

UUWR26-03R

Cost Change Draft Determination: UUW Representation

Area of representation: Clean energy growth in Ellesmere Port

September 2026

This case sets out UUW's response to Ofwat's draft determination on Clean Energy Growth in Ellesmere Port, proposing a revised funding approach that separates developer-funded direct connections from larger shared infrastructure through a gated enhancement funding process. The case provides evidence to show that proposed investment can deliver wider system benefits, support regional industrial growth and significantly lower cost compared with delivering separate customer connections.

Reference to Draft Determination documents:

'Notification of the PR24 cost change process draft determination for United Utilities'

'PR24 cost change process – Price control deliverables appendix'

'CCP 2026 DD Cost Change models'

'CCP 2026 DD Price Control Deliverable models'

1. Key points

- **We have revised our proposals following the draft determination in order to address Ofwat's concerns.** We believe that the changes we have made will support the outcomes that UUW needs to deliver and that our stakeholders want to see and should be capable of securing Ofwat's support.
- **Water uncertainty is already affecting industrial investment.** Developer evidence highlights cost and programme constraints and the need for supply certainty before Final Investment Decision. Essar Energy Transition (EET) reports that its first hydrogen and combined heat and power projects have completed front-end engineering design, while Peel reports development already underway at Peel Park (Protos). Timely approval of development funding is needed to allow preparatory water infrastructure work to progress, reducing the risk of delaying these industrial investments.
- **In support of these proposals, we have provided additional evidence to show how the proposed infrastructure would connect into the wider Strategic Resource Zone** through the [X-----], supporting potential potable supplies through our existing [X-----] Water Treatment Works. **We have also provided additional engineering and cost evidence showing that the proposed integrated solution will be significantly more efficient than undertaking separate connections.**
- **We have revised our proposals for funding developer-specific infrastructure by proposing that £4.1 million of Stage 6 direct connections will be paid for upfront by the relevant developers.** This will ultimately be funded through the third-party reconciliation mechanism. This is based on the assumption that the PR29 reconciliation model will allow appropriate cost recovery.
- **We propose that the remaining £247.0 million of shared integrated infrastructure (Stages 1, 2, 3, 4 and 7) enters a staged or gated investment process.** This expenditure would be treated as enhancement expenditure and funded via the RCV with appropriate retention of any related revenues recovered from both developers and from the relevant customers (through their water supply price).
- **To ensure there is no impact on customer bills in the short term we have proposed not to request any revenue adjustment in AMP8.** As a result of our proposals, any third-party investment delivered in AMP8 would result in lower customer bills in the short term than if that investment were not undertaken.
- **We ask that Ofwat allows £14.8 million of development costs at Final Determination** for design, investigations, environmental assessment and consenting of Stages 1, 2, 3, 4 and 7 as demand and specific requirements are confirmed.

2. UW's Cost Change proposal

In our original submission, we requested that Ofwat should allow £251.0 million of enhancement expenditure to meet additional industrial water demand at Ellesmere Port. This demand had emerged after WRMP24 and the PR24 Final Determination (FD).

Our submission was principally driven by developments associated with HyNet and Peel Park. HyNet combines low-carbon hydrogen production with carbon capture and storage to support industrial decarbonisation across North West England and North Wales. Government selected it as one of its priority Track-1 clusters, recognising its contribution to delivering net zero and supporting industrial growth. Alongside this, Peel Park provides a location for clean energy and wider industrial development at Ellesmere Port. Timely provision of non-potable water is an essential dependency for these developments, enabling investment, jobs and progress towards Government's clean energy ambitions. The submitted demand forecast increased from approximately 8 MI/d in 2027 to 27 MI/d in 2031 and 49 MI/d in 2033.

We proposed a coordinated supply system combining source capacity, strategic transfer, balancing, storage and distribution infrastructure. It was based on the use of the existing [] and [] abstraction and pumping infrastructure where practicable, serving industrial customers as they connected over time to this shared infrastructure. The investment would also support potable supplies through the existing connection to the [] Water Treatment Works. This solution is referred to as "Option A" in this document.

The River Weaver source (Stage 2) had already been considered in WRMP24 as option WR032 and passed primary screening, although it was not selected in the preferred plan. Our original submission adapted that option to supply Ellesmere Port rather than mid-Cheshire, responding to the location and timing of newly evidenced industrial demand. Table 1 below summarises the scope and costs of our original submission.

Table 1: Scope and estimates of our original Clean Energy Cost Change proposal (£million, 2022-23 CPIH prices)

Stage	Intervention	Purpose	AMP8 Totex	AMP9 Capex	Total
Stage 1	[]	Targeted upgrades to the existing raw-water system to provide additional non-potable capacity	51.421	29.770	81.191
Stage 2	River Weaver Strategic Non-Potable Supply	New abstraction and strategic transfer from the River Weaver	27.361	9.594	36.955
Stage 3	Central Blending and Storage	Integrates and balances water from the strategic supply routes	2.925	1.025	3.950
Stage 4	Ellesmere Port West Reinforcement Main	Strategic transfer reinforcement to convey additional capacity to the industrial area	84.754	29.719	114.573
Stage 6	Distribution from Central Blending Tank	Distribution infrastructure to industrial users	2.566	1.486	4.052
Stage 7	Ellesmere Port East Distribution Upgrade	Distribution reinforcement to support additional industrial demand	6.577	3.808	10.384
Total			175.604	75.402	251.006

Source: UW26-05 Growth in Water Resources – Clean energy growth in Ellesmere Port.

In our original submission, we treated all six stages as enhancement expenditure, with costs ultimately recovered from the industrial customers receiving the supply. We remain concerned that requiring developers to fund the full investment upfront could create a barrier to growth and require early users to pay for common infrastructure benefiting later customers. To remove this barrier to growth we therefore proposed initial financing through the Regulatory Capital Value (RCV), with all costs ultimately recovered over time from benefiting industrial customers through Special Agreement supply prices.

3. Draft determination position

In the draft determination, Ofwat recognised the demand from industrial development associated with HyNet and Peel Park since PR24 and that additional investment was needed to provide non-potable water at Ellesmere Port.

However, Ofwat classified the full £251.0 million programme as third-party costs and excluded it all from the scope of the Cost Change process. This relied on the assumption that the source and network benefits from the investment served solely industrial customers and could not be extended to household and general customers. Table 2 below summarises Ofwat's key assessment.

Table 2: Summary of the Draft Determination assessment

Assessment area	Draft Determination position
Need for a step change in investment	Partial Pass
Best option for customers	Not Assessed
Robust and efficient costs	Not Assessed
Customer protection	Not Assessed
Investment delivery	Adequate
Expenditure assessed through Cost Change	Excluded from Cost Change
Cost Change allowance	Excluded from Cost Change

Source: Ofwat Cost Change Draft Determination 2026, section 3.2.3.

Table 3 below summarises the assessment and decisions set out in the Draft Determination.

Table 3: Totex allowance for clean energy (£million, 2022-2023 CPIH)

	AMP8	AMP9	Total
UUW's cost change proposal	175.604	75.402	251.006
<i>Adjustments:</i>			
Third party funded schemes	-175.604	-75.402	-251.006
Draft determination allowance per cost model⁽¹⁾	Nil	Nil	Nil

Source: (1) CCPCA 2026 DD Growth WR model

Ofwat also identified no potable water available for use (WAFU) benefit to general customers and therefore did not assess the Best Option for Customers test. The third-party classification also meant that cost efficiency and customer protection were not assessed through Cost Change. Ofwat reviewed and considered the delivery programme credible and adequately developed.

Ofwat's main concern was that general customers would bear the cost of investment if industrial revenues were not recovered without receiving any benefit where developments would not proceed or cost recovery was delayed. Ofwat recognised that the programme involved a material increase in third-party expenditure and a longer recovery period than assumed under the existing PR24 arrangements. It therefore proposed:

- For UUW to retain additional revenue, above PR24 forecasts, recovered from the relevant industrial customers during 2025–30 through the third-party services reconciliation mechanism; and
- Establish an appropriate mechanism allowing UUW to retain relevant industrial revenues from 2030 onwards to recover costs already incurred.

Ofwat also invited UUW to provide further evidence demonstrating benefits to household and general customers if it disagreed with the third-party categorisation.

4. Issues and implications

We have significantly revised our proposals following the draft determination in order to address Ofwat's stated concerns. This section sets out our revised proposals and how they deliver:

- Key objectives (section 4.1);
- Suitable protection to customers (section 4.2);
- Regional growth (section 4.3);
- Wider customer benefits (section 4.4); and,
- The most cost-effective solution (section 4.5).

4.1 Proposals and key objectives

4.1.1 Overview and context

The circumstances at the Ellesmere Port industrial development are different from those that might apply to the generality of growth cases. The required scale of investment at this site cannot be delivered through the existing third-party cost arrangements, as these are not suitable to manage the economic or efficient cost recovery of shared infrastructure costs from multiple developers, which connect to the shared infrastructure over time. We discuss this in more detail in section 4.5 below. This situation is in contrast to connection infrastructure within our data centres case, where much of the infrastructure is specific to each individual data centre, and hence it is feasible to seek to recover the cost of each unique connection asset from each data centre developer. However, for this clean energy case, the nature of connections is different. Most of the infrastructure in the Ellesmere Port case will be shared across multiple developments, and hence cannot readily be recovered directly from those individual developments. Whilst we could (in principle) build multiple individual pipelines to serve each individual development, that would be significantly more costly and disruptive to implement (as set out in section 4.5).

We have, however, noted the concerns raised by Ofwat in the draft determination and have revised our proposal to address the concerns on customer protection, financial risk and demand uncertainty.

