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Dŵr Cymru Welsh Water

Debt Investor Presentation

January 2018

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1) Introduction & Business Overview

Introduction to Dŵr Cymru Welsh Water

About us

- Dŵr Cymru Cyf. (Welsh Water) is the regulated water and wastewater utility

Ownership

- Owned by Glas Cymru since 2001
- 'Not-for-shareholder-dividend' Group
- No shareholders – financial surpluses are reinvested in the business resulting in a sector-leading Gearing position and utilisation of reserves to benefit customers

Key Statistics

- 5th largest Group in Wales, as at 2016
- 828m litres of water supplied daily
- Over 3,000 people employed
- Over 27,500km of water mains; over 30,000km of sewers; 835 sewage treatment works; 91 dams and impounding reservoirs
- RCV £5.2bn as at 31st March 2017

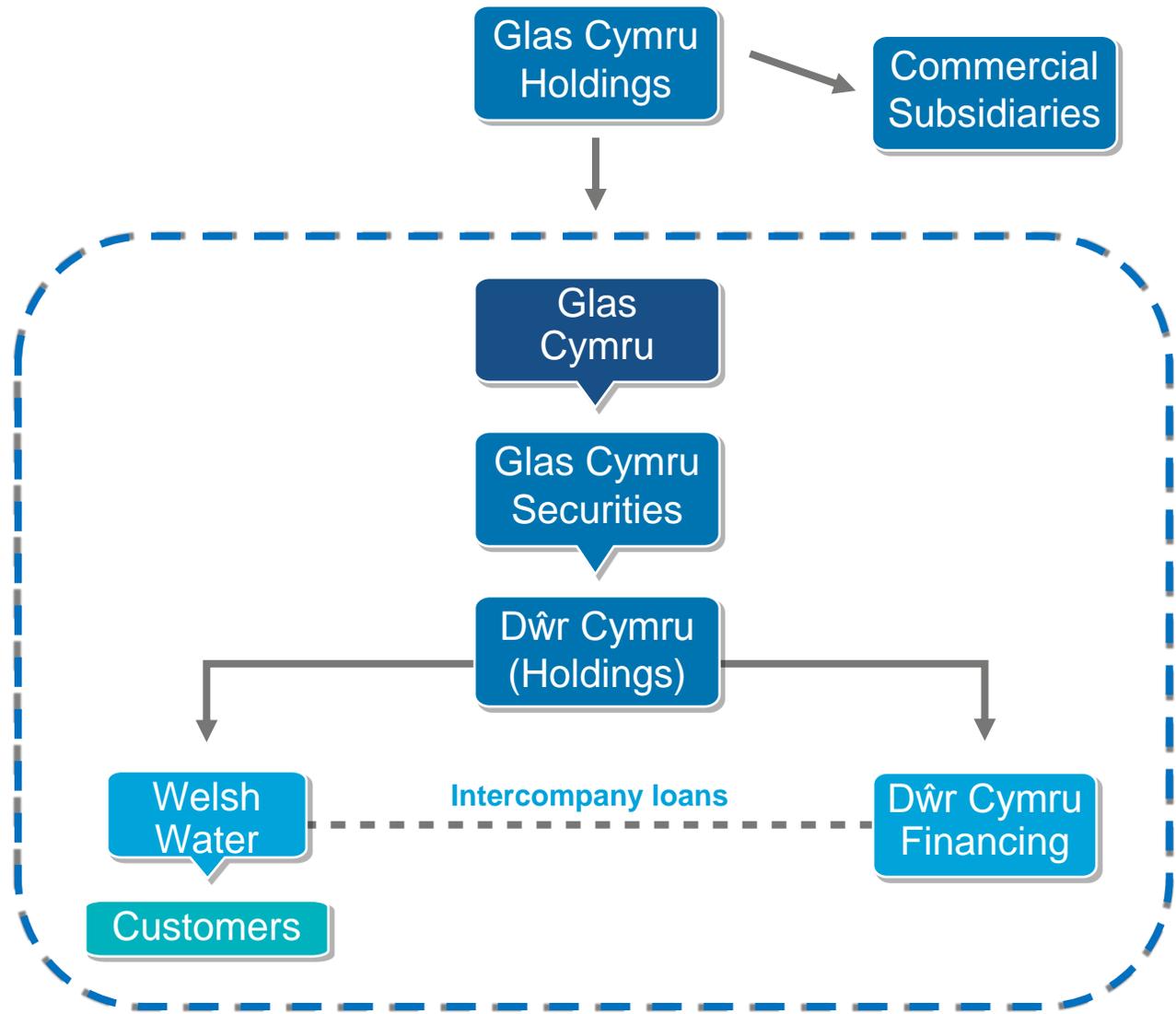
Customer base as at 31st March 2017

- Serving 1.4m (92%) households
- Around 100,000 (8%) business customer sites & 3% of total revenue
- Approx. 80 business customers eligible for retail competition
- Around 8,000 business customers in England will be eligible under the Wales Act 2017 (for future enactment)



Welsh Water's Financing Structure Overview

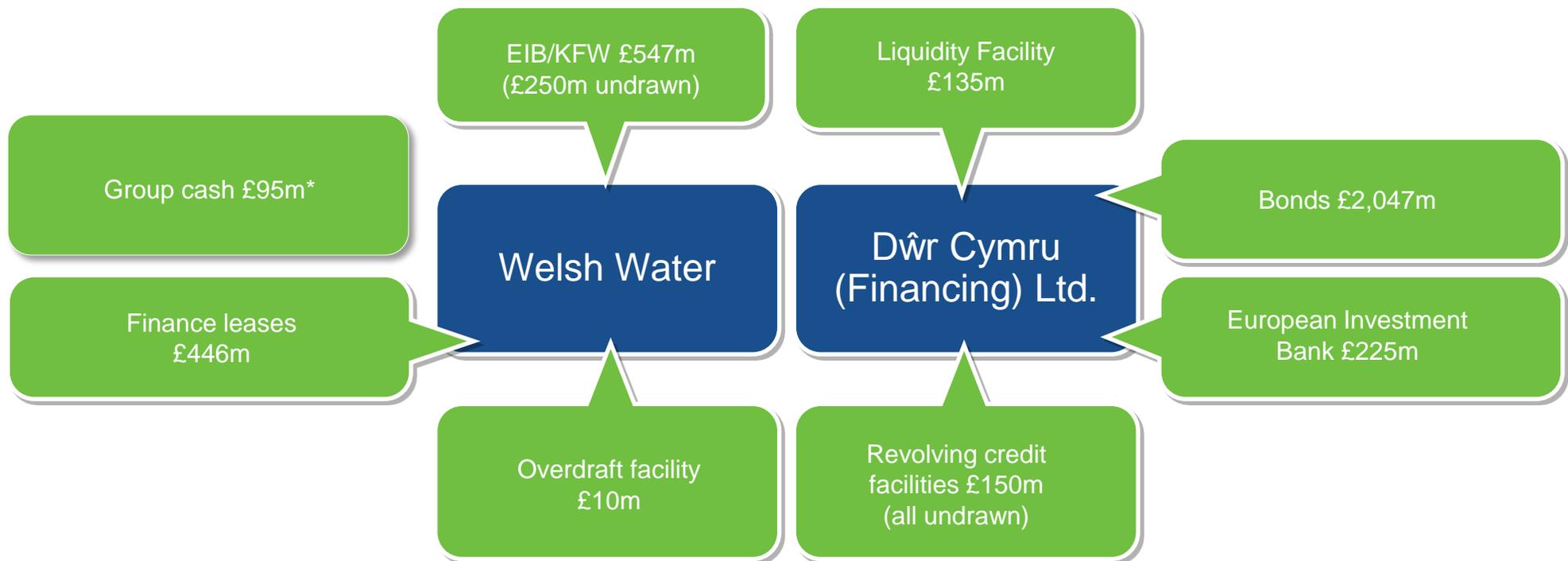
- Dŵr Cymru Cyf. (Welsh Water) is the regulated water and wastewater utility
- Dŵr Cymru (Financing) Ltd. is a special purpose financing vehicle which on-lends funds to Welsh Water
- All senior financial creditors have benefit of a common package of structured finance covenants and security over shares of Welsh Water and other companies in the event of default
- Bonds are listed on the Luxembourg Stock Exchange
- Glas Cymru Holdings formed on 1st March 2016
Commercial subsidiaries outside WBS ring-fence



Key: WBS ring fence

Welsh Water's Financing Structure Overview

Robust long-term capital structure
As at 31st March 2017



Key: *£30m held at Glas Cymru Holdings Cyfyngedig level

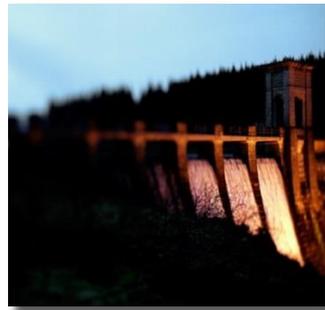
A scenic view of a stone dam with a central tower and a reservoir in a valley. The dam is constructed from large, rough-hewn stones. In the center, there is a prominent stone tower with a domed roof and arched windows. A wooden walkway with railings leads to the tower. The reservoir is calm, reflecting the clear blue sky. The surrounding landscape consists of rolling hills and a forested area on the left. The sky is a clear, bright blue.

