

Our performance 2019/20

Delivering our promises:
a summary guide



Contents

About this document	3
Understanding our performance	4
2019/20 annual performance overview	5
Performance against our commitments:	
Providing you with great water	7
Disposing of your wastewater	8
Giving you value for money	9
Delivering customer service you can rely on	10
Protecting and enhancing the environment	11
Transforming our performance over the 2015–20 period	12
Looking to the future	14
Appendix 1: Penalties and outperformance payments for our performance – how does it work?	17
Appendix 2: Effect of our performance over the 2015–20 period	18
Useful links	20



Glossary of terms

Abstracting The process of collecting water (usually from rivers) for domestic and commercial water supplies.

AMP6 The five-year period between 2015 and 2020 when investments were made.

AMP7 The five-year period between 2020 and 2025, during which further proposed investments will be made.

Assurance Plan The document which sets out specific ways in which we will make sure our activities and reporting meet the approved standard.

Business Plan The document which sets out our proposed performance and spending for the next five years.

Customer measure of experience (C-MeX) A new measure of customer satisfaction with the services provided by water companies. C-MeX was introduced in 2020 to replace the Service Incentive Mechanism (SIM).

Determination (draft or final) The stages in Ofwat's process for approving a water company's business plan.

Developer measure of experience (D-MeX) A new measure of satisfaction with the service water companies provide to developers.

Drinking Water Inspectorate (DWI) The authority appointed by the UK Government to regulate the quality of water supplies in England and Wales.

Environment Agency The government body responsible for making sure that the environment in England is protected.

Fast-track status A status Ofwat grants to a water company's business plan if it judges the plan to be high quality.

Greenhouse gas emissions Greenhouse gas emissions increase the heat in the atmosphere and are responsible for the greenhouse effect, which ultimately leads to global warming.

Integrated Control Centre An internal United Utilities department whose control mechanisms (such as remote digital monitors) allow us to manage our network from a central point.

Integrated resource zone Water resource areas in the north west of England (including Lancashire, Manchester, Liverpool, Cheshire and parts of Cumbria) that are linked together to provide a single continuous supply of water.

Mean Zonal Compliance This is a key measure used by the DWI to work out whether water companies are keeping to the strict regulatory drinking water standards for England and Wales.

National Resources Wales An organisation, sponsored by the Welsh Government, whose purpose is to make sure that natural resources in Wales are maintained.

Ofwat The government body responsible for regulating the water industry in England and Wales.

Outcome delivery incentives (ODIs) Financial or reputational incentives placed against the performance commitment target levels to 'reward' outperformance or 'penalise' underperformance.

Outperformance When a company beats its performance targets.

Performance commitments Service improvements for customers, such as reduced leaks or reduced sewer flooding, achieved as a result of investment and management over a specified period. Challenging targets are set for each performance commitment.

Service Incentive Mechanism (SIM) This was used between 2010 and 2019 to measure customers' satisfaction with the service provided by water companies. This has now been replaced by C-MeX and D-MeX.

Systems Thinking An approach to understanding how individual parts of a system (such as the water supply network) interact in order to identify patterns of behaviour and so predict behaviour in different circumstances.

Underperformance When a company does not meet its performance commitments and targets.



About this document

The investment decisions and performance targets we set ourselves are shaped by listening to the priorities of our customers and stakeholders (those people with an interest in our business).

In 2015 we started a five-year programme of investment (AMP6), with targets which looked tough to meet. By transforming our business, we reached the end of the period by reinvesting millions of pounds of outperformance payments back into projects that were close to our customers' hearts.

This document summarises our performance against the promises we made for the final year of that period, 2019/20, and looks back on all our progress in AMP6. There have been successes as well as challenges. As the Covid-19 (coronavirus) pandemic shows, there will continue to be challenges in AMP7, but the increased resilience we have built over the last five years puts us in a stronger position.

There are full details of our performance in our Annual Performance Report (APR) 2019/20, which is available on our website. Our Annual Report and Financial Statements for the year ended March 2020, which is our United Utilities Group PLC yearly report, is also on our website.

The reports explain how our performance over the full five years has influenced our plans for the next regulatory period, AMP7, which runs from 2020 to 2025.

The performance scorecard on page 14 shows how we performed against our targets in 2019/20, any financial penalties we had to pay, and our overall performance for the last five years. Appendix 2 sets out our financial penalties and outperformance payments in the five years up to 2020.

In February 2020, we agreed our new business plan for 2020–25 (AMP7) with Ofwat. The plan is based on the priorities people in the North West said were most important to them. It sets out the outcomes customers told us they wanted us to deliver, the efficient level of spending we should aim for and how we plan to keep customer bills low. The 'Looking to the future' section of this document shows how the measures we were using for AMP6 have transformed into those that we will be using for AMP7.

YourVoice, the independent customer challenge group, continues to play an important role by monitoring, challenging and commenting on our performance and our future plans on behalf of customers and stakeholders.

The panel's members include independent customer and business representatives, environmental and water-quality regulators, consumer advocates and champions for vulnerable customers. The panel worked closely with us on behalf of customers to monitor the completion of the last five-year programme and to review and influence how we are preparing for the next five years. You can read their thoughts on our overall performance this year on our website.

➔ Read more at [unitedutilities.com](https://www.unitedutilities.com)



Understanding our performance

Our 2015–20 business plan was based on direct feedback from thousands of customers and stakeholders across the North West. This feedback highlighted five focus areas based on things they told us were their top priorities for the services we provide.

Each focus area has a number of ‘outcomes’, which set out what we are planning to achieve. These outcomes are based on ‘measures of success’, with yearly targets to help customers and stakeholders see how well we are doing. Like all water companies, we can earn outperformance payments if we beat our targets for some of these measures, and have to pay a financial penalty if we don’t.

Appendix 1 contains more details about how these incentives work, while Appendix 2 shows how they affected customer bills in the 2020–25 period.

We shared our performance regularly with YourVoice, which reviewed our progress against our 2015–20 business plan commitments and challenged us to keep focused on what is most important to customers. YourVoice had a direct input to this summary report and the full APR, and has presented its findings to our board.

