

Unmetered Supply Points – Reassessment Process February 2009

This document presents the Commission's response to its December 2008 consultation on the proposals for the process that will allow customers to apply for a reassessment of an unmetered Supply Point.

Contact

Katherine Russell

Director of Corporate Affairs and Customer Service

T: 01786 430200

E: licensingconsultation@watercommission.co.uk

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 revenue 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 water revenue 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 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 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 non-household customer, through their licensed provider, may apply for a reassessment of their unmetered premises leading to either the installation of a water revenue meter, or, if a customer does not wish to contribute for the installation of a meter, a switch from rateable-valued based to assessed consumption based charging.

Consultation Response

We received one response to the consultation from Business Stream. We would like to thank Business Stream for its comments and suggestions, which we have found very useful.

We set out below clarifications to the policy for reassessment requests as well the main changes we have made to the reassessment process itself. We then set out a detailed process path together with the proforma Reassessment Request Form and wholesale charge calculator¹. We have decided not to use Scottish Water's business process document going

¹ The wholesale charge calculator can be used by licensed providers to calculate customers' wholesale charges based on their consumption requirements.

forward, but rather have the process path, Request Form and wholesale charge calculator as separate Commission policy documents. This will allow Scottish Water to use our high level process path to inform its own internal documentation.

- The reassessment request process is designed, first and foremost, to facilitate the fitment of a water revenue meter at an unmetered premises. Accordingly, once an application has been made to Scottish Water for the reassessment of a Supply Point(s) by a licensed provider filling out a Reassessment Request Form², the first stage of the process will be for Scottish Water to make an offer to contribute to the cost of installing a water revenue meter at the relevant Supply Point(s). If a meter is installed, the reassessment request process will end and the non-household customer will move directly to meter-based charges once the meter has been fitted by Scottish Water and is operational.
- Only if the non-household customer at the premises chooses not to fit a meter will the charging basis for the Supply Point(s) move from the premises' rateable value to the customer's consumption requirements. Further, having decided not to accept the Contribution Offer from Scottish Water and fit a meter at the premises, a non-household customer may not choose to remain on rateable value based charging and must proceed with the reassessment request.
- The process path remains a high-level document and does not, for example, include details of the information flows to the CMA. The CMA is currently working with all trading parties to prepare a revised set of CSDs for the reassessment request process. The revised CSDs will be published by way of a Commission Change³ to the Market Code once their contents have been agreed.
- To avoid over-complication of the reassessment process, it should be noted that reassessment requests may only be submitted for both the water and wastewater Supply Point(s) at a premises. Accordingly, if a non-household customer has different licensed providers for its water and wastewater services, those licensed providers must liaise and complete Reassessment Request Forms for both the water and wastewater Supply Point(s) (the Form has been amended accordingly). A form completed in relation to only one or other of the Supply Points at a premises will be rejected by Scottish Water as incomplete.
- Scottish Water will make available to all licensed providers the complete list of Supply Point(s) that are unmetered. The list, which will set out for each Supply Point the reason it has not been metered, should assist customer understanding and may

² It should be noted by licensed providers that reassessment requests may only be submitted for both the water and wastewater Supply Point(s) at a premises. Accordingly, if a non-household customer has different licensed providers for its water and wastewater services, those licensed providers must liaise and complete a single Reassessment Request Form.

³ Section 8.7.2 of the Market Code.

increase take-up of meters. The list will be available to licensed providers through Scottish Water's portal.

- To reduce the number of incomplete Reassessment Request Forms, Scottish Water has indicated on the Form which fields are mandatory and which are not. In a similar vein, the Form now requires licensed providers to indicate why they are submitting the Form.
- The Contribution Offer from Scottish Water will be supplemented by the Technical Specification. This will be the technical specification of the works that must be carried out in order that Scottish Water may fit a water revenue meter at the premises.
- Accordingly, if Scottish Water's Contribution Offer is accepted and a meter is to be fitted, the works necessary to meet the Technical Specification must be completed first. Following completion of those works, the licensed provider will notify Scottish Water who will, providing the works have been completed correctly, install a meter. Having installed the meter, Scottish Water will then pay the licensed provider the amount of the Contribution Offer.
- Details of the contents of Contribution Offers, the system for accepting Offers and the process that must be followed by licensed providers and Scottish Water when installing a meter following an Offer will be published by the Commission at the same time as the Economic Threshold.
- We have clarified within the Process Path that it is not compulsory for licensed providers to submit a Reassessment Request Form for each unmetered Gap Site. Customers at such sites may therefore choose to submit (or not submit as the case may be) a Reassessment Request Form in the same way as customers at other unmetered sites.
- As the charging for trade effluent differs from wastewater charging under the Wholesale Charges Scheme, a health warning will be included on the wholesale charge calculator to inform licensed providers and customers that the reassessed charges for premises with a trade effluent consent will be calculated outwith the calculator. Licensed providers will be required to liaise with Scottish Water regarding these properties and the Reassessment Request Form has been amended to require licensed providers to notify Scottish Water if there is a trade effluent consent in effect at the premises.

