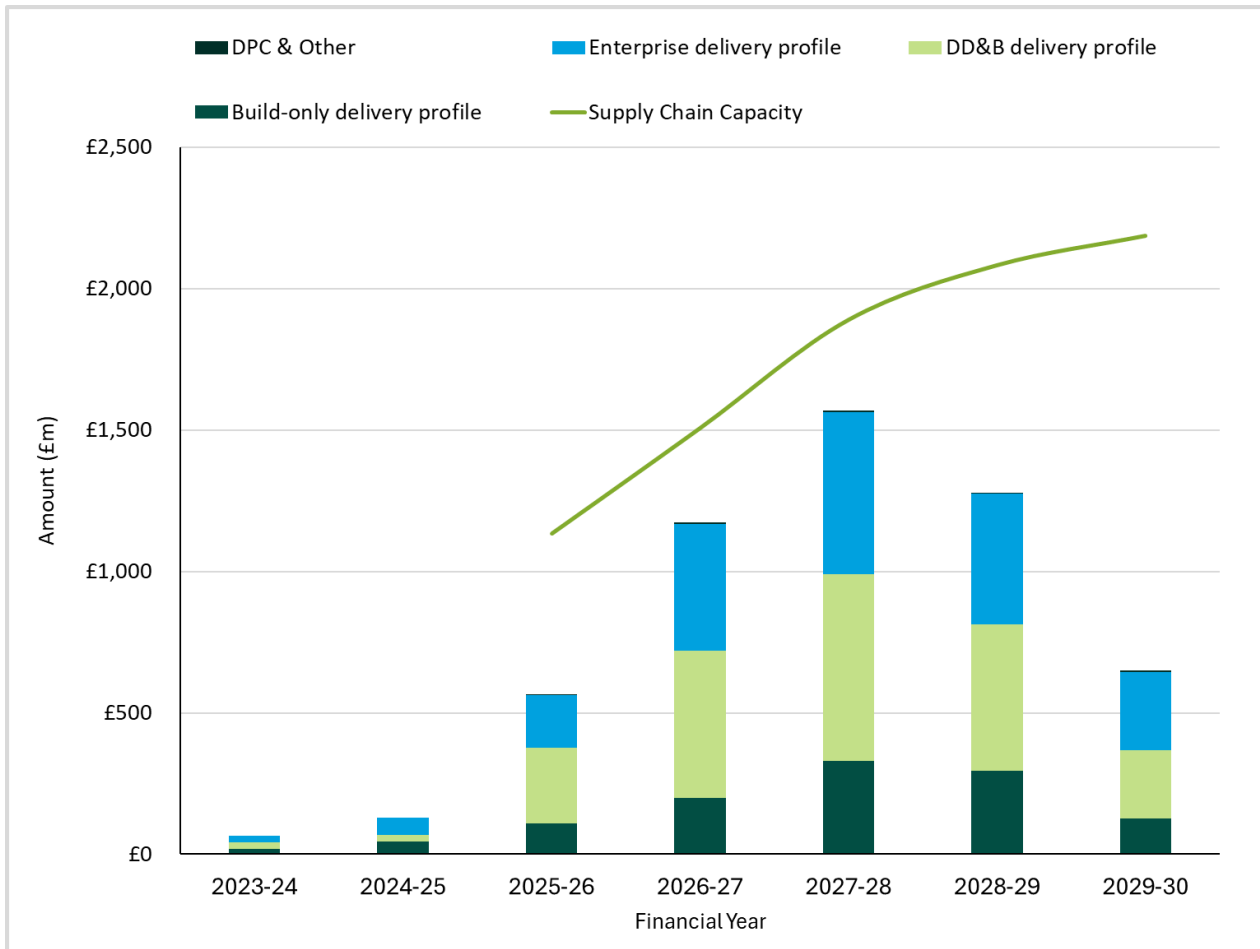
| Runway | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | Total |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Enterprise | 410 | 510 | 626 | 673 | 673 | 2,891 |
| Detail design & build | 489 | 664 | 812 | 914 | 975 | 3,854 |
| Build only | 168 | 258 | 370 | 399 | 440 | 1,636 |
| Other (DPC) | 57 | 58 | 58 | 59 | 61 | 292 |
| Total capacity | 1,125 | 1,490 | 1,865 | 2,045 | 2,148 | 8,674 |

Source: U UW analysis

We are able to overlay this detailed supply chain capacity onto our baseline delivery programme, to clearly demonstrate that supply chain capacity exceeds the demand of our baseline AMP8 programme, and that there is sufficient headroom across all runways to deliver the additional investment proposed. This will be set out in the charts that follow below.

