

Unmetered Supply Points – Reassessment Process December 2008

This document presents the Commission's proposals for the process that will allow customers to apply for a reassessment of an unmetered Supply Point.

The Commission welcomes comments on these materials. Comments should be sent to the address below before 19 January 2008.

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Background

In line with the Scottish Government's stated aim that non-household premises should be metered, Scottish Water is currently engaged in a programme to install water meters at all non-household premises in Scotland, the Full Business Metering Programme (**the FBM Programme**). The FBM Programme will allow customers to benefit from charges that are related to their actual consumption rather than just the rateable value of their premises. The FBM Programme is due to be completed by 1 April 2009.

Where a meter has been installed under the FBM Programme, meter-based charging will be introduced, on a phased basis, from 1 April 2009. However, in the course of installing water meters under the FBM Programme, it has become apparent to Scottish Water that there may be a number of premises where it appears uneconomic to install a water meter. Where a premises remains unmetered by 1 April 2009, Scottish Water will use the current rateable value volume conversion (as set out in the published Wholesale Charges Scheme 2008-9) to assign an assessed meter size and an assessed annual volume. This approach will also apply to any Gap Site identified after 1 April 2009 and which cannot be metered.

However, to ensure that the Government's objective, that charging be reflective of consumption, is met, an alternative charging mechanism will be introduced from 1 April 2009 for those non-household customers whose premises have not been fitted with a water meter. Under this new charging structure, an assessment can be made of the annual water and wastewater consumption which will then be used to determine the appropriate wholesale charge. The Wholesale Charges Scheme for 2009-10 contains charging bands and once an assessment has been made of the annual water and wastewater consumption, Scottish Water will determine into which wholesale charging band it believes the Supply Point(s) at the premises correctly fall.

The process set out in this consultation is the way in which a customer, through their licensed provider, may apply for a reassessment of their unmetered premises leading to either the installation of a meter, or a switch from rateable-valued based to assessed consumption based charging.

Process overview

Once a non-household customer has made an application to Scottish Water through their Licensed Provider, the first stage of the process will be for Scottish Water to make an offer to contribute to the cost of installing a water meter at the Supply Point(s) concerned. Should the customer then choose not to fit a meter, an assessment of the consumption at the premises (based on information supplied by the customer) will be made in order to determine the appropriate charge.

We set out below some of the main points of note concerning the proposed reassessment process and then attach Scottish Water's detailed business process and the draft reassessment request form. It should be noted that the business process refers to both an Economic Threshold and a Contribution Offer. The Contribution Offer is the contribution Scottish Water will make to a Licensed Provider for the costs of changing the internal

pipework at a premises in order to install a water meter. The Economic Threshold will be used to set the minimum value of the Contribution Offer. The Commission will publish the Economic Threshold in advance of 1 April 2009 and is currently in discussion with Scottish Water regarding the same.

As well as the Economic Threshold, the Commission will publish a consumption matrix that will allow licensed providers to determine a customer's likely consumption prior to making an application for a reassessment. The consumption matrix will set out the elements which Scottish Water will use to calculate the annual consumption, for example, the numbers of toilets and/or showers at the premises. The Commission is in discussion with Scottish Water regarding the consumption matrix but intends to publish a draft in advance of the close of this consultation on 19 January 2009.

Finally, it should be noted that as the information flows to the CMA for the calculation of wholesale charges under the reassessment process are still under discussion, this section of Scottish Water's business process document may be subject to change.

We welcome comments on the proposed reassessment process which should be sent to us before 19 January 2009.

Main points to note

1. Each completed reassessment request made by a Licensed Provider and agreed by Scottish Water will have the new wholesale charges applied by the CMA from the date on which the request was received by Scottish Water. However, where a completed reassessment request is received by Scottish Water before 1 July 2009, the new wholesale charges will be applied by the CMA from 1 April 2009.
2. Supply Points whose wholesale charges have been revised in response to a reassessment request, will **not** be able to revert back to the rateable value volume conversion (as set out in the published Wholesale Charges Scheme) to assign an assessed meter size and an assessed annual volume.
3. Supply Points whose wholesale charges have been revised in response to a reassessment request, will **not** be subject to the phasing programme (percentages and timetable) that applies to premises metered under the Full Business Metering Programme.
4. If a Supply Point which has an assessed meter size and/or an assessed consumption is subsequently metered, that Supply Point will immediately move to full metered charges in line with the published Wholesale Charges Scheme and will **not** be subject to the phasing programme (percentages and timetable) that applies to premises metered under the Full Business Metering Programme.
5. For each unmetered property allocated under the Gap Site process, Licensed Providers will be required to lodge a Reassessment Request Form with evidence of actual water use and consumption at the Gap Site.

