

# Wholesale charges

Summary of structure and 2009-10  
rates of Scottish Water's wholesale  
charges

General charging framework

# INTRODUCTION

2

Summary of structure and 2009-10 rates of Scottish Water's wholesale charges

Wholesale charges are levied by Scottish Water on retailers (“licensed providers”). Their structure reflects:

- Scottish Water’s evidence on the main drivers of its costs
- Our grouping of these drivers into those that can be influenced by customers and those that cannot
- Economies of scale (where these exist) in the provision of services to large users
- A single wholesale service for all retailers

The wholesale charges structure is designed to match Scottish Water's cost structure as follows:

- Fixed charge – covers costs that do not vary with the volume consumed by customers
- Capacity volume charge – covers the costs of providing peak capacity to meet short periods of high demand
- Standard volume charge – covers the costs that vary with the volume consumed
- Large user volume charge – covers the costs of providing large volumes (water only)

## The detailed charges are set out in Scottish Water's annual wholesale 'Charges Scheme'...

- Scottish Water is required to charge Retailers for services provided in accordance with a wholesale charges scheme that the Commission approves (or as part of an authorised departure)
- This document summarises Scottish Water's charges scheme
- Scottish Water's approved wholesale charges scheme for 2009-10 can be found on the Commission's website

There are a number of wholesale services that Scottish Water provides to Licensed Providers.

- Wholesale water
- Wholesale foul sewerage
- Surface Drainage
- Trade effluent
- Other services

In this document, we firstly summarise the structure of the charges for each of these services. We then summarise the 2009-10 rates for the wholesale water, foul sewerage, surface drainage and trade effluent services.