The key changes we are proposing are as follows:

- **Removal of the asset stranding risk for local dedicated connections** by proposing that all infrastructure with the sole purpose of serving individual industrial customers - including the £4.1 million Stage 6 direct connections - will now be paid for upfront by the relevant developers, with revenue recovery managed via the third-party reconciliation mechanism. This removes the stranded asset risk associated with sole purpose assets from the generality of customers and should not represent an unachievable hurdle for third party funding by developers;
- **Staged approval for all the other investment to manage uncertainty** - The remaining £246.9m of shared integrated infrastructure investment that provides benefits to multiple industrial developments would enter a staged approval or "gated" process akin to Ofwat's PR24 large gated schemes. A development allowance at Final Determination would fund early-stage development and the final allowances would be determined at various gates as the demand requirements are confirmed, and the engineering solutions are finalised. We would welcome further engagement with Ofwat on the implementation of the most effective process;
- **No short-term bill impact on the generality of customers** - We propose to defer in-period revenue adjustments for all of the staged / gated investment in this case. This would ensure that customers do not face any increase (or risk of increase) in their AMP8 bills as a result of this investment; and,
- **Additional customer protections** - We also propose expenditure-based Price Control Deliverables (PCDs). Delivery funding would be supported by expenditure-based PCDs. Their scope and requirements will be defined through a staged/gated process protecting customers from any non-delivery.

We have also provided additional evidence to explain why some of the investment should not be treated as third-party costs. This evidence shows that the shared infrastructure would make additional raw water available for treatment at [REDACTED] WTW, supporting potable supplies to existing customers alongside new industrial demand. We are also keen to work with Ofwat to develop the most appropriate process that can deliver the best outcome for customers and ensure investment solutions can be progressed at the right time and based on the most-up-to date information on cost and demand.

For the £246.9 million shared infrastructure programme, we request that enhancement allowances are made through the Regulatory Capital Value (RCV) at the various staged decision points or “gates” based on updated evidence of demand, efficient costs and delivery requirements. We request £14.8 million at Final Determination to progress design development, surveys and investigations, environmental assessments, abstraction permitting, planning and other consenting work. This would define the scope, costs and delivery programme for the subsequent investment decision, as set out in Appendix D.

4.1.2 Treatment of costs under our proposals

Our proposed treatment of the expenditure reflects the shared infrastructure’s function, the wider benefits within the water system, considerations around the appropriate risk allocation and the issues associated with the third-party model. These key points are summarised below:

1. **The investment delivers wider-system benefits** – The investment can support future domestic growth and potable supplies via the connection to the [REDACTED] WTW. The proposed infrastructure would connect into the [REDACTED] as shown in Section 4.4, providing water for treatment at [REDACTED] WTW and onwards supply through the potable network.

Appendix C quantifies the benefits showing the detailed modelling results. In 2034–35 the investment could deliver an increase in Water Available for Use (WAFU) of 18.20 MI/d in our Strategic Resource Zone relative to the scenario where industrial growth materialises without any investment. Our modelling also shows that if no additional industrial growth materialises, the modelled increase in WAFU is 18.30 MI/d. These results demonstrate potential use for the wider customer base beyond industrial developments.

2. **Our proposals support cost recovery and timely investment** – reflecting the unusual nature of this third-party investment activity:
 - a. In this case end customers are unlikely to be *in situ* when costs are incurred. This reflects that this is a “one-to-many” investment and the usual third-party recovery from individual developers may not be possible given that some individual developments are likely to be in place after the infrastructure has been provided; and,
 - b. The scale and nature of the investment cannot wait until all developments are in place prior to commencing construction, as many of them require water much earlier – therefore we will need to invest ahead of some of the developments being as mature as we would normally expect when entering into third-party agreements with developers.
3. **Appropriately managing financial risk** - Whilst we expect developers and industrial customers to pay for this infrastructure through their water supply price, there is some risk associated with the event that some of the developments do not proceed. To mitigate this risk, we note that:
 - a. **The risk will be managed and mitigated through the proposed staged approval process** - A staged approval can help ensure that any decision to proceed with the investment is taken at as late a date as feasible, using the best information available about the developments and their requirements.
 - b. **The risk is mitigated due to the servicing of multiple developments** - Given that the proposed supply will serve multiple developments, the risk of under-recovery from the developers and end industrial customers will be significantly mitigated.
 - c. **The risk is further mitigated by potential alternative uses for the shared infrastructure** – there are potential alternative demand for the shared infrastructure if individual projects are delayed,

reduced or do not proceed, reducing the risk of permanent asset stranding as explained in Section 4.3; and,

- d. **Our proposed risk allocation is consistent with the arrangements to support hydrogen infrastructure investment** - A significant portion of the HyNet related investment unlocked to support the government's hydrogen objectives has received government subsidies. We also note that the government has establishing a framework to support investment through several financial protections (through revenue security, subsidies and RAB-style protections) recognising that companies cannot be reasonably expected to manage all the financial risk¹ associated with the investment. Funding of growth investment before new developments are completed is also the norm for all growth investment and is consistent within the current regulatory price control model for the water sector. Our proposals are therefore both supporting and consistent with the government's framework for this development as part of its net zero and clean energy policy.

These measures mitigate the risk of permanent asset stranding, even whilst some uncertainty over the timing and recovery of industrial revenues needs to be accommodated within the regulatory framework. Our intention remains to recover the shared infrastructure costs from benefiting developers and industrial customers. We propose that any residual demand and revenue risk is assessed through the staged approval process before delivery funding is committed, taking account of the infrastructure's wider system use and benefits to general customers. This materially reduces any residual risks by allowing investment to proceed on the basis of more defined and visible benefits.

4. **An alternative to the current third party model is required in order to accommodate shared strategic infrastructure** – The existing model can work well for incremental developments, or where point-to-point connections are the most cost-effective solution. However, it does not adequately accommodate recovery of investment costs over time from multiple developments, especially where this is a large site with multiple shared connections in an area where the government is targeting significant reindustrialisation. This is because:
 - a. It uses a "*lesser of*" revenue and costs approach to funding, which is better suited to providing infrastructure to individual developments (as is the case for the £4.1 million of Stage 6 customer connections);
 - b. It does not allow for any time value of money where there is a delay between investment and revenue recovery; and
 - c. The level of risk in this instance is not solely investment cost related, as it also relates to the wider risk of developments not proceeding, which (even if Ofwat did make an allowance for time value of money) would not be accommodated by the allowed cost of capital. This is why RCV-based support for the gated process is required.

¹ The government has consulted on the provision of strike price, revenue certainty mechanism and Contract for Difference arrangements for the [The Hydrogen Production Business Model](#), on RAB style protection to provide an allowed rate of return and recovery of efficient capital expenditure for the [Hydrogen Transports Business Model](#) and revenue and RCV style protections for [The Hydrogen Storage Business Model](#).

Table 4 below summarises how our proposals address the key concerns raised in the draft determination.

Table 4: Issues and proposals

Issues	How our proposals address the issue
Stranded asset risk	Stranding risk has been materially reduced: • All non-shared infrastructure will be funded directly by developers and progress on investing in shared infrastructure will be subject to a gated/staged mechanism with Ofwat approvals, at times of sufficient certainty. This provides meaningful protection opposite any perceived risk of the generality of customers funding stranded assets. Developers would fund Stage 6 connections and any other sole-use infrastructure upfront. • Only the infrastructure treated as enhancement costs would provide a shared system-wide benefit by connecting to the [✂], providing potential use for general customers if industrial demand changes.
Long term impact on customers	The proposed shared infrastructure provides benefits to the generality of customers but their contribution to it is expected to be minimal: • Industrial customers will ultimately fund the costs of the investment. • General customers would only temporarily contribute to the shared infrastructure in AMP9 until we commence recovering costs from industrial customers. • As we recover costs from industrial customers, general customers' contributions would be reversed in full.
Short term impact on customers	Where third-party investment is delivered in AMP8, then this will also contribute to the 'single-till' immediately, resulting in lower customer bills in the short-term compared to a no-investment scenario. In any event, we are not requesting an in-period revenue adjustment for AMP8. This ensures no upward pressure on customer bills from our industrial growth investment in AMP8.

We discussed the risk to customer bills with Consumer Council for Water (CCW). CCW made it clear that its intention is to ensure that customers are, as far as possible, protected from any avoidable risk of funding stranded assets or providing excessive upfront funding for uncertain costs.

Following our discussion, it was agreed that, whilst there was some risk that customer bills may be impacted by this investment, in the event of any delay or cancellation of any of the expected industrial developments, that this was sufficiently mitigated by our proposals:

- To collect all local connection costs from the developers up front, such that these costs then should not be a risk to wider customer bills;
- That the remainder of the investment was re-usable for other further developments, such that none it would likely form a permanently stranded asset to be funded by wider customers;
- To put the majority of costs into a form of gated mechanism, to ensure that Ofwat can ensure that decisions about cost allowances can be deferred to the latest feasible opportunity, prior to proceeding; and
- That we will not seek to recover any additional revenue related to these cases in AMP8.

It was also recognised that this risk (i.e. that growth investment was made, but that the expected development may not then proceed) was a wider risk faced by all customers, for all new developments (not just for industrial developments), and hence this was a normal risk related to the funding of new growth investment.

Given all of these considerations, and in view of the additional customer protection measures in our revised proposal we believe that the £246.9 million of investment in shared infrastructure should be treated as enhancement expenditure and determined through a staged or gated process and funded via the RCV. Non-shared infrastructure will be funded, appropriately, through the third-party mechanism.

4.1.3 Objectives of our proposals

Our revised proposal supports government's industrial growth ambitions, enables growth and job creation whilst also providing long-term benefits to existing customers through additional raw water for treatment at [REDACTED] WTW to support potable supplies. Our proposals also provide short-term bill protection and customer delivery safeguards. Table 5 below summarises how our proposals contribute to our key objectives and ensure adaptive and cost-effective investment solutions.

