

Trading and Procurement Code

United Utilities Water Limited

**Draft for consultation
January 2018**

Introduction – setting the context for water trading

About this document

This is United Utilities' draft Trading and Procurement Code. It sets out the policies, principles and requirements that will apply when appointed water companies and third parties trade water with United Utilities Water Limited.

United Utilities is, in principle, willing to trade with any party that either wishes to take from us, or offer to us, a reasonable volume of reliable, sustainable and cost-effective water resources. We support economic growth within our supply area and we believe water trading can play a part in encouraging growth, as long as it is done in a sustainable way. We therefore support water trading where it is economic to do so and will result in benefits for our customers.

The Water Services Regulation Authority ("Ofwat") wants to encourage greater water trading between appointed water companies, to benefit customers and promote better, more sustainable use of the natural environment. Although many companies (including United Utilities) already trade water, Ofwat has introduced a financial incentive to encourage companies to consider more trading.

Ofwat wants to ensure that the financial incentives available to encourage trading are only available where trades are environmentally and economically sensible and there are no abuses of market power. Therefore, if a company wants to apply for the trading incentive, it needs to have and comply with a Trading and Procurement Code that has been approved by Ofwat. Ofwat believes this is an appropriate level of ex-ante regulation, which is more proportionate and less intrusive than Ofwat needing to be involved in approving the individual trades that a company will undertake.

We believe it is prudent to develop and implement a code which is in line with Ofwat's requirements and principles, in readiness to deal with proposals from other companies to trade with United Utilities. We will keep our Ofwat-approved Trading and Procurement Code up to date and publicly available, via our website.

This Code should be read in conjunction with United Utilities' Access Code, which sets out in detail the operational and commercial arrangements that govern applications for use of, and supply from, our system for the purposes of competition under the Water Supply Licensing provisions. Where we seek to export water, we will base these trades on our Access Code. The latest version of the Access Code is available on the United Utilities website.

United Utilities

United Utilities Water Limited is the appointed water and sewerage company for the North West of England. It is responsible for the public water supply network and sewerage services in this area. It supplies approximately 1,300 megalitres ('MI') per day to around 3 million household and business customers (more than 7 million people in total), making it one of the largest of the appointed companies.

Our operating area shares a border with Northumbrian Water, Yorkshire Water Severn Trent Water, Dee Valley Water and Welsh Water. Another company operates as a 'new appointee' within the North West - Leep Water Networks Limited, which supplies the Media City development in Salford.

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We have more than 20 bulk water trades already in place with some of these companies, some are trades of potable water and others are non-potable. The most significant of these by volume is a bulk supply export from the River Dee to Welsh Water, where we export around 20 MI per day.

United Utilities is subject to economic regulation by Ofwat. Our water abstraction is regulated by the Environment Agency in England and by Natural Resources Wales in Wales.

United Utilities' Water Resources

We own and operate over 100 water supply reservoirs, various river and stream intakes, as well as lake abstractions and numerous groundwater sources. More than 90% of the water supplied by us comes from rivers and reservoirs, with the remainder from groundwater. This contrasts with the rest of England, where an average of only 60% is supplied from rivers and reservoirs. Abstracted water is treated at water treatment works before being supplied to customers through an extensive network of water mains.

A water resource zone is an area within which water sources can be shared effectively to provide a consistent service to customers. Our region is currently split into four water resource zones (Figure 1).

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Figure 1: United Utilities' water supply area and Water Resource Zones



Water supplies to the majority of the region are managed in an integrated manner and constitute a single resource zone, known as the Integrated Resource Zone. The Integrated Resource Zone comprises more than 95% of the total population served. Only sources in North and West Cumbria are not supported directly or indirectly from the major regional supply system; this area comprises the Carlisle Resource Zone, North Eden Resource Zone and West Cumbria Resource Zone.

Our 2015 Water Resources Management Plan¹ sets out our forecasts for water demand and water supply availability for each year until 2040. We forecast a general trend of reducing demand and also reducing availability. In West Cumbria we are planning to replace abstraction from existing sources of water by constructing a new pipeline and WTW to transfer water from Thirlmere reservoir in our Integrated Resource Zone. Once the Thirlmere transfer is

¹ www.unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/water-resources/wrmpmainreport_acc17.pdf

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completed, the West Cumbria and Integrated Resource Zones will be combined into a single zone to be called the Strategic Resource Zone. The forecasts are shown in Figure 2 below. These forecasts recognise uncertainty in the future demand for, and availability of, water. They may be updated through annual reviews of the plan.