Process Path

1. Under the Full Business Metering Programme, Scottish Water has been installing water revenue 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 to install water meters.
2. Scottish Water will make available to all licensed providers the complete list of Supply Point(s) that are unmetered. This list, which will be available to all licensed providers through Scottish Water's portal, will set out for each Supply Point the reason it has not been metered.
3. 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 water revenue meters (the **Economic Threshold**).
4. Where Scottish Water has determined that a premises is uneconomic to meter such that at 1 April 2009 the premises remains unmetered, Scottish Water will use the current rateable value volume conversion (as set out in the current 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.
5. 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 using the appropriate form (the **Reassessment Request Form**)⁴.
6. Reassessment requests may only be submitted for both the water and wastewater Supply Point(s) at a premises. Accordingly, if a non-household customer has different licensed providers for its water and wastewater services, those licensed providers must liaise and complete Reassessment Request Forms for both the water and wastewater Supply Point(s).
7. In order to allow licensed providers and their customers to determine whether to submit a reassessment request, the Commission will publish a wholesale charge calculator that will allow a customer's likely consumption to be determined prior to a

⁴ The licensed provider will be required to indicate on the Reassessment Request Form the reason for the Form's submission.

reassessment request being made⁵. The wholesale charge calculator 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. It will also set out details of how Scottish Water will treat non-domestic type consumption at a premises and how it will determine the appropriate return to sewer allowance⁶.

8. Having received a completed⁷ Reassessment Request Form from a licensed provider⁸, 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**). Within the Initial Period Scottish Water will send its Contribution Offer within 20 (twenty) business days of receipt of the Reassessment Request Form. At all other times Scottish Water will send its Contribution Offer within 10 (ten) business days of receipt of the Reassessment Request Form.
9. 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. The Contribution Offer will also include the technical specification of the works that must be carried out in order that Scottish Water may fit a water revenue meter at the premises (the **Technical Specification**).
10. If the licensed provider, having received Scottish Water's Contribution Offer (including the Technical Specification) and consulted with the non-household

⁵ Because of the way that trade effluent charges are calculated, the wholesale charge calculator should not be used where a non-household customer has a trade effluent consent. Licensed providers should discuss the consumption assessment of customers with a trade effluent consent with Scottish Water.

⁶ A Supply Point(s) where there is domestic consumption only will be charged on a return to sewer allowance of 95%. For all other Supply Point(s), Scottish Water will assess whether the return to sewer allowance should be 50% or 95%.

⁷ Reassessment Request Forms which are found to be incomplete or do not provide the necessary information will be rejected by Scottish Water returned to the licensed provider. Between 1 April 2009 and 30 September 2009 (the **Initial Period**) Scottish Water will return any incomplete Form within 20 (twenty) business days of receipt of the Form. At all other times Scottish Water will return an incomplete Form within 10 (ten) business days of receipt of the Form. 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) outside the permitted timeframes or without the cooperation of the customer's other licensed provider (only applicable where a customer has different licensed providers for water and wastewater services). Where an Reassessment Request Form is rejected and returned, Scottish Water will provide the licensed provider with reasons for the rejection.

⁸ Only a non-household customer's current licensed provider may submit a reassessment request. Accordingly, if a customer changes licensed provider before a reassessment request has been completed, the outgoing licensed provider must inform Scottish Water who will end the request process. If the customer wishes to proceed with the reassessment request, a new Reassessment Request Form must be signed and submitted by the customer's new licensed provider.

customer, decides to accept the Contribution Offer, it will notify Scottish Water within 15 (fifteen) business days of the date of the Contribution Offer and the reassessment request process will end.