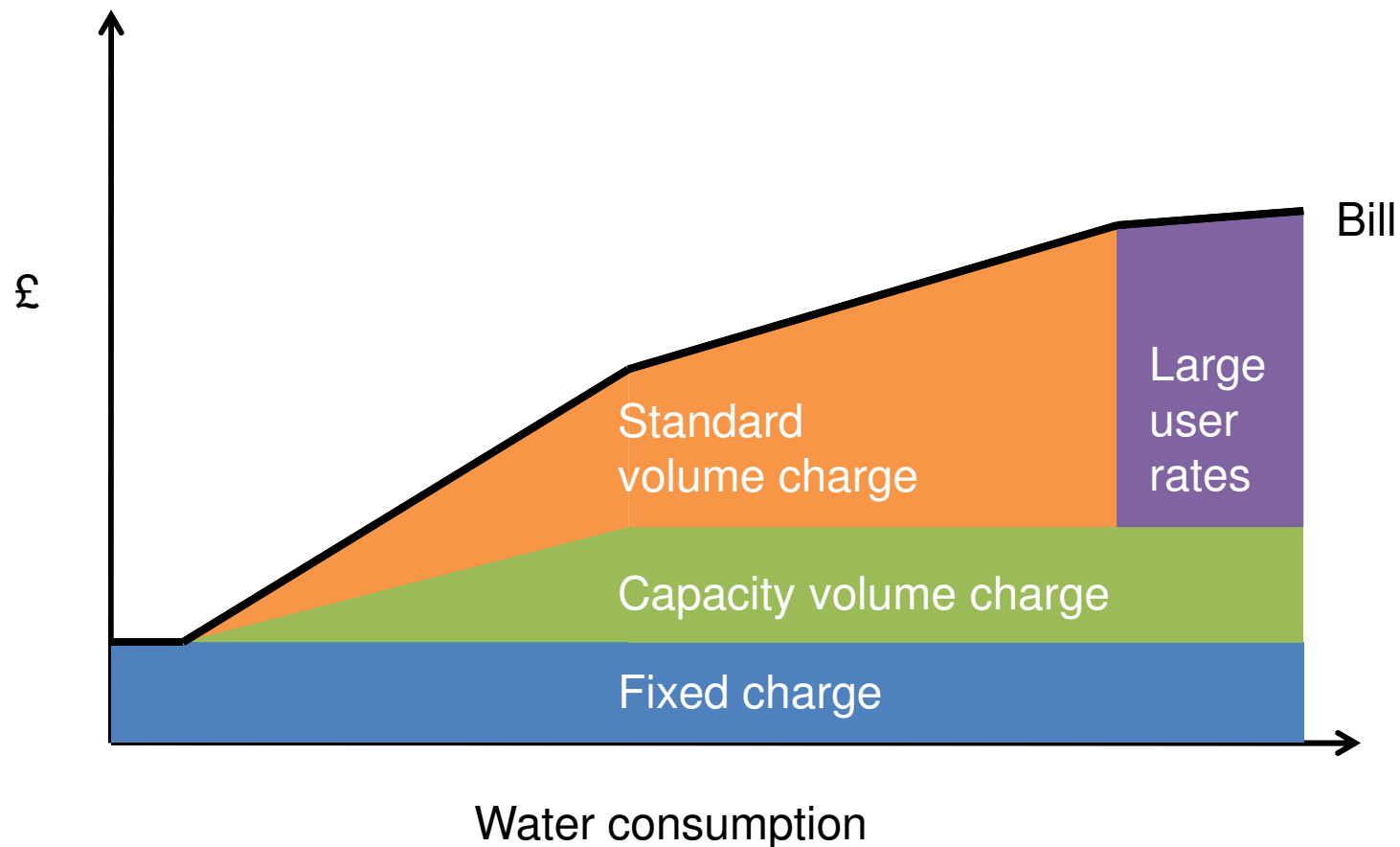
Summary of structure

# WHOLESALE WATER

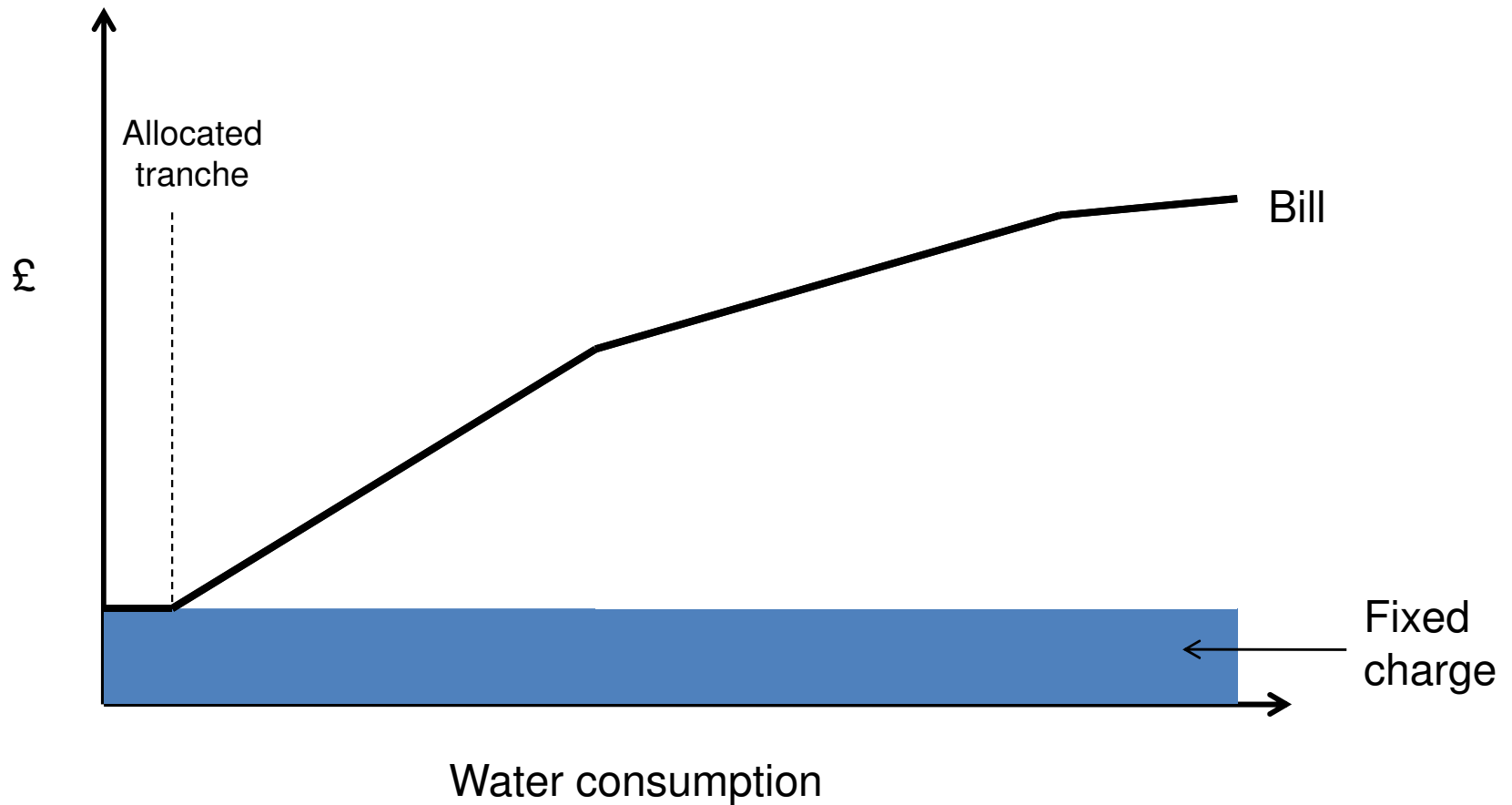
7

Summary of structure and 2009-10 rates of Scottish Water's wholesale charges