Table 5: Proposal against key objectives

Key objectives	How do our proposals support that	Section
Protecting customers	Long-term financial risk: staged / gated delivery funding would follow most up-to-date evidence of demand and latest requirements. Short-term bill impact: UW would not request interim AMP8 revenue adjustments for the staged investment. Delivery protection: PCDs will be developed as part of the gated process.	4.1 4.2
Supporting regional growth	Timely water infrastructure enables industrial investment, job creation and decarbonisation at HyNet and Peel Park. Early development and a tailored gateway timetable would allow design, permitting and land requirements to progress in time to support industrial investment decisions and supply dates.	4.3
Adapting investment as demand develops	Successive gates would test updated requirements, options, costs and timescales. This allows the solution to be refined, phased or deferred as evidence develops, improving the basis for investment decisions.	4.3
Providing wider customer benefits	Developers would fund Stage 6 connections (£4.1 million) and any other sole-use infrastructure upfront, limiting general customers' exposure to stranded connection costs. The shared operating system would connect to the [REDACTED], providing potential use for general customers if industrial demand changes.	4.4
Delivering the most cost-efficient solution	Shared financing would allow common infrastructure to serve developers connecting at different times. Without the proposed RCV funding, Option B would be required under the existing third-party funding arrangements, increasing estimated programme costs by £114.3 million.	4.5

Source: UW revised proposal and supporting assessments in Appendices A–D.

4.2 Protecting customers

This section provides details of the proposed cost recovery arrangements.

4.2.1 No AMP8 impact on bills

We propose to defer AMP8 revenue adjustments for all of the staged / gated investment. This would ensure that customers do not face any increase (or risk of increase) in their AMP8 bills as a result of this investment. This changes the timing of revenue recovery, with recovery deferred to later periods.

In addition, any developer-funded third-party investment delivered in AMP8 would result in lower customer bills during AMP8 than if that investment were not undertaken. This would happen due to the third-party revenue for the connection costs (rechargeable works) being part of the 'single-till' revenue control, such that any revenue recovered from the developers for making these connections would naturally reduce the remaining revenue that would be recoverable from general customer bills during AMP8.

4.2.2 Direct connections

We plan to secure upfront developer funding for Stage 6 direct connections (£4.1m) through commercial agreements before committing the associated construction expenditure. This is the only part of our proposed expenditure related to specific individual developments (the remainder being infrastructure that will supply

multiple developments). Any further infrastructure identified as serving only an individual industrial customer would receive the same treatment.

It is important to note that Ofwat's new third-party reconciliation model has not yet been tested through an end-of-period reconciliation. We would welcome further engagement with Ofwat on the detailed implementation aspects of this, to ensure we can be confident that these costs will be recovered. Where a connection does not proceed, the reconciliation should reflect any avoided construction expenditure and the developer revenues actually received.

4.2.3 Cost recovery arrangements

For the remaining £246.9 million of shared infrastructure, we propose enhancement expenditure and RCV funding, reflecting its role within the wider water system, with the requirements and costs managed through our proposed staged / gated process. This approach limits exposure to uncertain demand by allowing delivery investment to proceed when requirements are clearer. The proposed initial allowance is based on 6% of the total shared integrated programme of £246.9 million. The requested initial allowance therefore amounts to £14.8 million, which will enable design development, surveys and investigations, environmental assessments, and planning and permitting work, alongside updated demand and cost assessments. These activities would define the scope, costs and delivery programme for subsequent investment decisions, as set out in Appendix D.

The first gate of the proposed staged /gated assessment would be based on updated demand requirements, scope and efficient costs before further investment is committed. The second staged decision or gate would allow to set out how any residual demand and revenue recovery risk would be allocated. Any costs not recovered from the developers will be recovered from the industrial customers through wholesale charges - we would use the "Special Agreement" regime to allocate these costs to the water supply prices of the specific developments.

The risk that individual developments do not proceed would be assessed through the staged approval process, with the allocation of any remaining demand and revenue recovery risk agreed before delivery investment is committed. For developments that proceed, there may still be a timing gap between completion of the assets (and inclusion of related RCV returns within allowed revenues) and the start of water supplies to industrial customers. This revenue would therefore form part of normal customer charges, but only until we can commence recovery of the specific costs from the individual industrial customers once they are receiving water supplies. Our intent would be for the water supply charges to the industrial customers to recover the cost of the assets including recovery of any amounts that had already been recovered from general customers during the aforementioned timing gap between completion of the assets and the start of water supplies to industrial customers. This would ensure that general customer charges would not be contributing, in totality (over the long term) to recover these costs.

Therefore, whilst general customer charges in the short term (after AMP8) would increase temporarily, until all the industrial developments have been completed, their charges would then be lower in the long term to compensate them for those early funding contributions. This timing delay is a normal part of all growth investment, whereby investment is made ahead of demand from new developments coming online (and therefore being able to bill those new customers). We have also sought to mitigate the impact of this by agreeing to not recover any in period AMP8 revenues relating to this proposed investment.

4.2.4 Alignment with growth funding arrangements

Funding of growth investment before new developments are completed is the norm for all growth investment and is consistent within the current regulatory price control model. We do not believe that it should be a unique concern for this case, merely because this is an industrial growth case (rather than investment to support household growth). Introducing such requirements will make any investment to support industrial growth needs, beyond what is currently in place more problematic.

It is also important to recognise that household customers have benefited significantly over the past few decades from industrial customers – either from significantly reduced levels of required growth investment (due to a circa

40% decline in industrial demand since privatisation²), and also due to the contributions made from non-household customers to any pre-funding of growth expenditure, which would have been almost entirely due to household growth.

This is a significant scale of investment and is unusual for being predominantly to support industrial growth and the government's stated policy of reindustrialisation. As noted above, this should be seen in the context of the significant and longstanding historic benefit household customers in our region have gained (in terms of this impact on their bills) from the historic decline in industrial demand. The cost of investment in our region has been shared with non-household customers, who contribute around 30% of our total revenue. This contribution helps to keep household bills lower than they would otherwise be.

Representation 1: We ask that Ofwat recognise the revised developer-funded approach to Stage 6 and provide assurance that the associated expenditure and revenues will be treated consistently through the third-party reconciliation mechanism at PR29, including where connections do not proceed.

4.3 Supporting regional growth

4.3.1 Growth contribution

Demand for non-potable water in the Ellesmere Port area is closely linked to clean energy production within the HyNet North West cluster and wider New Economy industrial development. As explained in our original submission the proposed investment will support economic growth through:

- **Job creation** - HyNet is projected to support up to 75,000 jobs across the UK by 2035³, spanning construction, operations, and supply chain roles. Enabling infrastructure, including water supply, is critical to securing these employment outcomes and associated regional benefits;
- **Regional economic uplift** - The HyNet cluster is forecast to contribute £17 billion⁴ to the North West economy and up to £31 billion nationally in Gross Value Added by 2050, with wider New Economy growth at Ellesmere Port expected to further strengthen this contribution over time;
- **Net zero and industrial decarbonisation** – The proposed water supply would enable low-carbon hydrogen production and industrial developments associated with HyNet, supporting the Government's net zero ambitions. HyNet's national importance is reflected in its selection as one of the Government's first two Track-1 carbon capture clusters⁵;
- **Energy security** – By enabling domestic low-carbon hydrogen production, the proposed investment would support the development of the UK's clean energy infrastructure and the Government's energy-security objectives. Timely water provision is an essential dependency for these developments⁶; and,
- **Reindustrialisation and investment** – Providing the necessary water infrastructure would support the Government's ambition to revitalise industrial heartlands by enabling new clean energy businesses and helping existing industries decarbonise. This would help attract private investment and retain manufacturing activity, skills and supply chains in the region⁷.

A pre-requisite to unlock these growth opportunities is early development to prevent water availability becoming a constraint on growth. It is important to note that of the 178.2 Ml/d of potential average demand in our wider growth pipeline, 140.5 Ml/d relates to HyNet and Peel Park. The current proposal focuses on approximately 49.8

² United Utilities, [Final WRMP19 Technical Report – Demand for Water](#), Figure 23 (p.40) and Table 19 (p.41). Measured non-household consumption fell from approximately 580 Ml/d in 1993, read from the chart, to 358 Ml/d in 2016/17—an indicative reduction of around 38%.

³ [HyNet-NW-CO2-consultation-launch.pdf](#)

⁴ [HyNet NW-Vision-Document-2020 FINAL.pdf](#)

⁵ [Government announcement](#)

⁶ [Government's HyNet announcement](#)

⁷ [Government's industrial investment announcement](#)

MI/d of the most mature demand, in which we have the greatest confidence. A further 91.5 MI/d of potential demand, including later development phases, has not been included in the scope of the current investment proposal. Although less mature, this provides potential alternative demand for the shared infrastructure if individual projects are delayed, reduced or do not proceed, reducing the risk of permanent asset stranding.

WRMP24 identified no available non-potable surplus in the Strategic Resource Zone. Both its baseline and final-plan tables report a balance of 0 MI/d throughout 2025–26 to 2084–85⁸.

The additional Ellesmere Port demand cannot therefore be assumed to be covered by the existing plan. Alongside the identified constraints at the River Dee crossing and within the raw-water network, this supports the need for additional source and transfer capacity. Appendix C demonstrates how the proposed investment accommodates that growth while maintaining the wider Strategic Resource Zone supply–demand balance.

4.3.2 Additional customer engagement

Our original submission included letters from EET Fuels, Enterprise Cheshire and Warrington, and the Cheshire and Warrington Business Advisory Board in ‘UUW26-25 Letters of support’⁹.

Following the draft determination, we have received further letters of support from Cheshire and Warrington Combined Authority, EET and Peel. The Combined Authority’s letter dated 21 September 2026 highlights that:

- **Water uncertainty could delay projects.** Significant industrial investments require confidence that critical utility infrastructure, including water, will be available when projects reach Final Investment Decision. The Combined Authority warns that waiting until all future demand is fully committed could constrain growth, delay investment decisions and undermine business confidence; and
- **Development funding would reduce delivery risk.** The Combined Authority highlights how flexible and proportionate mechanisms can help infrastructure providers phase investment appropriately, manage uncertainty and respond to emerging demand. Our proposed development funding would allow engineering, planning and permitting work to progress now, preparing schemes for later construction decisions. This is consistent with the principles set out in the letter.

