

Multi-Utility Partnering In AX4

Network Partnerships One Year On

Andrew Cowan
Network Investment Director
United Utilities

Balfour Beatty



morgan=est

Context

- UU Multi-utility Delivery Approach
- AMP3-AMP4 Programmes
- Drivers for change
- Principles for Alliances

The Network Alliances

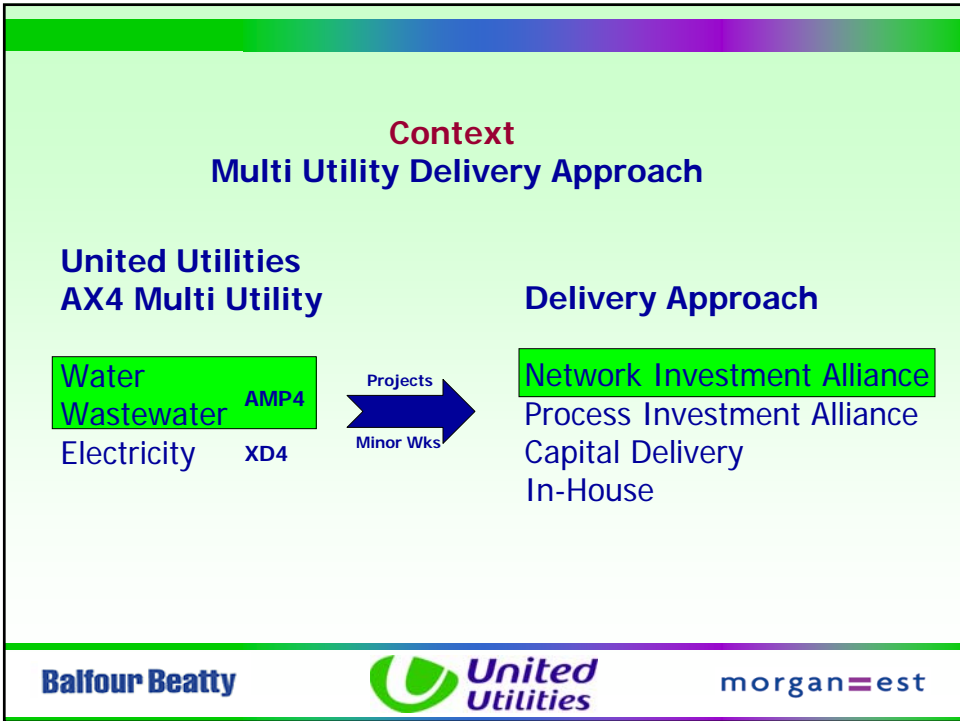
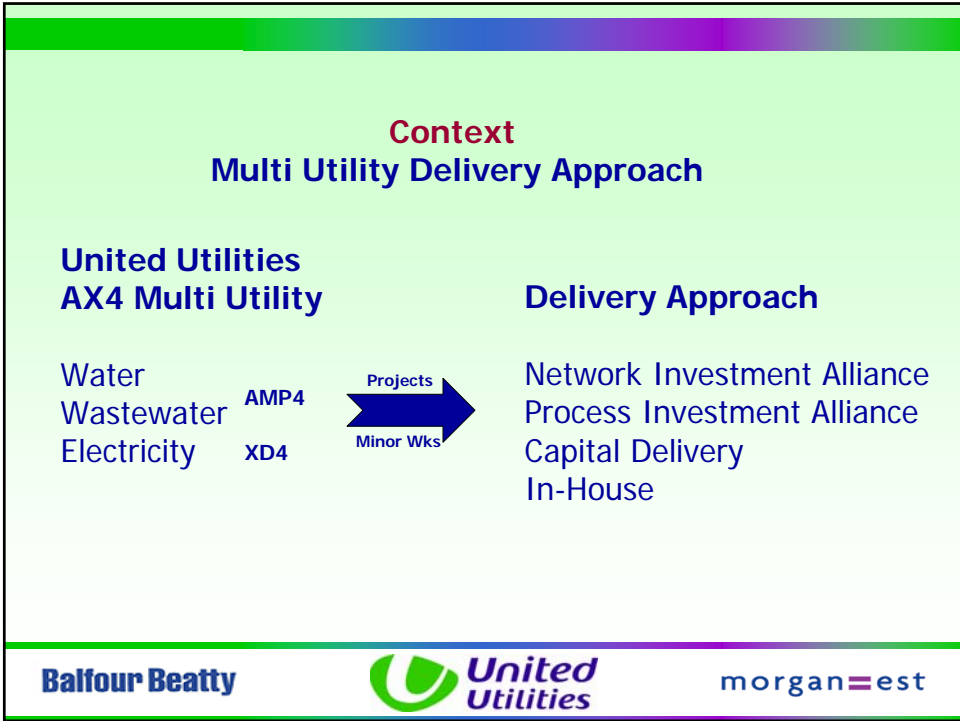
- Key Work Areas
- Development from AMP3 to AMP4
- Incentive Mechanism + KPIs
- Organisation
- Successes + Work in Progress

