

DIRECTIONS ISSUED TO LICENSED PROVIDERS
PURSUANT TO
STANDARD LICENCE CONDITION B1

BY

THE WATER INDUSTRY COMMISSION FOR SCOTLAND

17 May 2007¹

DEFAULT SERVICES, STANDARDS AND MAXIMUM TARIFFS
FOR
WATER AND SEWERAGE SERVICE PROVIDERS

¹ As amended on 26 September 2007, 6 December 2007, 1 April 2008, 4 March 2009, 3 February 2010, 8 March 2011, 6 February 2012, 18 February 2013, 27 March 2014, 5 October 2016 and 13 December 2017. Copies of the original directions and the amending instruments are available on request from the Water Industry Commission for Scotland on 01786 430 200 or enquiries@watercommission.co.uk

1. Introduction

On 17 May 2007 the Water Industry Commission for Scotland determined a set of standard conditions for the purposes of granting water services licences and sewerage services licences under the Water Services Etc (Scotland) Act 2005 (the **standard conditions**).

Under condition B1 (Duty to provide default services), each licensed provider to whom that condition applies is obliged in certain circumstances to offer to provide certain retail services (known as **default services**) to a particular standard (known as the **default standards**) and at a price not exceeding a maximum amount (known as the **default maximum tariffs**).

The Commission is given power under the standard conditions to issue directions defining how the key concepts of default services, default standards and default maximum tariffs are to apply in practice. Those directions are contained in this document.

The Commission will publicise these directions, keep them under review and may, from time to time, modify or replace them following such consultation as it may consider appropriate. The Commission will publish any such modifications to, or replacement of, these directions on its website.

Except as otherwise provided in these directions, words and expressions used in these directions shall have the same meaning as defined for the purposes of the standard conditions.

2. The Default Services and Default Maximum Tariff (RV-based charges)

From 1 April 2018, unmeasured water and waste water charges, and property and roads drainage charges will be calculated using the same Rateable Value (RV) used for Business Rates (Live RV), as assessed by the Local Council Regional Assessor (LCRA), rather than the RV recorded at the CMA in RV field and used as the basis of charging prior to 1 April 2018 (termed Historic or Current RV).

The Directions issued to Licensed Providers pursuant to Standard Licence Condition B3 specify the arrangements that will apply between 1 April 2018 to 31 March 2021 (inclusive), termed the Transition Period. The overall approach to the transition to Live RV-based charging is designed to deliver changes to RV-based customer charges in equal cash steps in each tariff year² over the Transition Period for the relevant Supply Point's (SPID).

RV-based charges are applied to:

- Relevant unmetered SPIDs which are supplied with water and sewerage services and are charged based on the RV of the premises; and
- Relevant SPIDs which are supplied with property and roads drainage services and are charged based on the RV of the premises.

To ensure the transition is broadly revenue neutral RV-based tariffs will be reduced to offset the overall increase in the total RV across all non-household premises (the 'RV base') caused by moving to Live RVs.

² We refer to a tariff year as the period that runs from 1 April of the relevant year to 31 March of the following year.

Charging changes resulting from the use of RV should be phased through transition arrangements. All transitioning SPIDs' default tariffs for RV-based charges should be phased in equal cash changes during the Transition Period (Default Retail Glide Path).

The Directions issued to Licensed Providers pursuant to Standard Licence Condition B3 specify which SPIDs should be subject to transition arrangements and when a SPID's Glide Path should terminate. SPIDs not subject to transition arrangements should be charged based solely on their Live RV and non-transition tariffs should be used to calculate RV-based charges.

During the Transition Period, RV-based charges for transition SPIDs will be calculated using a weighted average of:

- the pre-phasing bill, which is calculated by applying 2017-18 Default Maximum Tariff to the Historic/Current Rateable Value; and
- the post-phasing bill, which is calculated by applying 2020-21 Default Maximum Tariff to the Live Rateable Value.

The RV-based Default Tariffs contain four different sets of charges:

- 2018-19 tariffs, which apply to non-transitioning SPIDs;
- 2019-20 tariffs, which apply to non-transitioning SPIDs;
- 2017-18 tariff which should be used to calculate the pre-phasing bill of transitioning SPIDs; and
- 2020-21 tariff which should be used to calculate the post-phasing bill of transitioning SPIDs.

The Default Retail Glide Path will be unique for each transitioning SPID and will be calculated as shown in the table below.

