

Trusted to deliver value, transparently, every day

United Utilities' Proposed Business Plan

2020/21 – 2024/25



Attendees today



United Utilities Water Limited



Dr John McAdam
Chairman



Steve Mogford
Chief Executive Officer



Steve Fraser
Chief Operating Officer



James Bullock
Strategy and
Regulation Director



Mark Clare
Senior Independent
Non-Executive Director



Russ Houlden
Chief Financial Officer



Louise Beardmore
Customer Services
and People Director



Jo Harrison
Asset Management
Director

YourVoice Customer Challenge Group



Bernice Law
Chair

Building on sustainable high performance



Performing in AMP6



Customer service

Service mark with distinction from UKICS



Drinking water quality

Top WaSC for Mean Zonal Compliance
Most improved company in 2017



Environment

Assessed as 4* by the EA for three consecutive years



Governance

Attained world class status in Dow Jones Sustainability Index for eleven consecutive years

Ready to go for AMP7



All green and amber WINEP3 schemes cost benefit tested



DWI support for schemes included in plan



Ready to move forward on direct procurement



Detailed bottom-up plan by price control, delivering targets with efficient totex

Delivering on affordability



Plan designed to meet the demographics and needs of the region



10.5% real terms price reduction – delivering 15 years of below inflation price increases

Price reduction helps 250,000 households out of water poverty

Targeted support helps a further 66,500 households out of water poverty

Broader action on affordability includes unique lowest bill guarantee and North West Hardship Hub

A genuine “**more for less**” plan

More than an aspiration - backed by performance commitments and ODIs



Delivering on customer service



Stretching performance targets delivering on customer priorities

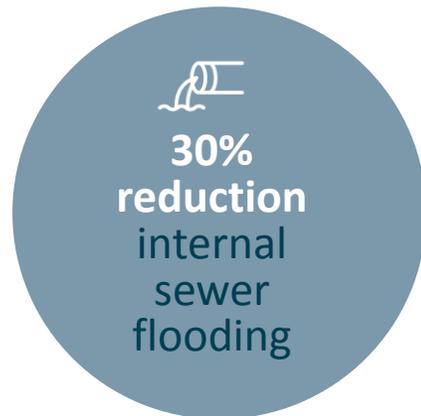


Unprecedented **customer engagement**

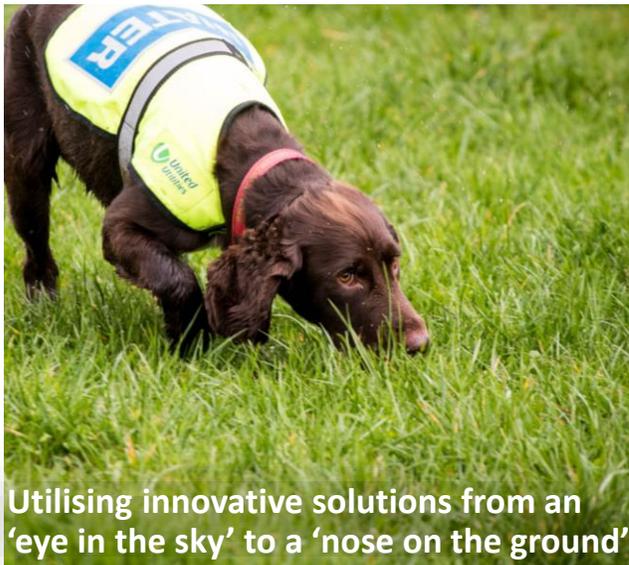
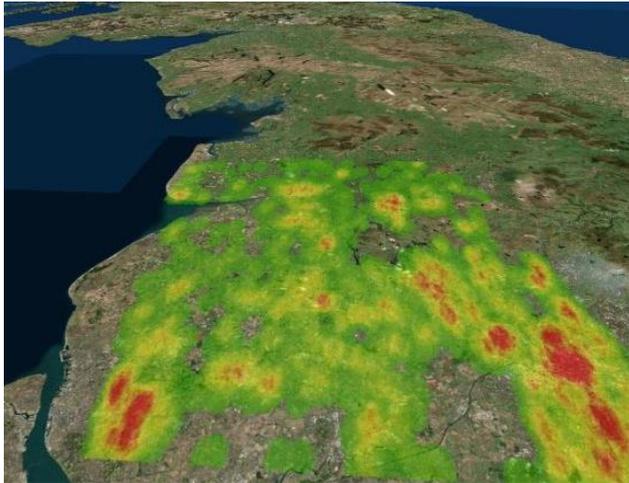
Transparency on customer research and ODI design and with CCG from design to debrief

A strong **incentive package**, generally free of exceptions or deadbands

Clear audit trail from customer insight to incentive rates – assured by third party



Delivering through innovation



Utilising innovative solutions from an 'eye in the sky' to a 'nose on the ground'

Harnessing and nurturing an innovation culture to deliver better service and lower costs



