



United Utilities Group PLC

PR19 business plan assessment

 **United
Utilities**
helping life flow smoothly



Steve Mogford Chief Executive



Initial assessment

One of only three companies meeting high hurdle to achieve fast track assessment

A = High quality, ambitious and innovative plan with evidence that overall is sufficient and convincing.

B = High quality plan, not sufficiently ambitious and innovative to be exceptional with evidence that overall is sufficient and convincing.

C = Concerns with the plan: Plan falls short of high quality and/or evidence is insufficient and/or unconvincing in some areas.

D = Substantial concerns with the plan: Plan falls significantly short of required quality and/or little or no evidence, or no convincing evidence.

Test Area	Water and sewerage companies											Water only companies					
	Anglian Water	Dŵr Cymru	Hafren Dyfrdwy	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities Water	Wessex Water	Yorkshire Water	Affinity Water	Bristol Water	Portsmouth Water	South East Water	South Staffs Water	SES Water
Engaging customers	A	B	C	B	B	B	C	C	B	B	B	C	B	C	C	B	C
Addressing affordability and vulnerability	B	B	D	B	B	B	B	C	A	B	C	C	C	C	B	C	B
Delivering outcomes for customers	B	C	D	C	C	B	C	C	C	C	C	C	C	C	B	C	C
Securing long-term resilience	C	C	D	C	C	B	D	D	B	C	C	D	C	C	C	D	C
Targeted controls, markets and Innovation	B	C	C	C	C	C	C	C	B	B	B	C	C	C	B	C	C
Securing cost efficiency	D	D	B	C	B	B	D	D	B	C	C	C	C	B	C	C	D
Aligning risk and return	C	C	D	B	C	B	C	C	C	D	C	D	C	C	C	C	C
Accounting for past delivery	B	C	D	C	B	D	D	D	B	B	B	C	D	C	D	B	B
Securing confidence and assurance	D	A	C	C	B	C	C	C	B	C	C	C	C	C	B	C	D

Company monitoring framework

Only company to retain self-assurance status

	Financial monitoring framework	Charges engagement	Outcomes	Risk & compliance statement	Assurance plan	Water resources mgt plan	Case work	Financial flows	Long term viability statement	Cost assessment	PR19 IAP data consistency	PR19 IAP data quality	Category	Mvt from 2017
United Utilities													Self-assurance	↔
Welsh													Targeted	↑
Anglian														↔
Bristol														↑
Northumbrian														↓
Portsmouth														↔
Severn Trent														↔
South East														↓
South Staffs														↔
South West														↔
SES Water														↔
Thames														↑
Wessex														↔
Yorkshire														↔
Affinity														Prescribed
Harfren Dyfrdwy													↔	
Southern Water													↔	

Highlights

Industry leading in many areas



Affordability and vulnerability

Ambitious, innovative and sector-leading

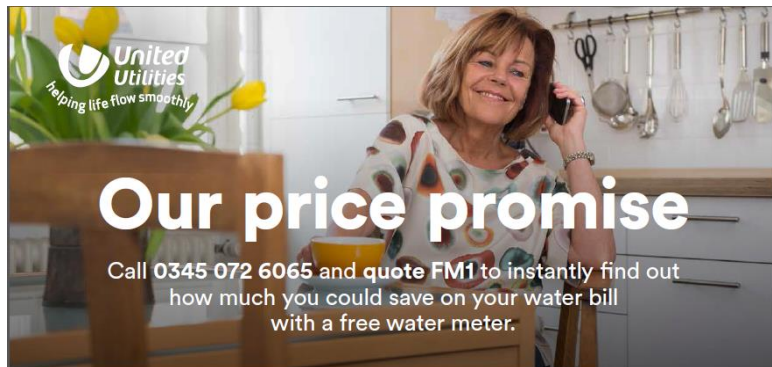
@unitedutilities has high quality, ambitious and innovative plans to help customers struggling to pay “@Ofwat”



[United Utilities’] plan includes ambitious, innovative and sector-leading proposals to make customers’ bills affordable and on providing support for vulnerable customers.

[United Utilities] proposes sector-leading flexible payment plans for customers who are struggling to pay.

[United Utilities] is leading the sector by working with its local energy network to address customer vulnerability.



Support

We can help if you're struggling to pay your water bill



Delivering outcomes for customers

Strong track record in operational excellence



Transformation since 2011

Strong track record of sustainable excellence



Customer views

Performance commitments that reflect customer views



Upper quartile targets

Accepted interventions to reflect view of upper quartile performance



Company-specific ODIs

To provide further detail on company-specific ODIs



P50 projection

Revised cumulative P50 projection for ODIs currently estimated at minus 0.6% of RoRE



Time to plan

Will reprioritise plans to account for changes in ODI targets

Sector-leading approach to resilience

Setting the benchmark for operational, corporate and financial resilience

United Utilities has a sector leading approach to resilience. The plan shows convincing evidence across operational, corporate and financial resilience. It shows a clear link between prioritised risks and measures to reduce risks to resilience.



