

Our performance 2016-2017

Delivering our promises: a summary guide



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About this document

Our investment and plans for 2015-2020 have been shaped by listening to our customers and stakeholders and understanding their priorities for the years ahead.

This document is a summary of how we've done against the promises we made in 2014 as a result of involving our customers. It includes an update on our progress so far, and features some of this year's positives and the areas where we could improve.

We were pleased to be placed in the top 'self-assurance' reporting category by Ofwat, after we published last year's Annual Performance Report.

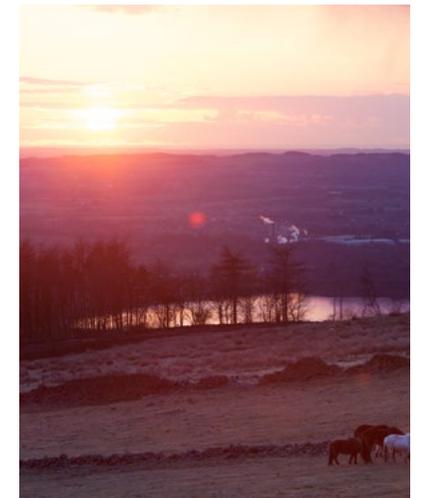
We are committed to publishing information on our performance that can be trusted and which is easy to understand.

We regularly report on our progress to the YourVoice panel. Its role is to monitor, challenge and comment on our performance on behalf of customers and stakeholders.

The panel's members include independent customer and business representatives and environmental regulators. You can read more on its thoughts on our overall performance this year [here](#).

Our full performance scorecard is at the end of this document.

You can also read more in our full Annual Performance Report 2016-2017, from which the details in this end-of-year review are taken. The Annual Report and Financial Statement of United Utilities Group PLC which is written mainly for investors, is also available on our website.





Understanding our performance

As part of our planning for the 2015-2020 period, we spoke to thousands of people across the North West to understand what level of service they wanted from us. Our five customer promises are based on the things that customers and stakeholders told us were the most important features about the services we provide.

Each promise has a number of ‘outcomes’, which set out how we are planning to deliver those customer promises. These outcomes are based on ‘measures of success’ that allow customers and stakeholders to judge our performance against these targets.

Like all water companies, we can receive financial rewards, or pay penalties, if we meet, or fail to meet, targets associated with some of these measures. All penalties and rewards are set by our regulator, Ofwat.

There are more details about the way incentives work at the end of this document and in our full Annual Performance Report.

We review the information we provide to customers with the YourVoice panel, which reviews and challenges our progress against our 2015-2020 business plan commitments.

YourVoice has had a direct input to this summary report and the full Annual Performance Report and presented its findings to our board. Earlier in the year, we consulted and published details of our governance and our 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.

What were our customers’ and stakeholders’ priorities for us during 2015-2020?

In our business plan for 2015-2020, we promise to:	What will you see? The outcomes we want to deliver for our customers	Number of 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

[You can read our full scorecard and performance for this year at the end of this document.](#)



2016-2017 annual performance overview

In 2016-2017 our overall performance against a tough set of targets has resulted in rewards for some measures and penalties for others, but with an overall reward for 2016-2017 of £6.7 million. The targets will get tougher as we move through the five-year investment period, and we will need to continue to make improvements in our performance, which will be very challenging.

To help to manage the challenges that we are facing, we have brought forward our five-year investment programme to deliver operational improvements as soon as possible. We have rolled out extra information technology to improve the way we have been able to apply our 'systems thinking' approach to our regional water systems and wastewater drainage areas.

Our systems thinking approach means how we use our assets (such as our treatment works), our data (minute-by-minute information about how well our works are performing) and how our people work on a day-to-day basis.

By thinking of our entire network as a system, and using our control centre, we are able to reduce costs and improve performance.

Our main areas of reward came through our good performance in managing leaks, pollution and part of the sewer network which recently transferred to us after previously being privately owned.