2017-18	2018-19	2019-20	2020-21
RV-based charge calculated using 2017/18 default maximum tariff and the current/historic RV	2/3 of the 2017/18 pre-phasing default bill + 1/3 of the 2020/21 post-phasing default bill	1/3 of the 2017/18 pre-phasing default bill + 2/3 of the 2020/21 post-phasing default bill	RV-based charge calculated using the 2020/21 default maximum tariff and the live RV (post-phasing retail bill).

3. The Default Services and Default Maximum Tariff (water services licences)

In the table below, column A sets out various types of licensed services, the provision of which shall be treated as the provision of a "default service" for the purposes of the standard conditions in so far as applicable to any licence granted under section 6(1) of the 2005 Act but not otherwise. Column B sets out the method of charging for each service. Column C sets out, for each service, the amount which is to be regarded as the "default maximum tariff" for such purposes.

Primary Services

A. Service type	B. Tariff description	C. Maximum tariff*		
		2018-19	2019-20	2020-21
Non-household unmeasured water for non-transitioning SPIDs				
Fixed charge	Fixed charge per connection per year	£161.12	£164.34	£167.63
Rateable value charge	Charge per £ of rateable value	£0.02091	£0.02133	£0.02176

A. Service type	B. Tariff description	C. Maximum tariff*	
		Pre-phasing 2017-18 tariff applied to Current/Historic RV	Post-phasing 2020-21 tariff applied to Live RV
Non-household unmeasured water for transitioning SPIDs			
Fixed charge	Fixed charge per connection per year	£157.96	£167.63
Rateable value charge	Charge per £ of rateable value	£0.03035	£0.02176

A. Service type	B. Tariff description	C. Maximum tariff* 2018-19
Non-household standard metered water connection up to and including 20mm connection**		
20mm meter or smaller	Fixed charge per connection per year	£142.91
for the first 25m ³ of water at a single site per year	Charge per m ³ of water	£2.1442
for all volume over the first 25m ³ at a single site per year	Charge per m ³ of water	£0.8042
Non-household measured water supply greater than 20mm connection**		
meter over 20mm and up to 25mm	Fixed charge per connection per year	£425

meter over 25mm and up to 40mm	Fixed charge per connection per year	£1,203
meter over 40mm and up to 50mm	Fixed charge per connection per year	£2,673
meter over 50mm and up to 80mm	Fixed charge per connection per year	£6,961
meter over 80mm and up to 100mm	Fixed charge per connection per year	£16,839
meter over 100mm and up to 150mm	Fixed charge per connection per year	£47,381
A. Service type	B. Tariff description	C. Maximum tariff* 2018-19
meter over 150mm and up to 200mm	Fixed charge per connection per year	£103,266
meter over 200mm and up to 250mm	Fixed charge per connection per year	£187,095
meter over 250mm and up to 300mm	Fixed charge per connection per year	£302,478
for the first 100,000m ³ at a single site per year	Charge per m ³ of water	£0.8042
over 100,000m ³ up to 250,000m ³ at a single site per year	Charge per m ³ of water	£0.6879
over 250,000m ³ at a single site per year	Charge per m ³ of water	£0.6627
over 1,000,000m ³ at a single site per year	Charge per m ³ of water	£0.4913
Miscellaneous services not included in another service type**		
Taps, troughs and drinking bowls: Crofts and Registered Small Holdings	Fixed charge per connection per year	£97.10
Taps, troughs and drinking bowls: Other properties	Fixed charge per connection per year	£148.97

* The default maximum tariff that a licensed provider can charge for the provision of the default services listed in Column A of the "Primary Services" table above to Vacant Premises (as defined in the Market Code, being the code designated as such under the Water Services (Codes and Services) Directions 2007) is zero, unless and until Scottish Water's Wholesale Charges Scheme (as approved by the Commission) permits Scottish Water to levy wholesale charges in respect of such services. Where Scottish Water's Wholesale Charges Scheme (as approved by the Commission) does permit Scottish Water to levy wholesale charges in respect of such services, the default maximum tariff that a licensed provider can charge for the provision of such services is as set out in Column C of the "Primary Services" table above, or such other amount as the Commission may direct from time to time.

** The default maximum tariffs will be subject to review following the approval of Scottish Water's Scheme of Charges for non-primary services.

4. The Default Services and Default Maximum Tariff (sewerage services licences)

In the table below, column A sets out various types of licensed service shall be treated as the provision of a "default service" for the purposes of the standard conditions in so far as applicable to any licence granted under section 6(3) of the 2005 Act but not otherwise. Column B sets out the method of charging for each service. Column C sets out, for each service, the amount which is to be regarded as the "default maximum tariff" for such purposes.