An important resource management option that is considered in the 2015 Water Resource Management Plan relates to the bulk transfer of water in to and out of our supply area. We considered a number of potential imports that could be utilised in the preparation of our plan to meet deficits forecast in our supply area.

MI per day	2015/16	2020/21	2025/26	2030/31	2035/36	2039/40
Initial Supply Demand Balance						
Carlisle Resource Zone (Critical Period)	1.2	1.8	2.1	2.1	2.2	2.2
North Eden Resource Zone	4.0	4.1	4.3	4.3	4.3	4.3
Integrated Resource Zone	136.5	147.6	136.2	110.0	99.2	96.0
West Cumbria Resource Zone (Critical Period)	4.8	4.6	(33.3)	(33.9)	(33.7)	(33.7)
Final Supply Demand Balance (after completion of planned Thirlmere transfer in 2022)						
Carlisle Resource Zone (Critical Period)	1.2	1.8	2.1	2.1	2.2	2.2
North Eden Resource Zone	4.0	4.1	4.3	4.3	4.3	4.3
Integrated Resource Zone	136.5	147.6	N/A	N/A	N/A	N/A
West Cumbria Resource Zone (Critical Period)	4.8	4.6	N/A	N/A	N/A	N/A
Strategic Resource Zone (Combined Integrated and West Cumbria Resource Zones)	N/A	N/A	95.2	70.1	61.0	56.9

Figure 2: Forecast supply demand balances for United Utilities' Water Resource Zones

Throughout the process of developing the potential imports, we also proposed and developed potential exports to other water companies through a process of bi-lateral engagement. We used scenario testing to investigate the impact of potential future exports on our supply-demand balance, should the recipient water company identify a requirement for them.

Our estimated water resource position set out above, suggests that we are more likely to offer exports than seek imports during this period.

In 2018 we will consult on a draft Water Resources Management, proposing an updated assessment of the supply demand balances shown in Figure 2. It will also propose an updated view of needs for new water resources, demand management, imports and exports. Following the consultation, we expect to adopt a new Water Resources Management Plan in 2019.

Statutory Obligations

United Utilities provides its services to customers against a backdrop of environmental legislation and obligations, which set tight standards that we have to meet. These obligations shape how, when and where we abstract water. As well as our general obligation to be an efficient water company, specific key legislation that can impact on our

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available water resources includes the European Water Framework Directive ('WFD'), the Habitats Directive and the Eels Regulations.

The UK and Welsh Governments are required to implement these Directives. Environment Agency and Natural Resources Wales have been the lead bodies overseeing the necessary changes.

For example, under the Water Framework Directive, the Environment Agency and Natural Resources Wales have to produce River Basin Management Plans for each of the 11 River Basin Districts in England and Wales. These plans set out a 'programme of measures' that are needed to ensure that inland (and coastal) waters achieve 'good ecological status or potential' and that there is no deterioration from their current status. The regulators' management of water abstraction is one way in which they work to achieve River Basin Planning objectives. United Utilities abstractions are covered by 5 River Basin Districts – Solway-Tweed, North West, Humber, Dee and Severn.

Plans and projects, including future Water Resources Management Plans need to be assessed to ensure compliance with requirements of the Water Framework Directive and other environmental legislation. In the 2015 Water Resources Management Plan we have assessed a scenario with further changes to abstraction licences to comply with the Water Framework Directive and this still reports a surplus.

UK Government

The UK Government has a vision for the water industry which is set out in its White Paper and 'Water For Life: Market Reform Proposals' in December 2011. It wants a more secure, sustainable and resilient water sector, which can tackle the emerging challenges of climate change and population growth, as well as address current problems of over abstraction. It also wants water to be valued as a precious resource.

It believes this vision can be met, in part, through greater interconnection between water companies' water networks. Specifically, UK Government supports more water trading, and is looking to Ofwat to encourage companies to do this via regulatory incentives to implement some of the plans in the White Paper. The Water Act 2014 received Royal Assent on 14 May 2014.

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Contact Details

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Key principles of the code

Summary

Where trades are proposed between other water companies or industrial customers and United Utilities, we are committed to trading in a transparent, sustainable and responsible manner, within the policy framework set by the government and to the benefit of our customers and the natural environment.