We have, however, seen disappointing performance and penalties associated with interruptions to water supply (part of the Reliable Water Index), water discolouration (part of the Water Quality Service Index) and sewer flooding.

We have introduced a number of schemes to improve our customer service during the year. One of the most successful, Priority Services, provides dedicated support to customers who are experiencing personal or financial difficulties. As a result of this work, we have been able to achieve our best ever customer satisfaction scores under Ofwat's service incentive mechanism (SIM).

The non-household retail market fully opened to competition on 1 April 2017, at which time we stopped operating as a 'non-household retailer'. Our non-household customers transferred to Water Plus (a joint venture established between United Utilities and Severn Trent), and are now able to switch suppliers, if they want to.

This year at a glance

- > We have brought forward our investment to provide operational benefits.
- > Overall our performance levels have continued to improve.
- > We have achieved our best ever customer satisfaction scores under Ofwat's service incentive mechanism (SIM).
- > We successfully prepared for the opening of the non-household retail market for competition.



Providing you with great water

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

What do our customers want?

The vast majority of customers told us that they were 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?

Although we continue to supply a very high level of water quality, there are a few areas where we can improve and we failed to meet our combined water-quality target in 2016-2017. We saw an increase in the number of complaints we received about discoloured water. The number of issues relating to the quality of drinking water that we report to the Drinking Water Inspectorate (DWI) improved, but they are still above target.

We are working hard to deal with these issues and have been working closely with the DWI to learn lessons from the Lancashire water-quality incident in 2015. Our improvement plan has included improving our risk assessments, delivering extra training and improving our process for managing incidents. We have already made substantial investment in our assets, including permanent UV treatment at some of our major water treatment works.

We have been able to successfully reduce the number of water-main bursts and other incidents which result in a loss of supply to customers, and have beaten our target for 'average minutes lost'.

We have not, however, met our combined water-reliability target. This was mainly due to the effect of a single significant supply interruption caused by a major water-main burst in Accrington in July 2016. We have plans in place to continue to reduce the amount of time customers are without a water supply. These include the greater use of vehicles carrying alternative water supplies and temporary supplies that allow us to keep water flowing to customers while we repair our mains.

In 2016-2017 we achieved our best ever performance relating to leaks. The greater central monitoring and control of pressure in the network that we now have in place has allowed us to either prevent leaks, or detect and repair them more quickly when they do happen.

We maintained our 100% performance level against our longer-term target for security of supply, and made good progress on our major project to construct a pipeline which will allow us to transfer water from Thirlmere reservoir into West Cumbria. We are aiming to be able to deliver this project as soon as possible, although this still depends on the weather and potential construction difficulties.

6 out of 9

targets achieved

[Click to see scorecard](#)



Disposing of your wastewater

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

What do our 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 put their bills up.

How have we done?

We continue to invest in schemes designed to reduce the effect of flooding on customers' homes, targeting areas that are more likely to experience flooding. This resulted in a further reduction in the number of flooding incidents this year, although as our performance target has also got tougher, we have not achieved the target for the year. We are carrying out an extensive sewer cleaning programme along with a complete drainage area programme to help us to continue to improve our performance.



This year, the overall performance in our sewerage network remains high, and we continue to beat our target. We achieved relatively low numbers of sewer blockages, sewer collapses and equipment failures, all of which can affect customers and the environment.

Our recent investment in resilience (strengthening our services) and using our control centre has allowed us to respond more effectively to incidents when they do happen. We are pleased to have continued the high levels of customer satisfaction with our wastewater service as measured in our score on Ofwat's service incentive mechanism (SIM). The service incentive mechanism looks at how satisfied customers are with our service when they contact us, and also the number of customers who find they need to get in touch.

We have outperformed our measure for private sewers which recently transferred to us. This measure looks at the number of collapses, blockages, flooding and pollution incidents on sewers which were 'private' (that is, they used to belong to customers and are now managed by us).