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2) The Welsh Water Difference

Welsh Water's Key Investment Highlights

- 1 - Best Credit Ratings in the Utility Sector
- 2 - Not-for-shareholder-dividend Business Model
- 3 - Robust Operational Performance
- 4 - Impressive Financial Discipline
- 5 - Stringent Investor Protections
- 6 - Long-term Approach to Sustainability & Environment
- 7 - Experienced Management Team





Best Credit Ratings in the UK Utility Sector



Company	Moody's	S&P	Fitch
Welsh Water	A2	A	A
Northern Powergrid	A3	A	A-
Anglian Water*	A3	A-	A
National Grid Electricity Transmission	A3	A-	A
SSE	A3	A-	BBB+
Thames Water*	A3	BBB+	N/R
Severn Trent	A3	BBB+	N/R
Wessex Water	A3	BBB+	A-
Yorkshire Water*	Baa1	A-	A
Southern Water*	Baa1 (neg)	A-	A-
Centrica	Baa1	BBB+ (neg)	N/R
Northumbrian Water	Baa1 (neg)	BBB+	N/R
British Telecommunications	Baa1 (neg)	BBB+ (neg)	BBB+
South West Water	N/R	N/R	N/R

Source: Bloomberg, as at 8th January 2018

*Note: Anglian, Thames, Yorkshire and Southern – senior Class A bonds only



Not-for-shareholder-dividend Business Model



- Due to the business ownership model, combined with devolved water powers to the Welsh Assembly, Welsh Water has been excluded from the recent renationalisation debate
- As a not-for-shareholder-dividend water Group, profits have been used to de-leverage the Group and benefit customers
- Ownership model is aligned with Ofwat's determination for the companies to earn the trust and confidence of consumers

Benefits to our Investors

Full Financial Flexibility

No dividend leakage to external shareholders and Dŵr Cymru expects to invest Customer Distributions of £230m over the course of AMP6 to reinforce asset resilience and operational sustainability

Stronger Position vs. Peers Ahead of AMP7 Challenges

With Customer Distributions effectively substituting external dividends, Dŵr Cymru is arguably in a stronger position to invest to meet the regulatory challenges of AMP7 than its peers

Lower Balance-Sheet Leverage than Peers & Ample Gearing Headroom

Welsh Water has significantly reduced leverage, where debt represented about 56% of the Group's RCV (at end of March 2017), compared to the peer average of c.75%. We have many refinancing options, balanced by more than ample gearing headroom, reflected in our strong credit ratings

Strong Commitment to Investment in Infrastructure

We plan to modestly increase leverage toward 60% and invest in our assets and service – this will improve future operational performance and ensure the resilience of our assets

Benefits to our Customers

Water Powers Devolved to the Welsh Assembly

Whilst Welsh Water is regulated by Ofwat, the Group is under the governance of the Welsh Assembly, as opposed to the UK Government

Growth in Social Tariffs

With 56% gearing, some of the additional funds generated can be returned to customers through additional help for those who genuinely struggle to pay their water and sewerage bills. Just over 90,000 of our customers are now on Social Tariffs (and growing)

Constant Improvement in Customer Experience

The money received through bills goes into maintaining and improving our assets and services, in line with our commitment to customers in our Welsh Water 2050 strategy

Protecting and Sustaining the Environment

Money received through bills helps to improve sewerage services and protect the environment, not just now, but for years to come

3 Robust Operational Performance

Improving customer satisfaction underpins strong legitimacy



- Clean, safe water for all
- To safeguard the environment for future generations

- A personal service that's right for you
- To put things right if things go wrong

- Fair bills for everyone
- A more sustainable and prosperous future for our communities

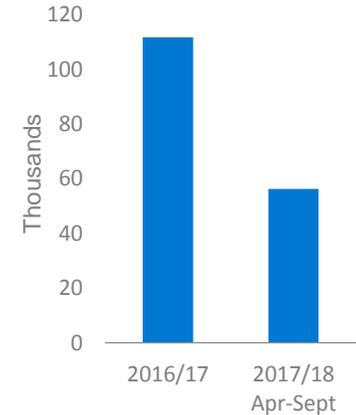
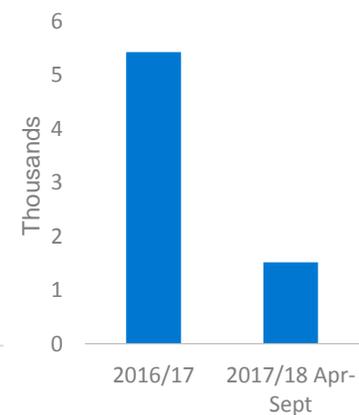
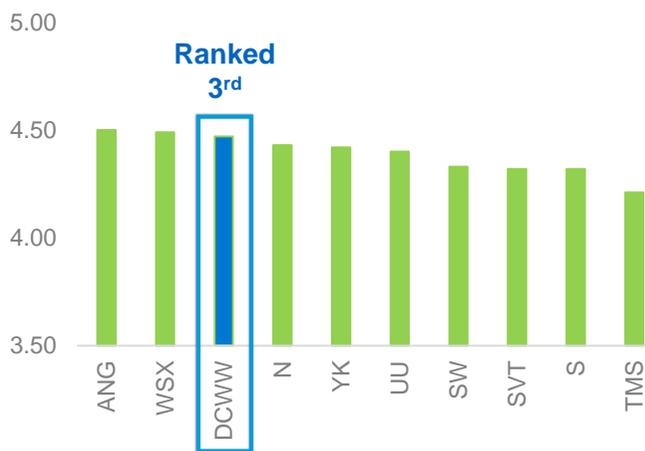
Qualitative and Quantitative operational performance – customer satisfaction (Ofwat SIM):

2016/17

2017/18 Apr - Sept

Written Complaints

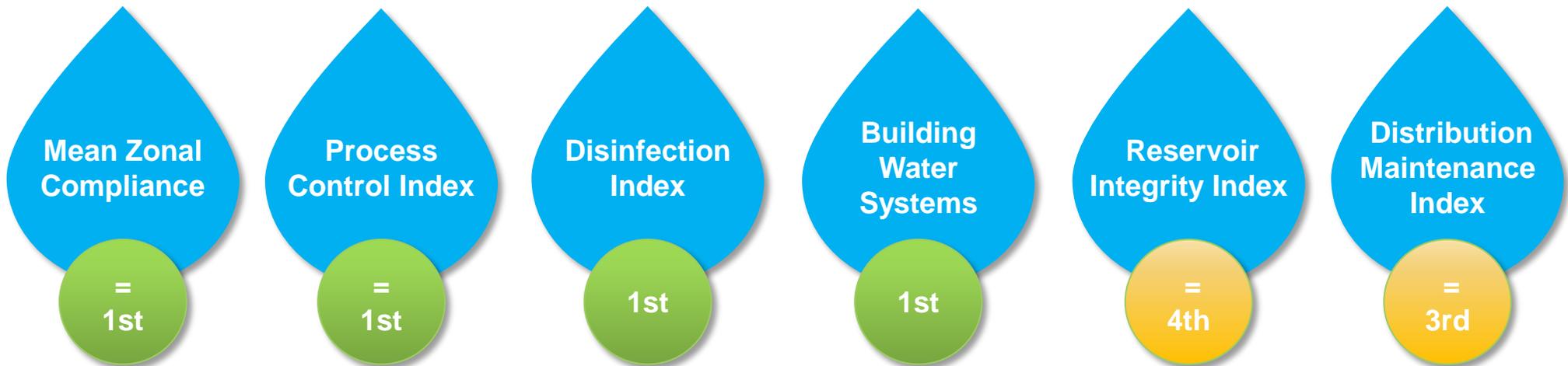
Unwanted Calls



3 Robust Operational Performance

Water Services – Drinking Water Inspectorate’s Six Water Quality Measures 2016/17

Based on relative ranked position within the 10 WaSCs



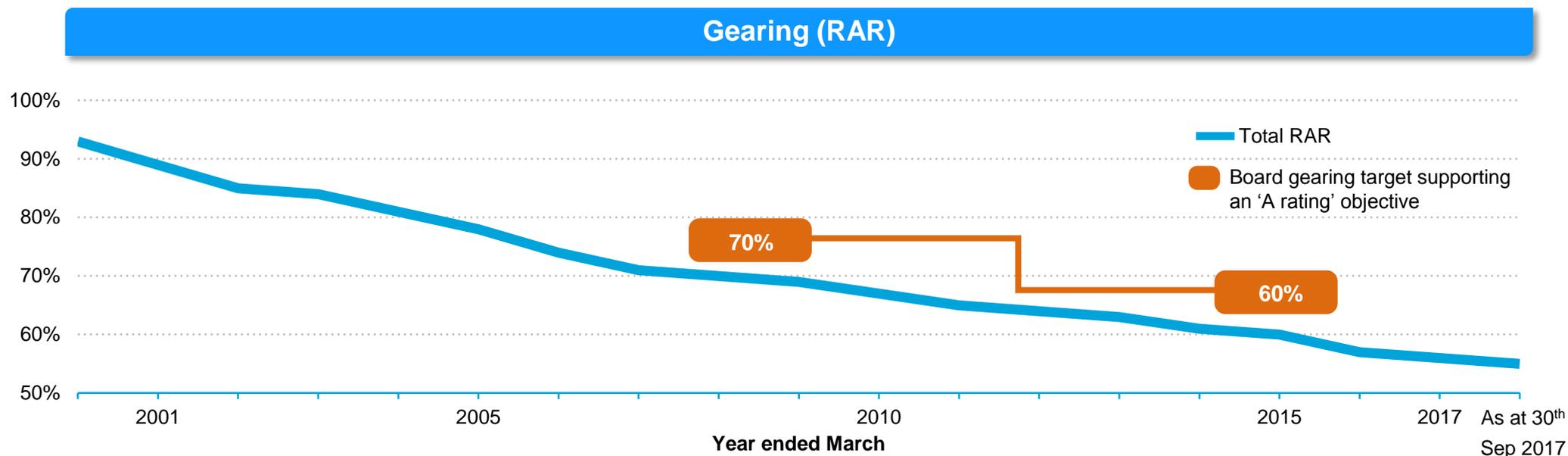
Improving performance against stretching AMP6 targets