Figure 11 below shows the AMP8 baseline enhancement programme profiled annually in accordance with our delivery plan, with total supply chain capacity for all runways overlaid against this baseline, clearly demonstrating the sufficiency of capacity.

Figure 11: Supply chain capacity – Capital delivery enhancement programme (£m)

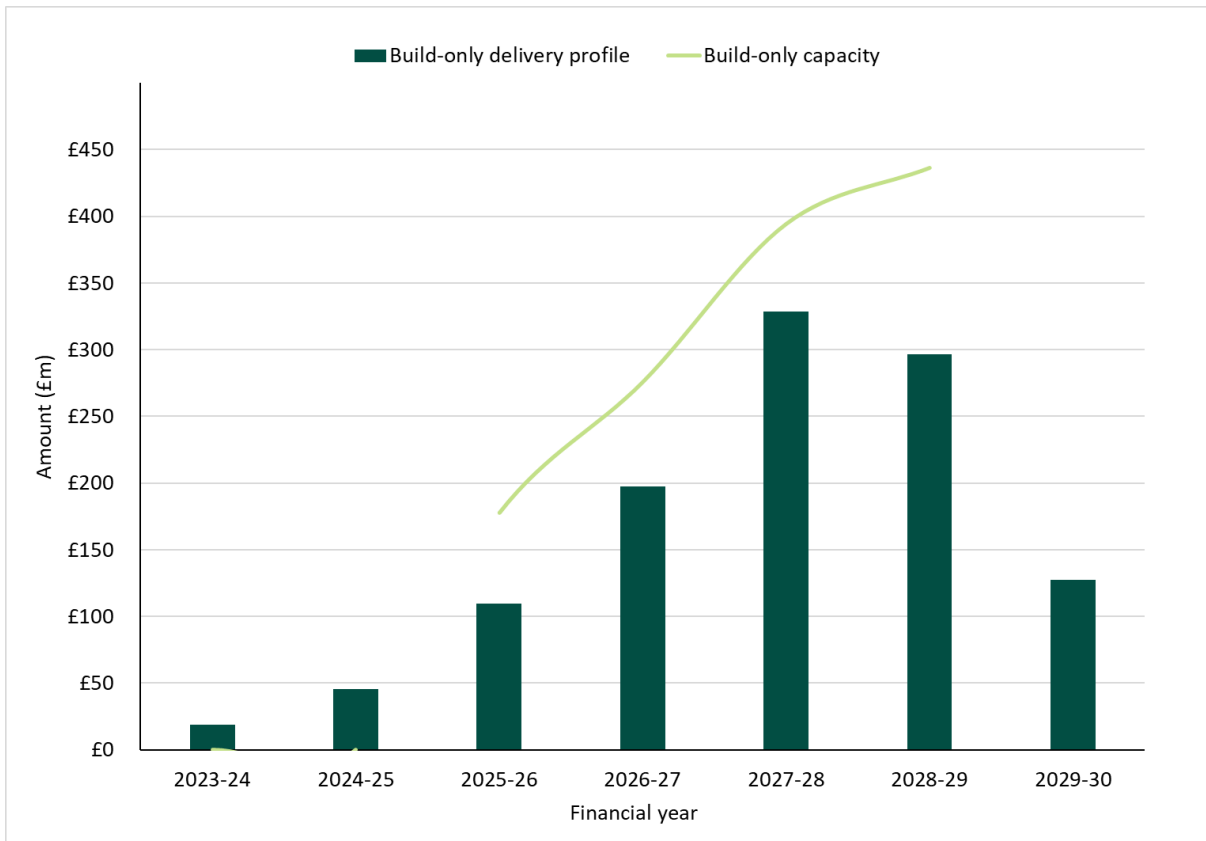


Source: UUW analysis

As well as the aggregate position shown in figure 11 above, we also have a very detailed view of our supply chain capacity, right down to partner level which enables us to determine the level of capacity available on each delivery runway, relative to the total amount of work to be delivered. Separate