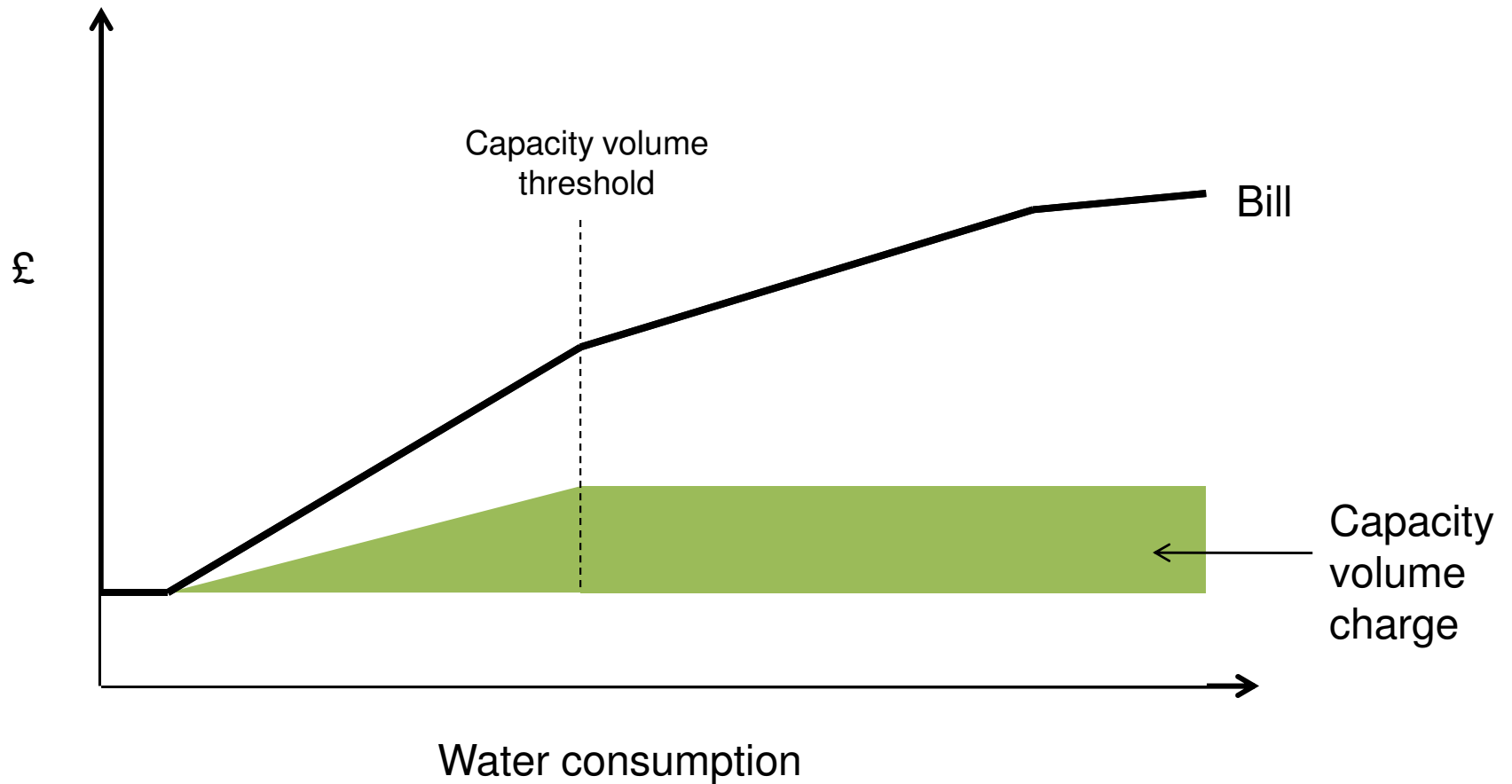
Wholesale water charges are based on the volumes of water used at a premise. They contain a number of discrete elements.