In this Code we set out how we would approach trades with other parties. It provides the basis for more detailed, commercial negotiations with potential trade parties. The following principles demonstrate our commitment to fair, equal and responsible trading.

General principles

United Utilities' Code conforms to the following general high-level principles, which will govern its approach to negotiating trade agreements. These general principles should be taken in conjunction with those specific principles set out in the sections below.

Assignment	Under no circumstances will the trader be entitled to assign the trade agreement to another party without United Utilities' agreement.
Bulk supply agreements	A bulk supply agreement will need to be signed before a qualifying trade can begin. Such an agreement will stipulate in detail the terms and conditions agreed by the trade parties.
Compliance	United Utilities and the trader will take all necessary steps to ensure compliance with such laws and regulations as shall apply from time to time, including the Competition Act 1998.
Cooperation	United Utilities and the trader will co-operate with each other in the general interests of continuous provision of water and the integrity of the water supply network.
Equal and fair treatment	All parties seeking to trade with United Utilities will be treated fairly and equally between each other, including in the provision of information.
Managing emergencies	United Utilities will retain primary responsibility for managing emergency procedures relating to all of its water supply system. The trader will be expected to cooperate with United Utilities in the event of an emergency or security issue affecting the water supply system and the trade between the two parties.
Managing imports	United Utilities operates its system over a number of distinct and separate water resource zones. We will work with the export company to ensure imports of water to United Utilities are as efficient as possible and costs of infrastructure to enable the import to be made are minimised. Where possible, existing infrastructure will be used.
Managing exports	United Utilities operates its system over a number of distinct and separate water resource zones. We will work with the import company to ensure exports of water by United Utilities are as efficient as possible and costs of infrastructure to enable the export to be made are minimised. Where possible, existing infrastructure will be used.

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Qualifying trade	In order to qualify for incentives, the trade will be a new agreement with another water company for United Utilities to import from or export to that company's water supply network.
Start date	A qualifying trade must start in July 2013 or later.
Period of operation	A qualifying trade must be operating in practice and generating revenues during the price control period 1 April 2015 to 31 March 2020.
Trade effects	A qualifying trade must not lead to any material deterioration in water quality or service to any customer, or to the supply system or to the natural environment.
Trade partners	A qualifying trade must be between wholly-unrelated companies.
Trade terms	Unless otherwise agreed, the supply to the import company will normally be subject to the same conditions in terms of interruptions, pressure and other conditions as is the supply to United Utilities' customers in the Water Resource Zone from where the water is supplied.
Water quality	Trades can be of untreated or treated water. Traders must abide by Water Quality Protocols as stipulated by Drinking Water Inspectorate (DWI).

Imports by United Utilities

As noted above, consistent with our Water Resources Management Plan, United Utilities is more likely to agree exports to other companies, than take imports. Once our Thirlmere transfer is complete all our Water Resource Zones are estimated to have supply demand balance surpluses over the period to 2040.

Nonetheless, if circumstances change over time and we believe a new import agreement is the right way ahead, the following principles shall be adhered to:

Non-discriminatory procurement

United Utilities, like other water companies, is obliged when preparing its Water Resources Management Plan to consider options to share water with other water companies or third parties. Our 2015 Water Resources Management Plan shows the extent to which we have already gone to raise awareness of and interest in water trading with other appointees and third parties. We published a general statement of need, which showed where we might require water resources in the future, across our area. We also held specific discussions with neighbouring water companies about the feasibility of water sharing arrangements in the future. We remain willing to discuss potential trades with any third party. As our 2015 Water Resources Management Plan shows, we will not discriminate against or between any potential providers of water to us.

Economic purchasing

United Utilities operates under a set of obligations and expectations from government and from Ofwat that we will run our business efficiently and to the benefit of our customers. This framework also includes the obligation to consider water trading as part of our water resources management planning process. Overall, it means we can reassure our regulators and potential traders that we would purchase from the most economical sources possible, depending on a range of relevant factors including the quality and quantity of water available and the infrastructure needed to make the supply happen.

Using competitive processes

Our 2015 Water Resources Management Plan shows that we are open and transparent when considering potential supplies of water to us from third parties. As part of the process for developing the plan, we published a view of

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need and availability of water resources across our supply area on our website. Appendix 8 of our 2015 Water Resources Management Plan provides further details on this process and the responses received.