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

➔ Read more at unitedutilities.com

Our focus areas for 2015–20:	What will you see? The outcomes we want to deliver for our customers	Number of performance measures
Provide you with great water	Your drinking water is safe and clean and you have a reliable supply of water now and in the future.	9
Dispose of your wastewater	We remove and treat your wastewater without you ever noticing, and the risk of flooding for homes and businesses is reduced.	4
Give you value for money	Bills for you and future customers are fair. You’ll have support if you struggle to pay. Our activities and investment support the North West’s economy.	3
Deliver customer service you can rely on	You’ll be very satisfied with our service and find it easy to do business with us.	3
Protect and enhance the environment	We will protect and improve the natural environment in the way we deliver services. The North West’s bathing and shellfish waters are cleaner because of our work and the work of others. Our services and assets are fit for a changing climate, and our carbon footprint is reduced.	8



2019/20 annual performance overview

2019/20 marked the end of the five-year AMP6 period of investment, which brought about a transformation in our business.

In those five years, our customer service has improved year on year and there has been a step change in some of the outcomes customers told us were important to them, such as reducing sewer flooding and cutting the time that customers are without a water supply.

Innovation has played a major part in this, by radically changing the way we operate in order to meet or beat targets that are more challenging than ever. We increased the pace of our five-year investment programme to deliver operational improvements as early as possible, and introduced extra processes and technology to keep improving our Systems Thinking approach to the way we manage our assets, data and processes.

The way delivered and paid for our operations also went well. We had previously committed to reinvest £350 million of this outperformance payment in further resilience work and to get preparations for the next five years off to a flying start. During the year we completed these reinvestment programmes and added a further £50 million of AMP7 work to our plans for 2019/20 to help with our preparations for AMP7.

We achieved this improvement in our performance against a backdrop of events that we could not have anticipated.

- › In August 2015, a problem with water quality caused severe disruption to our customers in Lancashire. This led to a number of changes to our processes to help us first recover our assets and then make them more resilient.

- › In December 2015, the North West, like many other UK regions, was severely affected by serious flooding.
- › The winter of 2017/18 brought a severe cold spell known as the 'Beast from the East'. This was followed by a rapid thaw, which caused a significant increase in burst water mains across the country. We put extra repair teams to work to keep leaks under control.
- › The rapid thaw was quickly followed by an extended period of hot and extremely dry weather during the summer of 2018.
- › Finally, the start of 2020 saw the Covid-19 pandemic, and we ended the AMP6 period with most of our employees, many of them key workers, working from home under the guidance of an incident-management programme which reports weekly to the board.

For the benefit of all our customers, we always try to manage, learn and share lessons from these incidents in a structured and open way. Learning from previous incidents helps us manage future events, and we work with other water companies, regulators and customer groups wherever we can. This approach has brought us positive feedback, and has led to our assets being more resilient and our incident-management processes being more effective than at the start of AMP6.



2019/20 highlights



2019/20 highlights

- › We continued to provide good customer service, achieving third place in the pilot of Ofwat's new C-MeX measure, and first place in the last two quarterly surveys of customers who contacted us.
- › We received an increased net outperformance payment of £21.1 million for the year, taking the total for the five-year AMP6 period to £44 million, not including SIM. (The net outperformance payment is the total outperformance payments minus any penalties we've had to pay as a result of an underperformance.)
- › We brought forward an extra £50 million of work that was due for the 2020–25 period, on top of £100 million of work that we had already promised to carry out last year. This strengthened our preparations for AMP7.

Protecting the environment remains an issue our customers and stakeholders tell us is very important to them. In 2019/20, we successfully completed a programme of environmental improvements which we agreed with the Environment Agency. All schemes were delivered on time or early, except one, which was delayed by one week.

We also continued to make good progress on a scheme to provide a more resilient water supply for tens of thousands of customers in West Cumbria. The scheme, which will connect the area to our Thirlmere reservoir and relieve pressure on other sensitive environments, is ahead of schedule.

However, 2019/20 was also a year of unexpected challenges. Our wastewater service was heavily affected by storms in the early part of 2020, and a burst on a major trunk main in Eden, Cumbria, affected water supplies. Both incidents had a negative effect on the service our customers received, and we did not hit our targets for reducing sewer flooding or our reliable-water service index in this last year of the AMP.

The improvements we have made since the start of the AMP meant we were able to manage the effect of these challenges far more effectively. As a result, we were still able to beat our challenging end-of-period targets for reducing 'average minutes of water supply lost' and to keep below our 'wastewater network performance index' target.

Over the first three years of the AMP6 period, we beat our outcome delivery incentives and earned an outperformance payment of £2.2 million as a result of our improved performance for customers.

In 2018/19, our improved performance earned us an outperformance payment of £19.2 million. Our operational performance broadly stabilised in 2019/20 and, despite not meeting all the targets, our net outperformance payment for the year was £21.1 million, bringing our total outperformance payments for the five years to £43.5 million.

In February 2019, Ofwat confirmed that we had earned a £6 million outperformance payment for SIM. During the year we continued to provide good customer service and achieved third place in Ofwat's new C-MeX measure.

Providing you with great water

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

What do customers want?

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

How have we done?

Our performance against water quality and availability measures has met or gone beyond our targets for five out of nine measures, but we missed our annual target on three measures.

Throughout the AMP6 period, we have been working on a major pipeline construction project to carry water from Thirlmere reservoir in central Cumbria to a new water treatment works over 30 miles away that will supply water to the West Cumbria area. This scheme will let us stop abstracting water from Ennerdale Water, which will be better for the natural environment, and will connect the West Cumbria area to our integrated water supply zone, providing more reliable water supplies for the people who live and work there.

Originally due to be finished in March 2022, we are aiming to finish this project and see the benefits as quickly as possible. We have continued to make very good progress during 2019/20 and are running well ahead of the original schedule, which has led to us

receiving an outperformance payment of £21.6 million. For more details of our work in West Cumbria, please visit our [website](#). Our performance against the other eight measures in this area has been more mixed.