EET’s signed letter of support dated 23 September 2026 provides further evidence for progressing water infrastructure:

- **Water uncertainty is already affecting projects** [REDACTED], reinforcing the need for certainty on water availability before investment decisions;
- **Developer evidence supports progressing water infrastructure now.** EET identifies indicative demand of **32–54 MI/d** across its operations and proposed projects. Only around **3 MI/d** can be met from existing headroom, leaving **29–51 MI/d** requiring new supply capacity; and,
- **Development funding would support project progression.** EET explicitly supports UW’s proposal, beginning with front-end development funding and phased delivery of capacity. This supports progressing development work now, with construction decisions informed by updated demand evidence.

The letter of support from Peel dated 18 September 2026 also calls for a phased, coordinated approach to water infrastructure at Peel Park/Protos, explaining that:

- **Development is already progressing.** Peel’s August 2026 prospectus reports £740 million already invested at Protos, demonstrating investor confidence and delivery. Infrastructure construction began in 2015, with further developments underway. Its August 2026 prospectus identifies around 310 net developable acres, including 90 acres of consented, shovel-ready plots in Zones 1 and 2; and,

⁸ [WRMP24 tables](#), worksheet UUXSTG, references 49.1BL, 49.1FP and 1.11FP

⁹ unitedutilities.com/globalassets/documents/corporate-documents/letters-of-support.pdf

- **Water certainty is critical to investment.** Confidence in capacity, timing and cost affects occupier commitments, site selection and funding. Waiting for every requirement to be contractually confirmed risks making water a critical-path constraint, delaying projects or losing investment.

The letters of support from Cheshire and Warrington Combined Authority, EET and Peel are included in the appendix.

We also note government already provides revenue support for low-carbon hydrogen production¹⁰ and has set out proposals to support hydrogen transport and storage infrastructure¹¹. Water availability is a key dependency for these investments, and our proposed development funding help align water infrastructure with the wider clean energy programme.

We are keen to work with Ofwat to develop the most appropriate process that can deliver the best outcome for customers and ensure we most appropriate investment solution can be progressed at the right time and based on the latest information around cost and demand requirements.

Table 6 below sets out a proposed critical path aligning a staged timeline with the industrial requirements.

Table 6: Proposed timetable

Regulatory point	Proposed timing
Entry and development allowance	Final Determination, December 2026
Submission 1	Proposed January 2027
Submission 2	March–May 2027
Ofwat draft decision	July 2027
Ofwat final decision	December 2027

Source: UUW process

It is critical that development can start ahead of full demand certainty to provide industrial developers confidence that water will be available before reaching their Final Investment Decisions. Abstraction permitting and major pipeline development must progress in time to support those commitments and subsequent commissioning.

In terms of the process, we propose that:

- The development costs approved at Final Determination would support design, investigations, environmental assessment, abstraction and consenting work, alongside demand validation and cost development. Appendix D sets out the detailed activities and associated outputs;
- Successive gates would allow us to reassess the preferred solution against updated demand and engineering evidence. UUW would refine capacity, design and phasing as requirements and supply dates become clearer, while confirming which assets must be delivered together. The demand register presented in Appendix A would be updated in detail as requirements and project commitments are confirmed;
- Delivery funding would reflect the scope justified at that point. It would set out how the shared infrastructure would be financed through the RCV, how costs would be recovered from benefiting developers and initial and later industrial customers. It would also define the expenditure-based PCDs and RCV reconciliation arrangements. Scope and timing could be amended where the evidence does not support progression; and,
- In terms of scope and information requirements of submissions, we propose two gates or submission assessment points:
 - **Submission 1** would review development progress and the quality of available evidence. It would cover the updated demand register and developer commitments, initial design and phasing, progress with surveys and environmental assessments, and engagement on abstraction licences and other consents. It

¹⁰ [Hydrogen Production Business Model](#)

¹¹ [Government's July 2025 hydrogen update, page 20](#)

would identify key risks and dependencies together with the further work needed to address them before Submission 2; and,

- **Submission 2** would present the case for delivery funding. It would provide updated evidence on demand confidence and required supply dates; the proposed scope, capacity and phasing; benefits to industrial and existing customers; efficient costs; and the delivery programme, including consenting and land requirements. It would also set out cost recovery arrangements for initial and later users, the proposed allocation of any remaining demand and revenue recovery risk, and the proposed PCDs and RCV reconciliation arrangements. This would enable Ofwat to assess the scope, timing and funding justified before delivery investment is committed.

We would welcome further engagement with Ofwat to agree an appropriate process and an implementable timetable. We believe that this is urgent and an accelerated gateway for Submission 1 is required in order to enable a final Submission 2 by May 2027 and a final decision by December 2027.

Representation 2: We ask that Ofwat allows £14.8 million of development costs at final determination and agrees a staged or gated timetable that supports an effective investment delivery and final decisions by December 2027.

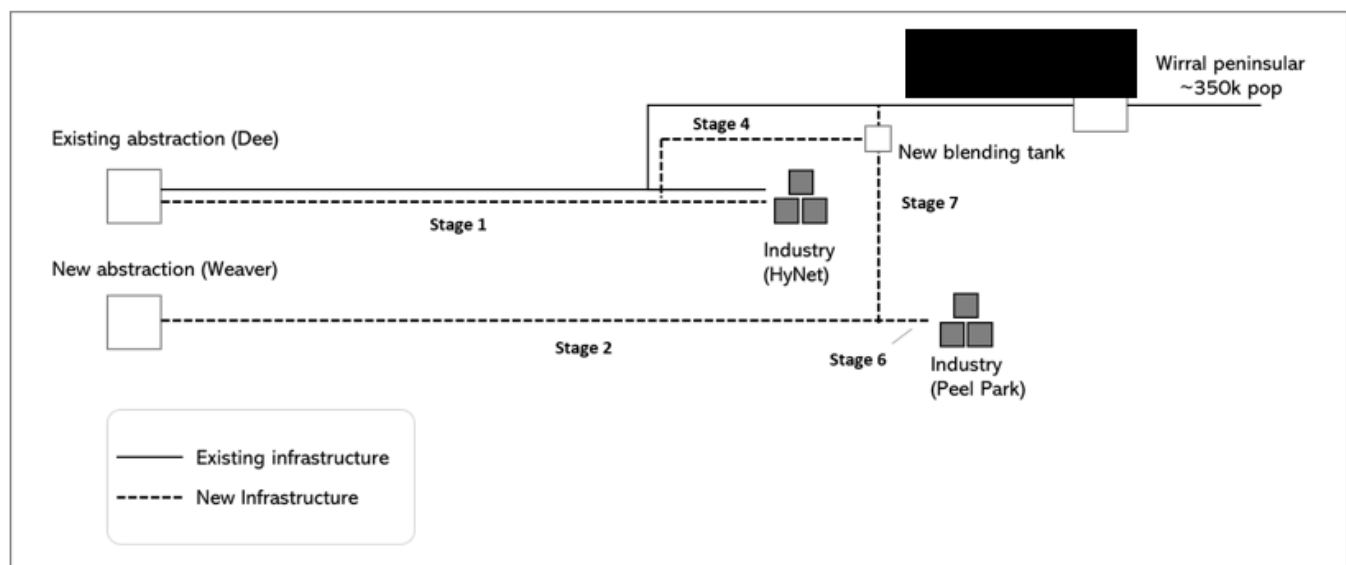
4.4 Providing wider customer benefits

Our shared integrated investment solution would form part of the water system supplying our wider customer base. Its regulatory treatment should reflect its function and use within that system.

Upfront developer funding limits general customers' exposure to stranded sole-use infrastructure. However, this approach is not appropriate for shared use assets and where there is a delay between investing in shared assets and developers connecting (at different times, potentially over a number of different years) to those shared assets. The shared programme's potential wider-system use is also consistent with the treatment of costs as enhancement expenditure. To support this classification, we have provided additional evidence to show how the infrastructure connects to the wider system and how it can deliver benefits to the wider customer base.

Figure 1 below shows how the proposed infrastructure would connect to the Strategic Resource Zone (SRZ) through the [redacted] and [redacted] WTW, which provides potable water to the Wirral. Therefore, whilst the driver for this investment relates to new industrial growth demand for non-potable water, the new supplies will also support potable water supplies via the connection to [redacted] WTW. This supports the reclassification as enhancement costs (and not third party).

Figure 1: Proposed shared infrastructure serving Ellesmere Port industry and connecting to the [redacted] through [redacted] WTW



Source: UUW diagram

The modelling in Appendix C quantifies these benefits. At full demand in 2034–35, the proposed investment increases total SRZ Water Available for Use (WAFU) by 18.20 MI/d compared with growth without investment (Scenarios C and B in Appendix C). It therefore offsets the modelled reduction in WAFU caused by the additional industrial demand.

If no additional industrial growth materialises, Scenario F shows an increase in total SRZ WAFU of 18.30 MI/d against baseline. This demonstrates potential use for general customers even without industrial growth.

As set out in Section 4.3, the additional industrial demand is for non-potable water. WRMP24 records an available non-potable balance of 0 MI/d in the Strategic Resource Zone, identifying no planned non-potable surplus to meet this demand.

The shared infrastructure also offers potential value if industrial growth does not proceed. UW's rebased SRZ forecast projects a supply–demand deficit from 2053, increasing to approximately 100 MI/d by 2085. The wider-system benefit demonstrated by Scenario F could contribute to meeting this future requirement through the connection to [] WTW. This would offset future investment requirements.

The Weaver connection enables raw water to be supplied to [] WTW for treatment and supply to existing customers. [] currently supplies approximately 98 MI/d, and the connection could provide a continuous 18.3 MI/d of raw water, equivalent to approximately 19% of its current requirement. This demonstrates how the shared infrastructure could serve the wider customer base and retain a useful role in the water supply system even if industrial growth did not proceed.