charts for each runway are shown in Figure 12 and Figure 13 below, providing confidence that we are allocating work sustainably and that we have more than enough capacity with headroom on each of our delivery runways.

Figure 12 below shows the proportion of the baseline programme that is allocated for delivery via the Build-only runway, with supply chain capacity overlaid.

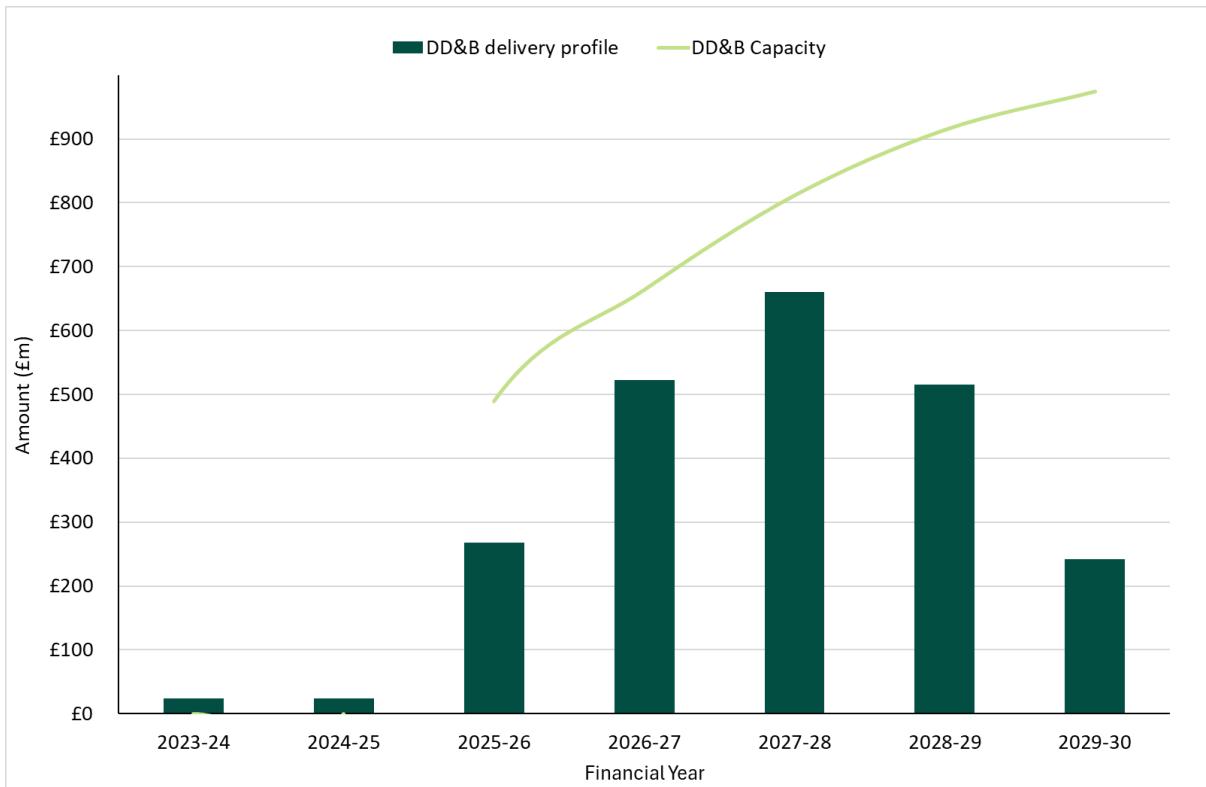
Figure 12: Runway utilisation AMP8 – Supply chain capacity assessment (Build only) (£m)



Source: UUW analysis

Figure 13 shows the proportion of the baseline programme that is allocated for delivery via the Detailed Design and Build runway, with supply chain capacity overlaid.