Measures	2015/16 performance	2016/17 performance	FD Target 2020
Safety of drinking water	99.96%	99.97%	100%
Customer contacts (per 1,000 population)	3.08	3.2	1.23
Water supply interruptions	21.74 mins	12.15 mins	12 mins
Leakage	180ml/d	175.4 ml/d	169ml/d
Pollution incidents	110	111	131
Sewer flooding (properties)	223	242	269

New record: 50 'Blue Flags' for Welsh bathing waters

4 Impressive Financial Discipline

- Conservative group leverage target (around 60%) below Ofwat's notional gearing assumption

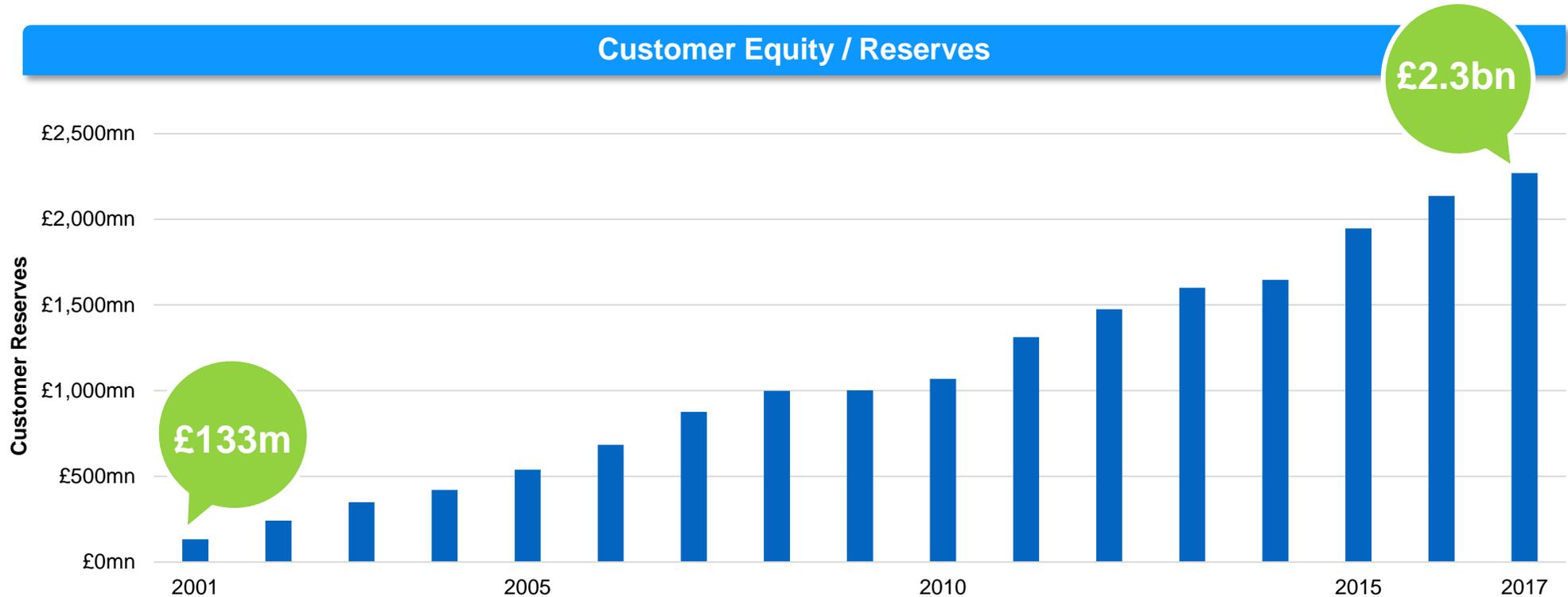


Net Debt & Regulatory Gearing			
(£m)	30 Sep 2017	31 Mar 2017	31 Mar 2016
Regulatory Capital Value (RCV)	5,367	5,217	4,983
Net debt	(2,964)*	(2,947)	(2,846)
Financial reserves	2,403	2,270	2,137
Gearing	55%	56%	57%

*Net debt at 30/09/17 includes £30m of cash held at Group level

4 Impressive Financial Discipline

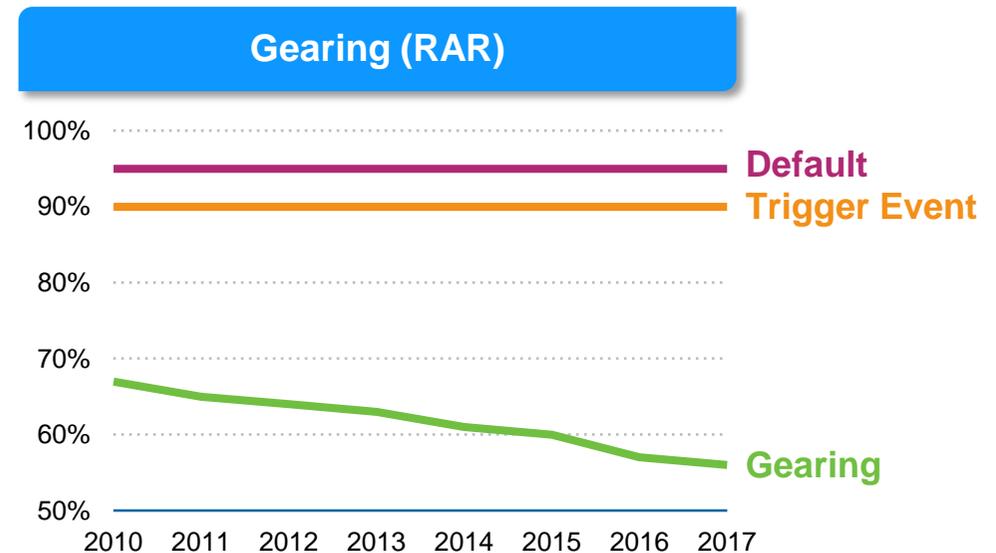
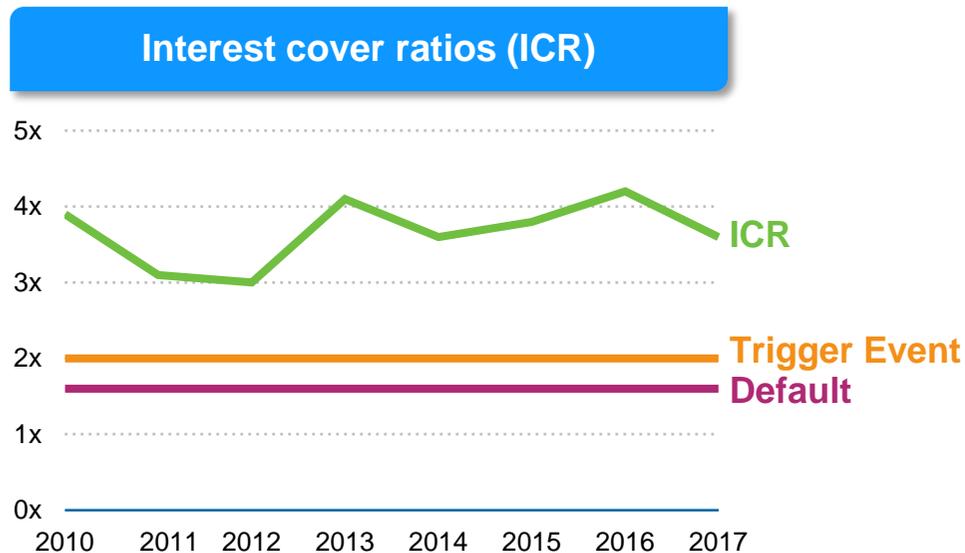
- Significant customer equity / reserves (£2.3bn as at 31st March 2017)



- Interest Cover Ratio (ICR) of 3.6 as at 31st March 2017 (versus trigger level of < 2.0)
- Strong liquidity position of £552m as at 31st March 2017. Prudent investment policy for surplus cash continues with short deposit maturities and focus on bank credit ratings

5 Stringent Investor Protections

- Strong covenant package offers protection to bondholders
- Comprehensive protections provided to investors through the Whole Business Securitisation (WBS) structure
- Tightened by recent amendment to the Gearing Trigger Event covenant to 85% (from 90%)
- ICR of 3.6 and Gearing of 56% as at 31st March 2017