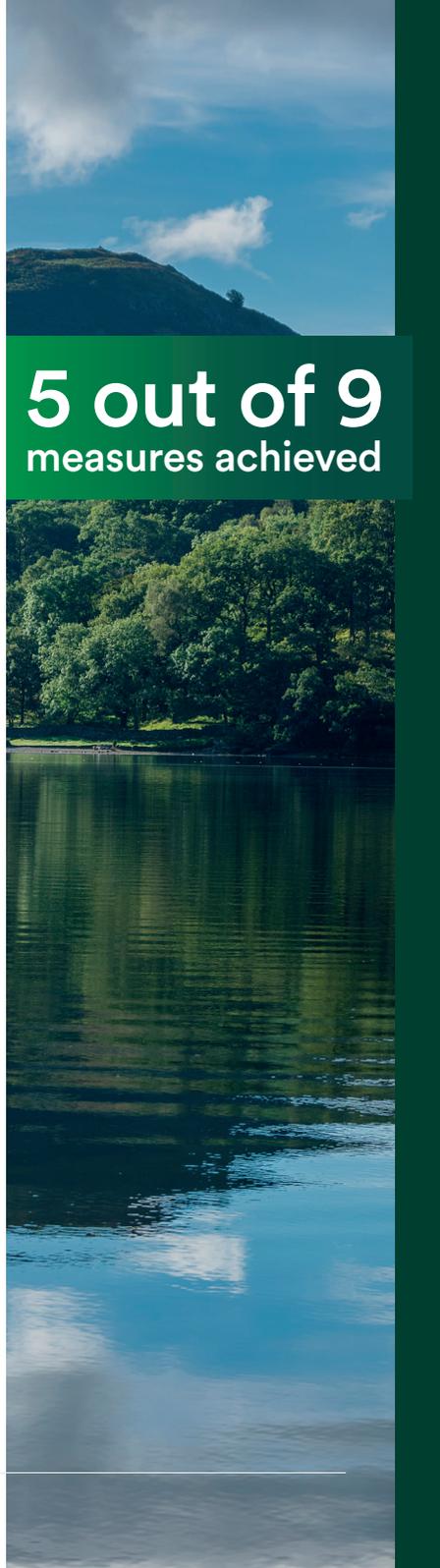
Customers told us reducing leaks was a big priority. We have now met or beaten our leakage target for 14 years running, and have maintained our 100% performance against our longer-term target for security of supply. We have also introduced a number of new techniques to help us identify and respond to leaks more quickly. During 2019/20, we beat our leakage target by 16.5ML/d (mega litres per day) and earned an outperformance payment.

Our leakage targets for the next five years will get progressively tougher. To meet this challenge we have brought forward spending and installed electronic leak-detection equipment across the network to further improve how we find and repair leaks.

We have continued to focus on improving how we identify, respond to and manage the effect of burst mains, particularly when customers lose their water supply as a result. This means managing water pressure, investing in improving poor-condition water mains that supply a large number of customers and expanding our 'water on wheels' fleet which uses water tankers keep people's taps flowing while we are repairing burst mains. This is delivering real benefits, and we received an outperformance payment against the average minutes of supply lost measure for the second year running. Our performance would have been even better if we had not suffered major bursts during the year, which meant we had to pay a penalty for our reliable-water service index measure.

Despite continuing to deliver a very high level of water quality, we failed to meet our increasingly tough targets for our water-quality service index and so had to pay a penalty. 'Mean Zonal Compliance' is an important measure within this index. It measures our performance against 39 water-quality standards. Our performance against this measure remains very high at 99.96%, although our target is set at 100%. This is always going to be challenging, partly because the plumbing inside customers' homes can affect the quality of their water. Our performance against this measure is also affected by the number of complaints we receive about discoloured water. In 2018/19 we expanded our mains-cleaning programme into a further 70 water supply zones to reduce the risk of discoloration. Although this work is beginning to show benefits and the number of times we are contacted about it has reduced since 2018/19, we did not meet our target in this area. We expect to see a further improvement in our performance in future years as the network stabilises following the cleaning programmes.

During the year we completed our transformation programme to improve water treatment works and our water network. As a result, the number of water-quality incidents that we report to the Drinking Water Inspectorate started to reduce significantly. However, changes to the way incidents were reported during 2019/20 resulted in a higher overall number of reported incidents.



5 out of 9
measures achieved

Disposing of your wastewater

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

What do customers want?

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

How have we done?

The region suffered severe storms during the summer of 2019 and the early months of 2020, and we were only able to achieve two of our four measures in this area.

Flooding from sewers is extremely unpleasant and something our customers and stakeholders have told us they want us to tackle. Sewer flooding is categorised in two ways. The first is 'hydraulic flooding', which is when the sewer network can't cope with the volume of water during heavy rainfall. The second is 'flooding due to other causes', which is when blocked sewers become backed-up, resulting in sewer flooding. We have introduced processes that reduce the risk of both types of flooding, but year-on-year results for hydraulic flooding incidents vary a lot and depend on the weather during the year.

We remain focused on reducing the effect of flooding in customers' homes and other areas by introducing schemes to reduce the risk. Recent investment in resilience work, including using our Integrated Control Centre, has helped us improve the way we work so we can respond more effectively to incidents when they do happen. We have cleaned our sewers extensively and this work has seen a steady year-on-year reduction in the number of incidents of sewer flooding due to other causes.

Overall, our performance is affected by severe weather. In the first two years of AMP6 the North West had major storms. Even though the effect of the most extreme storms is not included in our reported numbers, storms do contribute to the overall number of flooded properties and, unfortunately, we failed to meet our targets in both years and so we had a financial penalty in 2016/17.

In the following two years, despite a tougher target, there were fewer extreme storms so we were able to beat our target and earned an outperformance payment in 2018/19. Major storms in February 2020 meant we did not meet our target for 2019/20, so we ended the year with a penalty.

Our targets for reducing sewer flooding for the AMP7 period continue to get tougher and, because of the way they are measured, will be affected even more by extreme weather. To meet this challenge, we are

offering flood-reduction measures to the owners of any properties that have been flooded in the past, and have started work on extra programmes in areas that are at risk of hydraulic flooding. This, along with our continuing work on other causes of flooding, should help to bring the number of flooding incidents down.

The overall operational performance of our sewerage network is measured using our 'wastewater network performance index', which monitors sewer collapses, blockages and equipment failures. Our performance for this measure stayed ahead of the target in 2019/20. However, despite managing to reduce some risk of flooding to properties, we did not meet the target for our 'future flood risk' measure, which looks at the overall risk of properties being flooded.

In 2011, we took over a large number of sewers that used to be privately owned. Our performance on these assets is measured separately to the normal sewer network, and we believe that we manage this network more proactively than some other water companies (that is, we take action to prevent further incidents). Our approach means that we spend more time and money on these assets than if we managed them by just reacting to incidents, but this benefits customers by improving the service we provide. As a result of this approach, we have gone beyond our target again and earned an outperformance payment.



**2 out of 4
measures achieved**

Giving you value for money

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

What do customers want?

Customers want bills that are fair and affordable, with support available for those who struggle to pay, and money spent on projects that will deliver real improvements to services and the region as a whole. Our priority should be our water and wastewater services, but we should look for opportunities to work in partnership with other organisations to improve the environment.

How have we done?