We wholly support the use of competitive processes and are aware of our obligations under general UK and European law. Should more than one supplier bid to supply us with water we would be committed to using a structured and competitive process to determine the successful supplier.

In the first instance, any offers would be subject to an assessment of acceptability to examine the quality, quantity, and environmental sustainability of each. Assessment criteria would include the following:

- Compliance with our Access Code
- Acceptability of quality, or cost to treat to an acceptable standard (no deterioration in drinking water quality)
- Variability in and risks to quality
- Reliability and variability of quantity, and pressure during high-demand periods and during critical droughts
- Flow constraints around connecting to existing infrastructure, ability to serve zone or requirement to develop new infrastructure
- Environmental sustainability of supply (no deterioration of raw water source)
- Business resilience of trading party.

Acceptable options would then be subject to further assessments to establish the preferred options for each Water Resource Zone. This would include an assessment of costs for any additional downstream asset needs. We would also assess any potential benefits such as additional resilience or flexibility that the water supply would offer. The fully assessed options would be included with other water resource options in the Economics of Balancing Supply and Demand assessment for each Water Resource Zone. This assessment takes account of the operating costs, capital costs and environmental and social costs of each proposed option to determine the best value programme of options for the zone.

Exports by United Utilities

In the case of exports by United Utilities, all trades would need to comply with the following conditions:

- No water resource zone placed into deficit as a result of the export
- No impact on our ability to supply water during periods of drought
- No impact on our company levels of service
- Environmental sustainability of supply (no deterioration of raw water sources)

Contract lengths

United Utilities is committed to negotiating fair and appropriate trading arrangements that meet the needs of both parties. When setting contract lengths, United Utilities will choose a reasonable duration, guided by the nature of the supply and other case-specific factors. We will also seek to have a contract review at appropriate regular intervals.

For supplies to another party, the contract length should take into account any potential risks to existing customers. This includes the payback duration of any infrastructure needed to supply the water. The volume offered should not put the zone into deficit within the contract duration and if the supply is related to a specific source, the length of contract should be within the abstraction licence period of consent.

For supplies offered from another party, the contract duration would preferably be 25 years in line with the Water Resources Management Plan. However, it should take into account any infrastructure costs so as to ensure the best

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value over the period. The contract duration should also allow for the time required to replace the volume with an alternative supply based on an acceptable water source.

Transparency and audit

United Utilities is committed to an open and transparent process for trading, in line with its rigorous process for developing its wider water resources position under the Water Resources Management Plan.

Availability of information

Central to any potential trade will be information about our water resources position. This is set out in our latest Water Resources Management Plan. Furthermore, we will publish an annual review of our Water Resources Management Plan which will provide an update to our water availability and demand, for each of our Water Resource Zones. We can assure our regulators and potential traders that we will at least maintain this level of transparency. Further information about the availability of water more generally in the wider natural environment can be obtained from the Environment Agency or Natural Resources Wales.

Information about agreed trades will be submitted to Ofwat as part of existing reporting requirements that includes a list of all of our current bulk imports and exports. Information will also be contained within our Water Resources Management Plan, subject to requirements relating to national security and commercial confidentiality.

Compliance with the Code

United Utilities is committed to rigorous compliance with all of its legal obligations, including the Trading and Procurement Code. We also expect our trade partners to be similarly committed.

We will keep Defra, Ofwat, DWI, and the Environment Agency fully informed of any qualifying trade proposals made to us, any proposals we make to others, and any trade agreements that are made, through existing reporting interfaces.

For all qualifying trade proposals that are successfully completed we will carry out an internal audit of the process and provide that report to Ofwat. The audit report will examine the processes followed during the trade negotiations, and demonstrate that we have complied with all aspects of this Code. Assurance on qualifying trades will also be provided as part of our Business Plan submission.

Relationship with Water Resources Management Plan

United Utilities incorporates the consideration of water trading agreements within its existing option selection process for developing its Water Resources Management Plan. No import options were selected in our options appraisal process, and no water transfers were required in the finalisation of the current water resources management plans by potential importing companies. Consequently we did not include any new water trading arrangements within our 2015 Water Resources Management Plan. However, we have memorandums of understanding in place with water companies, which are enabling discussions to continue regarding future proposals. We believe the approach we take for selecting options under the Water Resources Management Plan is wholly consistent with how we would approach agreeing water trading arrangements. Our process for selecting supply demand options is set out in Sections 8 and 10 of our 2015 Water Resources Management Plan. This process will be updated as part of our next Water Resources Management Plan. We will consult on a new draft Water Resources Management Plan in 2018, and expect the next plan to be adopted as a final version in 2019.

