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By email

Secretary of State for Environment,
Food & Rural Affairs

16 March 2023

Dear Secretary of State,

United Utilities draft water resources management plan 2024 consultation response

Long-term water resources planning is a key business planning activity and essential for the efficient delivery of resilient water services for customers and protecting and enhancing the water environment. Ofwat has a key role to play in enabling this by funding through the 2024 price review (PR24). Therefore, it is vitally important that we consider whether water companies are identifying the best value approaches and delivering these, to ensure the best outcomes in terms of targeted investment to address challenges. The water resource management planning process is essential to help Ofwat and water companies get this right. As a statutory consultee, we welcome the opportunity to comment on United Utilities' draft water resource management plan (WRMP), which it published in November 2022. This letter provides a summary of our assessment of United Utilities' draft WRMP and should be read alongside our letter setting out the wider context of our review and the general approach to the assessment of companies' draft WRMPs.

United Utilities supplies water to a population of approximately seven million people in the North West of England. Its water resources are planned on the basis of four water resources zones (WRZ), which include major cities including Blackpool, Manchester, Liverpool, Carlisle and Crewe. United Utilities predicts that it will be in deficit in the future, without additional action to reduce demand or provide additional supplies. This means there would be insufficient water to maintain supply to customers in some severe drought conditions. The scale of the challenge and complexity of the issues means that effective action is needed to meet the needs of customers and the environment.

Overall, there are some areas of United Utilities' plan that are in line with our expectations for this stage of a draft WRMP. In particular, it delivers on expectations by:

- undertaking a robust optioneering process, that included a wide range and number of feasible options from which to determine a preferred plan that represents best value;
- using a decision making process that aligns with best practice, and draws on regional group inputs and customer preferences.

Aileen Armstrong, Senior Director for Company Performance and Price Review

However, there are several material areas we have identified from our assessment where the plan does not yet provide sufficient and convincing evidence that it delivers the best value, low regret plan in the interest of customers and the environment. The annex to this letter provides detail on the specific areas of the company plan that we consider need further work and evidence. In particular, in its final WRMP United Utilities should:

- ensure it stays on track with WRMP19 supply- and demand-side options delivery and meets PR19 commitments ahead of WRMP24. United Utilities should also make sure the starting position for the WRMP24 supply and demand balance has been clearly and robustly justified with any difference at the beginning of the WRMP24 planning period to the final plan WRMP19 2024-25 year figure explained.
- refine its demand management strategy. While we welcome ambition against demand targets, United Utilities should provide detail on meeting 20% reduction in Distribution Input target by 2037, including opportunities for reducing non-household demand. United Utilities should also provide evidence to justify its chosen metering technology and the costs of its programmes. This may include sensitivity tests on different demand management strategies to meet targets and the overall cost impact on the plan;
- undertake sensitivity analysis for the date to meet 1 in 500 year drought resilience. We welcome that customer preference has been accounted for in the decision. However, sensitivity analysis on the date the 1 in 500 year resilience is achieved would also allow the decision to be justified by impact to the plan cost as a whole, as a result of potential optimised selection and timing of options required to achieve the resilience.
- improve some areas of its adaptive planning approach by presenting a core pathway that focusses more on low-regret investment in line with the Water Resource Planning Guidelines (WRPG) definition, consider how utilising the technology common reference scenario may be able to test cost of meeting longer term targets, completing sensitivity analysis of the timing of adaptive plan branches. Where investment is needed beyond least cost the value of the additional benefit should be presented within the WRMP planning tables.

We thank United Utilities for its hard work and effort in producing a detailed draft WRMP, and responding to queries throughout the consultation process. United Utilities should now focus on delivering the expected outcomes of the current plan (WRMP19 funded via PR19), and consider all the responses to this draft consultation in its final plan. We look forward to continuing to work together as final WRMPs are prepared, to protect water resources now and in the future.