Significant headroom over trigger event default levels

5 Stringent Investor Protections

■ Covenant package

Normal business <i>Operating within covenant package</i>	Trigger event step-in period <i>One or more financial or operational "trigger" covenants breached</i>	Default standstill period <i>One or more events of default occur and continue</i>	Special administration
<ul style="list-style-type: none"> ▪ No creditor involvement 	<ul style="list-style-type: none"> ▪ No customer dividends ▪ Option to commission independent review 	<ul style="list-style-type: none"> ▪ Majority of secured claims frozen ▪ 18 month opportunity to remedy situation or find a buyer for Welsh Water ▪ Liquidity facilities keep senior debt whole ▪ Security over shares of Welsh Water and holding Group can be enforced 	<ul style="list-style-type: none"> ▪ Regulator applies to court to appoint a Special Administrative Receiver (SAR) to run business ▪ SAR acts in interest of creditors and customers
Financial covenants:			
	<ul style="list-style-type: none"> ▪ Senior ICR: < 2.0 ▪ Senior PMIC: < 1.0 ▪ Gearing Ratio: > 85% 	<ul style="list-style-type: none"> ▪ Senior ICR: < 1.6 ▪ Senior PMIC: N/A ▪ Gearing Ratio: > 95% 	

6 Long-term Approach to Sustainability & Environment

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- **Welsh Water benefits from not needing to have a short-term focus, as would be demanded by a shareholder-owned organisation**
- **Due to its ownership structure, the business is able to plan sustainably for the long-term**
- **Welsh Water has a long-standing commitment to sustainability and environment. Welsh Water 2050's strategic vision has set out the group's longer-term thinking around future trends and service for the benefit of our customers**

7 Experienced Management Team

■ Welsh Water boasts a strong and well-experienced management team



Alastair Lyons

Joined the Glas board as a Non-Executive Director in May 2016 before becoming Chairman in July 2016

- Alastair has over 25 years' experience in the finance sector. During an extensive executive career, he was previously chairman of Admiral, Towergate Insurance, Serco, and is deputy chairman of Bovis Homes



Chris Jones

Chief Executive – in post since September 2013

- Co-creator of Glas Cymru, Chris became Chief Executive in September 2013 having previously been Finance Director of Welsh Water since May 2001 and Glas Cymru since April 2000
- He has also previously served as Director of Regulation of Welsh Water and South Wales Electricity plc. Before joining Welsh Water in 1995, he was a Director at National Economic Research Associates and, prior to that, worked for HM Treasury.



Peter Bridgewater

Finance Director – in post since September 2014

- Peter joined Welsh Water in September 2014 with 15 years of experience in both Finance and Managing Director roles across the energy and water sectors, in the UK and overseas
- Peter has been an Executive Director with E.ON and with Sembcorp Industries in regulated utilities and competitive industries. Prior to joining the energy industry in 1994 Peter was a chartered accountant and management consultant with PwC



Peter Perry

Managing Director – in post since October 2017

- Appointed Operations Director in July 2006, Peter has a civil engineering background and was formerly the Chief Operating Officer for United Utilities Operational Services (UUOS), having previously been the Operations Director for UUOS with responsibility for the operational contract with Welsh Water and UUOS's water interests in Scotland and Ireland
- Prior to joining UUOS he worked for Welsh Water for over 20 years



Menna Richards

Senior Independent Director – in post since August 2017

- Menna's executive career was in broadcasting as Director BBC Cymru Wales (2000—2011) and previously Managing Director, HTV Wales. She was awarded the OBE for services to broadcasting in 2010
- Menna holds a variety of chair and non-executive roles with a number of other Welsh institutions

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3) Financing & Liquidity



Group Cashflow and Net Debt

	6 Months		Year
(£m)	30 Sep 2017	31 Mar 2017	31 Mar 2016
Revenue	377	744	743
Operational expenditure	(153)	(313)	(297)
Exceptional items	-	-	20
EBITDA (before IRE)	224	431	466
Net working capital movements	(13)	(2)	(7)
Capital expenditure	(187)	(350)	(262)
Net interest payable (incl. indexation)	(71)	(150)	(126)
(Increase)/decrease in net debt	(47)	(71)	71

Stable business with an increasing regulated capital programme which needs funding

AMP6 Financing Plan – Summary

- **Our Not-for-shareholder-dividend business model permits use of reserves, allowing us to return value to customers as Customer Distributions**

*Breakdown of funding required	
	£m
Revenues	3,863
Opex	(1,569)
Capex	(1,710)
Interest	(656)
Distributions	(337)
Working Capital	(56)
Principal Repayments	(262)
Cash Requirements	(727)

Business Plan (to 60% gearing)	
	£m
Funding required	727*
EIB & KfW	(380)
Further funding required for AMP6	347

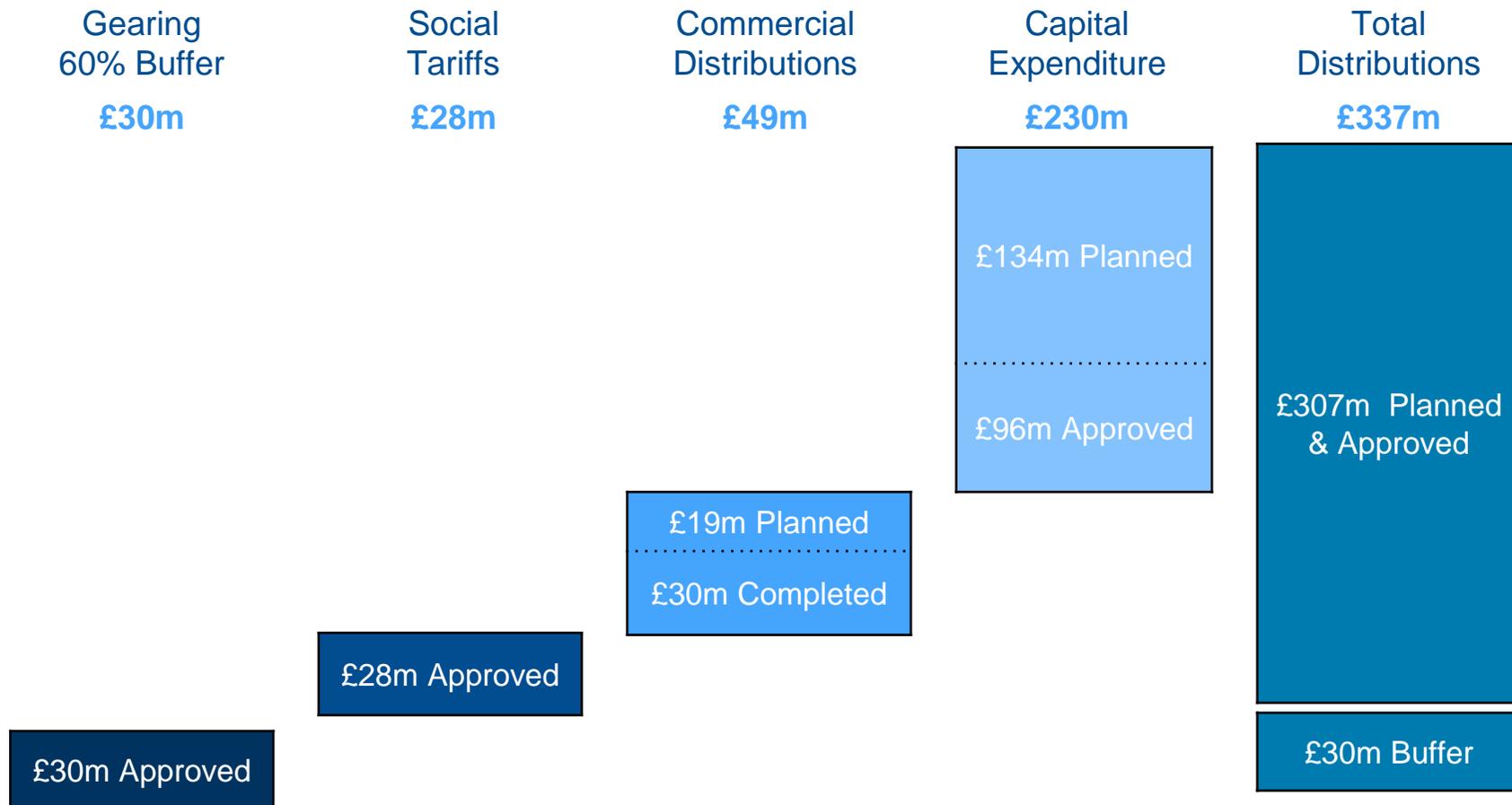
- **This enables us to invest £1.9bn (including Customer Distributions) in capital expenditure over the course of the current five year regulatory period (2015-2020), our largest ever investment programme**

Notes

1. Target gearing and distributions will determine our future capital market funding strategy and its timing
2. The Group also has undrawn revolving credit facilities of £170m