We have met one out of our three measures in this area. We think it's really important to help customers save money on their water bills and to feel that they are receiving good value for money for the services they pay for. We beat our measure on value for money, with 58% of customers saying our services provided value for money, but there is still more we can do. Research tells us that customers' views about the 'value' of our services can be improved if they understand more about the work we do, so we continue to take opportunities to talk about how customers can save money as well as promoting the wider services we provide. This year we again teamed up with documentary film-makers for a second season of *Sewermen*, a TV series which follows following the daily work of the men and women who work for us as they solve customers' problems across the North West.

We are committed to helping customers who are struggling to pay, and helping them get back on track. In January 2020, we hosted our third annual Affordability Summit, working with partners in the money advice sector to match customers with the best help available. These summits bring together

organisations from across the region, who deal with customers in challenging or difficult circumstances, to discuss what more could be done to support those in need. This year we were delighted to be joined by Joe Anderson, Mayor of Liverpool, and Iona Bain, founder of the Young Money Blog, and part of the day focused on how organisations can do more to help young people manage their money and avoid falling into debt.

Providing support for customers in vulnerable circumstances is more important than ever and, as a responsible business, we have a duty to keep improving services for those who need them most. We do all we can to help customers during difficult times by offering a wide range of support schemes. During the AMP6 period, our affordability schemes have supported over 130,000 customers, and by the end of 2019/20, over 98,000 customers had registered on our Priority Services Scheme, which provides tailored help for people who are struggling to pay their bills or who find themselves in vulnerable circumstances and need extra help.

Many customers can also benefit financially by switching to a water meter. Although we have not met our target for the number of free meters installed in the year, we try to reach as many customers as possible by continuing to target and contact customers who we know would benefit the most from switching to a meter. During our half-year billing process, we ran a special promotion to around 30,000 customers who could make a big saving on their water bill by switching to a water meter. We will continue to carry out initiatives in shopping centres and at other events in key locations across the North West to promote meters.

The amount of water each household uses went down in 2019/20 compared with the previous year. This was partly due to demand not being as high as it was during the unusually hot and dry summer of 2018. We did not reach our target in 2019/20, despite continuing with our campaigns to promote water efficiency and water meters to customers. This year, we gave out over

90,000 water-efficiency devices during our campaigns, which included competitions, summer events, advertising (in the press, on radio and on buses), home visits, roadshows and digital campaigns.

The reasons people use as much water as they do are wide-ranging and highly complex, and this measure is difficult to control. In the 2020–25 period, the way water usage is measured will change and all water companies will measure the amount of water used per person, rather than per household. For the North West, the amount of water used per person in 2019/20 was around the national average of 143 litres a day.

We know the important contribution we can make to the North West goes beyond simply providing a great water service. Our investment programme helps the North West economy thrive by generating jobs and income. Supporting jobs through our supply chain helps develop of skills and employment. Over our next five-year programme, our work is worth around £10.5 billion to the region's economy, supporting over 22,500 jobs each year.

We want to make sure everyone in our communities has access to the same chances, which is why we are increasing the diversity of our workforce and providing career and employment opportunities to deprived and disadvantaged young people. Helping improve social mobility is vital to providing a fair society and a healthy economy in the North West. In 2019/20, we ran two youth programmes, supporting over 20 young people who were not in education, employment or training, through a course designed to break down barriers and help those taking part become more employable and ready for work. Around 76% of the young people who took part went on to paid employment immediately after finishing the programme. To date, the youth programme has helped over 60 young people into paid employment, giving them a way out of poverty and ultimately increasing their social mobility. The estimated social value of this is around £9 million.



**1 out of 3
measures achieved**

Delivering customer service you can rely on

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

What do customers want?

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

How have we done?

We met all our targets in this area.

During the AMP6 regulatory period, Ofwat used the Service Incentive Mechanism (SIM) to compare the customer service performance of different water companies. SIM was based on the companies' average performance for the four years up to 2018/19. Ofwat published the water companies' final position on SIM in December 2019. We came seventh out of the 20 water companies who were assessed and earned a reward of £6.1 million.

This average performance over four years does not reflect the step-change improvement in our customer service since 2015, which has seen year-on-year improvements in our performance against SIM and put us in the top quarter of the water and sewerage companies in England and Wales in 2018/19. We achieved this through a strong customer focus, combining more investment in resilience work, greater use of technology and our industry-leading approach to supporting vulnerable customers.

Ofwat stopped formally measuring SIM in 2018/19, but provided a system of methods which companies could use to develop a 'proxy SIM' value. The proxy measure does not provide a direct comparison against previous SIM values, and our score on this proxy measure is lower than our actual SIM score for 2018/19.

During 2019/20, Ofwat piloted its new customer measure of experience (C-MeX), and we finished in third place overall across the year, out of the 11 water and wastewater companies, and in first place in the third and fourth quarterly surveys of customers who have contacted us. These results are mirrored across other indices and through awards and accreditations we received for our performance in customer service, collecting payments and managing debt, and handling complaints.

We completed a wide-ranging customer experience programme during 2018/19. This programme focused on a range of developments, including technology, so we can respond better to what customers want and improve our customer service even further. By delivering this programme at a lower cost than expected, we managed to return the savings to customers as part of Ofwat's price review for the upcoming AMP7.

Our fully trained agents are now using new methods to support our customers, including improving and adding processes to make things easier for them, for example the 'Moving Home' and 'Priority Services' sections on our website. The programme also introduced better ways for customers to contact us online, as well as a new smartphone app.

One of our objectives was to improve the service we provide to developers, local authorities and highway authorities. We beat our target for the year to deliver a better overall standard of service in 2019/20, overturning a temporary dip in our performance against this measure in recent years, which was caused by an internal re-organisation. For more details on our performance and a comparison with the average performance of other water companies against this measure, visit our [website](#).

The non-household retail market is now open to competition, so business customers can choose who provides them with services such as billing, meter reading and customer services. If you are a business customer and want to know more, go to the [Open Water website](#).

3 out of 3
measures achieved



Protecting and enhancing the environment

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

What do customers want?

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

How have we done?

We met or beat six of our eight targets for the measures in this area.

Throughout the AMP6 period, we have been delivering three wide-ranging programmes of work to improve the environment. The first two focused on how our wastewater operations affected the quality of inland and river water or on improving bathing and coastal waters. The third programme focused on schemes to control water flows in lakes and rivers and to protect wildlife from the effects of our work to abstract water (which we then treat and provide to customers).