Yours sincerely



Aileen Armstrong

Aileen Armstrong, Senior Director for Company Performance and Price Review

Senior Director, Company Performance and Price Reviews, Ofwat

Annex

In this annex we outline further details on the points raised in our main letter alongside more detailed comments on different areas of the draft plan. Our points reflect our assessment approach focusing on:

- **Demand management ambition and outcomes** – alignment with government targets and statutory requirements for water demand.
- **Assessment of water needs** – including key drivers for WRMP24, the supply demand balance forecast and the need for enhancement investment.
- **Options to meet water needs** – the approach taken to identifying and screening options for both supply and demand, review of demand management and supply side proposals including sensitivity testing for key areas, sufficiency of options and option utilisation under normal and peak scenarios, including scalability and modularity.
- **Decision making and prioritisation** – best value decision making for customers and the environment, how the company has approached strategic planning frameworks and alignment with Ofwat’s long-term delivery strategies and common reference scenarios¹.
- **Long term best value programme** – cost efficiency, bill impact and affordability of the plan.
- **Customer and stakeholder engagement** – the type and quality of interaction with customers and stakeholders and the impact this has had on the draft plan formulation and proposals.
- **Board assurance** – company assurance and governance processes, including Board engagement and signoff.

Demand management ambition and outcomes

The Government’s strategic priorities for Ofwat states that reducing demand for water can relieve pressures on water supply and increase our resilience to extreme drought. Water companies must act to reduce demand for water in a way that represents value for money in the long-term. We expect all companies to use their WRMPs to show how they will meet long term water demand targets including:

- halving leakage across the industry by 2050, in comparison to 2017-18 levels²;

¹ Ofwat, [PR24 and beyond: Final guidance on long-term delivery strategies](#), April 2022

² For example, [February 2022: The government’s strategic priorities for Ofwat – GOV.UK \(www.gov.uk\)](#)

- reduce per capita consumption (PCC) to 110 litres per head per day (l/h/d) by 2050³.

A further target is now set in the Environmental Targets (Water) (England) Regulations 2023⁴ for the reduction of potable water supplied by water undertakers in England to people in England. This is that the volume supplied per day per head of population is at least 20% lower than the 2019-20 baseline by 31 March 2038. We expect companies to demonstrate how they will deliver against this target in their final WRMP.

We welcome that United Utilities plans to reduce leakage by 50% by 2050. The company also states its intention to meet the per capita consumption (PCC) target of 110 l/h/d by 2050⁵ but this is heavily reliant on government support such as through water labelling schemes.

The company's final WRMP should reference the target to reduce distribution input by 20% by 2037-38 and demonstrate how it plans to deliver this through a combination of reductions in the key demand components, leakage, household consumption and non-household consumption.

Demand reduction strategy

We welcome that the company has tested different target profiles such as achieving full smart metering and its long-term leakage target via fast and slow delivery. However, the final WRMP should provide sufficient and convincing evidence on why the company selected its preferred strategy by clearly showing the costs and water savings per price control period for each scenario. This explanation and comparison should be clearly set out in the main plan even if some details are included in appendices.

We are concerned that the company has presented high unit costs in some areas of its draft plan, particularly for smart meter installations. The company proposes a unit cost of £555 per advanced metering infrastructure (AMI) meter installation for the period 2025-30. This is around double the meter unit cost allowance at PR19. The draft WRMP data tables also show that the preferred metering programme delivers water savings at a unit cost of 20.7 £m/Ml/d over the 2025-30 period and 15 £m/Ml/d over the 2025-50 period. This is well above the industry median of unit costs for this activity. We expect the company to review its metering strategy and provide sufficient and convincing evidence that it is presenting a best value solution based on efficient activity costs.⁶

³ For example, [February 2022: The government's strategic priorities for Ofwat - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/2022-02-01-the-governments-strategic-priorities-for-ofwat)

⁴ Defra, [Environment Act 2021: environmental targets December 2021](#)

⁵ 110 l/h/d is a dry year target

⁶ Note the Ofwat analysis undertaken adjusted all costs to the 2020-21 price base.

Delivery of PR19 performance commitments and WRMP19 targets

We welcome the company's commitment to meet its PR19 performance commitment levels for leakage by 2024-25. However, we are concerned that, based on the draft WRMP data tables, the company does not forecast to deliver its PR19 performance commitment levels for PCC by 2024-25.