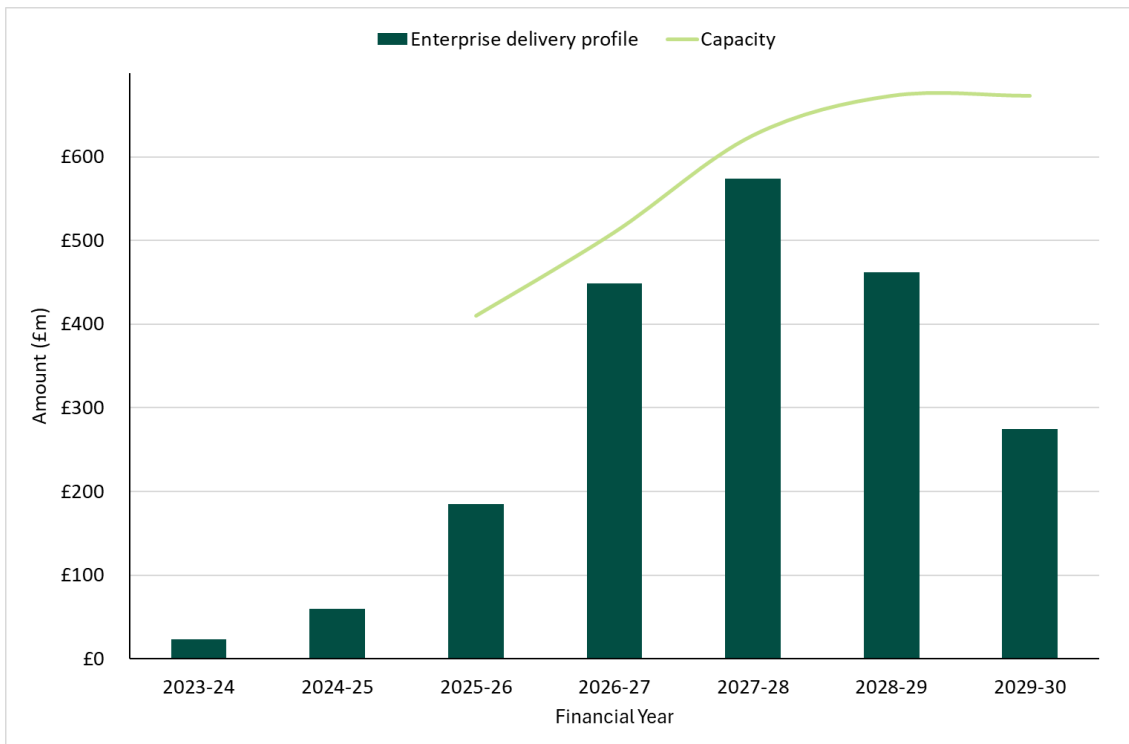
Figure 13: Runway utilisation AMP8 – Supply chain capacity assessment (Detailed design and build) (£m)



Source: UUW analysis

Figure 14 shows the proportion of the baseline programme that is allocated for delivery via the Enterprise runway, with supply chain capacity overlaid.

Figure 14: Runway utilisation AMP8 – Supply chain capacity assessment (Enterprise) (£m)



Source: UUW analysis

This detailed supply chain analysis provides assurance that we have now procured and mobilised partners with sufficient capacity and resources to not only successfully deliver the baseline AMP8 programme, but it also provides confidence (which has been supported through specific engagement with partners) that all delivery runways have headroom in capacity, particularly in the latter years of AMP8 which can be utilised to accommodate the additional investment arising from the proposals in this submission.