We finalised the wastewater inland and river water quality programme after our performance target for the measure had been agreed with Ofwat, and later agreed with the Environment Agency a number of changes to the programme. During 2019/20 we successfully delivered 44 of the remaining 45 projects in this programme, although we delivered one project five days later than planned because of issues with final testing. This measure takes account of changes to the projects within the programme as well as whether these projects were delivered on time. We had a penalty as a result of our performance against this measure in 2019/20, although over the five years we earned a relatively small outperformance payment.

During the year we successfully completed the remaining schemes in our bathing and coastal waters programme.

We also successfully delivered all the remaining schemes in our water abstraction programme that had 2019/20 regulatory dates set by the Environment Agency. However, our performance commitment for 2019/20 also included a number of schemes with December 2019 regulatory dates, and we were unable to deliver three of these schemes. The first was an eel-protection scheme in Windermere, which had been progressing well until the Environment Agency asked for a relatively late change. The other two are flow management schemes at Cownwy, and at Marchant, in Wales. These schemes were initially affected by severe flooding in the area and were then directly affected by Covid-19, as contract staff needed to self-isolate. We agreed with National Resources Wales to temporarily stop the work and make the sites safe until work is able to restart.

The delays in these projects have been offset by a reduction in abstraction at sensitive sites, which means that we finished the year with no penalty or outperformance payment for this measure.

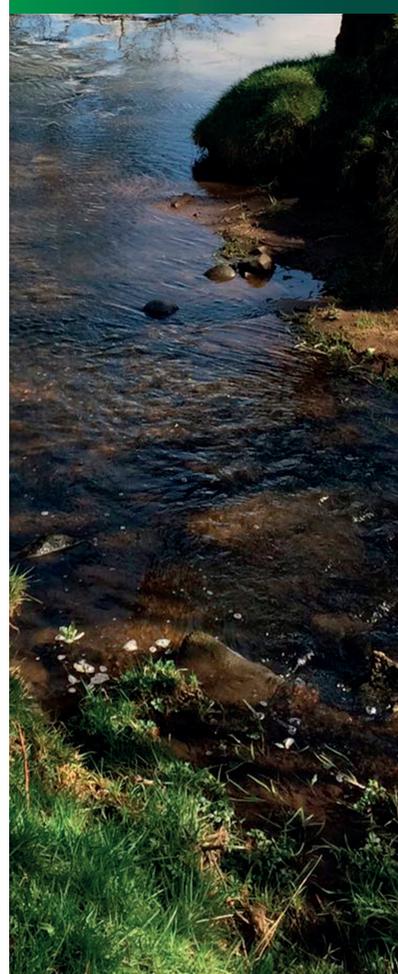
We have continued to perform well against our commitments to manage the effects of development, manage sewage sludge and reduce the number of pollution incidents. We met our target of having no category-1 or category-2 pollution incidents (the more serious incidents) and earned an outperformance payment for reducing the number of category-3 incidents (which are less serious).

Although we have significantly reduced the level of risk and improved the number of wastewater treatment works that are meeting the conditions of their Environment Agency permits, we did not meet our target for the year (although we did not fail by enough for us to have a penalty). Our wastewater treatment works performance target for AMP7 focuses on treatment works meeting the conditions of their Environment Agency permits rather than both risk and permits, but is set at 100%. We are continuing to improve our automated processes and controls for monitoring and managing key assets, both on-site or remotely, to help us achieve this target.

We set a target of reducing our greenhouse gas emissions by 50% from the 2005/06 baseline by 2020 and achieving a 60% reduction by 2035. We have already beaten both of those targets, and our carbon emissions now 71% below the 2005/06 baseline. We understand that we have a responsibility to look for ways to reduce our emissions and help to tackle climate change. For more details, see our [environmental policy](#).



**6 out of 8
measures achieved**



Transforming our performance over the 2015–20 period

At the 2014 price review, we set ourselves challenging annual performance commitment targets based on customer research and how much they told us they would be willing to pay for our services.

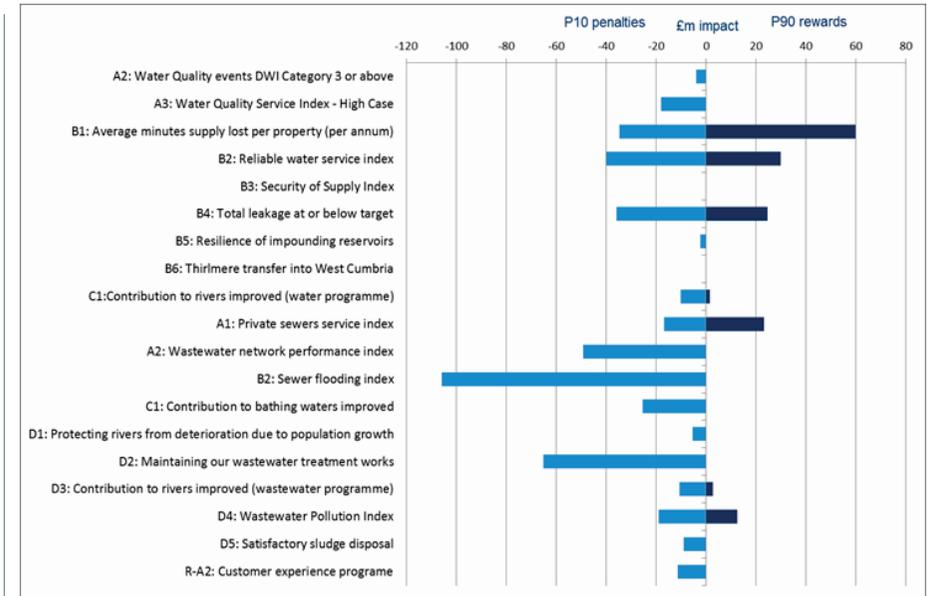
Ofwat challenged some of these targets to bring them in line with its estimate of what the top 25% of water companies should be achieving. This required a significant improvement in our performance.

The scale of the challenge we faced at the start of the period is set out in the chart to the right, which is taken from our final determination published on Ofwat's website.

The dark blue bars show the potential outperformance payments, and the lighter blue bars show the potential penalties. There are more penalties than outperformance payments, and the values of these penalties are higher. We began the AMP6 period expecting a net penalty for these targets of somewhere between £0 and £100 million.

To meet this challenge we brought forward our investment programme to deliver early benefits of operational efficiencies, and then reinvested an additional £250 million to provide better and more resilient services to customers. We also began to put into practice our innovative Systems Thinking approach to data, assets and people, and take forward long-term operational improvements in service delivery and resilience work. As a result, our operational performance in many key areas has dramatically improved over the period and we ended the period with a net outperformance payment of £44 million against our performance commitments. Full details of our performance over the AMP6 period are shown on the following page.