We expect the company to deliver its PR19 and WRMP19 targets. Companies should not expect additional customer funding to address deficits resulting from under delivery in the current or previous periods. We expect the company to review its proposals in these areas for its final WRMP.

Business demand

United Utilities has set out its strategy to reduce non-household water consumption. We welcome the company's proposal to reduce business demand by 14.2% by 2029-30 compared to 2019-20 baseline levels.⁷ We have previously highlighted the opportunity for companies to deliver business demand reductions and our expectations for WRMP24 are that companies deliver significantly improved levels of water efficiency in the business sector.⁸ We expect the company to set out and clearly justify an ambitious strategy for non-household demand reduction in its final WRMP to inform its PR24 business plan.

Per capita consumption (PCC)

The data provided by the company to date shows it is proposing a three-year average PCC reduction over the 2025-30 period that will deliver a level of PCC 5.2% below the 2019-20 baseline by 2029-30. This is 1.1% worse than the company's 2024-25 performance commitment level of 6.3%. The company should be delivering a PCC of 134.9 l/h/d by 2024-25 but is now proposing to deliver a PCC of 136.5 l/h/d by 2029-30. As the company further develops its forecast PCC performance trend between draft and final WRMP it should include the reasons for changes and explain the impact of any revisions on the optimisation and best value option selection in its preferred plan. We expect the company to provide sufficient and convincing evidence in its final WRMP to justify why its selected targets for demand reduction represent the best value approach to meeting a supply-demand balance or delivering long-term strategic outcomes.

⁷ Combining measured and unmeasured non-household consumption figures, business demand is expressed as a three year average. The average of the reporting year and the two previous years.

⁸Ofwat, Environment Agency, '[Delivering greater water efficiency in the business sector](#)', March 2020 and '[Delivering greater water efficiency in the business sector](#)', February 2021.

Leakage

We welcome the inclusion of plans to reduce leakage by 50% from 2017-18 levels by 2050. However, the company does not test alternative long-term leakage targets. It only tests achieving the 50% reduction target at a faster pace by 2031. Insufficient evidence is provided why this alternative test was chosen or why different targets were also not tested. It is unclear how the testing has influenced the selected target presented in the draft plan. We expect the company to provide sufficient and convincing evidence of target testing, and an explanation of its decision-making process as well as a justification for the selected leakage reduction in its final WRMP.

We are concerned that the company's draft WRMP tables show that several cheaper feasible options to deliver leakage reductions were not selected. For example, for the Strategic WRZ, the plan chooses a range of leakage control options delivering leakage reductions at a unit cost higher than 12p per m³. However, cheaper feasible options (such as LEA-SRZ5_Find and fix delivering 10 Ml/d at 7p per m³) are not selected by the preferred plan. The company needs to explain and provide sufficient and convincing evidence why these cheaper feasible options are not included in final preferred programme.

United Utilities has not discussed its policy with regards to customer supply pipe leakage. We are encouraging companies to evaluate the benefits of a common industry approach to addressing leakage on customers own pipes. We expect companies to provide a view on the benefits of a common industry approach in their statements of response and final WRMPs. We will support companies in the development of a common approach but expect the industry to lead on the development. The Water UK leakage routemap to 2050⁹ committed to an informed debate on customer supply pipe strategy by December 2022.

Metering

Meter penetration is forecast to increase from 43% in 2025 to 51% by 2035, and to 57% by 2045. The company is proposing to adopt smart metering and replace existing meters with smart meters. Smart meter penetration is planned to reach 51% by 2035, and 57% by 2045.

United Utilities sets out its approach to smart metering households explaining that its metering strategy requires smart metering households on common supply pipes after 2030. However, the company does not sufficiently explain how it proposes to do this and if it is via individual household meters or bulk meters. The company should explore different approaches to smart metering households on common supplies, particularly given the large

⁹ Water UK, [A Leakage Routemap to 2050](#), March 2022

investment being proposed. The company acknowledges that the preferred full smart metering option is not cost-effective. We expect the company to consider more cost-effective ways of achieving the PCC target, including different option types and delivery profiles, and to provide sufficient and convincing evidence that its metering strategy is optimal over the long-term in its final plan.