Systems Thinking fundamental to approach



Sector-leading financial resilience



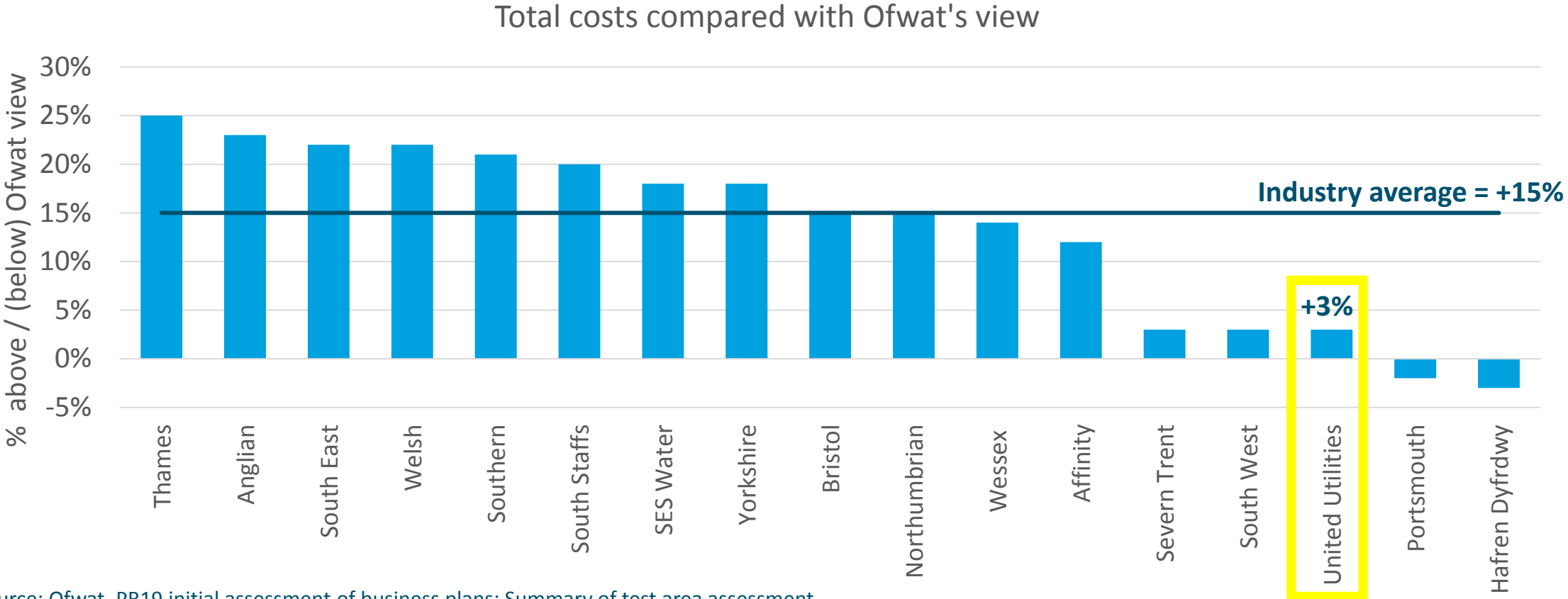
Manchester and Pennines project



Funding to develop north-south water transfer scheme

Efficient costs

Significant improvement in efficiency



Source: Ofwat, PR19 initial assessment of business plans: Summary of test area assessment

Sector-leading approach to innovation

The most embedded innovation culture

United Utilities shows the most embedded innovation culture, with an ambitious and sector-leading approach to innovation capability.

Its plan includes strong evidence of ambitious and sector leading ideas across all drivers on innovation.

Innovation is clearly integrated throughout the culture of the company and it includes a number of innovative suggestions which are not seen in the sector...



Commitment to Systems Thinking



Innovation Lab



Bold and wide ranging strategy



Will deliver future success

Aligning risk and return

Approach to financeability has been broadly accepted

Adopted Ofwat's methodology guidance on WACC at 2.4%¹	WACC to be finalised at Final Determination
Upfront mechanism for sharing outperformance through CommUnity Share	Responsible approach to financial resilience, gearing and access to capital markets

¹ Appointee, RPI stripped

Summary

Committed to making a success of AMP7



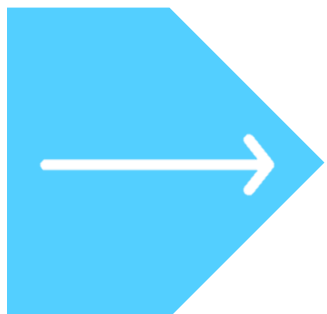
Fast track plan

Reflects transformation to date and ambition for the future



Benefits of fast track

Reputational, procedural and financial benefits and the opportunity to refine plans and make a flying start



Working constructively

Continue to work constructively with Ofwat through to draft determination in early April



Strong track record

Strong track record – committed to making a success of AMP7

A young child with curly hair is sitting at a table, holding a white cup to their mouth. The child is wearing a patterned shirt and a red bib. The background is a blurred indoor setting. The text "Any questions?" is overlaid in large white font across the center of the image.

Any questions?

Cautionary statement

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and the company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Certain regulatory performance data contained in this presentation is subject to regulatory audit.

This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.