

1. Trusted to deliver value, transparently, every day

1.1 Executive summary



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

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

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

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

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

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

Our plan builds on a strong track record of performance:

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

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



Affordability

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

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

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

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

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

Helping the most vulnerable through partnership on priority services

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

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



Customer engagement

Scrutiny of our engagement from an empowered customer challenge group

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



Customer outcomes

Stretching targets to deliver the service standards that customers want

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

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

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

Key performance commitments in this plan

Water resources:

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

Water network plus:

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

Wastewater network plus:

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

Bioresources:

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

Residential retail:

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

Environmental excellence in a diverse region

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

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



Innovation

Efficiency through innovation and markets

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

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

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

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

Looking beyond the sector to identify innovation in delivery of service

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

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

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

Innovation in catchment services

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

Innovation in retail through deeper customer engagement

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



Resilience

Raising the bar on operational resilience and learning lessons from AMP6

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

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

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

Major resilience investment supporting customers in Manchester and the Pennines

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

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



Confidence and assurance

Transparency, trust and acting in the public interest

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

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

Board ownership of the business plan

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