6. Scottish Water may review each re-assessed Supply Point a maximum of once every 3 (three) years, to confirm that the criteria on which the assessment was based remain unchanged.
7. Where a change of use or tenancy at a premises is identified, Licensed Providers will be required to lodge a reassessment request. Following a period of vacancy, Licensed Providers will also be required to lodge a reassessment request with evidence of actual water use and consumption.
8. For any properties with an assessed volume of more than 1000m³, Scottish Water will automatically reconsider whether to install a meter.

Scottish Water Process Document

<i>Title:</i>	Unmetered Supply Points – Reassessment Process
<i>Description:</i>	Process documentation for licensed providers to apply for a reassessment of an unmetered Supply Point including meter installation and charging reassessment
<i>Contents:</i>	Process Summary Document Process Map

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1. Background

1.1 Purpose of this document

Following the Scottish Government's policy, it is Scottish Water's objective to install water meters at all non-household premises such that customers may benefit from charges that are related to their actual consumption. This programme is known as the Full Business Metering Programme.

Meters installed under the Full Business Metering Programme will be introduced, on a phased basis, for charge calculation purposes from 1 April 2009. However, in the course of installing water meters under the Full Business Metering Programme, it has become apparent to Scottish Water that there may be a number of premises where it appears uneconomic or impractical to install water meters. Scottish Water recognises that this definition of 'uneconomic' may change through time and that it will be appropriate, from time to time, to consider whether there have been changes that result in it becoming economic to install meters at premises.

To enable Scottish Water to meet ministerial objectives, an alternative charging mechanism has been introduced to assign assessed parameters (annual water consumption, meter size and annual water/waste water volumes) at these unmeterable premises. A licensed provider may only access this alternative charging mechanism, and be charged accordingly, once it has been established that it remains uneconomic to install a meter at the premises concerned.

It is recognised that an auditable, transparent and non-discriminatory process is required under which licensed providers may apply to Scottish Water for a reassessment of an unmetered Supply Point to determine whether a meter can be installed and if not, the charge under the alternative charging mechanism.

This document provides a summary of Scottish Water's reassessment business process for unmetered Supply Points. The process is not currently set out in the Market or Operational Codes, nor in the Wholesale Services Agreement. However it is anticipated that the process and relevant steps will become part of the Operational Code.

1.2 General principles adopted

To assist the consistent development of processes, consideration has been given to the following business drivers:

- Statutory and Regulatory Obligations;
- Public Health and Safety;
- Health and Safety of staff and suppliers;
- Compliance with Market Framework Documents;

- Integrity of Operational Information and Data;
- Effectiveness and efficiency consistent with regulatory requirements and principles; and
- Perception by licensed providers and stakeholders that the process is fair and logical.

2. Scope of the Process

2.1 Scope

This describes the steps taken by Scottish Water and the relevant licensed provider to process any request made in respect of an unmetered Supply Point to which the licensed provider is registered. The scope of this process is:

1. Receipt and logging of an application submitted by a licensed provider to Scottish Water;
2. Review and assessment of the application by Scottish Water to determine whether it is complete;
3. The making of a Contribution Offer from Scottish Water for the fitment of a water meter;
4. Allocation of annual volume, meter size and return to sewer allowance (where applicable) by Scottish Water;
5. Determination of the correct wholesale charging band (as set out in the published Wholesale Charges Scheme) into which the Supply Point(s) fall;
6. Banding acceptance by licensed provider; and
7. Notifying the CMA.