These benefits depend on the source, transfer and balancing infrastructure operating together and the additional supplies being available as assumed. Appendix C sets out these dependencies and assumptions and our proposed gated process ensures that funding decisions are made as and when these are validated or fully revised.

Representation 3: We ask that Ofwat reconsiders the blanket third-party treatment of the shared integrated programme, taking account of the evidence on asset function, wider-system use and avoidance of stranded-asset risk. We propose that these costs are treated as enhancement costs in light of the wider contribution, and are progressed through a staged or gated approach (as set out in Section 4.3) and funded via the RCV.

4.5 Delivering the most cost-efficient solution

Under the draft determination approach, all the investment would have to be treated as third party costs and recovered through the third-party model. As a result, we would need to deliver infrastructure as individual demand is confirmed and developer funding is secured. We have therefore assessed a customer-by-customer approach, with separate solutions delivered as each development proceeds.

We have developed and costed these separate solutions (referred to as “Option B” throughout this document) and compared them with our proposed integrated solution “Option A” which is consistent with our funding proposals set out in this case. The comparison shows that separate connections would cost an estimated £114.3 million more. Under our proposal, customers would benefit from the lower cost of the integrated solution, which avoids duplicated pipelines, pumping arrangements and crossings while allowing shared infrastructure to serve developments connecting at different times.

The majority of the infrastructure is a shared supply system serving multiple developments at different times. As set out in Section 4.5, it would also support the wider water system through its connection to [] WTW. This wider function and use supports the treatment of costs as enhancement.

We propose financing the shared infrastructure through the RCV, subject to the staged assessment described in Section 4.4. Our aim is to recover its full cost over time from benefiting developers and benefitting industrial customers through developer contributions and water supply charges. Shared financing would allow common infrastructure to be available before all its eventual users connect, without requiring the first developer to fund infrastructure benefiting later users.

We compared two configurations:

- **Option A:** the integrated solution consistent with our original submission, combining shared integrated source, transfer, balancing and distribution infrastructure; and,
- **Option B:** an individual-connection alternative, with separate long-distance pipelines and pumping arrangements for customers supplied from the River Weaver.

Table 7: Estimated cost of integrated and individual solutions (£million, 2022-2023 CPIH)

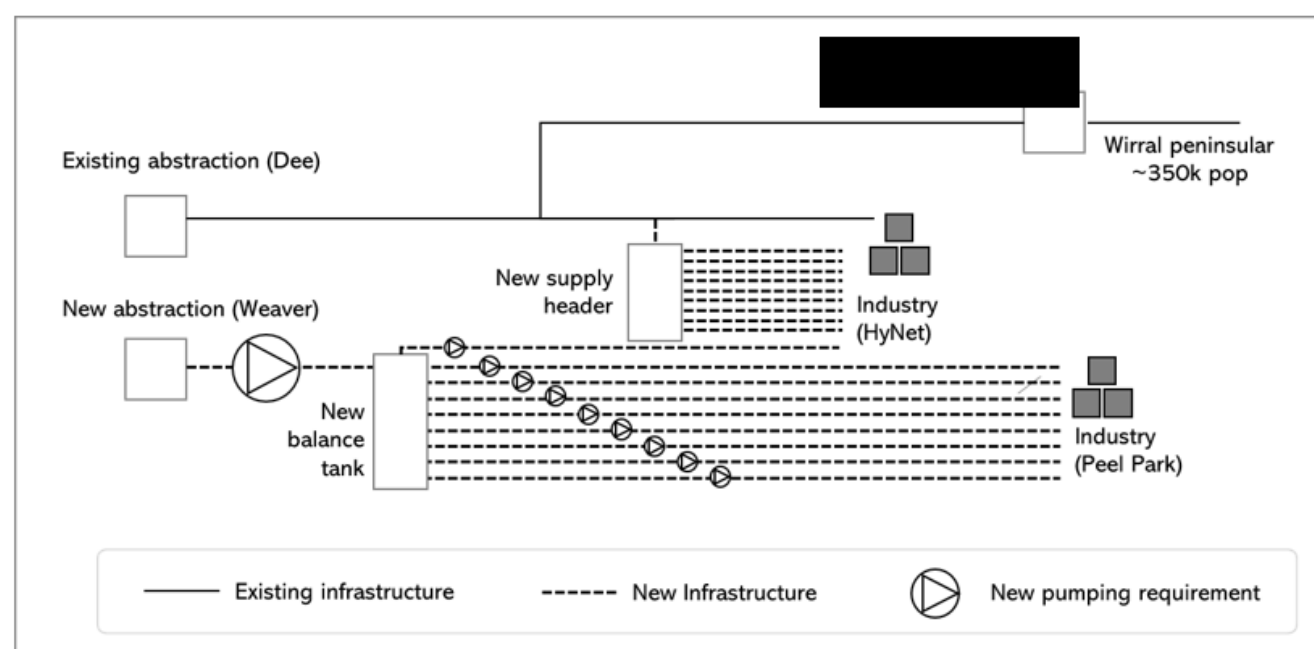
Programme component	Option A – integrated solution	Option B – individual connections
Stage 1 – common to both configurations	81.20	81.20
Remaining infrastructure	169.80	284.11
Total	251.00	365.31
Additional cost of individual connections	—	114.31

Source: UUW engineering and cost assessment, summarised in Appendix B

The difference reflects the infrastructure required. Option A transfers River Weaver water through approximately 11 km of shared main before onward distribution. Option B includes eight separate customer pipelines, totalling approximately 101 km, with individual pumping arrangements. This repeats long-distance infrastructure and associated crossings along similar corridors.

Figure 2 below shows Option B, with separate customer pipelines and associated pumping infrastructure developed as individual demands are confirmed. This can be directly compared with the shared infrastructure proposed under Option A which was provided earlier in this document as Figure 1.

Figure 2: Option B – separate customer pipelines and associated pumping infrastructure.



The integrated configuration allows customers to share the transfer infrastructure as they connect. Option A uses approximately 11 km of shared strategic main before onward distribution to customers. Option B requires eight separate customer pipelines totalling approximately 101 km, each with its own pumping arrangements. This duplication of long-distance pipelines, pumping and associated crossings increases the estimated total programme cost from £251.0 million to £365.3 million—an increase of £114.3 million (45.5%).

Our revised funding proposal retains the integrated design while separating developer-funded connections from shared integrated infrastructure. Costs attributable to individual customers can therefore be recovered directly without requiring separate long-distance supply routes.

Appendix B provides a quantified engineering comparison of the two options. Both use the same source capacities: 35 Ml/d from the River Weaver and 14 Ml/d from the existing [REDACTED]. Option A transfers Weaver water through approximately 11 km of shared strategic main before onward distribution through shared infrastructure. Option B requires eight separate Weaver customer pipelines totalling approximately 101 km. Across the assessed configurations, the number of pumping duties increases from three to nine, with repeated road, river and railway crossings along similar corridors. Although many individual pipelines have smaller diameters, their combined length and associated infrastructure substantially increase the works required.

The cost breakdown in Appendix B shows that the eight individual River Weaver customer supplies account for approximately £265.0 million of Option B's £284.1 million cost before the common Stage 1 investment is added. This demonstrates the scale of expenditure associated with providing separate long-distance supplies. Including the common £81.2 million Stage 1 investment, the estimated programme cost increases from £251.0 million under Option A to £365.3 million under Option B—an additional £114.3 million, or 45.5%. Our revised funding proposal retains the efficiencies of shared infrastructure while requiring developers to fund their dedicated connections upfront.

Our proposals support the delivery of the most cost-effective solution. The treatment of costs through the third-party model would lead to delivery of individual connections at a significantly higher cost to customers.

5. Approach for final determination

We request £14.8 million at Final Determination and entry of the shared Clean Energy programme into a gated process akin to Ofwat's PR24 large schemes gated process.

This would fund development while demand, scope and delivery requirements are confirmed. The requested final determination allowance is set out in Table 8 below. The table also shows the estimated total gated scheme cost for the shared integrated programme of £247 million, inclusive of the development allowance.

Table 8: UW's totex final determination request for clean energy (£million, 2022–23 CPIH prices)

	AMP8	AMP9	Total
Draft determination allowance as per Table 3	-	-	-
<i>Adjustments:</i>			
6% development allowance for proposed gated scheme	14.817	-	14.817
Final determination request	14.817	-	14.817
Proposed gated scheme cost less development allowance	158.220	73.916	232.136
Total gated scheme cost	173.037	73.916	246.953

Source: UW estimates

The relevant developers would fund the separate £4.1 million of Stage 6 direct connections upfront, before UW commits to the associated construction expenditure. We ask that Ofwat:

- Recognises the revised developer-funded approach to Stage 6 and provides assurance that the associated expenditure and revenues will be treated consistently through the third-party reconciliation mechanism at PR29, including where connections do not proceed;
- Allows £14.8 million of development costs at final determination and agrees a staged or gated timetable that supports timely and effective investment delivery and final decisions by December 2027; and,
- Reconsiders the blanket third-party treatment of the shared integrated programme, taking account of the evidence on asset function, wider-system use and avoidance of stranded-asset risk as demonstrated by the modelling in Appendix C. We believe these costs should be treated as enhancement expenditure in light of the wider contribution to the system and progressed through a staged or gated approach and funded via the RCV; and.

Appendix A Demand and developer evidence

The working forecast comprises identified industrial developments progressing at different rates. Volumes and dates remain planning assumptions, with developer evidence used to confirm requirements and milestones.

A.1 Demand register

Table 9 sets out the additional demand assumed for each development. Each requirement applies in full from the year shown and continues thereafter. Actual commissioning and demand ramp-up remain subject to confirmation.

Table 9: Working demand assumptions

Development	Working demand (MI/d)	Assumed from
[REDACTED]	19.53	2028
[REDACTED]	2.20	2029
[REDACTED]	1.48	2029
[REDACTED]	0.35	2029
[REDACTED]	2.85	2030
[REDACTED]	4.23	2031
[REDACTED]	11.00	2031
[REDACTED]	7.00	2032
[REDACTED]	1.16	2034

Source: UUW working demand register Sept-26

A.2 Annual demand profile

Table 10 compares the revised working profile with our original submission. The revised profile assumes additional demand begins in 2028 and reaches 41.64 MI/d by 2031, compared with 27 MI/d in the April submission. By 2033, the profiles broadly align.