Over the same period, we have also transformed our customer service. We now continually ask for and act on the views of our customers and stakeholders, bringing what we do in line with what they tell us is important. As such, we have turned around from starting the AMP as one of the poorer-performing companies to ending it among the better-performing companies (in the top 25%). Ofwat recognised our SIM performance in the first four years of the period, and we received an outperformance payment of £6 million in the 2019 price review.



Plain English Campaign's Crystal Mark does not apply to this chart.



Our performance scorecard for 2019/20 and the full five-year period

Here is our performance scorecard for our 2019/20 performance. It lists our key performance measures and performance levels for the regulatory period (2015/16 to 2019/20).

The scorecard also shows how our actual performance in 2019/20 compares with our target performance for 2019/20, whether we met the target and whether we will receive a penalty or outperformance payment for our 2019/20 performance.

Penalties and outperformance payments for all five years are shown in Appendix 2.

Key:

- Met or beat our performance commitment (and will receive a financial outperformance payment, where this is applicable)
- Failed to meet our performance commitment (and will pay a financial penalty, where this is applicable)

Notes

- ¹ The measurement of this risk assessment was changed by the DWI this year so reported performance is no longer comparable with the target
- ² The table records our actual performance for SIM our target is to be upper quartile for water and sewerage companies
- ³ We delivered this programme at lower cost than originally assumed and returned £4.6m to customers.

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

Performance Commitment	Actual performance					Target		2019/2020 Incentives	
	15/16	16/17	17/18	18/19	19/20	19/20	Pass/Fail	Impact	Value £m
Providing you with great water									
Drinking Water Safety Plan risk score (see note 1)	4.3	4.3	4.3	4.8	4.9	≤ 4.3	Fail	See note 1	
Water quality events DWI category 3 or above	35	22	27	6	11	≤ 7	Fail	Penalty	(0.6)
Water Quality Service Index	120.5	116.9	98.6	101.2	110.503	≥ 145.9	Fail	Penalty	(3.6)
Average minutes supply lost per property (a year)	16:42	13:33	13:09	9:10	10:11	≤ 12.00	Pass	Reward	7.2
Reliable water service index	16.4	77.8	70.8	98.5	75.79	≥ 100	Fail	Penalty	(8.0)
Security of supply index (SoSI)	100	100	100	100	100	= 100	Pass	No reward	
Total leakage at or below target	10.8	23.4	9.1	6.7	16.5	≥ 0	Pass	Reward	4.0
Resilience of impounding reservoirs	161.61	164.25	165.42	165.72	165.72	≥ 165.27	Pass	No reward	
Thirlmere transfer into West Cumbria	2	5	25	57	99	≥ 82	Pass	Reward	21.6
Disposing of your wastewater									
Private sewers service index	91.7	91.9	85.0	89.3	90.1	< 100	Pass	Reward	7.4
Wastewater network performance index	91.0	89.5	86.2	90.7	89.1	< 93.40	Pass	No reward	
Future flood risk	16,472	16,418	16,395	16,379	16,369	< 16,190	Fail	Reputational	
Sewer flooding index	100.8	94.4	70.0	61.7	79.8	< 68.1	Fail	Penalty	(8.3)
Giving you value for money									
Number of free water meters installed	27,197	32,447	36,615	32,069	25,817	≥ 46,054	Fail	Reputational	
Customers saying that we offer value for money	50	52	52	58	58	≥ 53	Pass	Reputational	
Per household consumption	303	305	310	313	304	284	Fail	Reputational	
Delivering customer service you can rely on									
Service incentive mechanism (SIM)	82	85	87	88	85	UQWASQ	Pass	See note 2	
Customer Experience Programme	0.0	0.4	2.6	5.7	9.7	17.769	n/a	See note 3	
Delivering our commitments to developers	95%	98%	94%	89%	95%	95%	Pass	Reputational	
Protecting and enhancing the environment									
Contribution to rivers improved – water (Km)	36.8	82.6	80.6	50.5	159.5	≥ 159.5	Pass	Deadband	
Contribution to bathing waters improved	0.47	0.66	1.49	4.21	6.56	≥ 6.56	Pass	No reward	
Protecting rivers from deterioration due to growth	48.0	48.0	210.5	323.0	365.48	≥ 346.6	Pass	No reward	
Maintaining our wastewater treatment works	91.5	58.7	30.5	39.2	49.93	≤ 46.13	Fail	Deadband	
Contribution to rivers improved wastewater (Km)	.8	47.0	120.7	178.9	338.52	≥ 355.22	Fail	Penalty	(1.9)
Wastewater (category 1 & 2) pollution incidents	4	2	0	1	0	≤ 0	Pass	No reward	
Wastewater category 3 pollution incidents	136	150	129	143	162	≤ 191	Pass	Reward	£3.3m
Satisfactory sludge disposal	100	100	100	100	100	= 100	Pass	No reward	
Totals									
Total incentive position (excluding customer experience programme)									£21.1m

Looking to the future: Our targets for the 2020–25 period

After the most extensive customer involvement we have ever carried out in the North West, we published our investment plan for 2020–25 (AMP7) in September 2018. The plan reflects what more than 140,000 customers and stakeholders told us about their needs and priorities, and sets out how we will deliver services to them under four key themes – great customer service, affordable bills, innovation and resilience.

Ofwat gave our plan ‘fast-track’ status. This meant that it considered the plan to be high quality. By giving us fast-track status, Ofwat gave us early clarity on the requirements for the next AMP period and we took advantage of this to get a head start on work which would benefit the communities we serve. During 2018/19 we committed to spending a further £100 million on a programme of work to make sure we were able to make a flying start to the 2020–25 period. In 2019/20, we completed this programme and brought forward a further £50 million of spending into the year to make sure we are as well placed as possible for the start of the next period.

We also wanted to make it easier for customers to see how we are performing compared with the other water and sewerage companies. We felt that it was important to keep the same longer-term outcomes but to change some of the performance commitments that will be used to measure how well we are delivering them in the future. Some of the combined index measures we are currently reporting against are complex, so we have simplified them to make it easier to see where we are performing well and where we could do better. We worked with other companies and regulators to develop a series of

common measures, which all companies included within their plans. We also added a number of measures which focus on the longer-term ‘health’ of our assets and replaced a number of measures which applied only to the last period with ones that apply to the 2020–25 period.