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Rational trading

United Utilities fully supports and adopts a balanced approach to the management and use of water resources. We want to provide our customers with a safe and reliable service that meets all their expectations, at an affordable price. We want to do this sustainably, so future generations can also enjoy the natural environment.

Any water trade proposals that we may consider will be both economically- and environmentally-rational. This means we will only consider water trades that offer a better overall solution than other options available to us. This is the approach we adopted when assessing all options under our 2015 Water Resources Management Plan.

Economically-rational trades

The economic rationality of any new trade agreement will be further supported by the evidence of correct cost assessment that will underpin the trade. This cost assessment will be reported in the audit report that we would prepare once the trade was agreed.

As set out in our 2015 Water Resources Management Plan, cost assessment of all options, including potential trades, is on a 'whole life costing' basis to include inputs on 'up-front' capital costs, inputs on ongoing maintenance and operational costs, as well as social, environmental and carbon costs.

Environmentally-rational trades

The environmental rationality of any new trade agreement is supported by the fact that we will not compromise on our ability to meet the requirements of UK and European legislation, such as the need to achieve good ecological status or potential under the Water Framework Directive for water bodies from which we abstract.

Furthermore, we are currently involved in extensive environmental studies to investigate the impact from our assets on Heavily Modified Water Bodies under the Water Framework Directive. These studies will inform the development of our current and future Water Resources Management Plans and are further evidence that any water trades we might consider would necessarily be environmentally-rational.

Our Water Resources Management Plan also encompasses the principles of no deterioration, and we would expect information on the environmental sustainability of any water supplied to us from third parties. United Utilities would only propose a water trade if we were sure we could avoid any further adverse impact on the natural environment. Any abstraction to be developed for potential trading with a third party that would require a licence application or involved an increased use of a source would need to demonstrate a satisfactory environmental assessment, including a 'no deterioration' criteria for each water body.

The Water Resources Management Plan is subject to a Strategic Environmental Assessment and a Habitats Regulations Assessment. Any water resource options set out in the WRMP that involve water trading would therefore be subject to these assessments.

If an offer was received for a supply of water from a third party, we would expect the offer to include the appropriate level of environmental assessment related to the abstraction of water, and confirmation from environmental regulators that there was no potential for the 'deterioration' of any water body as a result of the abstraction. We would also seek reassurance that no licence reductions were being sought relating to the source.

Ending trades

United Utilities has several current imports and exports with other water companies. Ofwat is already aware of these transfers through information we have submitted.

We are aware of the Ofwat requirement for qualifying trades to be new trades beginning in or after July 2013. We can assure Ofwat and others that we have no intention of manipulating any of our current trades in order to exploit the financial incentives for trading. We would expect all of our trading partners to take a similar approach to the maintenance of existing trade agreements.

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If we agreed a new trade, the audit report that we would prepare as part of the compliance process would include evidence to show that the trade was new, not one that had been artificially ended and restarted.

Assessing costs

United Utilities would approach a water trade in a manner fully consistent with the water resource planning process, as set out in the Water Resources Planning Guidelines. We would also follow Ofwat's policy principles for bulk supply pricing. Following this guidance means we would always look to recover the costs reasonably associated with any water trade from our trade partner.

