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By email

To Company Secretary
United Utilities Water Limited
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

12 August 2020

Water and Sewerage Appointees – Definition of “Issuer Credit Rating”

Dear Company Secretary,

On 14 July 2020, we published a formal [decision document](#) setting out the reasons for the licence modifications we have made as a result of the recent section 13 consultation on the ring-fencing provisions in companies’ licences. These modifications were made on 10 July 2020 and came into effect on 13 July 2020.

Under the revised licence modifications an “Issuer Credit Rating” is defined as:

- (a) an issuer credit rating assigned to the Appointee or any Associated Company which issues corporate debt on its behalf by a Credit Rating Agency;
- (b) a Corporate Family Rating assigned by a Credit Rating Agency to a corporate group of which the Appointee is a member and which has been approved for this purpose by Ofwat; or
- (c) a rating assigned by a Credit Rating Agency to the Appointee or any Associated Company, for so long as Ofwat has determined in writing that this rating sufficiently reflects the creditworthiness of the Appointee.

This letter confirms which of the company’s ratings fall under the licence definition and sets out the reasons for our decision to monitor ratings under limbs (b) and (c).

In an email dated 5 September 2019 you confirmed that United Utilities Water Limited or its financing company, United Utilities Water Finance PLC, holds the following credit ratings from Fitch, Moody's and Standard & Poor's:

AGENCY	TYPE
Fitch Ratings	Long-term issuer default rating
	Class A debt rating
Moody's	Long-term issuer rating
	Class A debt rating
Standard & Poor's	Long-term issuer rating
	Class A debt rating

Credit ratings that fall under limb (a)

The following ratings are automatically monitored as regulatory markers as they meet the licence definition under limb (a):

- Fitch long-term issuer default rating
- Moody's long-term issuer rating
- Standard & Poor's long-term issuer rating

Credit ratings assessed under limb (b)

There are currently no ratings held by United Utilities Water Limited, or its associated companies, which meet the criteria set under limb (b).

Credit ratings assessed under limb (c)

Where available, we consider issuer credit ratings to be a more comprehensive and informative credit rating for regulatory purposes than Class A debt ratings. Accordingly, we have not made a determination under limb (c) about the company's Fitch, Moody's and Standard & Poor's Class A ratings.

Other clarifications

For the avoidance of doubt, Class B / subordinated debt ratings are not used as regulatory markers for cash lock-up or to assess compliance with the Appointee's

obligation that it must ensure it maintains an appropriate investment grade credit rating at all times.

Please notify us as soon as possible if any additional credit ratings to those listed above are obtained, or if the withdrawal of any of the above credit ratings is requested.

Best regards,

Aileen Armstrong

Senior Director