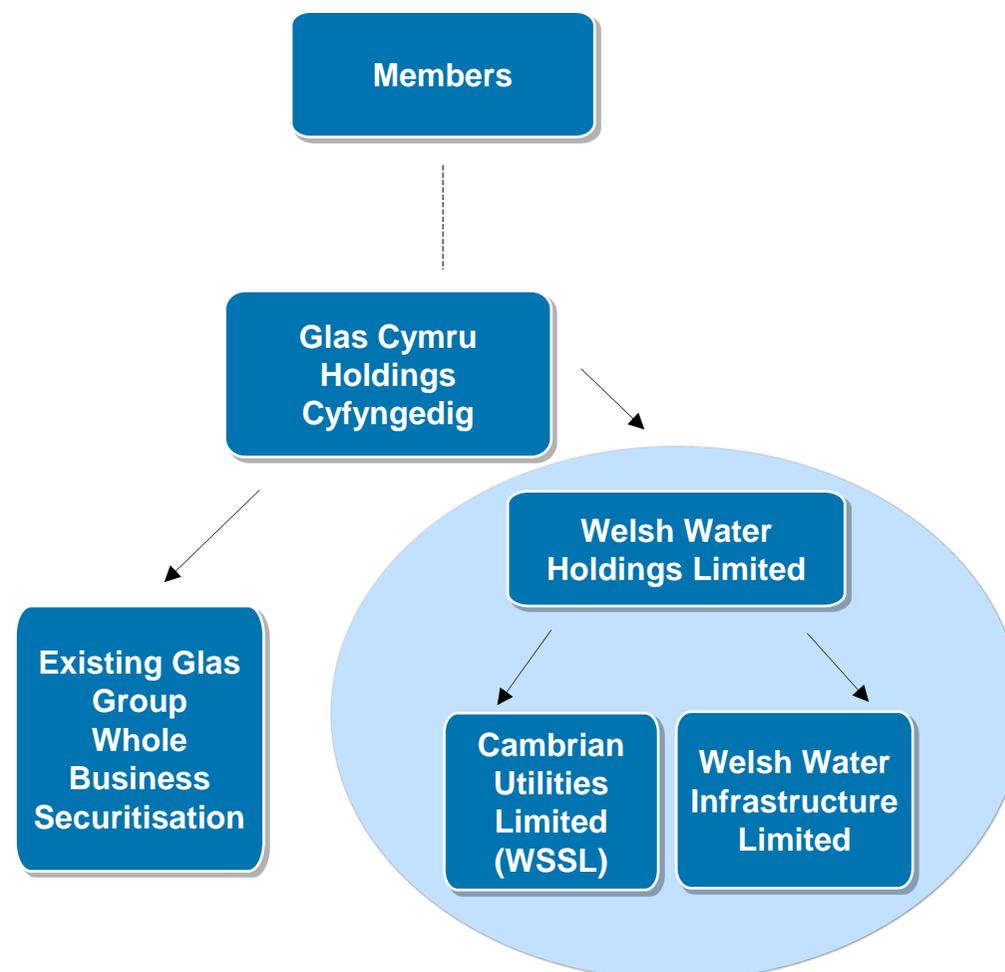
Customer Distribution / Indicative Distribution Policy **glas**

- Distributions: High-level 5 year allocation in principle



Group re-structure to Facilitate Unregulated Business Opportunities

- New holding Group set up on 1 March 2016
- Approval from secured investors and Glas members
- Max. £100 million (indexed) of funding (less than 2% of RCV) – subject to restricted payment tests for cash lock-up
- £30m released by Board for initial funding to date
- External market changes came into force in England in 2017 to open up competition in the water market
- Customers are asking for multi-site billing services and wider retail services
- Welsh Water has restructured to meet these demands through a phased approach



Unregulated activities are very small, capped at £100m and not part of the WBS group

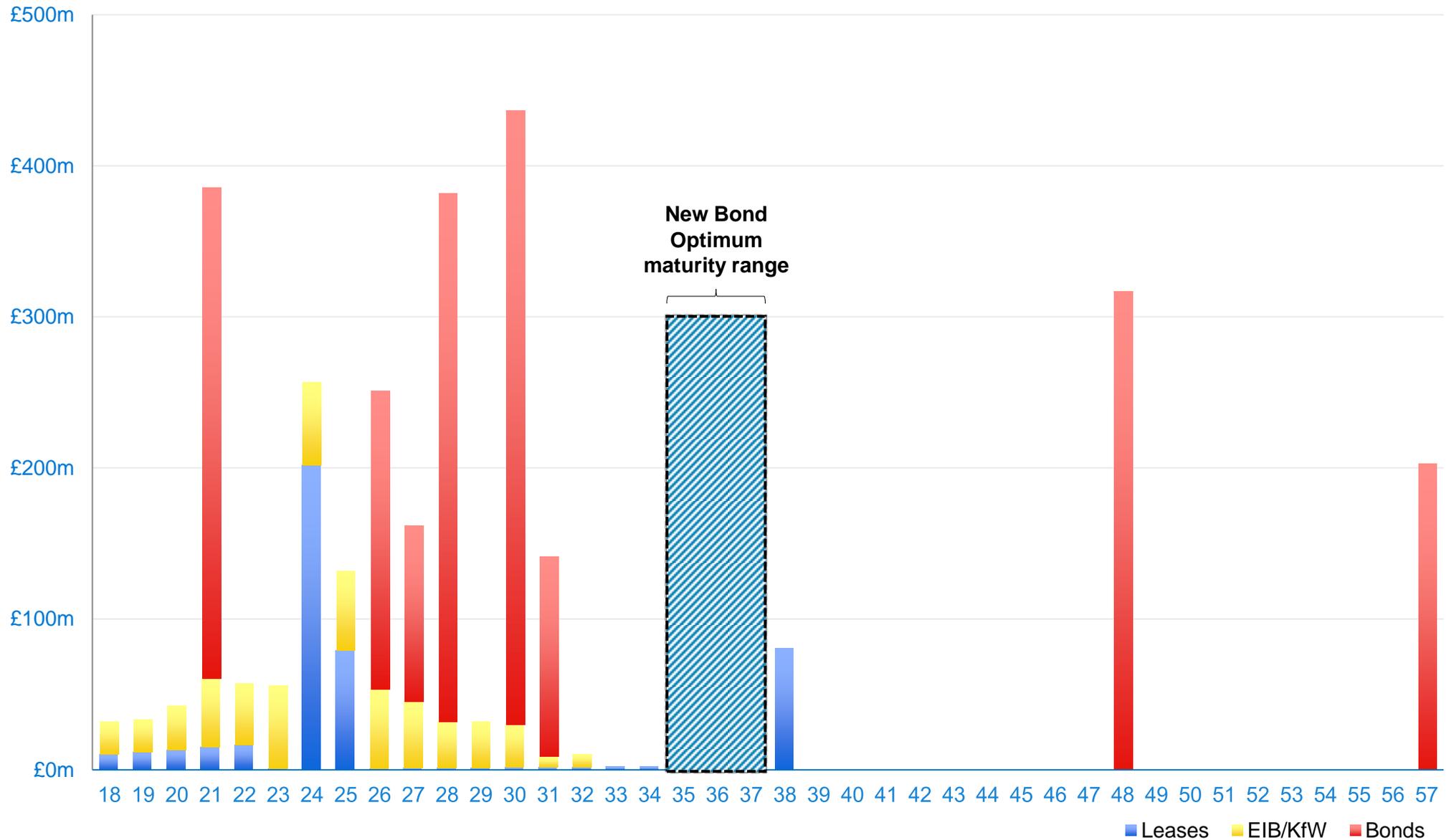
Liquidity – as at 31st March 2017

- Liquidity as at 31st March 2017 £552m



- Strong liquidity position of £552 million as at 31st March 2017
- Prudent investment policy for surplus cash with short deposit maturities
- £250m amortising 15 year loan funding agreed with EIB and available for delayed drawdown to January 2019
- KfW £60m 10 year facility drawn 19th May 2017
- Revolving credit facilities available until 2020

Debt Maturity Profile





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4) Considerations Beyond AMP6