The company identifies advanced metering infrastructure (AMI) as the optimal meter technology. Although automated meter read (AMR) was identified as the alternative technology the company explains that it discarded this option in the initial screening stage of the planning process on the basis that it cannot deliver the PCC target. This represents a change in position with respect to United Utilities' Green Recovery proposals (submitted in 2020) where the company identified AMR metering as the optimal technology. To demonstrate that its metering strategy is optimal and best value, the company should clearly present the costs and benefits of the different metering technologies considered (including AMI and AMR) in its final plan. The company should also explain why AMI would be suitable and economic to rollout across its whole region, particularly in rural or remote areas where mobile coverage may not always be available and where AMI may not deliver the full benefits of this technology. The company needs to justify its choice of meter technology more robustly using sufficient and convincing evidence and explain why a blend of AMI/AMR meters would not be better value in final plan.

Although the preferred metering option was assessed against an alternative of bringing investment forward to achieve full smart metering by 2035, the company has not considered alternative investment profiles. The company should provide sufficient and convincing evidence to justify why the selected profile – rather than doing more or less in the near term – is optimal from a timing of investment perspective.

Assessment of water needs

A robust assessment of current and future water needs is critical as it drives the gap between supply and demand and therefore drives the scale of investment required for the 2025-30 period and beyond. United Utilities forecasts supply demand deficits in its Strategic WRZ, starting at 56.5 Ml/d at the beginning of the planning period, increasing to 321.9 Ml/d by 2050. All other WRZs maintain a surplus across the planning period. The main challenges over the planning period are climate change, environmental destination impacts on abstraction and meeting the 1 in 500 year resilience level.

We provided detailed feedback on United Utilities' assessment of water needs in our pre-consultation feedback in 2022. Some of our previous feedback has not been appropriately or fully addressed in the draft WRMP and has been raised again in amongst points in this section. United Utilities should provide sufficient and convincing evidence that the feedback has been addressed in the final WRMP.

The company's supply demand balance starting point for the draft WRMP24 is significantly lower than its forecast for the same point in the final WRMP19. The reduction in available water for 2025-26 is equivalent to 9% of company water demand (distribution input). Although some of the changes are due to supply-demand balance reporting updates, there is still insufficient evidence to understand changes in some areas, and the evidence suggests that non-delivery or underperformance is the cause. This includes not meeting expected WRMP19 PCC levels, with significantly higher (over 15%) household demand than anticipated with the company stating this is due to a Covid-19 adjustment, change in base year and methodology changes (balancing unmeasured water between PCC and leakage). The company also proposes raw water and process losses in its draft WRMP24 that are 70% higher than the same point in the final WRMP19. This means that there are significant concerns whether the overall outcome of the WRMP19 as funded at PR19 has been delivered in the round. Companies should not expect additional customer funding to address deficits resulting from under delivery in the current or previous periods. The company should fully quantify and justify the reasoning for changes between WRMP19 and the starting point for WRMP24 at a supply-demand balance component level with sufficient and convincing evidence.

We expect the company to make substantial efforts on demand reduction for the rest of 2025-30, to ensure that WRMP19 forecast, and PR19 performance commitment targets are met annually, and to set firm foundations for delivering WRMP24. This includes setting out in the plan, how the benefits of funded PR19 activities have been appropriately factored into the draft WRMP24 baseline supply-demand balance. The company should provide granular details of the benefits of funded schemes and how and when these have benefitted the baseline supply-demand balance.

United Utilities has used methods and data to assess its water needs that are appropriate to the scale and complexity of the problem that it faces and has recognised the different problems across its operating area. United Utilities has used a 25-year planning horizon and has also forecast supply demand balance over a longer time period to 2100. This exceeds the requirements of the planning guidelines, however, the final plan would benefit from explaining the rationale for the chosen planning horizon and supply demand balance forecast periods.