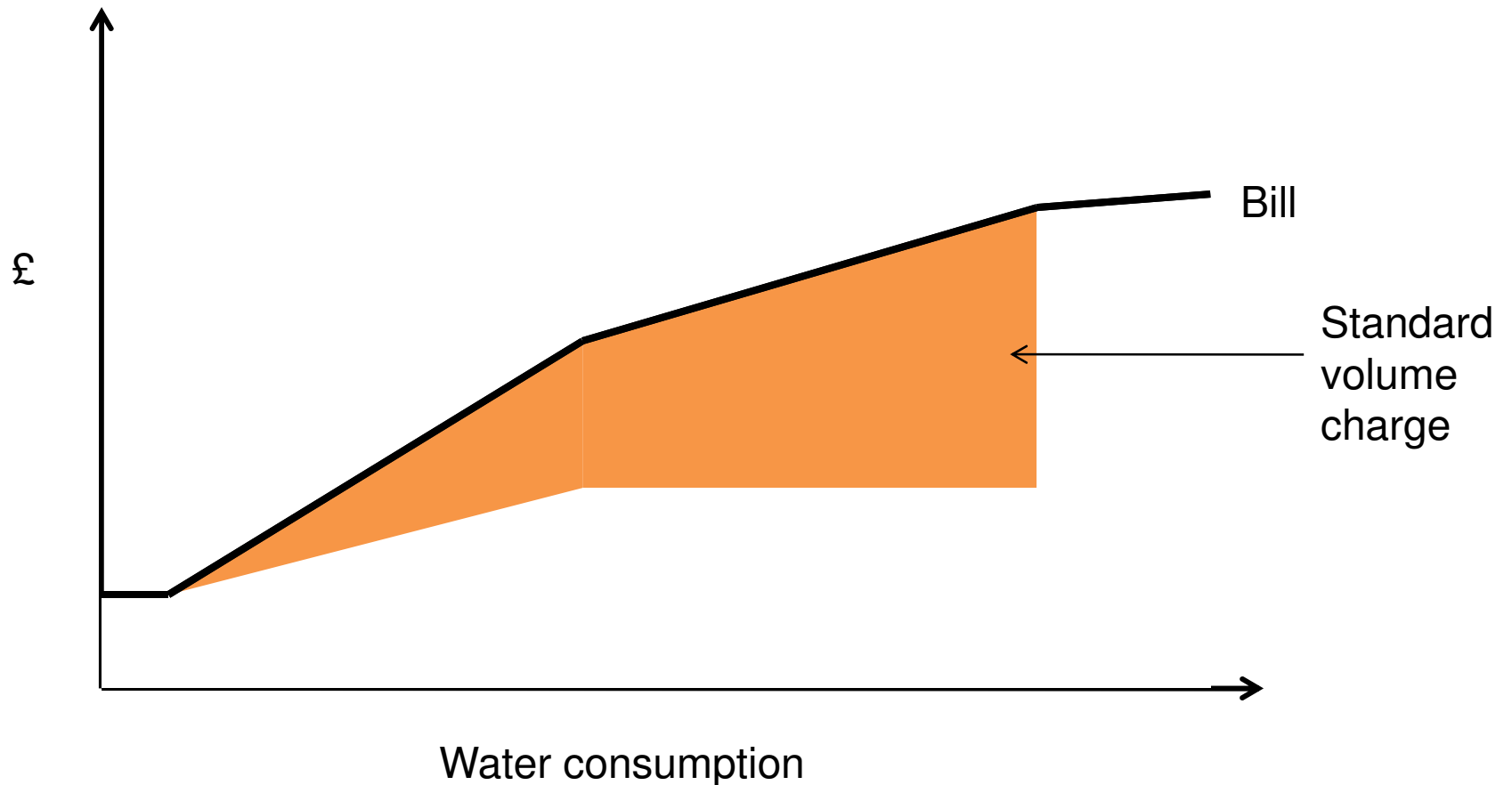
There is a fixed charge per meter point that varies with meter size – this allows the premise to consume an ‘allocated tranche’ (20m<sup>3</sup> per meter) of water without incurring further charge