Foundations laid in AMP5 – looking within and outside sectors

Innovation Hub fast tracks opportunities sourced globally

- Reached out to **1,500 companies** from Canada to Australia

26 innovation case studies in our plan across wholesale and retail services

Delivering c£450m efficiency versus AMP5 and supporting better service delivery

Tapping into **innovation ecosystem**

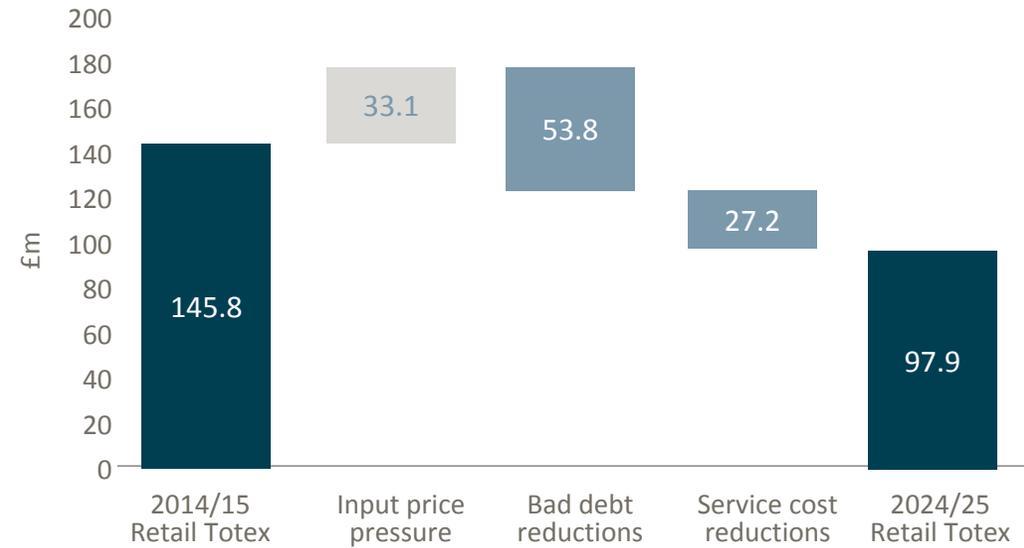
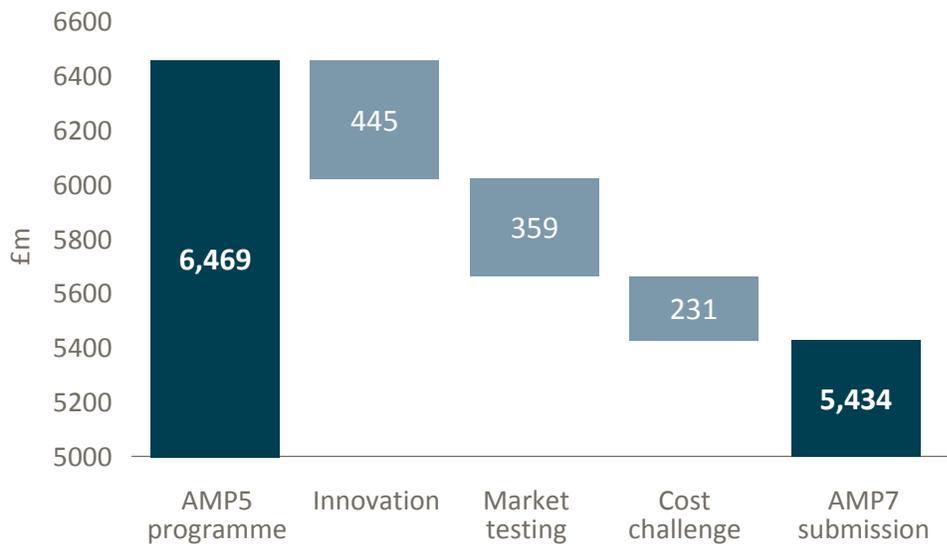
- Pinpointing rural leaks using **high technology and nature**
- **ERWAN** event recognition and broad application of systems thinking
- **Catchment wide systems** operation and use of market mechanisms in Petteril

AMP7 package provides scope to move to next level of capability in **Systems Thinking**

Efficiency in wholesale, efficiency in retail



We have stepped up to the efficiency challenge ahead of AMP7



Innovation, market testing and cost challenge leading to **£1bn reduction in wholesale totex**



Overall **retail costs down by one third; bad debt down by half** by end of AMP7 vs start of AMP6

Delivering improved resilience



Reducing operational risks and delivering exemplar corporate and financial resilience



Based on detailed **risk assessment** process, driven from Board down

Underlying improvement in risk position AMP6 → AMP7 - **£250m reinvestment**

Systems Thinking a major driver of improved resilience (eg: 'Beast from the East')

Manchester & Pennines scheme addresses largest operational **resilience** risk

Supporting development of future North/South **water transfer scheme**

Industry leading **standards** of corporate systems, transparency and reporting

A supporter of improvements in **governance** standards across the industry

Responsible, long term **stewardship** has built sector-leading financial resilience

Delivering a resilient service, such as rising to the challenge of 'the beast from the east'

Customers protected if dividends much higher than expected

Customers protected if gearing much higher than expected

Board committed to clear, responsible approach to benefit sharing with customers

Dividends	Gearing	CommUnity Share Commitment
<ul style="list-style-type: none"> • Base dividend of 5% equity RCV – in line with IAP criteria • Outperformance dividend of up to 2% RORE – in line with incentive regulation • Dividends in excess of this level matched 1:1 with benefit sharing for customers • Dividends only paid subject to resilience and performance tests 	<ul style="list-style-type: none"> • Adoption of Ofwat gearing incentive mechanism • No glidepath • Target to remain in 55-65% range, as in AMP5 and AMP6 • If gearing >70% and dividends paid, then Board to explain plan to return to normalised levels 	<ul style="list-style-type: none"> • £71m funding for financial assistance, before dividend • Further sharing possible based on dividends and gearing levels • Customers consultation on: <ul style="list-style-type: none"> • Bill reductions • More targeted support • Community grants • Transparent governance

Exceptionally strong “more for less” plan

Based on what customers have told us they want



-  Significant bill reduction
-  Providing more support to customers in need
-  Step change in efficiency
-  Harnessing innovation
-  Delivering EA and DWI requirements

-  Increased resilience
-  Robust PC/ODI package
-  Sustainable financing
-  Acting responsibly and with legitimacy
-  Clear benefit sharing



Track record of performance and ready to go for AMP7

Confident of delivering great service, at lowest sustainable cost, in a responsible manner