United Utilities states that some 1-in-500-year delivery testing has been completed and that customers agree with the timing of meeting this in 2039. However, there is very little evidence presented on the impact of costs and the programme for delaying the date, including aiming to achieve this by 2050. Although it appears to have been tested with customers as part of developing the draft WRMP, how this was presented is unclear including the impact on costs, bill impacts, and the year that was used as the delayed delivery date. The timing of 1-in-500-year resilience is a draft WRMP consultation question but again insufficient information is provided on what this would mean for customers in terms of

impact on the plan, impact on bills or change in service to help inform responses and achieve meaningful engagement.

The company's outage allowance is high compared to most other companies at over 5.5% of the company distribution input during 2025–30. Therefore, this planning assumption contributes to the company's supply-demand balance and proposal for investment. The company needs to present sufficient and convincing evidence that the outage allowance is appropriate in both the short and long term; is not driving unnecessary and high regret investment; how this level of outage tracks the reported unplanned outage performance commitment; and how the company has considered options to reduce its outage allowance.

United Utilities has provided assurance that abstraction reductions are not double counted when licence capping is combined with environmental destination scenarios.

Options to meet water needs

Identifying an appropriate number and range of options to meet water needs is essential to ensure that customers and stakeholders have confidence that the preferred programmes are optimal. We queried how many unique options were included on United Utilities' feasible option list, how much water they could provide, and what proportion of expected needs in 2050 these could meet. United Utilities confirmed it has 161 unique options (117 supply- and 44 demand- side) capable of providing an additional 1850 Ml/d of water available for use (WAFU). When compared to the forecast deficit of 322 Ml/d in 2050, United Utilities therefore has feasible options that can meet around 580% of its need. We welcome the number and range of feasible options explored by United Utilities in comparison to its deficit, as this gives more confidence that the best value assessment has the flexibility to select options which are justifiable as best value options for the preferred plan.

United Utilities' preferred plan includes 36 options (seven supply side and 29 demand side) covering a range of option types including groundwater enhancement, new surface water sources, treatment works capacity increases, as well as demand options for water efficiency and leakage control.

The draft plan discusses United Utilities' strategy for water trading. The strategy is underpinned by the North West Transfer (NWT) solution, and Severn to Thames Transfer (STT) solution, that United Utilities sponsor and co-sponsor respectively in the Regulators Alliance for Progressing Infrastructure Development (RAPID) programme. We encourage United Utilities to engage closely with RAPID during the development of the final plan, where some uncertainties still exist with the solutions, such as the potential for external transfers to support NWT and within-zone resilience.

There are some discrepancies between company and regional plans on the representation of STT, particularly when elements of it are needed to support Severn Trent Water and Water Resources South East (WRSE). While we recognise timing of change requests have limited United Utilities' ability to reconcile some discrepancies for the draft plan, we expect all companies and regional groups involved to represent the STT option consistently in their final WRMPs. Final plans should consider STT as an integrated solution, ensuring end-to-end consistency and engagement. All plans representing STT, should also adhere to Welsh legislation and engage Welsh stakeholders and customers where relevant.

The approach to identifying third party options and the development and appraisal of these has been clearly explained. We welcome that the company has provided support to third parties to develop options to a suitable level to ensure these are not unfairly disadvantaged and so that options can be compared on a consistent basis.

There are limited options for non-household water discussed, and little evidence of engagement with retailers on options for reductions. Opportunities in this area should be identified and further expanded on for the final plan.

The company has included a change in level of service, bringing United Utilities in-line with the other Water Resources West (WRW) companies' levels of service for temporary use bans (hosepipe bans) at a frequency of 1-in-40 years. However, the company is proposing options that it states allows it to meet both 1-in-40 resilience in its region and support trading with others utilising the same assets. It is likely that the water from these options will be needed both within company and to trade at the same time. The company should provide sufficient and convincing evidence in its final plan that this approach does not increase availability risks and how this complex arrangement would operate.

United Utilities has not provided sufficient information regarding option utilisation in its draft WRMP. We expect to see more robust evidence on utilisation in United Utilities final WRMP, in line with feedback in our pre-consultation feedback letters. This should fully explain and justify the utilisation rates given and provide sufficient and convincing evidence that modularity and scalability in optioneering has been fully considered and explored to manage low utilisation situations. We expect to see more evidence in the final plan that operational interventions have been considered and will be implemented where appropriate if this is the best value solution.