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Glossary of terms

Abstraction	The process of removing water from rivers, reservoirs and aquifers.
Abstraction licence	An authorisation to abstract, required for volumes above 20m ³ per day, given and regulated by the Environment Agency or Natural Resources Wales.
Access Code	<p>A document setting out the principles that a water undertaker will apply when establishing agreements for access to its water supply system under sections 66A of the Water Industry Act 1991, as amended by the Water Act 2003.</p> <p>United Utilities Water Limited will use its access code as guidance when establishing agreements for access with suppliers under the Water Supply Licensing regime. The access code sets out the requirements that will apply for access to the United Utilities supply system.</p> <p>www.unitedutilities.com/accesscodes</p>
Competition Act 1998	<p>The current major source of competition law in the United Kingdom. It provides a framework for identifying and dealing with restrictive business practices and abuse of a dominant market position.</p> <p>www.legislation.gov.uk/ukpga/1998/41/contents</p>
Defra	<p>Department for Environment, Food and Rural Affairs.</p> <p>www.gov.uk/government/organisations/department-for-environment-food-rural-affairs</p>
Drought	A prolonged period of dry weather that reduces rivers flows, reservoir inflows or groundwater levels to unusually low levels.
DWI	<p>Drinking Water Inspectorate.</p> <p>www.dwi.gov.uk</p>
Economics of Balancing Supply and Demand	A key methodology document used by water companies in preparing their Water Resources Management Plans. Published by UK Water Industry Research Limited (UKWIR) in 2002.
Environment Agency	<p>The regulator of the natural environment in England.</p> <p>www.gov.uk/government/organisations/environment-agency</p>
Groundwater	Water abstracted directly from an aquifer by means of a well, borehole or spring.
Megalitre (MI)	A volume of water equal to 1000 cubic metres, or 1 million litres.
Natural Resources Wales	<p>The regulator of the natural environment in Wales, formed in April 2013 from the Environment Agency Wales, the Forestry Commission Wales and the Countryside Council for Wales.</p> <p>naturalresources.wales</p>
No deterioration	<p>Two of the objectives of the Water Framework Directive [Article 4(1)(a)(i) and 4(1)(b)(i)] are to 'prevent deterioration of the status of all bodies of surface water' and 'prevent the deterioration of the status of all bodies of groundwater'.</p> <p>Changes in abstraction could cause deterioration of the status of a surface water body if the hydrology fails to support the biology associated with the current</p>

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status. Groundwater bodies could also suffer deterioration of status if changes in abstraction cause the result of any of the groundwater quantitative tests to change from good to poor.

There is a separate legal requirement for water undertakers to ensure that there is no deterioration in the quality of water they supply. It is a duty stated in the Water Industry Act 1991, Section 68. Changes in the source of water supplied to customers have the potential change the water quality supplied.

Ofwat Ofwat (The Water Services Regulation Authority) is the economic regulator of the water sector in England and Wales.

www.ofwat.gov.uk

Potable Water for domestic and food production purposes which is wholesome at the time of supply. This is defined in Section 68 of the Water Industry Act 91 and Regulation 4 of the Water Supply (Water Quality) Regulations.

Sustainability reduction The term used by the Environment Agency and Natural Resources Wales to a reduction to the licensed quantity in an existing abstraction licence in order to show that the licence does not have an adverse impact on a Habitats Directive site.

Thirlmere transfer A current project to transfer water from Thirlmere reservoir to supply customers in West Cumbria. This was selected as the preferred plan in United Utilities 2015 Water Resources Management Plan. It is estimated to be completed in 2022.

Trading and Procurement Code A document setting out the policies, principles and requirements that will apply when appointed water companies trade water with each other and third parties. This document is United Utilities' trading and procurement code and the relevant Ofwat guidance is here:

www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos201307finalapproachapp3.pdf

Treated water Water of a suitable quality for input to the treated water distribution system and that which results in satisfactory DWI compliance at the customers' tap.

Water Framework Directive The European Union Water Framework Directive (2000/60/EC) establishes a strategic "river basin planning" approach to managing the water environment, including achievement of good ecological status in water bodies by 2015. It provides a consistent approach for ensuring compliance with standards and objectives set for protected areas, and implementation of programmes of measures to meet those objectives.

Water Resource Zone The largest possible zone in which all resources, including external transfers, can be shared and hence the zone in which all customers experience the same risk of supply failure from a resource shortfall.

Water Resources Management Plan A water undertaker's long term strategic plan for water resource development in its area (see Section 37A of the Water Industry Act 91).

United Utilities plan is here:

www.unitedutilities.com/corporate/about-us/our-future-plans/water-resources/

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Water Supply Licensing

A process by which companies can apply to Ofwat to become licensed water suppliers and therefore be eligible to supply water to customers through the water supply network of a water undertaker.

www.ofwat.gov.uk/publications/water-supply-licensing-wsl-guidance/

Water (and sewerage) undertaker

A company appointed under the Water Industry Act 1991 to provide water (and sewerage) services to a defined geographic area.