7.6 Optimising the delivery schedule of proposed additional investment

Given the significant increase in scale over the period 2025 to 2028 of AMP8, UUW’s primary challenge and objective will be to progress early programmes through the initial project lifecycle gateways with extreme efficiency, in order to allocate work to delivery partners into construction and complete projects at the pace needed to keep our programme on track during the critical first three years of the AMP. While the supply chain analysis shows that there is headroom of supply chain capacity during the first three years of AMP8, during which period we are proposing to deliver a smaller proportion of the proposed additional investment, it would not be feasible to commit to delivering more significant levels of investment as this would exhaust supply chain capacity and place undue risk on our ability to deliver the rest of the AMP8 programme.

The amounts that we have profiled into these years have been carefully calculated and considered to ensure that we can deliver this level of additional work and manage effectively the delivery risk of our AMP8 programme. Instead, we would propose to accommodate and profile the largest proportion of the additional investment arising from this submission into the final two years of AMP8, with some associated spend for remaining activities profiled into the first two years of AMP9.

The design needed to enable the additional investment will be commenced immediately following the approval of funding, in 2026-27 of AMP8 but would be largely undertaken in 2027-28, when the bulk of the design consultants’ AMP8 workloads will be largely complete. This will unlock delivering the bulk of the additional investment through construction activity profiled into later AMP8 and early AMP9 where there has traditionally been an inter-AMP drop-off and ramp-up. Such additional funding during this period would therefore be

extremely beneficial and would allow us to keep suppliers at optimum levels of utilisation, avoiding a harmful scenario whereby resources are lost from the UU programme to other clients or sectors when the drop-off occurs. Our supply chain assessment also shows that there is significant available capacity during years 2028/29 and 2029/30 of AMP8 to accommodate further additional investment submissions, including for Transition Investment funding, which will provide additional benefit in smoothing out our delivery profile for maximum efficiency.

The proposed spend profiles for the relevant cases are shown in Table 19 below.

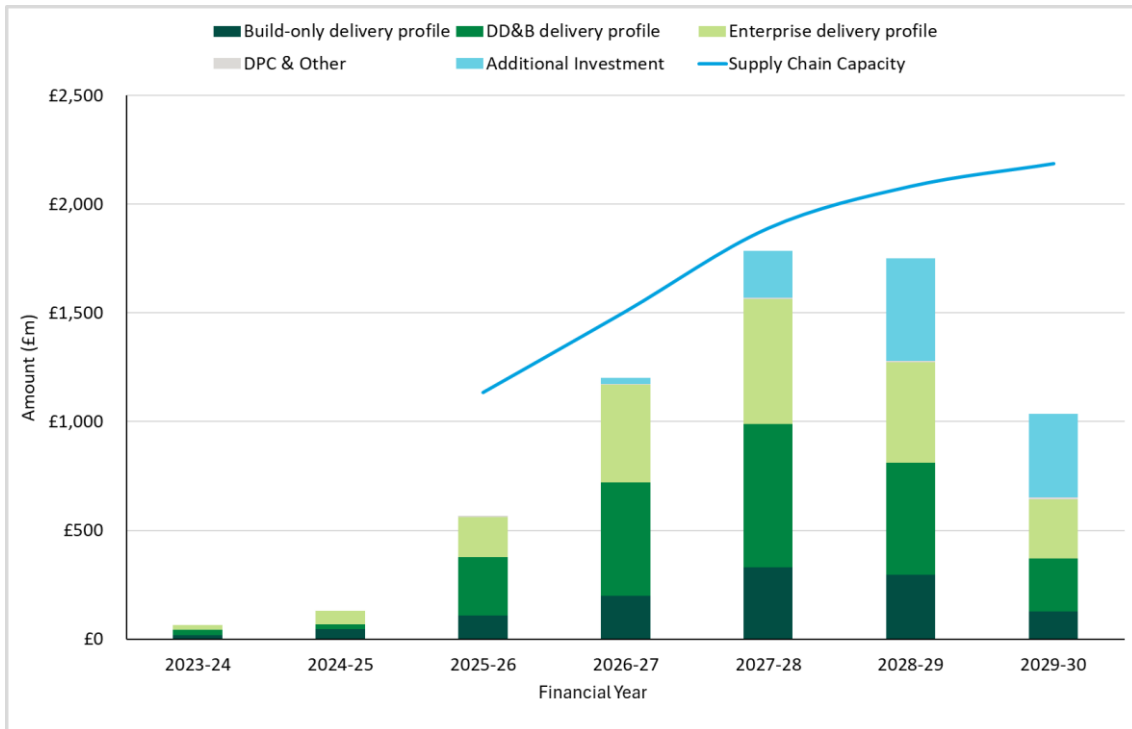
Table 19: Capital expenditure profile for our cases (£m, 2022-23 CPIH prices)