Water 2020: Changes in the Sector

Indexation

- 50% RCV to RPI at 2020
- Balance to CPI/H
- Principles for further transition

Water Resources

- Information platform
- New price control
- Unfocussed RCV

Sludge/Bio Resources

- Market information
- New price control
- Focused RCV

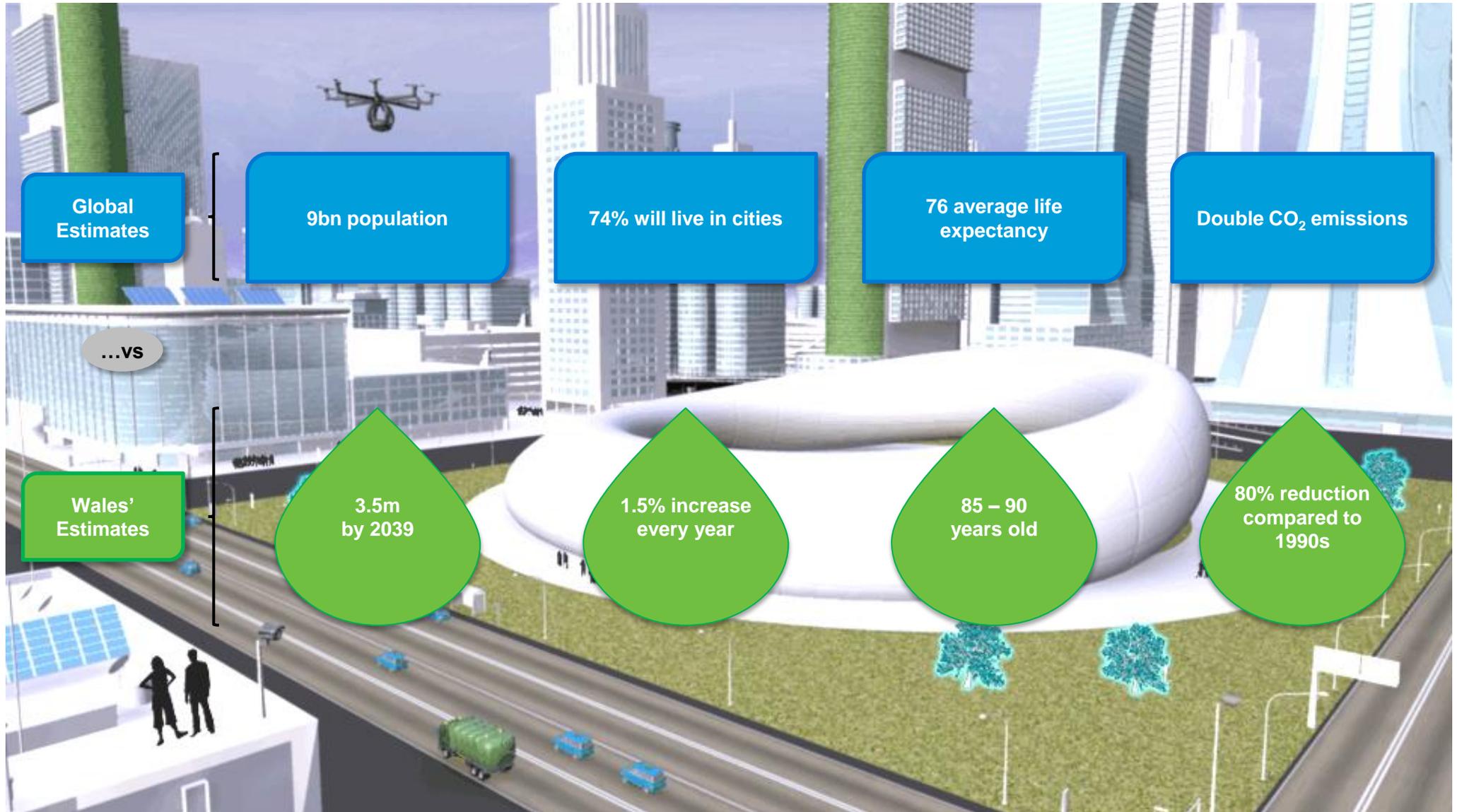
Consultations

- Debt indexation
- Household competition in England
- Wales Act 2017 will put 8,000 business customers in England into the competitive market, we assume from 2020

Our Approach

- Started PR19 planning
- Starting a cost-reduction programme (operations and support services)
- Well-matched to Ofwat notional Group structure
- Cost-competitive on bio resources
- Examining water trading resources
- Welsh government, no appetite for extending competition

Wales in 2050

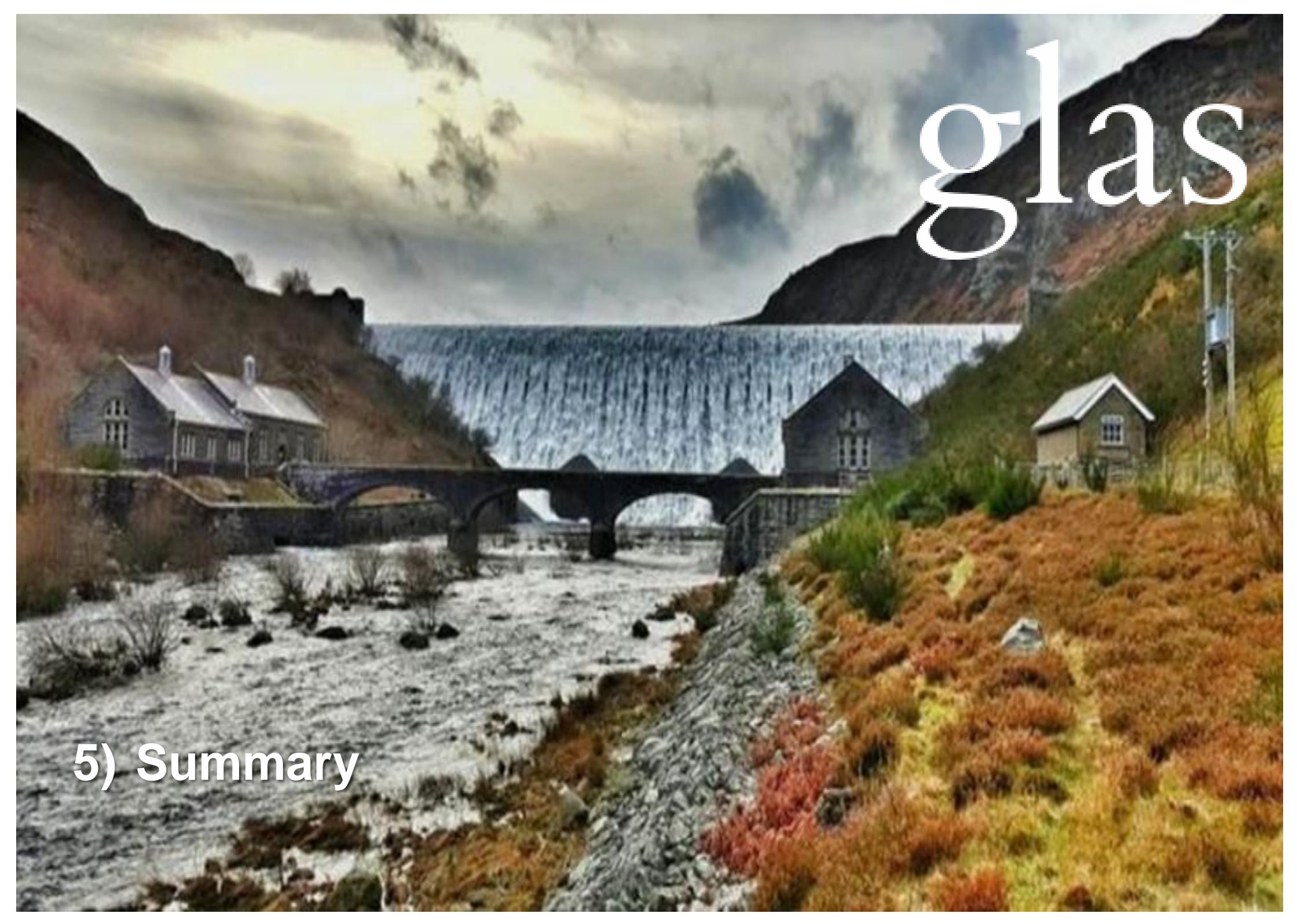


Water 2050

- ***“Welsh Water 2050 - to be a truly world class, resilient and sustainable water service for the benefit of future generations of customers”***



This provides context for our AMP7 business plan



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5) Summary

Summary

- 1 - Best credit ratings in the utility sector
- 2 - Not-for-shareholder-dividend Business Model
- 3 - Robust Operational Performance
- 4 - Impressive Financial Discipline
- 5 - Stringent Investor Protections
- 6 - Long-term Approach to Sustainability & Environment
- 7 - Experienced Management team

Indicative Term Sheet

Issuer	Dŵr Cymru (Financing) Limited
Financial Guarantor	Not applicable
Format	RegS, Senior Secured, Bearer Notes
Expected Ratings (Moody's / S&P / Fitch)	A2 / A / A (all stable)
Currency	GBP
Size	Benchmark £250m - £300m
Maturity	17 - 19 years expected
Optional Redemption	Spens clause
Use of Proceeds	To meet planned capital expenditure and working capital requirements
Minimum Denominations	£100,000 + £1,000
Listing	Luxembourg Stock Exchange
Governing Law	England and Wales
Documentation	£3bn Multicurrency Programme dated 20 December 2017
Joint Active Bookrunners	BNP Paribas, HSBC, Lloyds
Co-Manager	NAB



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6) Appendices

Rating Agencies Commentary

FitchRatings

A Stable

3rd October, 2017

- *“A non-profit organisation, Dwr Cymru is in the unique position of not paying dividends to external shareholders. With customer distributions effectively substituting external dividends, Dwr Cymru is arguably in a stronger position ahead of the regulatory challenges of AMP7 than its peers.”*
- *“The capital structure benefits from committed reserve liquidity facilities and enhancements including trigger mechanisms with profit distribution lock-up provisions tied to financial, positive and negative covenants.”*
- *“The rating reflects a lower target leverage on net debt/ RCV at 60% compared with peers Yorkshire Water, Anglian Water & Southern Water, all targeting around 70% (Class A debt rated 'A' for Yorkshire and Anglian and 'A-' for Southern Water).”*
- *“The affirmation reflects the company's target gearing on net debt/ regulatory capital value (RCV) of 60%, reflecting lower cash flows for the regulatory period from April 2015 to March 2020 (AMP6).”*