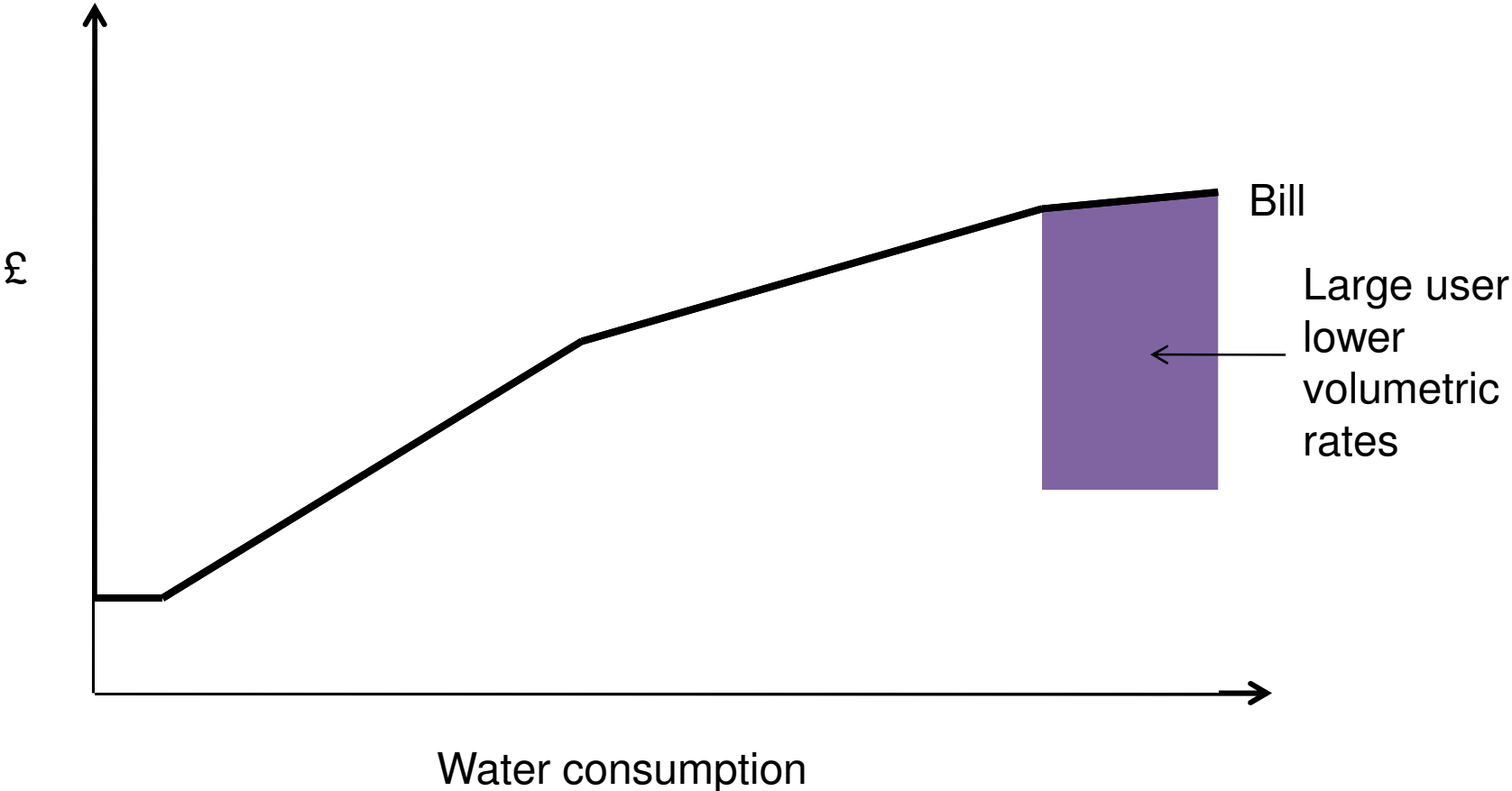
There are 'capacity volume charges'. These are volumetric charges that apply only at low consumption through a meter (up to a capacity volume threshold) and relate to the cost associated with using capacity