Table 10: Comparison with our original submission 2026 demand forecast

Year	Original submission	Revised working profile	Difference
2027	8.00	0.00	-8.00
2028	9.00	19.53	+10.53
2029	13.00	23.56	+10.56
2030	16.00	26.41	+10.41
2031	27.00	41.64	+14.64
2032	40.00	48.64	+8.64
2033	49.00	48.64	-0.36
2034	—	49.80	—
2035	—	49.80	—

Source: UUW26-05, Table 3, April 2026; revised working demand assumptions in Table 7.

Appendix B Options and costs

Separate connections are estimated to cost £114.3 million more than the integrated solution, an increase of 45.5%. The engineering comparison below explains the additional pipelines, pumping arrangements and crossings required to serve customers individually.

B.1 Engineering comparison

The assessment compares two configurations:

- **Option A — integrated solution:** shared source, transfer, balancing and distribution infrastructure serving multiple customers.
- **Option B — individual connections:** a River Weaver balance tank supplying customers through eight separate long-distance pipelines, each with dedicated pumping arrangements, alongside individual connections from a [X] supply header.

Both configurations use the same source capacities: 35 Ml/d from the River Weaver and 14 Ml/d from the existing [X].

Table 11: Engineering scope and quantity comparison

Component	Option A — integrated solution	Option B — individual connections
River Weaver transfer	One shared 600 mm main, approximately 11 km, supplying the central blending tanks	Eight dedicated customer pipelines totalling 101 km, ranging from 50–600 mm diameter and 9.7–14.7 km individually
[X]	1.1 km of 400 mm main connecting to the central blending tanks	2.2 km of 400 mm main supplying a distribution header
Onward distribution	2.1 km of 800 mm east ring main and 3.0 km of 500 mm west header	Nine connections from the [X] header, totalling 5.2 km, with diameters of 50–200 mm; Weaver customers served by the dedicated pipelines above
Total pipework listed in the scope summaries	Approximately 17.2 km	Approximately 108.4 km, including the short abstraction connection
Balancing and storage	Central blending and storage serving the shared system	River Weaver balance tank feeding the individual customer pipelines
Pumping arrangements	Three pumping duties: Weaver abstraction and transfer, east ring main and west header	Nine pumping duties: Weaver abstraction and eight dedicated customer supplies
Major road crossings	1 pipeline crossing	8 pipeline crossings
Major river crossings	2 pipeline crossings	16 pipeline crossings
Railway crossings	2 pipeline crossings	21 pipeline crossings

Source: UUW engineering comparison – Sept 26

The 11 km shared Weaver main in Option A excludes onward distribution, whereas the 101 km in Option B comprises the individual Weaver customer pipelines. Crossing quantities count each pipeline crossing, including repeated crossings at shared locations; possible disused railway crossings are excluded.

Although many individual pipelines have smaller diameters, Option B requires substantially more pipework, dedicated pumping arrangements and repeated crossings along similar corridors. Option A allows customers to share transfer and distribution infrastructure as they connect. These are the principal engineering differences underlying the cost comparison.

B.2 Cost comparison

The £81.2 million Stage 1 investment is common to both options. The cost difference arises from the alternative arrangements for the remaining infrastructure.

Table 12: Estimated programme costs (£ million, 2022–23 CPIH prices)

Programme component	Option A — integrated solution	Option B — individual connections
Stage 1 — common to both configurations	81.20	81.20
Remaining infrastructure	169.80	284.11
Total estimated cost	251.00	365.31
Additional cost of individual connections	—	114.31
Increase in total programme cost	—	45.5%

Source: UUW engineering and cost assessment – Sept 26

Table 13 below sets out the elements within the individual-connection estimates.

Table 13: Estimated capital cost breakdown for Option B, including common Stage 1 investment (£ million, FY23 prices)

Option B component	Estimated capital cost (£ million, FY23 prices)
River Weaver abstraction and connection to the balance tank — Pipework 1	5.58
[] connection to the supply header — Pipework 2	5.27
Eight individual River Weaver customer supplies — Pipework 3	265.01
Individual connections from the [] supply header — Pipework 4	8.25
Subtotal excluding common Stage 1 investment	284.11
Common Stage 1 investment	81.19
Total Option B programme	365.30

Source: UUW Clean Energy – Ellesmere Port Industrial Growth cost estimate, Option B, version, with common Stage 1 costs from the original submission.

The eight individual River Weaver customer supplies account for approximately 93% of the cost excluding Stage 1. This identifies the principal concentration of expenditure within the individual-connection alternative and links the estimate to the approximately 101 km of dedicated pipelines, associated pumping arrangements and crossings described in the engineering comparison.

The £284.11 million subtotal comprises £101.91 million of direct costs, £61.15 million of contractor indirect costs, £14.68 million of UU risk allowances, £28.44 million of UU cost-to-serve allowances, £0.45 million for land, £20.66 million of UU overheads and £56.82 million of scope uncertainty allowances

The assessment supports retaining the integrated design. Developer funding of customer-specific connections is compatible with this approach, as set out in Section 4.1.

The comparison assesses the full configurations. Through the proposed staged assessment process, UUW would confirm the minimum efficient initial scope, the infrastructure that must be delivered together and the timing of later investment against updated demand evidence in Appendix A. Engineering quantities, design assumptions and costs would be refined as the proposals develop.

Appendix C System use and demand risk

C.1 Purpose

The shared stages of Option A would connect directly into the [] supporting [] WTW. Their wider use depends on the source, transfer and balancing infrastructure operating together.

The assessment considers the complete operating package and the contribution of its individual components. Stage 6 provides customer-specific connections and would be funded upfront by the relevant developers.

C.2 System operation

Figure 1 in Section 4.4 shows the proposed shared system and its connection to the [] and [] WTW. Table 14 explains the function of each stage and its role within that connected system.

Table 14: Asset function and system connections

Stage	Function	Connection to the operating system
1 — []	Increases capacity through upgrades to the existing raw-water network.	Uses existing Heronbridge abstraction and pumping infrastructure within the system supporting industrial supply and [] WTW.
2 — River Weaver supply	Provides a new abstraction and strategic transfer route.	Transfers water to the central balancing infrastructure for use through the connected system.
3 — Central blending and storage	Integrates and balances water from the supply routes.	Enables the sources and transfer infrastructure to operate together.
4 — Ellesmere Port West reinforcement	Strengthens shared transfer capacity.	Connects the shared supply infrastructure with the existing raw-water network.
6 — Customer connections	Provides final distribution to individual industrial customers.	Connects customers to the shared system. Construction would follow agreement and receipt of the required developer funding.
7 — Ellesmere Port East distribution	Reinforces distribution capacity towards industrial demand areas.	Enables water from the shared supply infrastructure to reach the relevant demand areas.

Sources: UW26-06, Appendix A; updated Option A engineering assessment – Sept 26

The engineering assessment must identify the assets required to make each supply route operational. These dependencies determine which elements need to be delivered together.

C.3 Demand scenarios

We have modelled four scenarios to test industrial growth and the contribution of the proposed investment.

Table 15: Scenarios

Scenario	Additional Clean Energy demand	Proposed investment	Assessment
A — Baseline	None	None	Establishes the underlying system position.
B — Growth without investment	Working demand profile	None	Tests the impact of additional industrial demand on the existing system.
C — Growth with investment	Same profile as Scenario B	All stages	Tests the contribution of the investment and its utilisation under growth.
F — Investment without growth	None	All stages	Tests wider-system use if the additional industrial demand does not materialise.

Source: UUW Clean Energy assessment scenarios – Sept 26

The assessment uses the WRMP24 model and rebased demand forecast, testing additional industrial demand of up to 49.8 MI/d. River Dee non-potable supplies are already represented within the WRMP24 resource model for the Strategic Resource Zone (SRZ). This assessment applies the additional industrial demand to that connected system and tests the resulting effects with and without the proposed investment.

The investment provides 35 MI/d from the River Weaver from 2030–31 and 14 MI/d through the [] from 2031–32. The Weaver connection to [] WTW also allows supplies to serve general customers.

C.4 Results

The assessment tests how additional industrial demand of up to 49.8 MI/d affects the supply-demand balance for the Strategic Resource Zone (SRZ). Table 16 shows the resulting change in SRZ supply–demand balance against Scenario A. The full industrial demand remains included in the assessment.

Table 16: Change in total Strategic Resource Zone Water Available for Use (WAFU) relative to Scenario A (MI/d)

Period	B — Growth without investment (MI/d)	C — Growth with investment (MI/d)	F — Investment without growth (MI/d)
2026–27	-1.61*	-1.61*	+0.00
2027–28	-9.02*	-9.02*	+0.00
2028–29	-10.55*	-10.55*	+0.00
2029–30	-11.63*	-11.63*	+0.00
2030–31	-14.97*	+0.18*	+13.07*
2031–32	-17.48*	+0.29*	+18.30
2032–33	-17.48*	+0.29*	+18.30
2033–34	-17.90	+0.30	+18.30
2034–35	-17.90	+0.30	+18.30

Source: UUW, Clean Energy Growth Modelling — Impact Assessment Summary, 14 September 2026. Positive values improve the baseline balance; negative values reduce it. Values apply in each year shown and are not cumulative. Figures marked * were inferred from the modelled results; those time periods were not separately modelled.

The following conclusions use the 2034–35 results.

Scenario A provides the baseline, excluding both the additional industrial demand and the proposed investment.

Scenario B — Growth without investment. Additional industrial consumption of 49.8 MI/d reduces the SRZ supply–demand balance by 17.90 MI/d against Scenario A. Growth worsens the position without investment.

