

# United Utilities response to the Ofwat consultation: Draft guidance on Ofwat's approach to granting derogations from the regulatory ring-fencing framework



United Utilities Water Limited (UUW) welcomes the opportunity to comment on the Ofwat consultation on draft guidance in relation to Ofwat's approach to granting derogations from the regulatory ring-fencing framework.

The revised draft guidance, assessment framework and process to be followed when seeking derogation consent is duly noted by UUW, and UUW supports Ofwat's proposals in this area.

We welcome that in the consultation document Ofwat has clarified that there are arrangements where it will be more straightforward for an Appointee to evidence consent is in the interests of customers, quoting the example of being asked to approve an Appointee entering into a cross-default obligation with a financing company where that financing company is acting purely on behalf of the Appointee and this arrangement will help the Appointee put in place efficient finance which could not be otherwise secured.

This is helpful, as UUW has a financing subsidiary, United Utilities Water Finance PLC (UUWF), and we obtained various consents in 2015 from Ofwat when establishing UUWF as a financing subsidiary and issuer of notes under our listed Euro Medium Term Note (EMTN) Programme (guaranteed by UUW). These consents specifically relate to the issue of notes off the EMTN Programme, as UUW as a limited company cannot issue listed debt.

We can foresee the possibility of us making further consent requests in the future for UUWF to issue other types of debt instruments on behalf of UUW and/or access other debt capital markets, if for legal, technical or regulatory purposes UUW cannot issue directly into such markets - i.e. if we were to identify efficient funding opportunities from non-EMTN Programme bond markets, where such debt instruments also need to be issued by UUWF (rather than UUW).

In addition to the abovementioned UUWF related consents, UUW has also previously received from Ofwat a number of other consents under the regulatory ring-fencing provisions. We believe that it would be helpful if Ofwat were to take steps to expressly confirm to each Appointee that this new guidance only applies to consents submitted to Ofwat after the date that the new guidance is implemented, and that all existing consents granted to UUW remain in full force and effect, subject to any applicable terms of such consents continuing to be met in all material respects.