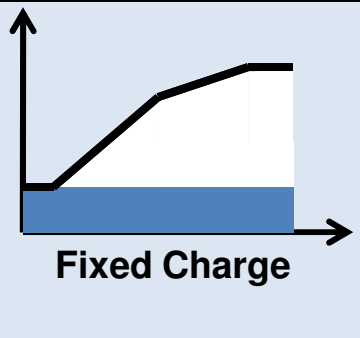
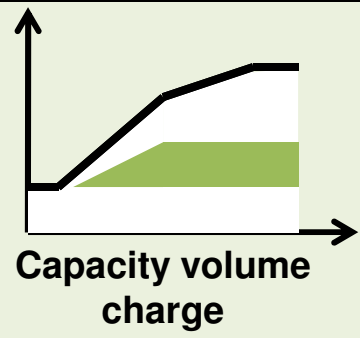
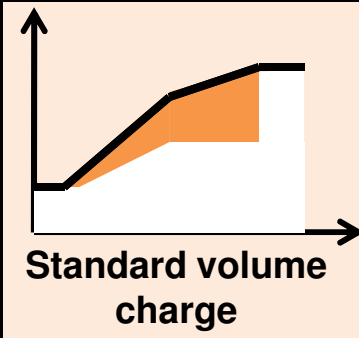
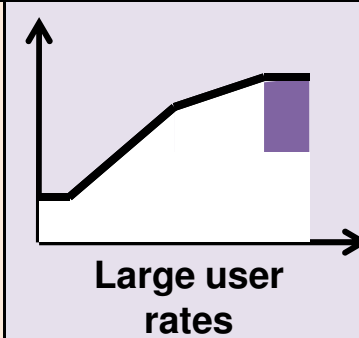
There is a standard volume charge. This applies between the allocated tranche and 250,000m<sup>3</sup> of consumption at a single site (which may include multiple meters)



There are lower volumetric charges for large water users. These apply where a single site (which may include multiple meters) consumes more than 250,000 m<sup>3</sup>



This structure of wholesale charges provides incentives on Licensed Providers and their customers to act in ways that impact Scottish Water's costs in a positive way...