| Category | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | AMP8 Capex | Total Capex |
|---|----------|-----------|------------|------------|------------|-----------|----------|------------|--------------|
| Growth - New water infrastructure to enable data centre growth - Powering AI from East Manchester | - | 3 | 28 | 93 | 50 | 4 | - | 173 | 177 |
| Growth - New water infrastructure to enable clean energy growth in Ellesmere Port | - | - | 24 | 68 | 83 | 68 | 7 | 176 | 251 |
| Growth - Supporting growth of new homes by increasing WwTW capacity | - | 6 | 51 | 135 | 91 | 23 | 0 | 284 | 307 |
| Growth – Total | - | 9 | 104 | 296 | 225 | 95 | 7 | 633 | 735 |
| Asset Health – Total | - | 1 | 76 | 158 | 100 | - | - | 335 | 335 |
| Grand Total | - | 10 | 180 | 455 | 324 | 95 | 7 | 968 | 1,070 |

Source: UUW analysis

Figure 15 demonstrates that the overall investment inclusive of the additional proposals set out in this submission (shown in purple below), is still within the total capacity of our supply chain.

Figure 15: Supply chain capacity relative to our baseline programme with the additional investment proposals included



Source: UUW analysis

The existing AMP8 programme has a defined reduction in capital spend in Years four and five and so the delivery of this additional investment has been scheduled to both meet the regulatory dates and take advantage of the capacity within the supply chain in those years. Providing an opportunity to reduce the decline in spend in year 4 and 5 would also be of benefit to the supply chain as the workload becomes more stable and consistent. This will improve the balance of delivery activity across the AMP and maintain capability and capacity at the end of the AMP which will have benefits for the mobilisation of the AMP9 programme. Pending Ofwat’s FD, UUW would thereafter update its Delivery Plan in line with the commitments set out in the cases of this submission.

7.7 Mitigating the risk of supply for critical services, materials and equipment

UUW is acutely aware that successful delivery of its AMP8 programme, with any additional investment, will require access to not only design and construction services, but also supply of critical materials, plant and equipment. With this as a priority, UUW has produced procurement schedules for as large a proportion of its programme as is possible to ascertain our strategically important procurement categories. This has allowed us to understand our aggregate procurement demand across our programme, which has been used to drive our “Blueprint” standardisation agenda, whereby we are standardising products, assets and designs in order to drive efficiency of supply, install and operation.

This early visibility has also allowed us to conduct tender processes to appoint preferred suppliers of the highest priority categories, and place orders in bulk quantities to secure manufacturing capacity early, lock-in best value commercial agreements to benefit customers, and has allowed us to engage with the wider supply chain as early as possible. Bulk quantity advanced procurement orders have already been placed for; membrane bioreactors, centrifuges, blowers, chemical dosing rigs, pumps, silos, conveyors, MCCs, and meters. This strategy will continue as a key feature ensuring availability of materials, services and equipment needed for the delivery of our solutions.

7.8 Supply chain engagement and feedback

UW is committed to strengthening supplier relationships and fostering a delivery culture built on transparency, early engagement, and shared ownership.

Consistent and direct feedback from our supply chain has highlighted that one of the biggest historical barriers to efficiency is the pronounced drop-off in workload that typically occurs between AMP periods, particularly from Year four of one AMP to Year two of the next. These fluctuations disrupt delivery momentum, force organisations to stand down or reallocate skilled teams, and reduce overall productivity.