The table on the next page shows how the measures we used in AMP6 have been adapted for the 2020–25 period. The useful links page at the end of this document provides links to our website, where you can read more about our future plans and the new performance measures and targets.



Evolution of performance commitments: AMP6 to AMP7

Longer-term outcome	2015–20 performance measures	2020–25 performance measures	Reason for change	
Your drinking water is safe and clean	Water Quality Service Index	Contacts for taste, smell and appearance	Three AMP6 water quality and risk measures replaced by two equivalent AMP7 measures	
	Water quality events (category 3)	Water quality compliance (Compliance risk index or CRI)		
	Drinking Water Safety Plan risk score			
		Number of properties with lead risk reduced	New measure added for AMP7	
		Helping customers look after water in their home	New measure added for AMP7	
		Discolouration from the Vyrnwy aqueduct	New measure added for AMP7	
You have a reliable supply of water now and in the future	Total leakage at or below target	Leakage	Equivalent measure	
	Average minutes supply lost	Reducing interruptions to water supply	Equivalent measure	
	Security of supply index (SoSI)	Drought risk resilience	Equivalent measure	
	Resilience of impounding reservoirs	Keeping reservoirs resilient	Equivalent measure	
	Thirlmere transfer into West Cumbria	Thirlmere transfer into West Cumbria (AMP7)	Equivalent measure	
	Per household consumption	Per capita consumption	Equivalent measure	
	Reliable water service index	Mains repair	Reducing areas of low water pressure	AMP6 index split to two specific measures
		Unplanned outage	New measure added for AMP7	
		Water service resilience	New measure added for AMP7	
	Manchester and Pennine resilience	New measure added for AMP7		
The natural environment is protected and improved in the way we deliver our services	Maintaining our wastewater treatment works	Treatment works compliance	Equivalent measure	
	Satisfactory sludge disposal	Recycling biosolids	Equivalent measure	
	Protecting rivers from growth	Protecting the environment from growth	Equivalent measure	
	Category 1 and 2 pollution incidents	Pollution incidents	single measure in AMP7	
	Category 3 pollution incidents			
	Rivers improved - water programme	Improving the water environment	programme delivery measure	
		Abstraction incentive mechanism	Part of AMP6 rivers measure	
	Bathing waters improved	Improving river water quality	Single programme delivery measure	
	Rivers improved - wastewater			
		Enhancing natural capital value for customers	New measure added for AMP7	
	Better air quality	New measure added for AMP7		

Evolution of performance commitments: AMP6 to AMP7 CONTINUED

Longer-term outcome	2015–20 performance measures	2020–25 performance measures	Reason for change
You're highly satisfied with our service and find it easy to do business with us	Service incentive mechanism (SIM)	Customer experience (C-MeX)	SIM and AMP6 developers measure been replaced by C-Mex and D-Mex
	Commitments to developers	Developer experience (D-MeX)	
	Customer experience programme		Removed as IT programme is complete
		Improving street works performance	New measure added for AMP7
		Priority services for customers in vulnerable circumstances	New measure added for AMP7
		Priority Services - BSI accreditation	New measure added for AMP7
We will improve the way we work to keep bills down and improve services	Customers say we offer value for money	Customers say that we offer value for money	Equivalent measure
	Number of free water meters installed	Number of customers lifted out of water poverty	New and wider "affordability" measure
		Non household vacancy incentive scheme	Four new measures seeking to ensuring properties are correctly registered and that bills are spread as widely as possible.
		Gap sites (wholesale)	
		Gap sites (retail)	
		Retail voids	
		Systems thinking capability	New measure added for AMP7
	Delivery of direct procurement of HARP scheme	New measure added for AMP7	
Collect and recycle wastewater	Wastewater network performance index	Sewer collapses	The two AMP6 index measures are replaced by two specific measures c
	Private sewers service index	Sewer blockages	
The risk of sewer flooding for homes and businesses is reduced	Future flood risk	Risk of sewer flooding in a storm	Equivalent measure
	Sewer flooding index	Internal flooding incidents	the AMP6 index has been broken down to two measures
		External flooding incidents	
		Hydraulic internal flood risk resilience	New measure added for AMP7
		Hydraulic external flood risk resilience	New measure added for AMP7
	Customer awareness of the risk of flooding	New measure added for AMP7	

During the 2020–25 period all companies will report against their performance commitments with the reporting against the common measures allowing direct comparison between companies.

Plain English Campaign's Crystal Mark does not apply to this table.

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

At the 2014 price review, we set annual performance commitments based on what customers and stakeholders told us they would be willing to pay for our services, or based on the cost of service failure. Many of our 2015–20 performance commitments were challenging and required a significant improvement on our 2010–15 levels of performance.

Most of the performance commitments lead to a penalty if we do not achieve them and, for some commitments, if customers tell us they are willing to pay for an improved service we can also earn an outperformance payment if we beat the commitment.

Meeting the performance commitments means we 'break even' and there is no penalty or outperformance payment. We only start to earn outperformance payments once we beat the target, or have to pay a penalty if we drop below a target. There is a limit or 'cap' to the amount of outperformance payment we can receive for each measure in any year.