MOODY'S

A2 Stable

12th September, 2017

- *“Stable cash flows generated from provision of monopoly water and wastewater services”*
- *“Moderate financial leverage and not-for-profit status of parent company provide significant financial flexibility”*
- *“Welsh government's cautious approach to market reform reduces risk compared with English peers”*
- *“The credit quality of Dwr Cymru Cyfyngedig reflects the combination of;*
 - (1) very low business risk profile as the monopoly provider of water and sewerage services*
 - (2) a low level of gearing at or below 60%, calculated as the group's consolidated net debt to regulatory capital value (RCV)*
 - (3) the not-for-profit status of Welsh Water's ultimate parent company, Glas Cymru, which allows Welsh Water to manage the distribution of its profits in order to maintain the company's publically stated gearing target of 60% net debt to RCV*
 - (4) the decision by the Welsh Government not to implement retail competition for incumbent water companies operating wholly or mainly in Wales in April 2017, which evidenced a cautious approach to market reform.”*

S&P Global Ratings

A Stable

14th July, 2017

- *“Our assessment of Welsh Water's business risk profile as excellent reflects the stable and predictable revenue and cash flow streams from the low-risk regulated water and wastewater businesses, Welsh Water's natural monopoly in its service area, and a generally supportive and transparent regulatory framework.”*
- *“The stable outlook on U.K.-based Dwr Cymru (Financing) Ltd. reflects S&P Global Ratings' expectation that utility company Dwr Cymru Cyfyngedig (Welsh Water) will be able to maintain funds from operations (FFO) to debt above 7% throughout the current regulatory period ending March 2020”*
- *“...the company will maintain debt to regulatory capital well below the maximum allowed in its legal documentation (85%), although it will increase toward 60% from current levels of 56%, in line with the company's financial policy.”*
- *“...Welsh Water will continue to deliver adequate operational performance and a good track record as an asset operator in both the short and medium term.”*

Financing: Capital Structure as at 31st March 2017

Rating	Class	Type	Interest rate %	Expected maturity	(£m)
A/A2/A (Assured Guaranty wrap)	A1	Fixed	6.015	2028	350
	A4	RPI	3.514	2030	407
	A5	LPI	3.512	2031	132
	A6	Fixed (RPI swap)	(1.35%)	2057	135
A/A2/A	B1	Fixed	6.907	2021	325
	B3	RPI	4.377	2026	197
	B4	LPI	4.375	2027	116
	B5	RPI	1.375	2057	68
	B6	RPI	1.859	2048	317
Bonds					2,047
Finance leases					446
European Investment Bank and KfW**					522
Other debt					1
Gross debt					3,016
Accrued interest					54
Cash					(95)
Net debt*					2,975

Notes

*Group cash includes £30m held at Glas Cymru Holdings level

**Includes £60m KfW debt drawn 19th May 2017

Debt Characteristics

Gross debt as at 31 st March 2017 (£m)	Fixed	Index-linked	Floating	Total	
Finance leases	65	382	-	447	15%
Bonds	675	1,369	-	2,044	68%
EIB/KfW**	-	165	356	522	17%
Local authority debt	-	-	1	1	-
	740	1,917	357	3,014	100%
Swaps - floating to fixed/index-linked	192	150	(342)	-	
Gross debt	932	2,067	(15)	3,014	
Percentage	31%	69%	0%	100%	

Reconciliation to Investor Report:

Gross debt as above	3,014
Accrued interest	56
Cash	(95)
Net debt* as at 31 st March 2017	2,975

Notes

*Group cash includes £30m held at Glas Cymru Holdings level

**Includes £60m KfW debt drawn 19th May 2017

Net Interest Payable

12 months to 31 st March (£m)	2017	2016
Fixed rate bonds	44	44
Index-linked bonds	41	40
EIB and KfW loans	3	4
Finance leases	3	5
RPI PAYG inflation swaps	15	10
Fixed interest swap	10	10
Financial guarantee fees	4	4
Other interest costs	3	1
RPI indexation of bonds & EIB loans	31	14
Interest receivable	(4)	(6)
Net interest payable	150	126
Pension scheme interest charge	-	1
Interest capitalised (IAS 23)	(10)	(4)
Total per IFRS accounts	140	123

- Indexation charge based on higher RPI of 1.9% (2016: 1%)
- Average nominal interest cost of 5.1% (2016: 5.0%)
- Indexation of £31m for bonds/EIB loans is split: Bonds £25m and EIB £6m

Overall interest costs are back to the 2015 position of c.£145m

Fair Market Value movements on Swaps

Derivatives as at (£m)	31 st Mar 2017	31 st Mar 2016	Movement
Floating to fixed rate interest rate swaps	(94)	(91)	(3)
Index-linked swaps	(382)	(314)	(68)
Energy Swaps	(1)	(9)	8
Total MTM	(477)	(414)	(63)

Notes:

1. Swap contracts are with Royal Bank of Scotland, HSBC and Lloyds
2. None of the swap contracts have break clauses or accretion paydowns
3. In addition to the MTM values above, there is an additional liability for cumulative indexation of £35m (2016:£33m) relating to the A6 bond swap

Totex - extract from Annual Performance Report

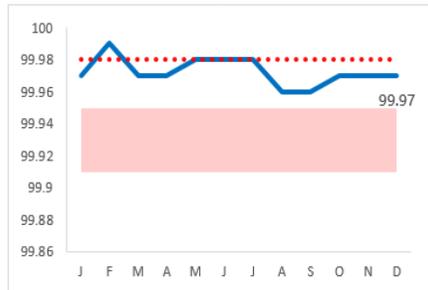


	2016/17 Totex			AMP6 Totex to date		
	Wholesale	Retail	Total	Wholesale	Retail	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Allowed totex at outturn prices	604	57	661	1,118	117	1,235
Actual totex at outturn prices	584	63	647	1,041	132	1,173
(Over) / underspend	20	(6)	14	77	(15)	62
Difference analysed as:						
Capex reprofiling	7	-	7	49	-	49
Opex over / (under) performance	13	(6)	7	28	(15)	13
Total (Over) / underspend	20	(6)	14	77	(15)	62

Ofwat Outcome Delivery Incentives (ODI's)

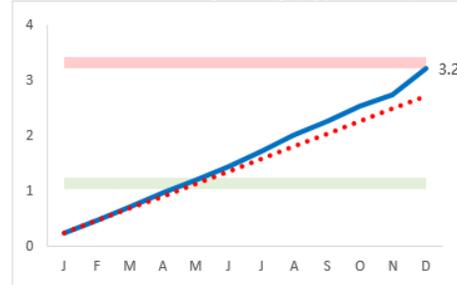
Charts for the year 2016 or 2016-17

A1b - Safety of Drinking Water (Actual MZC)



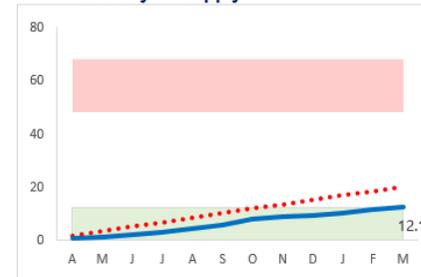
Penalty: £2.5m per 0.01% per year within the penalty zone
Maximum £10m pa "in year" penalty.

A2 - Customer Acceptability (appearance, taste & odour)



Penalty/Reward: £930k per 0.1 contacts per 1,000 population.
A Maximum of £1.86m pa "in year" penalty or reward.

A3 - Reliability of Supply



Penalty/Reward: £0.195m per minute.
Reward Max £2.34m pa "in the year"
Penalty Max £3.9m pa "in the year".

B3b - Preventing Pollutions (Cat 3 only)



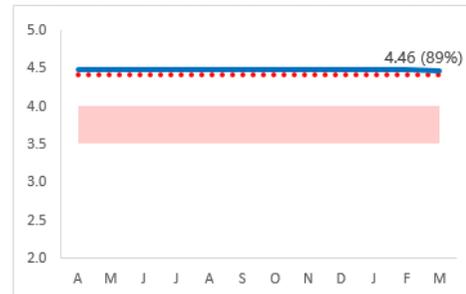
Penalty: £0.400m per incident (Max of £10m pa)
Reward: £0.047m per incident (Max of £1.175m pa).

D3 - Properties flooded in the year



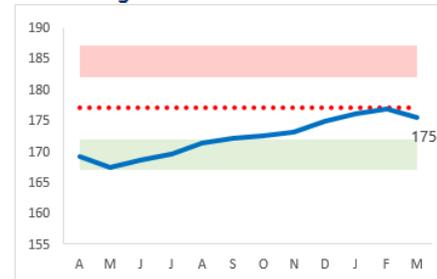
Penalty: £0.161m per property
Reward: £0.062m per property.

D4b - Non Household Customer Satisfaction



Penalty: £1m per 0.1 points scored (Max £5m pa).
[Opinion Research Services commissioned to carry our survey]

F2 - Leakage



Penalty: £1.84m per MI/d (Max £9.2m penalty pa)
Reward: £0.92m per MI/d (Max £4.6m reward pa).