Our partners have been clear with us that maintaining a steadier, more predictable profile of investment across the regulatory cycle would be transformative, enabling them to retain resources, optimise equipment utilisation, and deliver at significantly higher levels of efficiency. This means that the capacity to deliver the additional investment proposed in this submission is not only available, it is actively welcomed by the supply chain, who view a smoother, more consistent workload as a genuine game-changer for long-term efficiency and delivery performance to the ultimate benefit of customers through lower bills.

We have further engaged with a number of our supply partners to seek additional assurance on levels of capacity and ability to deliver the investment outlined in this submission. These letters can be found in the document *"UW26-25 Letters of support"*.

The scale of participation and strength of feedback demonstrate that our supply chain is fully mobilised, aligned to our objectives, and confident in our ability to deliver the largest water infrastructure investment programme in over 100 years. This strong platform of performance, engagement, and supply chain readiness provides compelling assurance that UW is fully prepared to deliver the additional investment proposed in this submission, while retaining sufficient flexibility and capacity to comfortably accommodate Transition Investment funding to further support an efficient transition into AMP9.

8. Further considerations for 2027 and 2028 submissions

8.1 Bioresources

It is important to note that while we have not yet submitted a claim for additional totex allowances for Sludge Treatment Centres in this 2026 submission window, our sludge capacity will need to remain fully aligned with our wastewater treatment capacity. This is critical to ensure an integrated end-to-end wastewater and bioresources system can successfully treat the wastewater and resulting sludge to deliver required environmental outcomes.

Additional bioresources treatment capacity will be needed to increase capacity in our sludge processes, digestion and biosolids storage operations to ensure compliance with our environmental standards. New capacity cannot be delivered both efficiently and linearly with growth in wastewater treatment capacity; investment will tend to follow a lumpier profile. We will therefore consider in future submission years whether it would be appropriate to submit a case for additional investment in Sludge Treatment Centres in light of any accelerated investment in wastewater treatment which would produce additional tonnes of dry solids of sludge requiring treatment.

We also note that the Bioresources price control is subject to an average revenue control, which means that total revenue varies with demand. Under the control, revenues increase as the volume of sludge treated increases, capped at a +/- six percent variance. It is important to note that if we invest to support the Government's growth agenda it would not be appropriate to assume that future costs would simply be recovered through sludge growth. This would create significant and unacceptable risks including:

- **Uncertainty on Future Cost Recovery:** A move away from an average revenue control at PR29 would mean that any investment accelerated into AMP8 would not be reflected in the revenue cap. Even if the current Bioresources average revenue control is retained in the long term, the adjustment for increased tonnes of dry solids (tDS) will be very gradual and, given the requirement to invest ahead of need, this will create a significant shortfall in funding in the short and medium term. We have provided Ofwat with practical examples of this issue to demonstrate that investment would only be recouped in 25 years' time, with a substantial element of financing cost going unfunded.
- **Financing:** We are already committing hundreds of millions of pounds above our bioresources FD allowance to accelerate and deliver a transformational regional IED compliance programme. Further unfunded requirements to support the additional growth requirements creates further financial challenge.

In light of this we will consider in future years whether to submit an additional investment case for investment in our Treatment Sludge Centres for additional bioresources treatment and biosolids storage capacity to treat and manage the growth in sludge production from the additional wastewater infrastructure resulting from growth.

8.2 Additional investment in GRP pipelines

This case is submitted for information only as it falls outside the standard asset class criteria set out by Ofwat. However, we are clear that it addresses an urgent and intolerable asset health risk that requires immediate action.

The case sets out targeted investment at the Fleetwood Wastewater Treatment Works final effluent Glass Reinforced Plastic pipeline system. The case sets out an investment of £62.6m to deliver in AMP8 a strategic long-term intervention that will reduce an intolerable level of asset health risk that cannot be efficiently managed through base expenditure or network scale programmes alone due to the location, scale of impact and likelihood of future failure. We plan to submit a formal case in 2027 pending the introduction of new asset classes eligible for the Asset Health Cost Change process by Ofwat.

We set out full details of the asset health case in "*UUW26-17 Asset Health Business Case – Replacing GRP Pipelines*".

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



Water for the North West