Additional information on utilisation of options that deliver greater than 10MI/d was provided by United Utilities through the query process. This came with a detailed written explanation on the modelling that has been undertaken. The modelling was initially undertaken for the North West Transfer option, in line with RAPID gate two guidance, and then used for the draft WRMP. All options relate to water trading. The North West Transfer has been designed to provide water to seven water companies across three regions. A more comprehensive

description of utilisation, as we've seen through the RAPID gate two submission, should be provided in the final WRMP as per our pre-consultation feedback and as set out in WRPG.

Decision making and prioritisation

The decision making approach including decision support tools used is appropriate to problem characterisation and appears aligned with WRPG. The plan provides line of sight from the best value metrics used to the plan objectives. A clear explanation of the optimisation process used to derive the preferred programme has been provided. An explanation of the approach to uncertainty and adaptive planning has also been provided. The adaptive plan addresses known issues and future uncertainties tested against a suitable range of scenarios. The company has also clearly explained how its best value WRMP is informed by the WRW best value regional plan.

Sensitivity analysis has been undertaken to test the preferred and alternative programmes to understand if cost savings could be achieved. Notably this has not yet looked at flexing the year in which plans aim to meet 1 in 500 year drought resilience. Although an explanation of the approach and decisions made for meeting 1 in 500 year drought resilience is provided, the company should include sensitivity analysis that provides sufficient and convincing evidence to justify the decisions made on the timing of 1 in 500 year drought resilience in its final plan.

In the best value analysis, United Utilities has considered the carbon impact, natural capital, and other benefits that the considered options can deliver and in combination assessments are included for environment and deployable output at the programme level.

Overall, United Utilities has demonstrated an understanding of adaptive planning; however, it should improve its approach in some areas. These are set out below.

United Utilities has presented a core pathway, but it appears to focus on minimum expenditure instead of low-regret investment, which is not in line with the core pathway as described in the WRPG. This could result in an underestimation of investment in the long-term and increase the long-term costs for customers. In its final plan, we expect United Utilities to present a core pathway that includes low-regret investment to meet future uncertainties and additional option value to allow further flexibility in the future. United Utilities should discuss modular investment, investment to keep options open in the future, and investment required across a wide range of plausible scenarios.

United Utilities needs to demonstrate that scenario testing, including the common reference scenarios, has been used to identify low-regret investment that is required in all or most plausible futures. This should expose what investment should be undertaken regardless of future circumstances.

As part of this evidence, United Utilities should clearly set out the impact of the Ofwat common reference scenarios compared to the 'most likely' scenarios on which the preferred plan is based. This should include quantifying the impact on demand of the low and high scenarios for climate change, demand, and abstraction reductions across the planning period. The company should also quantify the estimated impact on the expenditure requirement of:

- 1) planning based on the high scenarios for climate change, demand, and abstraction reductions, and the slower scenario for technology; and
- 2) planning based on the low scenarios for climate change, demand, and abstraction reductions, and the faster scenario for technology.

This will allow for improved understanding of the drivers of investment, the sensitivity of the plan to future scenarios and confidence in the investments being proposed. The company should use the results of this testing to identify and justify with sufficient and convincing evidence low regret investments, rather than just ones that meet both high and low planning needs in a non-adaptive way.

United Utilities has presented multiple adaptive plans: one for each scenario as well as a bespoke scenario for water trading. In its final plan, United Utilities should present these as one overall adaptive plan¹⁰.

United Utilities has not used the technology common reference scenario, as it considers it is an unfeasible scenario for the company. However, when testing the strategy against the scenarios, the operationalisation of the technologies should always be assumed to reduce the costs of meeting long-term outcomes. Where companies consider it particularly implausible that the adoption of a technology could be cost-effective in their region by the dates in the scenarios, this should be highlighted.