3 out of 4

targets achieved

[Click to see scorecard](#)



Giving you value for money

Our 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 our customers want?

Customers want bills that are fair and affordable, with support 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 main water and wastewater services, but we should make the most of opportunities for partnership working to bring about environmental improvements.

How have we done?

We think it's really important to help our customers save money on their water bills and that they feel they are receiving good value for money for the services they pay for. Research tells us that customers' views about the value of our service can be improved by greater understanding of the work we do, so we continue to take opportunities to talk about how to save money and promote our wider services to customers.

This year we've achieved our target for value for money, but there is still more work to do.

We are committed to helping our customers who are struggling to pay and have continued to promote our help schemes in the media and through customer roadshows throughout the region.

This year we launched Priority Services to provide more targeted support and tailored help for customers experiencing short- or long-term personal or financial difficulties. We have had over 32,000 customers registering for this service. We contribute each year to the United Utilities Trust Fund, which has been effective in helping customers who are having

difficulties paying their bills return to making regular payments.

We've not achieved our targeted reduction in the amount of water each household uses, despite having continued to promote water efficiency and water meters to customers throughout the year, have used a combination of marketing campaigns and schemes designed to encourage customers to reduce how much water they use in their own homes. This will continue to be an area of focus for the year ahead.

We are aware that we cannot deliver environmental and social challenges on our own. By supporting partners whose aims are similar to ours, we are able to work together and, in most cases, attract further funding from other sources – helping our customers' money go even further.

Partnerships are offering a great way of connecting communities with similar issues. Our Love My Beach partnership which involves Keep Britain Tidy and the Environment Agency has continued to grow, with nearly 600 volunteers (including over 200 of our own employees) dedicating over 8,800 hours to cleaning beaches and removing 6,500 bags of litter from beaches and estuaries.

1 out of 3
targets achieved
[Click to see scorecard](#)



Delivering customer service you can rely on

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

What do our 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've delivered major improvements in our customer service performance over recent years, and our performance continued to improve in 2016-2017.

We developed, and are now putting into practice, a wide-ranging Customer Experience Programme. This programme focuses on a range of developments, some of which are about technology, to allow us to better respond to what customers want from us and deliver major improvements in our customer service. This year we've launched our new customer website and webchat facility to make it easier for our customers to get information and contact us.



We've improved many of our processes and introduced new services that customers want and value, such as Moving Home and Priority Services. The programme is currently on track and we will see continued improvements in digital contact methods, including a new smartphone app.

This year we have seen another upturn in customer satisfaction, and we achieved our highest ever score in Ofwat's customer satisfaction survey. We have seen a significant reduction in the number of customers who have needed to contact us about their bills or about water and wastewater issues.

Our target for customer service, as measured by Ofwat's service incentive mechanism (SIM), is to move to the top quarter of the England and Wales water industry performance tables. This assessment will be made when all companies have reported their performance.

Part of our objective for this promise is to provide an improved service to developers, local authorities and highway authorities. We are pleased to have outperformed our measure by delivering a better standard, which can be seen in a dedicated page on our website.

2 out of 3

targets achieved

[Click to see scorecard](#)

Protecting and enhancing the environment

Our 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 our customers want?

Customers who live in the North West are passionate about their coastlines, recognising the link between good bathing water, 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 are pleased that we have met all eight of our measures in this area, and our environmental performance has been recognised by our regulators.

We are delighted we retained our industry-leading four-star company performance in the Environment Agency's annual performance assessment (2016) even though the Environmental Performance Assessment (EPA) standards have tightened.

We have successfully delivered all of our 2016-2017 bathing water improvement schemes and river improvement schemes on time, including one wastewater and river improvement scheme ahead of schedule.

We significantly improved the level of performance at our wastewater treatment works in 2016-2017 and outperformed our performance target for the year. This improvement was the result of bringing forward our spending programme together with improvements in our ability to monitor and control key processes in our treatment works without actually being there.