11. The licensed provider will then take forward the meter installation process in conjunction with Scottish Water and once completed, the Supply Point(s) will move 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.
12. If the licensed provider, having received Scottish Water's Contribution Offer (including the Technical Specification) and consulted with the non-household customer, decides to not accept the Contribution Offer, it will indicate the same to Scottish Water within 15 (fifteen) business days of the date of the Contribution Offer. At this point a non-household customer may not choose to remain on rateable value based charging and must proceed with the reassessment request.
13. If no response from the licensed provider has been received by Scottish Water within 15 (fifteen) business days of the date of the Contribution Offer, Scottish Water will treat the Contribution Offer as rejected. Again, at this point a non-household customer may not choose to remain on rateable value based charging and must proceed with the reassessment request.
14. Following confirmation from the licensed provider that the Contribution Offer is not to be accepted or having not received a response from the licensed provider within 15 (fifteen) business days of the date of the Contribution Offer, Scottish Water will reassess the annual consumption, water volume, meter size and return to sewer allowance⁹ (where applicable) for that Supply Point(s) based on details of the actual consumption requirements supplied on the Reassessment Request Form.
15. Having reassessed the annual consumption, water volume, meter size and return to sewer allowance (where applicable) for the Supply Point(s), Scottish Water will determine into which wholesale charging band (as set out in the published Wholesale Charges Scheme) it believes the Supply Point(s) correctly fall.
16. Scottish Water will then inform the licensed provider of the wholesale charging band into which the Supply Point(s) fall¹⁰. The licensed provider will have 10 (ten) business days from the date of notification in which to dispute Scottish Water's reassessment. If no response is received by Scottish Water at the end of the 10 (ten) business days,

⁹ Under the Wholesale Scheme of Charges only two values for the return to sewer allowance are permitted: 50% or 95%. A Supply Point(s) where there is domestic consumption only will be charged on a return to sewer allowance of 95%. For all other Supply Point(s), Scottish Water will assess whether the return to sewer allowance should be 50% or 95%.

¹⁰ This will include, whether appropriate, Scottish Water's reasons for its assessment of the correct return to sewer allowance.

the notified wholesale charging band will be recorded by Scottish Water, who will then notify the CMA.

17. If the licensed provider disputes Scottish Water's reassessment, it must provide additional evidence to support a re-evaluation of the reassessment within 20 (twenty) business days from the date the reassessment was provided by Scottish Water. Following receipt of any additional evidence, Scottish Water will have 10 (ten) business days to provide the licensed provider with its re-evaluation of the correct wholesale charging band. If no additional evidence is received by Scottish Water at the end of the 20 (twenty) business days, the original notified wholesale charging band will be recorded by Scottish Water, who will then notify the CMA.
18. 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 completed correctly¹¹.
19. 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.
20. 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.
21. 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.
22. 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.
23. 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.

¹¹ All fields on the Reassessment Request Form are mandatory save for those indicated.

24. 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 installation¹². The licensed provider must supply the information requested within 20 (twenty) business days of the date of the request¹³.
25. 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 so¹⁴, 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.
26. 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.
27. Scottish Water will then inform the licensed provider of the wholesale charging band into which it believes the Supply Point(s) now fall¹⁵. The licensed provider will then have 10 (ten) business days in which to dispute Scottish Water's reassessment. If no 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.
28. If the licensed provider disputes Scottish Water's reassessment, it must provide additional evidence to support a re-evaluation of the reassessment within 20 (twenty) business days from the date the reassessment was provided by Scottish Water. Following receipt of any additional evidence, Scottish Water will have 10 (ten) business days to provide the licensed provider with its re-evaluation of the correct wholesale charging band. If no additional evidence is received by Scottish Water at the end of the 20 (twenty) business days, the original notified wholesale charging band will be recorded by Scottish Water, who will then notify the CMA.
29. 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

¹² Unless Scottish Water can show exceptional circumstances, this information request will be limited to licensed provider submitting a Reassessment Request Form.

¹³ The licensed provider will be required to indicate on the Reassessment Request Form the reason for the Form's submission.

¹⁴ Scottish Water must inform the licensed provider in writing of these grounds.

¹⁵ This will include, whether appropriate, Scottish Water's reasons for its assessment of the correct return to sewer allowance.

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.

30. Where a change of use or tenancy at a premises is identified by a licensed provider, it will be required to lodge a reassessment request in relation to the Supply Point(s) at that premises within 30 (thirty) business days of the date on which it became aware of the change of use or tenancy¹⁶.
31. 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.
32. Following a period of vacancy, licensed providers will be required to lodge a reassessment request with evidence of actual water use and consumption.
33. Any properties with an assessed volume of more than 1000m³ will be automatically reconsidered for a meter installation.

¹⁶ The licensed provider will be required to indicate on the Reassessment Request Form the reason for the Form's submission.