United Utilities states that the timing of the abstraction reductions required for environmental destination falls after its short-term investment needs, and once these needs are met, the benefits provided would outweigh the difference in environmental destination between scenarios; hence, the company stated it does not require pathways related to abstraction reductions in its adaptive plan. However, uncertainty in the benefits provided should be considered.

¹⁰ Similar to the example provided in section 1.1 of the PR24 final guidance on Long Term Deliver Strategies:

Ofwat, [PR24 and Beyond: Final guidance on long-term delivery strategies](#), April 2022

Aileen Armstrong, Senior Director for Company Performance and Price Review

United Utilities has identified trigger points and decision points which are supported by a monitoring plan with well-defined metrics. Trigger points should be quantified when possible, and the company should provide evidence of this in the data tables; the company should also describe the alternative pathways in the relevant section of the data tables.

United Utilities has not referred to Ofwat's public value principles, although the plan adheres to most of the principles. We would like United Utilities to reference Ofwat's public value principles, and to reflect expectations set out in the PR24 final methodology, within its best value planning process in its final plan and to explain how these have been used to inform best value decision making.

The costs and benefits of the least cost plan against the preferred and alternative plans should be presented. Where investment is proposed beyond least cost, the value of the additional benefit needs to be presented within the WRMP planning tables. Robust valuation data is important where companies are requesting significant areas of investment.

Long term best value programme

United Utilities has identified £599 million (2021-22 prices) of enhancement expenditure relating to the delivery of its draft WRMP24 in the 2025-30 period. Over the 2025-50 period, the company has identified a requirement for over £3.1 billion of enhancement expenditure to deliver its long-term plan.

For this investment, United Utilities plans to deliver around 68 Ml/d of supply demand benefit in 2025-30. The company proposes to deliver benefits at a higher unit cost than other companies over this period¹¹. In particular we have concerns with the company's proposed metering investment, which makes up 70% of the company's 2025-30 requested expenditure. As discussed above the benefits from this investment are being delivered at a higher unit cost of 20.7 £m/Ml/d when compared to the industry median of 7.5 £m/Ml/d. United Utilities should demonstrate why its metering strategy is best value compared to alternative options as well as how these costs are efficient in its final WRMP.

The company should provide sufficient and convincing evidence that the preferred options being selected, across all areas of its plan, are best value in its final WRMP24. The company should ensure costs are reliable, efficient, and appropriately allocated, and continue to refine

¹¹ Based on the data submitted by companies in their draft plans and comparison against the industry median

and develop detailed bottom-up cost profiles to ensure a greater level of maturity of costings. We encourage United Utilities to engage with the market further to support this work.

Stakeholder engagement

United Utilities has carried out a wide-ranging approach to customer participation and stakeholder engagement reflecting the challenges included in its draft plan. Research into customer preferences has been undertaken and there is evidence that the results of this research have shaped the best value plan. Customer preferences and acceptability on investment in supply and demand measures have been sought and generally considered in the development of the plan.

Engagement with retailers has informed the plan's approach to non-household options and the views of retailers have been sought through consultation.

Engagement with the WRW regional group and with neighbouring water companies has been carried out through joint research ventures into customer preferences across the region. A 'willingness to pay' metric was developed from regional customer engagement and was used in decision making to inform United Utilities' draft WRMP.

Results from a WRW consultation on environmental destination state that opportunities for stakeholder collaboration on the funding for different projects exist, however no further details are provided on this. Further investigation of partnership opportunities for co-funding and co-delivery with stakeholders should be undertaken and set out in the final WRMP.

Assurance

The company has included a signed board assurance statement and supporting statement which is set out in detail the Board's engagement and approval of the plan. A report on governance and assurance gives a detailed description of the risk management process and responsibilities of different groups in ensuring robust decision making.

We expect the company to provide sufficient and convincing evidence that the Board has challenged and satisfied itself that the WRMP and the expenditure proposals within them are deliverable in the context of the wider PR24 business plan proposals. The company should

also demonstrate that it has put in place measures to ensure that the plans, of which the WRMP forms a key part, can be delivered¹².

¹² Ofwat, [Creating tomorrow, together: Our final methodology for PR24. Appendix 9 – Setting expenditure allowances](#), December 2022, p122