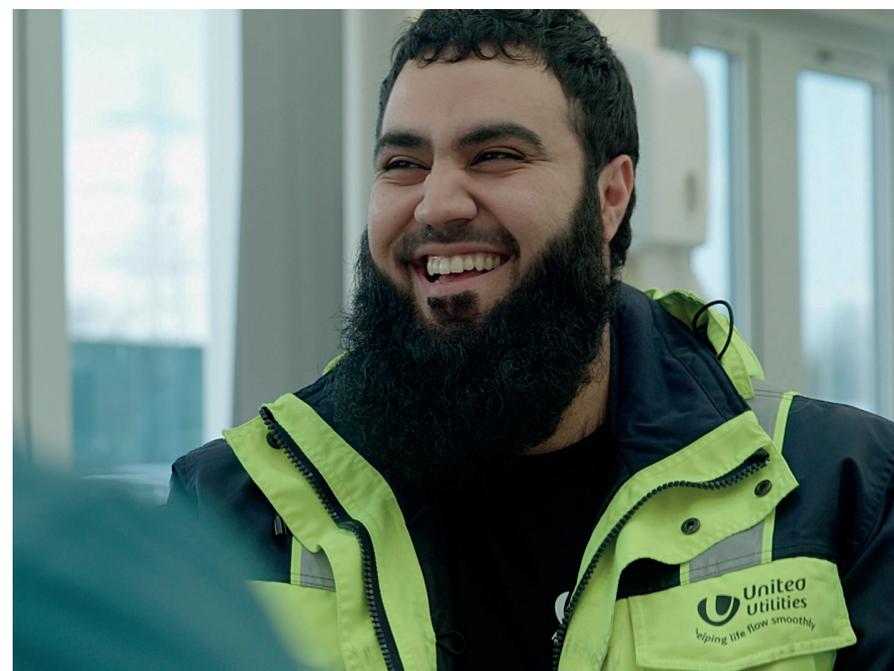
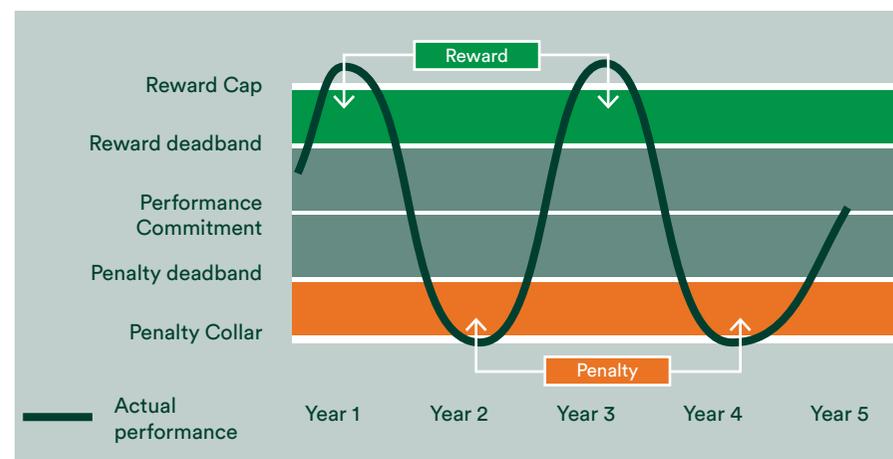
There is also a limit (known as a 'collar') to the amount we have to pay in penalties for underperforming. For some measures, we have to outperform (or underperform) by a certain level, before there is a financial effect. This is because setting targets is not always a precise science.

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

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

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

There is more information about our performance in relation to penalties and outperformance payments in our full [Annual Performance Report 2019/20](#).



Impact of our performance over the 2015-2020 period

As you can see from this table, over the five-year period we earned a net outperformance payment of £44 million against our water and wastewater service measures. We have also been able to return some of the allowed retail income associated with the customer experience programme, which we completed at a lower cost than expected.

Our actual performance against these measures for the first four years of the period and our expected performance for 2019/20 was fed into the price review process for AMP7. At this time we expected to end the AMP6 period with a net outperformance payment of £46 million based on a relatively small net penalty for water services, with a larger net outperformance payment for the wastewater service.

As part of its final determination, Ofwat increased the outperformance payments to £50 million. This value, together with the return of income associated with the customer experience programme, was included within the price review process that set the amount that we will be able to collect during the 2020–25 period. Although the net outperformance payment achieved against these measures will be recovered through customer bills, the overall effect of the price review was to reduce average household customer bills by £20.

The final outperformance payment was £44 million, with a slightly lower penalty in water and a slightly lower outperformance in wastewater. The reduced penalty payment in the water service will be reflected by a minor increase to customer bills during the 2020–25 period. The reduced outperformance in the wastewater service will be reflected by a longer-term minor reduction in customer bills, starting in 2025/26.

Full details of how we performed against all of the AMP6 outcome delivery incentives are set out in the document 'PR14 reconciliation update 2020', which is available on our [website](https://www.unitedutilities.com).

➔ Read more at [unitedutilities.com](https://www.unitedutilities.com)

Final outperformance payments and penalties for the 2015–20 period

Performance Commitment	Annual incentive payments (£m 12/13 prices)					AMP 6 Total (£m)
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	
A2: Water quality events DWI category 3 or above	-0.4	-0.6	-0.7	0	-0.6	-2.4
A3: Water Quality Service Index	0.2	-3.6	-3.6	-3.6	-3.6	-14.2
B1: Average minutes supply lost per property (a year)	0	0	-6.0	11.3	7.2	12.5
B2: Reliable water service index	-8.0	-8.0	-8.0	0	-8.0	-31.9
B3: Security of supply index (SoSI)	0	0	0	0	0	0
B4: Total leakage at or below target	0	9.1	0	0	4.0	13.1
B5: Resilience of impounding reservoirs	0	0	0	0	0	0
B6: Thirlmere transfer into West Cumbria	0	0	0	0	21.6	21.6
C1: Contribution to rivers improved - water programme	0.1	0.2	0.2	0.2	0	0.6
Water service total						-0.6
A1: Private sewers service index	7.4	7.4	7.4	7.4	7.4	36.9
A2: Wastewater network performance index	0	0	0	0	0	0
B2: Sewer flooding index	0	-1.5	0	0.6	-8.3	-9.2
C1: Contribution to bathing waters improved	0	0	0	0	0	0
D1: Protecting rivers from deterioration due to growth	0	0	0	0	0	0
D2: Maintaining our wastewater treatment works	0	0	0	0	0	0
D3: Contribution to rivers improved wastewater (Km)	0	0.4	0.6	0.9	-1.9	0.1
D4a: Wastewater (category 1 & 2) pollution incidents	0	0	0	0	0	0
D4b: Wastewater category 3 pollution incidents	3.3	3.3	3.3	3.3	3.3	16.4
D5: Satisfactory sludge disposal	0	0	0	0	0	0
Wastewater service total						44.1
Wholesale total						43.5

Note:

In December 2019, Ofwat revised the way that the incentive payments were calculated for measure D3: Contribution to rivers improved wastewater. The five-year incentive payment for this measure fully reflects the revised calculation, although to avoid revising previously reported values, the value reported in 2019/20 is based upon this five-year total minus the previously reported outperformance payments.

Plain English Campaign's Crystal Mark does not apply to this table.

Useful links

[United Utilities Annual Performance Report 2019/20](#)

[United Utilities Final Assurance plan for our Annual Performance Report 2019/20](#)

[Historic yearly reports to our regulator, Ofwat](#)

[United Utilities Group PLC Annual Report and Financial Statements for the year ended 31 March 2020](#)

[Historic United Utilities Group PLC Annual Reports](#)

[Our Final Business Plan for 2020-25](#)

[YourVoice customer panel](#)

[YourVoice statement 2019/20](#)

[Acting responsibly matters: the way we do business \(our Corporate Responsibility reporting\)](#)

[Discover Water – United Utilities performance compared with other water companies](#)

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Water for the North West