2.2 Principles

1. Under the Full Business Metering Programme, Scottish Water has been installing water meters at non-household premises such that customers may benefit from charges that are related to their consumption. In the course of installing water meters under the Full Business Metering Programme, it has become apparent that there are a number of premises where it appears uneconomic or impractical to install water meters.
2. The Water Industry Commission will, from time to time and following discussions with Scottish Water, establish and publish an economic threshold for the installation cost of meters (the **Economic Threshold**).
3. Where a premises has been established as uneconomic to meter by 1 April 2009, Scottish Water will use the current rateable value volume conversion (as set out in the published Wholesale Charges Scheme) to assign an assessed meter size and an assessed annual volume. This approach will include any Gap Site identified after 1 April 2009 that is not metered.
4. If a licensed provider, working in conjunction with a non-household customer, believes that a premises should be metered and/or the rateable value based

assessed meter size and/or assessed consumption at the Supply Point(s) are not representative of the actual consumption requirements, a reassessment request may be submitted to Scottish Water.

5. Having received a reassessment request from a licensed provider, Scottish Water will first offer to make a contribution to the licensed provider for the costs of changing the premises' internal pipework in order to install a meter (a **Contribution Offer**). The minimum value of the Contribution Offer will be the Economic Threshold currently published by the Commission, although Scottish Water may, at its sole discretion, offer a higher contribution.
6. If the licensed provider, having received Scottish Water's Contribution Offer and consulted with the non-household customer, decides not to change the internal pipework in order to accommodate a water meter at the premises, it will indicate the same to Scottish Water within 15 (fifteen) business days of the date of the Contribution Offer. Scottish Water will then reassess the annual consumption, water volume, meter size and return to sewer allowance¹ (where applicable) for that Supply Point(s) based on details of the actual consumption requirements supplied on the Reassessment Request Form.
7. Having reassessed the annual consumption, water volume, meter size and return to sewer allowance (where applicable) for the Supply Point(s), Scottish Water will then determine into which wholesale charging band (as set out in the published Wholesale Charges Scheme) it believes the Supply Point(s) correctly fall.
8. Scottish Water will inform the licensed provider of the wholesale charging band into which the Supply Point(s) fall. The licensed provider will then have 10 (ten) business days in which to question Scottish Water's reassessment.
9. It is the responsibility of the licensed provider to ensure that all of the necessary information is obtained from the non-household customer to enable Scottish Water to assess and allocate the appropriate annual consumption. Primarily, this will involve ensuring that the Reassessment Request Form is complete.
10. Each completed reassessment request made by a licensed provider will have the new wholesale charges applied by the CMA from the date on which the request was received by Scottish Water. However, where a completed reassessment request is received by Scottish Water before 1 July 2009, the new wholesale charges will be applied by the CMA from 1 April 2009.
11. Supply Points whose wholesale charges have been revised in response to a reassessment request, will **not** be able to revert back to the rateable value volume

¹ Under the Wholesale Scheme of Charges only two values for the return to sewer allowance are permitted: 50% or 95%.

conversion (as set out in the published Wholesale Charges Scheme) to assign an assessed meter size and an assessed annual volume.

12. Supply Points whose wholesale charges have been revised in response to a reassessment request, will **not** be subject to the phasing programme (percentages and timetable) that applies to premises metered under the Full Business Metering Programme.
13. If a Supply Point which has an assessed meter size and/or an assessed consumption is subsequently metered, that Supply Point will immediately revert to metered charges in line with the published Wholesale Charges Scheme and will **not** be subject to the phasing programme (percentages and timetable) that applies to premises metered under the Full Business Metering Programme.
14. For each unmetered property allocated under the Gap Site process, licensed providers will be required to lodge a Reassessment Request Form with evidence of actual water use and consumption at the Gap Site .
15. Scottish Water may review each re-assessed Supply Point a maximum of once every 3 (three) years, to confirm that the criteria on which the assessment was based remain unchanged. Scottish Water may review a re-assessed Supply Point at any time from the date on which the new wholesale charges are applied by the CMA.
16. To assist with its review, Scottish Water may request that licensed providers supply up-to-date information on water use and consumption to allow both an evaluation of the appropriateness of the current assessment for charging, and the potential for meter installation². The licensed provider must supply the information requested within 20 (twenty) business days of the date of the request.
17. If no up-to-date information is received from the licensed provider within 20 (twenty) business days or, having received the up-to-date information, Scottish Water believes there are legitimate grounds for doing so³, Scottish Water will liaise with the contact point provided by the licensed provider to agree a convenient time for a site visit to take place.
18. If, following receipt of the up-to-date information from the licensed provider and/or following a site visit, Scottish Water believes that a further reassessment is required, it will determine what it considers to be the correct consumption values and into which wholesale charging band (as set out in the published Wholesale Charges Scheme) the Supply Point(s) now fall.