Scenario C — Growth with investment. The proposed investment places the SRZ supply–demand balance 0.30 MI/d above Scenario A—an improvement of 18.20 MI/d compared with Scenario B. It therefore offsets the modelled deterioration caused by the additional industrial demand.

Scenario F — Investment without growth. If no additional industrial growth materialises, the proposed investment improves the SRZ supply–demand balance by 18.30 MI/d against Scenario A. This demonstrates that the infrastructure could benefit the wider system even without industrial growth, supporting the request for enhancement treatment in Section 4.4.

These outcomes assume an operational connected system and constant daily availability of the additional supplies.

Appendix D Development programme

The proposed £14.8 million development allowance would fund the work set out in Table 14 for shared Stages 1, 2, 3, 4 and 7. Stage 6 developer-funded connections are excluded.

The work would define the required infrastructure, establish delivery timescales and develop the evidence for Ofwat's delivery funding assessment. Early priorities include River Weaver abstraction investigations, environmental assessment, pipeline routes and consenting requirements.

Table 17: Outputs supported by the development allowance

Work area	Required output
Demand validation	An updated demand register recording water requirements, supply dates, project commitments and outstanding uncertainties, reconciled with developer evidence.
System assessment	Hydraulic and water-resource modelling showing required capacity, interaction with the [X] system and [X] WTW, wider-system benefits and residual demand risk.
River Weaver abstraction	Investigation findings, environmental evidence and an abstraction permitting plan informed by engagement with the Environment Agency.
Design and operating requirements	A defined scope identifying the assets required to operate together, opportunities for phased delivery and interfaces with customer connections.
Routes, land and consents	Developed pipeline alignments, key crossings and constraints, land requirements and a programme for surveys, planning and other consents.
Costs and delivery	An updated cost estimate supported by benchmarking, with clear assumptions, risk allowances and a delivery programme linked to demand and consenting requirements.
Shared funding and customer protection	Proposed arrangements for financing shared infrastructure, recovering contributions from initial and later industrial users, and allocating residual demand risk.
Risk and assurance	An updated risk register, documented changes to scope and cost, and assurance of the evidence submitted for assessment.

Source: UUW's summary of activities

Appendix E Letter of Support – Combined Cheshire Authority

Chris Walters and Helen Campbell
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

21/09/2026

Dear Chris and Helen,

Strategic Importance of the Ellesmere Port Growth Opportunity

We are writing to highlight the strategic importance of the growth opportunity emerging in Ellesmere Port and the wider ORIGIN industrial cluster, which sits at the heart of one of the UK's fastest-growing and most specialised clean energy economies, and the need to ensure that enabling infrastructure supports rather than constrains future growth.

The Ellesmere Port area represents one of the UK's most significant opportunities for industrial transformation, clean energy deployment and economic growth. ORIGIN is the place-based investment proposition for the wider HyNet Energy North West cluster and is bringing together hydrogen and carbon capture infrastructure, immediate industrial demand, and integrated skills and innovation capability. The cluster includes 332 acres of developable land and has the potential to support around £3.6 billion of GVA annually.

Significant public and private investment is already committed and being delivered across the cluster. HyNet is expected to unlock more than £5 billion of investment and support around 6,000 additional jobs across the region. Essar Energy Transition is progressing a £4.7 billion investment programme focused on hydrogen production, low-carbon power, sustainable aviation fuel and carbon capture projects, while more than £740 million has already been invested at Protos, with further investment planned across the wider site. Carbon capture projects at Protos and Heidelberg Materials are already progressing through delivery.

Infrastructure as an Enabler of Growth

Realising this growth opportunity will require enabling infrastructure to be planned and delivered ahead of demand. We have welcomed the significant progress made in recent years by the National Energy System Operator and wider energy sector in planning for future electricity requirements associated with economic growth and industrial decarbonisation.

Significant industrial investments require confidence that critical utility infrastructure will be available when projects reach final investment decisions, and water infrastructure is no exception. Given the long planning and delivery timescales associated with major infrastructure assets, there is a risk that waiting until all future demand is fully committed before investment proceeds could constrain growth, delay investment decisions and undermine business confidence. In locations such as Ellesmere Port, where there is a credible pipeline of nationally significant industrial, clean energy and advanced manufacturing investment, infrastructure planning needs to be capable of responding to emerging demand in a timely and proportionate way.

Growth, Affordability and Resilience

We recognise the need to balance affordability for customers, environmental sustainability, resilience and value for money.

We are not seeking to comment on specific regulatory or funding arrangements. However, we believe it is important that regulatory frameworks retain sufficient flexibility to respond to strategically significant growth opportunities where there is credible evidence of future demand and substantial economic benefit.

Flexible and proportionate mechanisms can help infrastructure providers phase investment appropriately, manage uncertainty and respond to emerging demand, whilst helping to ensure that infrastructure capacity does not become a barrier to growth.

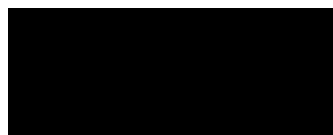
More broadly, this is not a challenge unique to Cheshire and Warrington. As major industrial decarbonisation, clean energy and advanced manufacturing projects come forward across the country, there is a wider national question as to how infrastructure frameworks can best support growth whilst continuing to balance affordability, resilience, environmental outcomes and value for money. We therefore believe it is important that this issue is recognised and addressed at both a local and national level

Conclusion

As a newly established Combined Authority with ambitious plans to support economic growth, we are clear that infrastructure should enable growth rather than constrain it.

We therefore encourage Ofwat to recognise the strategic importance of the growth opportunity emerging in Ellesmere Port and the wider ORIGIN cluster, and the value of maintaining appropriate flexibility within regulatory and investment frameworks to support infrastructure investment where there is credible evidence of future demand, significant economic opportunity and clear public benefit.

Yours sincerely,



[
[

]

Appendix F Letter of Support – PEEL

Mr David Lamb

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

18th September 2026

Dear David

RE: Support for United Utilities' outline investment proposal for timely and coordinated water infrastructure

I am writing on behalf of Peel NRE, part the Peel Land Group, the owner and promoter of Protos one of the most significant development initiatives in Cheshire. We confirm our support for United Utilities' outline investment proposal and to set out our position on the future water requirements of this nationally significant industrial development. We shared our latest water demand profiles for Protos with United Utilities in April 2026. In our view, appropriately phased investment is necessary to ensure that water infrastructure is available when required and does not become a constraint and delay on occupier commitments, investment decisions or delivery.

Protos is an established 475-acre development located in the Eastern Growth Zone of the Origin industrial cluster, providing approximately 310 acres of developable land available for investment. To date, Peel NRE has transacted on 48 acres, leading directly to the leverage of approximately £740 million of investment. Three businesses are established on site, with further major infrastructure projects under construction or in development. Protos will accommodate low-carbon energy generation, industrial decarbonisation, energy-intensive industry, processing and manufacturing, and resource recovery uses. At full occupation, the scheme has been assessed as having the potential to support upto 10,100 on-site jobs and generate approximately £1.6 billion in GVA annually.

Certainty of need

Peel NRE has invested in a potable water connection to support the initial two phases of development and has long-term plans for a further three phases. Although the identity and detailed requirements of every future occupier cannot be known at this stage. The nature of enquiries which are received and the types of development expected lead us to consider it highly likely that continued development at Protos will create a substantial additional requirement for a reliable and resilient water supply. This assessment reflects the scale of the remaining development land, the established investment pipeline and the industrial activities for which the site is being promoted. Many prospective uses may also require significant volumes of water for processing, cooling,

cleaning, welfare or operational resilience. Individual requirements will vary, but aggregate demand is expected to increase materially as the development is built out.

Timing and phasing

Development will come forward in line with occupier commitments, consents, investment decisions and project funding. Protos notably already includes operational assets, projects under construction and a pipeline of further opportunities. Its available zones include both consented, development-ready plots and land capable of accommodating larger-scale investment initiatives. Given the funding and delivery arrangements associated with projects of this type, water infrastructure must be planned and delivered ahead of, or at least in step with, occupier need. Waiting until occupiers and their precise requirements are contractually fixed will create a material risk that water availability becomes a critical-path constraint, delaying projects and adversely affecting funding decisions.

Importance of water availability

Protos benefits from a broad range of existing utility connections, which makes it attractive to diverse industrial sectors. However, recent engagement with United Utilities has identified potential limitations on water supply availability and confidence that an appropriate supply can be delivered within an occupier's programme is therefore essential to attracting businesses, supporting investor due diligence and enabling projects to progress towards final investment decisions. For major industrial users, uncertainty over the capacity, timing or cost of a water connection can affect site selection and investment confidence. It is important to note that Protos competes for national and international investment, and certainty of enabling infrastructure is a fundamental part of its proposition and securing the economic benefit for the wider UK economy.

Alternative supply options

In considering the development's requirements, Peel NRE has been mindful that water might, in principle, be able to be obtained from different sources or providers. Potential options include individual connections, private supply arrangements, non-potable or recycled water where technically suitable, and other local sources. The viability of these options depends on water quality, reliable yield, environmental and regulatory approvals, treatment requirements, deliverability, cost and the needs of prospective occupiers. We are of the opinion however that United Utilities, as the appointed regional water company, is best placed to assess and develop a strategic, resilient and regulated solution capable of serving the site's evolving demands. This does not preclude efficient use, recycling or alternative sources where viable; however, such measures cannot currently be assumed to remove the need for dependable, shared network capacity.

Consequences of delay

If adequate infrastructure and sufficient water were not available at the time occupiers are ready to proceed, the consequences could include delayed investment decisions, project redesign or

temporary works, increased costs, the loss of occupiers to competing locations, and slower delivery of employment, decarbonisation and regional economic benefits. Delay would also risk undermining the value of the significant public and private investment already made in Protos and the wider Origin industrial cluster. More broadly, it could create a substantial lost opportunity cost through the deferral or loss of some or all of the approximately £1.6 billion in annual GVA that Protos is forecast to generate at full occupation.