Sludge is a by-product of treating wastewater. Our sludge treatment and disposal activities continue to make sure that we meet our environmental requirements. We are continuing to make better use of this valuable resource by promoting the use of sludge as an alternative to fertiliser and other energy sources. We have made significant progress in increasing the amount of energy generated from our sludge, with a target of producing 35% of our own electricity by 2020.

8 out of 8

targets achieved

[Click to see scorecard](#)



Our full performance scorecard for 2016-2017

Appendix 1

Performance commitment	Performance		Target		2016-2017 incentives	
	2015-2016	2016-2017	2016-2017	Pass / Fail	Impact	Value £m
We promise to provide you with great water						
Drinking Water Safety Plan risk score	4.3	4.3	<= 4.3	Pass	Reputational	
Water quality events DWI category 3 or above	35	22	<= 11	Fail	Penalty	(0.596)
Water Quality Service Index	120.5	116.9	>= 130.3	Fail	Penalty	(3.619)
Average minutes supply lost per property (a year)	16:42	13:33	<= 14:00	Pass	Deadband	
Reliable water service index	16.4	77.8	>= 100.0	Fail	Penalty	(7.974)
Security of supply index (SoSI)	100	100	= 100.0	Pass	At target	
Total leakage at or below target	10.8	23.4	>= 0	Pass	Reward	9.148
Resilience of impounding reservoirs	161.6	164.3	>= 163.21	Pass	No reward	
Thirlmere transfer into West Cumbria (see note 1)	2	5	>= 5	On track	At target	
We promise to dispose of your wastewater						
Private sewers service index	91.69	91.90	<= 100	Pass	Reward	7.35
Wastewater network performance index	90.95	89.47	<= 103.2	Pass	At target	
Future flood risk	16,472	16,418	<= 16,436	Pass	Reputational	
Sewer flooding index	100.8	94.4	<= 83.9	Fail	Penalty	(1.484)
We promise to give you value for money						
Number of free water meters installed	27,197	32,447	>= 59,325	Fail	Reputational	
Customers saying that we offer value for money	50	52	>= 50	Pass	Reputational	
Per household consumption	303	305	<= 292	Fail	Reputational	
We promise to deliver customer service you can rely on						
Service incentive mechanism (SIM) (see note 2)	82	85	UQWASC	TBC	TBC	TBC
Customer Experience Programme (see note 1)	0.001	0.363	>= 3.37	On Track	Deadband	
Delivering our commitments to developers	95%	97.5%	>= 92%	Pass	Reputational	
We promise to protect and enhance the environment						
Contribution to rivers improved - water programme	36.84	82.6	>= 0km	Pass	Reward	0.185
Contribution to bathing waters improved	0.47	0.66	>= 0.66	Pass	No reward	
Protecting rivers from deterioration due to growth	48.0	48.0	>= 1.8	Pass	No reward	
Maintaining our wastewater treatment works	91.48	58.71	<= 83	Pass	No reward	
Contribution to rivers improved wastewater (Km)	0.75	45.62	>= 15.41	Pass	Reward	0.431
Wastewater (category 1 & 2) pollution incidents	4	2	<= 4	Pass	No reward	
Wastewater category 3 pollution incidents	136	150	<= 201	Pass	Reward	3.278
Satisfactory sludge disposal	100.00	100.00	<= 100	Pass	At target	
Totals						
Total incentive position ³						6.719

Here is our full performance scorecard.

For details of how the penalty and rewards work, [please see the next page.](#)

To see the APR [click here.](#)

 Met or beat our performance commitment (and will receive a financial reward, where this applies)

 Failed to meet our performance commitment (and will pay a financial penalty, where this applies)

¹ The penalty or reward for these measures is based upon the performance at the end of the five year period only. The annual performance assesses whether we are on track to achieve this target.

² Upper quartile for water and sewerage companies.

³ Although a total incentive position is provided in the table, actual penalties or rewards are determined individually for each price control.

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

Penalties and rewards for our performance – how does it work?