² Unless Scottish Water can show exceptional circumstances, the information requested shall be limited to that set out on the Reassessment Request Form.

³ Scottish Water must inform the licensed provider in writing of these grounds.

19. Scottish Water will then inform the licensed provider of the wholesale charging band into which it believes the Supply Point(s) now fall. The licensed provider will then have 10 (ten) business days in which to question Scottish Water's reassessment.
20. Each completed reassessment review instigated by Scottish Water will have the new wholesale charges applied by the CMA from the date on which Scottish Water requested up-to-date water use and consumption information from the licensed provider. However, where a reassessment review by Scottish Water is completed within 20 (twenty) business days of the completion of a reassessment request from a licensed provider, the new wholesale charges will be applied by the CMA from the date on which the licensed provider's reassessment request was received by Scottish Water.
21. Where a change of use or tenancy at a premises is identified, licensed providers will be required to lodge a reassessment request within 30 (thirty) business days in relation to the Supply Point(s) at that premises.
22. Unless a change of use or tenancy at a premises is identified, a licensed provider may only lodge a reassessment request in relation to a Supply Point once per annum. Accordingly, if a non-household customer changes licensed provider during the course of a year, the new licensed provider may submit a reassessment request for the customer's Supply Point even if a request has been lodged by the customer's previous licensed provider during the same year.
23. Following a period of vacancy, licensed providers will be required to lodge a reassessment request with evidence of actual water use and consumption.
24. Any properties with an assessed volume of more than 1000m³ will be automatically reconsidered for a meter installation.

3. Process Summary

3.1 Key Performance Indicators

1.	Description – Initial Period (until September 2009)
	<p>Scottish Water will take reasonable actions to meet what could be expected to be an initial influx of requests. During this period of heavy volumes it is anticipated that within 20 Business Days of the licensed provider’s submission, Scottish Water will (i) accept the submission; or (ii) reject the submission; or (iii) make a Contribution Offer to the licensed provider, at all times providing reasons in writing to the licensed provider of its decision.</p> <ul style="list-style-type: none">• Note. No flows will be sent to the CMA until such time as they can accept the flows. The CMA anticipates this will be implemented by the end of April 2009 as stated in Release Schedule 1.4.3.
2.	Description – Normal Working Conditions (post October 2009)
	<p>Within 10 Business Days of the licensed provider’s submission, Scottish Water will (i) accept the submission; or (ii) reject the submission; or (iii) make a Contribution Offer to the licensed provider, at all times providing reasons in writing to the licensed provider of its decision.</p> <ul style="list-style-type: none">• Note. It is anticipated that Scottish Water aim to be achieve normal working conditions status by 30 September 2009.

3.2 Main Process Triggers

- Licensed provider submits a reassessment request;
- Scottish Water issues a Contribution Offer to the licensed provider for meter installation;
- No meter is installed and Scottish Water carries out a reassessment of the charges at the Supply Point;
- Change of use identified by licensed provider where there is a significant change in water consumption pattern;

- Scottish Water decides to review the reassessment (conducted at a maximum of every 3 (three) years);

3.3 Summary of Reassessment Request Activities

See also the Process Map in section **Error! Reference source not found.**

Receive Reassessment Request Form

KPI during Normal Working Conditions (post October 2009): 10 business days from the date the Reassessment Request Form is logged to provision of proposed reassessment.

KPI during Initial Period (until September 2009): 20 business days from the date the Reassessment Request Form is logged to provision of proposed reassessment.
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On receipt of the completed Reassessment Request Form from the licensed provider, Scottish Water will log the request and begin the reassessment process. The licensed provider will receive an acknowledgement at this stage confirming the receipt of the Request Form.