A coordinated solution

There is naturally advantage to a number of developments in United Utilities promoting and delivering appropriately phased, resilient shared infrastructure, negating the need for each occupier to secure a separate and potentially piecemeal solution. A coordinated approach would secure efficiencies, provide greater resilience, avoid duplication and cumulative disruption, support efficient network planning, and allow capacity to expand in a controlled manner as demand materialises. Importantly, phasing the investment against appropriate evidence and demand triggers enables the management of the risk of premature expenditure while giving prospective occupiers credible confidence that capacity can be made available within their delivery programmes.

In summary, the scale, maturity and target uses of Protos, together with opportunities across the wider Origin industrial cluster, provide a compelling basis for anticipating significant future water demand. Although the precise demand profile will crystallise through occupier commitments, timely strategic planning and appropriately phased investment are essential if water is not to become a barrier to securing the potential and benefits of industrial decarbonisation, inward investment and growth. Peel NRE therefore supports United Utilities' outline investment proposal for a proportionate and coordinated supply solution, delivered in phases that reflect the development pathway and emerging evidence of demand.

We would be pleased to provide further supporting information, including evidence relating to prospective occupiers and commercial discussions, subject where necessary to appropriate confidentiality.

Yours faithfully,



Appendix G Letter of Support - EET

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA
United Kingdom

23rd September 2026

RE: Support for United Utilities' proposed strategic water supply infrastructure investment for Ellesmere Port, Cheshire

Dear Ofwat,

Essar Energy Transition (EET) are issuing this correspondence in support of United Utilities' (UU) Cost Change Process proposal to invest in strategic water supply.

We have previously written to David Lamb at UU on 23 March 2026 in support of United Utilities' (UU) Cost Change Process proposal to invest in strategic water supply infrastructure in the Ellesmere Port area of Cheshire. The proposed investment would support the Stanlow Manufacturing Complex, which includes one of the UK's four remaining refineries and makes a significant contribution to UK energy security.

EET wishes to further elaborate on its water requirements across its investments in the North West and provide additional support to UU for that area.

EET has commenced a £4.3 billion investment to transform our Stanlow manufacturing complex into the UK's leading low carbon processing refinery and energy transition hub over the next 5 years, including carbon capture, utility scale hydrogen production, development of Advanced Sustainable Aviation Fuel (SAF) facilities and the planned multi-phase upgrade of our Combined Heat and Power (CHP) assets.

EET's position in summary is that the evidence set out below demonstrates a clear, near-term and growing requirement for additional water supply in the Ellesmere Port area, and that EET asks Ofwat to support United Utilities' proposal — beginning with funding for front-end development activities and a phased approach to delivering capacity.

United Utilities has asked EET to provide further supporting evidence in four areas relevant to its proposed investment in strategic water supply infrastructure for Ellesmere Port:

1. Certainty of need;
2. Importance of availability;
3. Alternative water supply options; and
4. Consequences of delay.

This letter summarises EET's evidence under each of these areas.

1. Certainty of Need:

EET is developing several projects with defined levels of maturity, demand certainty, and delivery timelines, as summarised below:

A. HPP1 (Hydrogen Production Plant 1) and CHP Phase 1:

Together, these projects represent approximately 3 MLD of water demand, which can be accommodated within the remaining headroom in the existing system. Both projects have completed FEED, and HPP1 has been selected as an anchor project for the HyNet Cluster Track 1 programme. They therefore have a high degree of certainty and are progressing through the relevant commercial and financing processes, with Final Investment Decisions targeted for late 2026 or early 2027.

B. HyNet Track 1 Expansion Projects:

The Eni CO₂ transport pipeline and storage reservoir is under construction and is expected to provide an initial capacity of 4.5 Mtpa CO₂, increasing to 10 Mtpa around 2034.

The Department for Energy Security and Net Zero (DESNZ) has committed to supporting the development and sanctioning of this infrastructure, including contributing to the pipeline. EET therefore has a high degree of confidence that projects able to utilise the available capacity will progress under HM Government subsidy support mechanisms.

The remaining capacity has been allocated through the DESNZ Track 1 Expansion process (T1X), under which six shortlisted projects are currently in negotiation. EET has two projects on this list, ICC and HPP2. Both have completed FEED and are expected to be financially viable if selected under the T1X process, supported by the relevant government mechanisms. EET expects one of its projects to be selected for pre-2034 implementation, with the other coming online after CO₂ network capacity increases in the 2034-2040 period. This would create near-term water demand of 7-11 MLD, which is not currently available. Given that CO₂ network capacity is oversubscribed, if EET's projects are not selected in the current round, it is highly likely that one of the standby projects from other developers will proceed instead. These projects are expected to be located in North Wales or Cheshire and would require similar levels of water demand.

The requirement for additional water infrastructure should not be viewed as being dependent solely upon the progression of EET projects. The regional decarbonisation and industrial growth pipeline includes multiple projects competing for limited CO₂ transportation capacity and suitable industrial sites. Accordingly, if individual EET projects do not proceed, EET considers it likely that alternative industrial developments within Cheshire and North Wales would utilise the available infrastructure and generate comparable requirements for increased water supply. EET therefore considers that the risk of stranded or materially under-utilised assets can be effectively managed through phased infrastructure development aligned with committed customer demand and the growth trajectory of the regional industrial cluster.

C. **Further Projects:** [✂]

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- D. **Total demand:** Taken together, the operations and projects described above represent an indicative aggregate demand of the order of 32 to 54 MLD, of which approximately 3 MLD can be met from the headroom remaining in the existing system. The balance of roughly 29 to 51 MLD would require new supply capacity, and it is this requirement that United Utilities' proposed investment is intended to serve.

2. Importance of Availability to Project Progression

To support Final Investment Decisions, water availability, cost, and delivery timeline must be established with a high degree of certainty. The financial risk of constructing projects that may be unable to operate because of insufficient water supply means that investment decisions cannot be taken without this assurance.

Historically, water certainty was required at the Final Investment Decision stage. However, customers and project partners are increasingly seeking assurance on water availability much earlier in project development, including at concept and feasibility stages. Certainty of supply is now often required to unlock development resources, capital allocation, and detailed engineering. Water supply uncertainty is already creating cost and schedule constraints for EET's CHP Phase 2 and data centre projects, requiring EET to consider sub-optimal alternatives to meet future water requirements.

3. Alternative Water Supply Options

EET has assessed a range of potential supply options, as summarised below:

Existing demand reduction and new demand minimisation

- Demand reduction and minimisation measures have already been incorporated into several EET projects and are prerequisites for securing planning permission and environmental permits.
- Future water demand projections therefore already reflect water minimisation measures within the project design basis.

Use of alternatives such as air cooling

- Alternatives such as air cooling have been considered where appropriate. However, certain industrial processes, including hydrogen production, require water as a feedstock and cannot avoid water consumption.
- Other processes, including power generation and CCUS, operate more efficiently when cooling water is available.
- The additional electricity demand associated with air cooling would increase environmental impacts and operating costs, while relying on electricity supplies that are themselves subject to significant constraints.
- Air cooling also requires substantially more land and, given EET's development ambitions, would represent a sub-optimal use of limited industrial land with access to CO₂ and hydrogen networks.

Manchester Ship Canal

- EET holds abstraction licences from the Manchester Ship Canal, which provides an alternative source of water.
- However, these licences expire in 2030.
- Peel is also developing its own industrial zone a short distance upstream and must secure water supplies for its future requirements, making long-term commercial access to Manchester Ship Canal water increasingly uncertain for EET.

Groundwater abstraction

- EET currently holds groundwater abstraction licences.
- However, groundwater availability and the continuation of future abstraction permits are uncertain. Water quality also remains poor, resulting in low overall recovery and high power consumption during processing.
- Although groundwater abstraction will continue to support certain lower-quality water requirements and provide emergency backup capability, EET's assessments do not indicate that abstraction volumes could be increased sufficiently to replace United Utilities' supply.

Wastewater reuse

- EET is actively evaluating and undertaking preliminary engineering studies for a wastewater reuse facility to recover and recycle its own wastewater streams. This represents the only robust contingency option available if additional water is not secured from United Utilities.
- However, this option represents an inefficient use of capital and is not the most effective means of meeting water requirements that could otherwise be supplied through existing regional infrastructure.
- Final effluent from the adjacent Ellesmere Port Wastewater Treatment Works, which treats wastewater from the refinery complex, is of a higher quality than EET's existing non-potable water supply and could be conveyed to the Stanlow Manufacturing Complex through a relatively simple pipeline connection.
- By comparison, treating EET's own industrial wastewater to an equivalent standard would require multiple treatment stages, significant capital expenditure in the tens of millions of pounds, and substantial ongoing operating costs, while also leaving the Ellesmere Port Wastewater Treatment Works under-utilised.
- Consequently, while technically feasible, wastewater reuse does not represent an efficient solution for EET, United Utilities, or the wider region.

In EET's view, enabling United Utilities to develop shared regional infrastructure is the most effective way to meet regional industrial water requirements. It would provide resilience through the use of multiple water sources, support multiple customers, and enable the structured development and retention of strategic infrastructure within an established regulated utility framework.

4. Consequences of Delay

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]. Given the scale of these potential liabilities, projects will not proceed until certainty has been established across all key development factors, including water availability and supply, to the satisfaction of both developers and project lenders. The energy transition endeavors of EET and the Government would be placed at significant risk should sufficient quantities of water not be available from United Utilities to support these developments.

Summary

In light of the evidence presented above, EET strongly supports United Utilities' initiative to develop strategic regional water infrastructure at this time, as there is sufficient current and anticipated demand, both from EET and the wider region, to justify and support the proposed investment. The mechanism to support this investment should be agreed between OfWat and United Utilities.

EET would welcome the opportunity to discuss this evidence with Ofwat and to provide any further detail on project timelines, demand profiles or the assessment of alternative supply options that would assist in the determination of United Utilities' proposal.

Yours faithfully,

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[✂]

[✂]

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Water for the North West