Conclusions

Balfour Beatty



morgan=est



Context – AMP3 to 4



	AMP3	AMP4	
Water Mains Renovation	4300	3042	km
New Water Mains	810	570	km
Critical Sewers Renovation	145	195	km
Critical Sewers Renewal	78	8	km
New Critical Sewers	35	32	km
Non-Critical Sewers	170	212	km
Flooding Problems	960	1497	
New or Improved CSOs	900	163	
New or Refurbished WTW	94	57	
New or Refurbished WwTW	190	114	
Total Spend	£3.0b	£2.5b	



Context - Drivers for Change

- UU need for ownership
- Scale of Programme (2nd in UK)
- OFWAT Capex Efficiency Targets (7-12%)
- OFWAT Rankings Objective (Upper quartile)
- Cost to serve
- Resource availability (risk of overheating)
- Opportunities to improve

Balfour Beatty



morgan=est

Context – Principles for Alliances

Partnering Principles

- Performance partnering
- Long term relationships (5 to 10 years)
- Intellectual capability - UU led
- Partners contribute up the delivery chain
- Large scale contracts, leverage across work types

Commercial Principles

- Alignment of incentives between UU & partners
- Sharing in the risks & rewards
- Encourage collaboration & knowledge sharing
- Creating high performance seamless teams
- Removing cost duplication & sharing the benefit

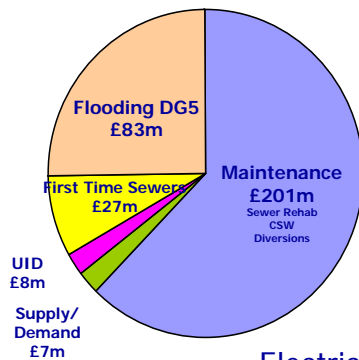
Balfour Beatty



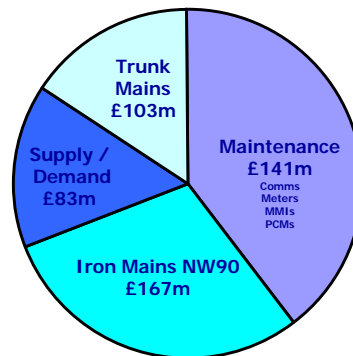
morgan=est

The Network Alliances Key Work Areas

Wastewater
£326 million



Water
£494 million



Electricity £90m
Minor Works £160m

2003 Baseline

Balfour Beatty



morgan=est

The Network Alliances Development - AMP3 to 4

The AMP3 Position

- 18 Separate Activity-Based Contract
- ICE6-Based Contracts
- Measured Rates
- High degree of client supervision

The AX4 Model

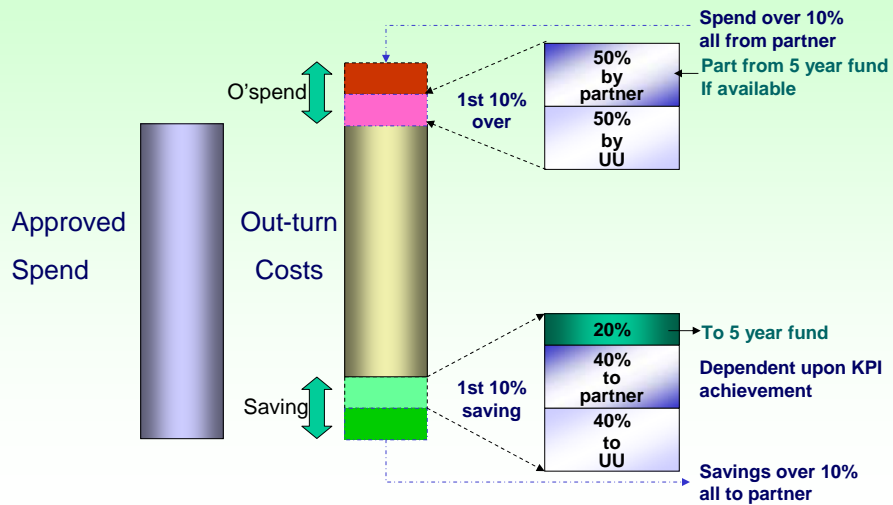
- Two Framework Contracts
- Five Years Extendable to Ten
- UU Alliance with Partners
- Incentivised Reimbursable Contracts
- KPI Financial Impacts
- Seamless Teams
- Audit regime
- Co-located Organisations
- Open Book