Assess Reassessment Request

Scottish Water will review the Reassessment Request Form to determine whether it is satisfactorily completed and includes all of the necessary details. This review will include verifying the details of the Supply Point(s).

Reassessment Request Forms which are found to be incomplete or do not provide the necessary information will be rejected and returned to the licensed provider. A correctly completed Reassessment Request Form will also be rejected and returned to a licensed provider if that licensed provider has made a reassessment request for the Supply Point(s) within the last year. Where an Reassessment Request Form is rejected and returned, Scottish Water will provide the licensed provider with reasons for the rejection.

Where a Reassessment Request Form has been completed correctly and accepted, Scottish Water will make a Contribution Offer to the licensed provider.

If a meter is then installed by the licensed provider, the Supply Point(s) will immediately revert to metered charges in line with the published Wholesale Charges Scheme and Scottish Water will no longer proceed with the reassessment request.

Having received Scottish Water's Contribution Offer, if the licensed provider decides not to change the internal pipework at the premises in order to allow Scottish Water to install a water meter, it will indicate the same to Scottish Water who will then apply the method for calculating the reassessment in order to establish the annual volume, meter size and return to sewer allowance⁴ (where applicable) for the Supply Point(s). Scottish Water will then

⁴ Under the Wholesale Scheme of Charges only two values for the return to sewer allowance are permitted: 50% or 95%.

determine into which wholesale charging band (as set out in the published Wholesale Charges Scheme) the Supply Point(s) correctly fall.

Premises consuming volumes of more than 1000m³ per year will be automatically reconsidered for a meter installation. If it is found that a meter installation may be possible, the request will proceed and a wholesale charging band will be allocated until such time as a meter is installed. Once the Supply Point(s) are metered, they will immediately revert to metered charges in line with the published Wholesale Charges Scheme.

Site Visit

The data submitted by the licensed provider on the Reassessment Request Form will be used to establish the annual volume, meter size and return to sewer allowance (where applicable) for the Supply Point(s). In turn, this information will be used to determine into which wholesale charging band (as set out in the published Wholesale Charges Scheme) the Supply Point(s) correctly fall.

Scottish Water may review each re-assessed Supply Point a maximum of once every 3 (three) years, to confirm that the criteria on which the assessment was based remain unchanged. To assist with its review, Scottish Water may request that licensed providers supply up-to-date information on water use and consumption.

If no up-to-date information is received from the licensed provider within the 20 (twenty) business days allowed or, having received the up-to-date information, Scottish Water believes there are legitimate grounds for doing so⁵, Scottish Water will liaise with the contact point provided by the licensed provider to agree a convenient time for a site visit to take place.

If, following a site visit, Scottish Water believes that a further reassessment is required, it will determine what it considers to be the correct consumption values and into which wholesale charging band (as set out in the published Wholesale Charges Scheme) the Supply Point(s) now fall.

Wholesale Charging Band Determination

When Scottish Water completes the reassessment and determines into which wholesale charging band (as set out in the published Wholesale Charges Scheme) the Supply Point(s) correctly fall, the outcome will be notified to the licensed provider. The licensed provider will have 10 (ten) Business Days from the date of notification to provide a response. If no

⁵ Scottish Water must inform the licensed provider in writing of these grounds.

response is received by Scottish Water at the end of the 10 (ten) Business Days, the notified wholesale charging band will be recorded by Scottish Water, who will then notify the CMA.

Following notification, the licensed provider may reject the wholesale charging band altogether or may provide additional guidance to support a re-evaluation of the reassessment. In such a case, further analysis may be required and the wholesale charging band into which the Supply Point(s) should correctly fall may be re-evaluated.

Once it has been determined into which wholesale charging band the Supply Point(s) correctly fall, this will be recorded by Scottish Water who will then notify the CMA.

Scottish Water will provide the CMA with the following information:

- An indicator to advise of the charging method to be applied (namely a flag indicating a reassessment has been carried out and that the assessed charges will not be aligned to Rateable Value);
- The Assessed Annual Volume; and
- The Return to Sewer Allowance⁶ (if appropriate).

⁶ Under the Wholesale Scheme of Charges only two values for the return to sewer allowance are permitted: 50% or 95%.

4. Process Map