Appendix 2

At the 2014 Price Review, we set annual performance commitments based on what our 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 2015-2020 performance commitments are challenging and require a significant improvement on our 2010-2015 levels of performance.

Some of our performance commitments don't carry a penalty or reward, but they do have a 'reputation incentive', which means our success or failure in this area can affect how we are seen as a company. Our promise around value for money is an example of this – whether we meet the promise relies on customers' view, that is, do they think their water bill represents good value for money? Other reputational incentives may also be a focus for other 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 enforcement action against us.

Most of the performance commitments carry a penalty if we do not achieve them, and for some of these we can also earn a reward if we beat the commitment.

If we meet the performance commitments, we 'break even' and don't earn a reward or a penalty. We only start to earn money 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 we can be rewarded for each promise in any given year. Customers told us that they were willing to pay for improved service in some areas – with any reward that we might achieve only affecting bills after the 2015-2020 period.

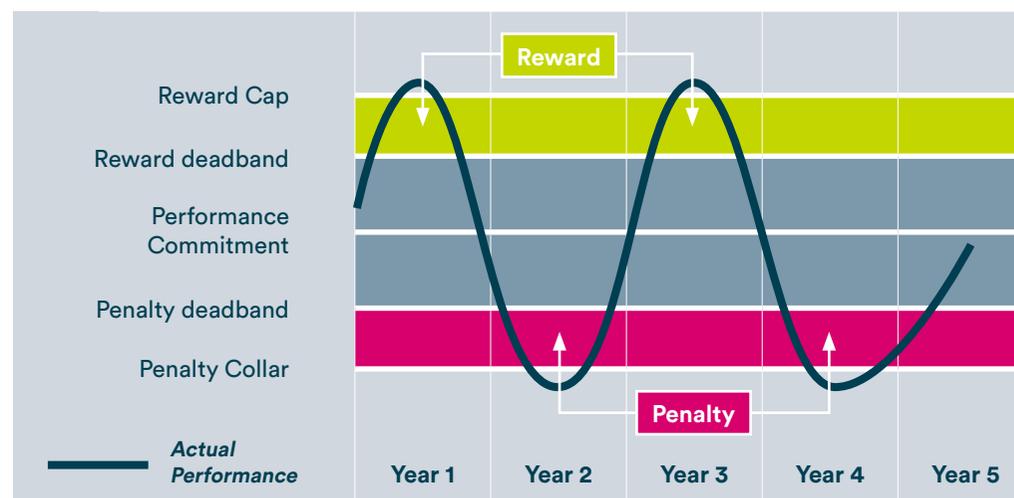
There is a limit (known as a 'collar') to the amount we have to pay in penalties for underperforming. For some measures, we have to outperform (or underperform) by a certain level, before there is a financial penalty or reward. This is because target setting is not always a precise science.

For example, when we get lots of torrential 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. Similarly, we don't immediately receive a reward as soon as we outperform a target.

We have to get beyond the reward 'deadband' to start earning a reward – 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, for example.

There is more information about our performance in relation to penalties and rewards in our full Annual Performance Report 2016-2017 at unitedutilities.com.



Please note: Plain English Campaign's Crystal Mark does not apply to this illustration.



There is more information about our performance in relation to penalties and rewards in our full [Annual Performance Report](#).



Useful links

- > [United Utilities Annual Performance Report 2016-2017](#)
- > [Documents for the Final Assurance Plan for the Annual Performance Report](#)
- > [Historic yearly reports to our regulator, Ofwat](#)
- > [United Utilities Group Plc Annual Report and Financial Statements for the year ended 31 March 2017](#)
- > [Historic United Utilities Group Plc Annual Reports](#)
- > [Our Final Business Plan for 2016-2020](#)
- > [Playing our part in the North West – 25 year strategy](#)
- > [YourVoice customer panel](#)
- > [Acting responsibly matters: the way we do business \(our corporate responsibility page\)](#)
- > [West Cumbria Supplies Project](#)