Balfour Beatty



morgan=est

The Network Alliances Incentive Mechanism



The Network Alliances KPIs

KPIs affecting Partner gainshare

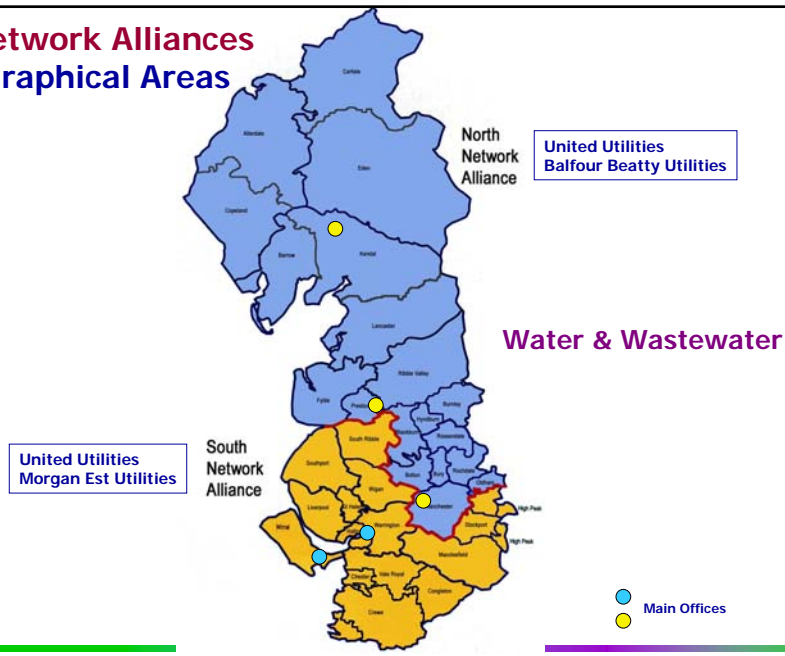
- Health and Safety
- Customer
- Cost
- Quality and Operability
- Time
- Collaboration

Balfour Beatty



morgan=est

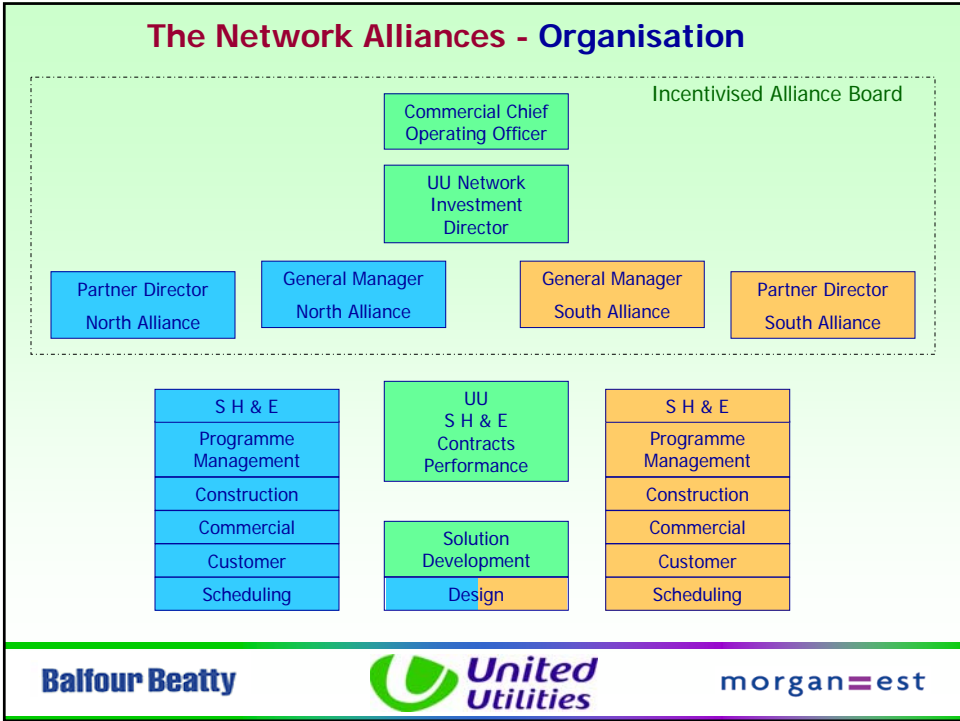
The Network Alliances Geographical Areas



Balfour Beatty



morgan=est



- ### The Network Alliances Achievements
- Joint Alliance offices
 - Integrated Alliance Management Teams
 - Staff Co-location
 - Seamless Team formation
 - Joint customer and performance teams
 - Leak-fixing performance
 - NW90 Stage 1 delivered against the odds
 - Joint initiatives on H S & E
-

The Network Alliances Work in Progress

- Future workload definition
- Matching workload and resources
- Establishing roles and behaviours
- Developing partnership culture
- Re-defining processes and procedures
- Taking ownership to grass roots
- Extending partnership philosophy to wider stakeholders

Balfour Beatty



morgan=est

The Network Alliances Conclusions

- All parties benefit from the approach
- Relationships and culture are important
- The approach is delivering benefits
- We have made rapid progress
- There is still much to do but
- **Alliance Partnerships are the future**

Balfour Beatty



morgan=est