Notes:

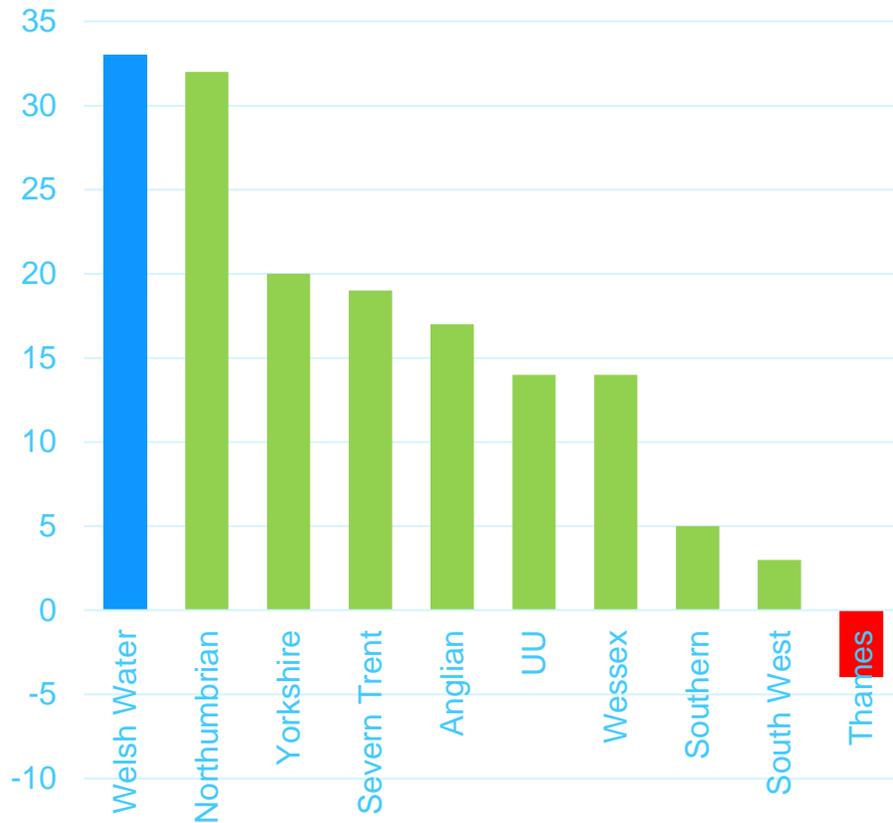
Please note that penalties can change for each subsequent year.

Based on current performance we expect to incur penalties from 2017/18 onwards for Measures of Success A2 and A3

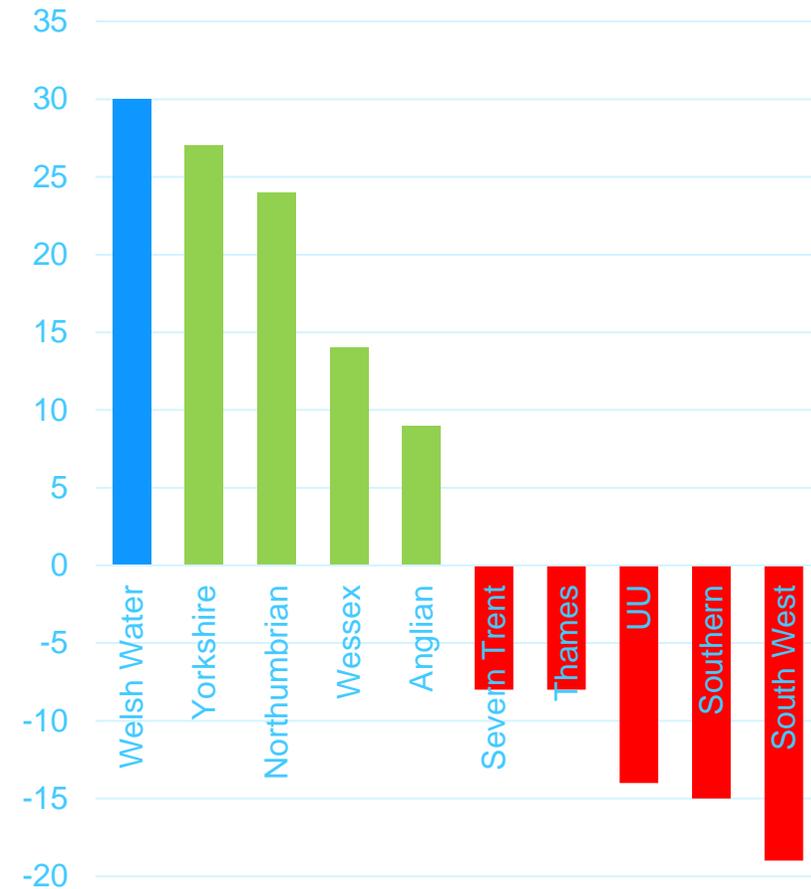
1. Rewards of £0.940m on 'preventing pollutions'
2. Reward of £1.86m for properties flooded

CCWater Survey

Net Promoter Score for Household Customers
(CCWater - Water Matters 2017)



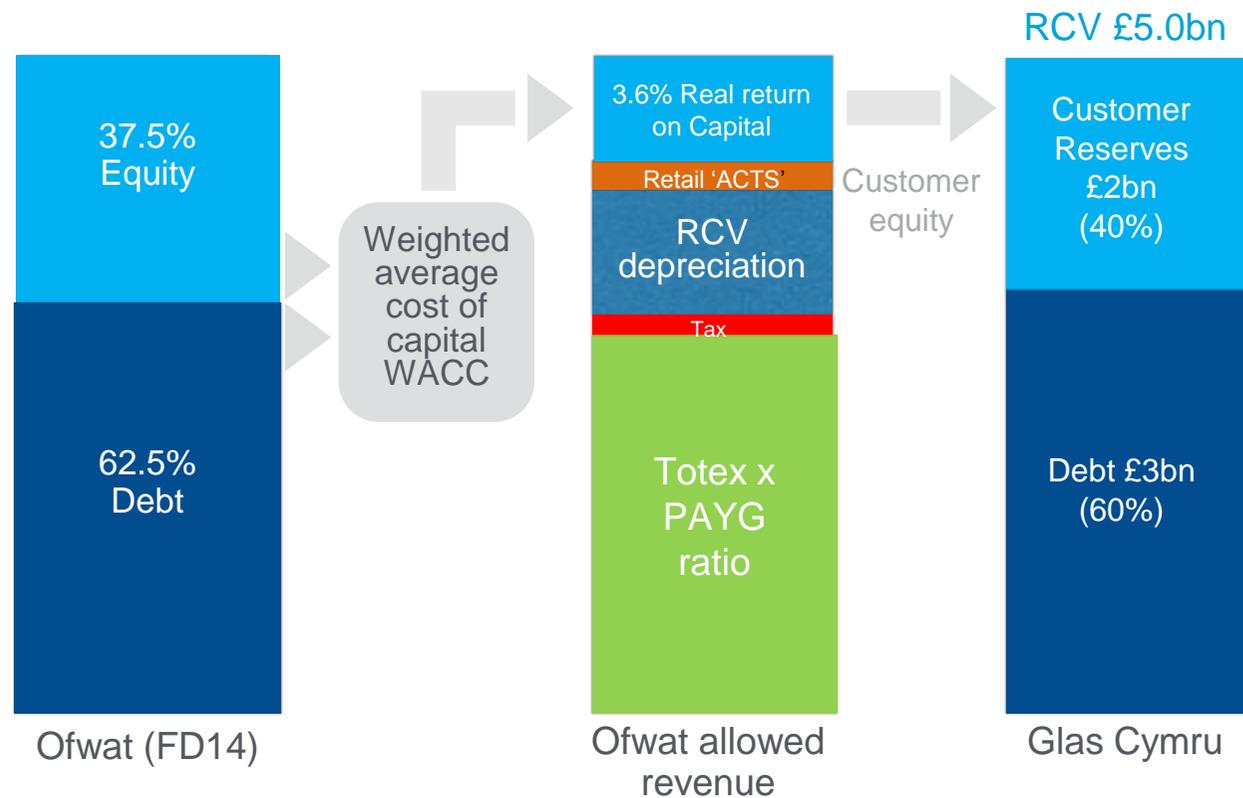
Net Promoter Score for Business Customers
(CCWater - Testing the Waters 2016)



AMP6 cost of capital and Ofwat building blocks

Final Determination	
Total equity market return	6.75%
Real risk-free rate	1.25%
Equity risk premium	5.5%
Gearing (Net Debt/RCV)	62.5%
Asset beta	0.30
Equity beta	0.80
Cost of equity (post-tax)	5.65%
Ratio of embedded to new debt	75:25
Cost of new debt	2.00%
Cost of embedded debt	2.65%
Allowance for debt fees	0.10%
Overall cost of debt	2.59%
Appointee WACC	3.74%
Deduction for retail margin	0.14%
Wholesale WACC	3.60%

Source: Ofwat publication



Glossary

AMP	Asset Management Plan
CPI	Consumer Price Index
Cyf.	Cyfyngedig
EIB	European Investment Bank
ICR	Interest Cover Ratio
KfW	KfW Bankengruppe
ODI	Ofwat Outcome Delivery Incentives
PMICR	Post Maintenance Interest Cover Ratio
PR19	Price Review 2019
RAR	Regulatory Asset Ratio
RCV	Regulatory Capital Value
RPI	Retail Price Index
SAR	Special Administrative Receiver
WaSCs	Water and Sewerage Companies
WBS	Whole Business Securitisation