Primary Services

A. Service type	B. Tariff description	C. Maximum tariff*		
		2018-19	2019-20	2020-21
Non-household unmeasured wastewater for non-transitioning SPIDs				
Fixed charge	Fixed charge per connection per year	£181.95	£185.59	£189.30
Rateable value charge	Charge per £ of rateable value	£0.03509	£0.03579	£0.03651

A. Service type	B. Tariff description	C. Maximum tariff*	
		Pre-phasing 2017-18 tariff applied to Current/Historic RV	Post-phasing 2020-21 tariff applied to Live RV
Non-Household unmeasured wastewater for transitioning SPIDs			
Fixed charge	Fixed charge per connection per year	£178.38	£189.30
Rateable value charge	Charge per £ of rateable value	£0.05092	£0.03651

A. Service type	B. Tariff description	C. Maximum tariff* 2018-19
Non-household standard metered wastewater connection up to and including 20mm connection		
20mm meter or smaller	Fixed charge per connection per year	£138.02
for the first 23.75m ³ of wastewater at a single site per year	Charge per m ³ of wastewater	£2.3982
for all volume over the first 23.75m ³ at a single site per year	Charge per m ³ of wastewater	£1.4421

Non-household measured wastewater greater than 20mm connection		
meter over 20mm and up to 25mm	Fixed charge per connection per year	£445
meter over 25mm and up to 40mm	Fixed charge per connection per year	£1,261
meter over 40mm and up to 50mm	Fixed charge per connection per year	£2,803
meter over 50mm and up to 80mm	Fixed charge per connection per year	£7,062
meter over 80mm and up to 100mm	Fixed charge per connection per year	£17,196
meter over 100mm and up to 150mm	Fixed charge per connection per year	£41,195
Volumetric charge	Charge per m3 of waste water at a single site	£1.4421

A. Service type	B. Tariff description	C. Maximum tariff*		
		2018-19	2019-20	2020-21
Non-household surface water drainage for non-transitioning SPIDs				
Property drainage	Charge per £ of rateable value	£0.02157	£0.02200	£0.02244
Property drainage	Charge per m2 of drained area	£0.40518	£0.41329	£0.42155
Highway drainage	Charge per £ of rateable value	£0.01378	£0.01406	£0.01434

A.2 Service type	B. Tariff description	C. Maximum tariff*	
		Pre-phasing tariff 2017-18 applied to Current/Historic RV	Post-phasing tariff 2020-21 applied to Live RV
Non-household surface water drainage for transitioning SPIDs			
Property drainage	Charge per £ of rateable value	£0.02733	£0.02244
Highway drainage	Charge per £ of rateable value	£0.01755	£0.01433

Trade Effluent	(charged in accordance with the formula at Annex A)	2018-19
Availability reception charge (Ra)	Charge per consented m3 volume per day	£0.104059
Availability primary volumetric charge (Va)	Charge per consented m3 volume per day	£0.069286
Availability biological capacity charge (Ba)	Charge per consented kg of load per day	£0.264381
Availability sludge capacity charge (Sa)	Charge per consented kg of load per day	£0.226611
Operating reception charge (Ro)	Operating reception charge per m3 of volume discharged	£0.167744
Operating primary volumetric charge (Vo)	Operating primary volumetric charge per m3 of volume discharged	£0.111874
Operating secondary treatment charge (Bo)	Operating secondary treatment charge per m3 of volume discharged	£0.149513
Operating sludge treatment charge (So)	Operating sludge treatment charge per m3 of volume discharged	£0.091427
Minimum charge	Minimum charge per connection per year	£205

* The default maximum tariff that a licensed provider can charge for the provision of the default services listed in Column A of the "Primary Services" table above to Vacant Premises (as defined in the Market Code, being the code designated as such under the Water Services (Codes and Services) Directions 2007) is zero, unless and until Scottish Water's Wholesale Charges Scheme (as approved by the Commission) permits Scottish Water to levy wholesale charges in respect of such services. Where Scottish Water's Wholesale Charges Scheme (as approved by the Commission) does permit Scottish Water to levy wholesale charges in respect of such services, the default maximum tariff that a licensed provider can charge for the provision of such services is as set out in Column C of the "Primary Services" table above, or such other amount as the Commission may direct from time to time.

** The default maximum tariffs will be subject to review following the approval of Scottish Water's Scheme of Charges for non-primary services.