Incentives on Licensed Providers and customers	 Fixed Charge	 Capacity volume charge	 Standard volume charge	 Large user rates
Reduce volumes		(✓)	✓	✓
Reduce peak demand	✓	✓		
Demand lower quality				
Unable to influence – fixed costs	✓			

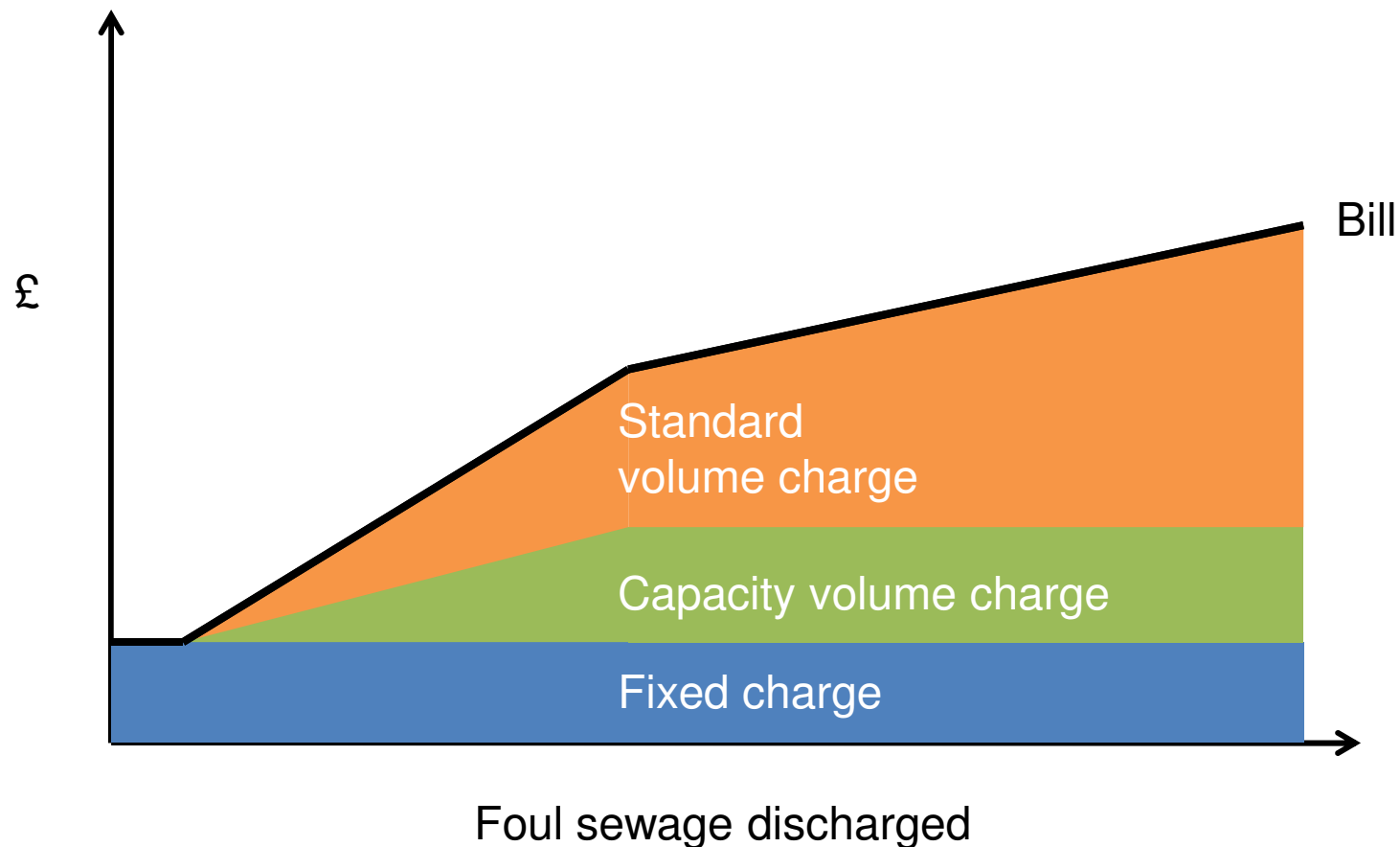
Summary of structure

# WHOLESALE FOUL SEWERAGE

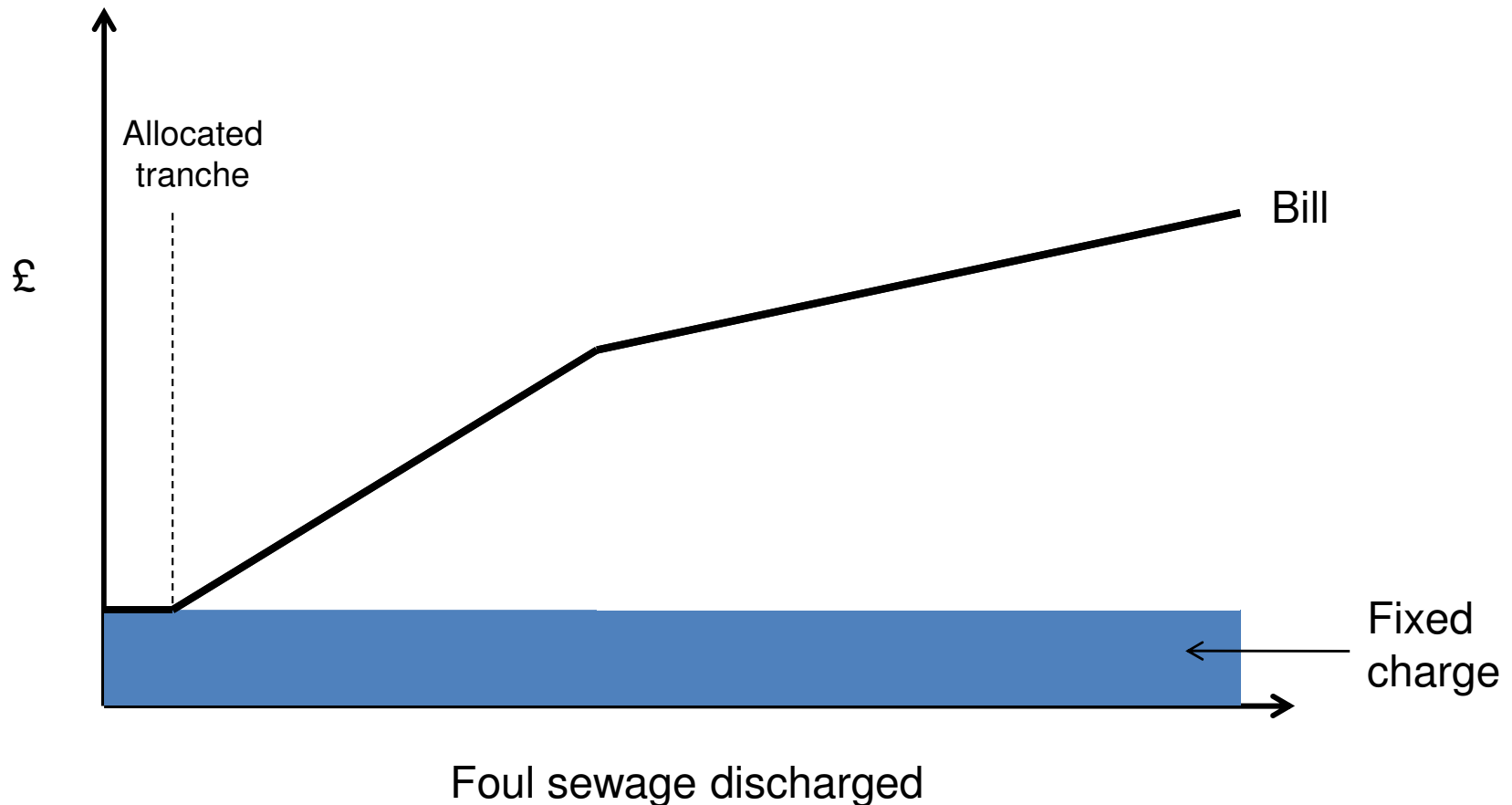
14

Summary of structure and 2009-10 rates of Scottish Water's wholesale charges

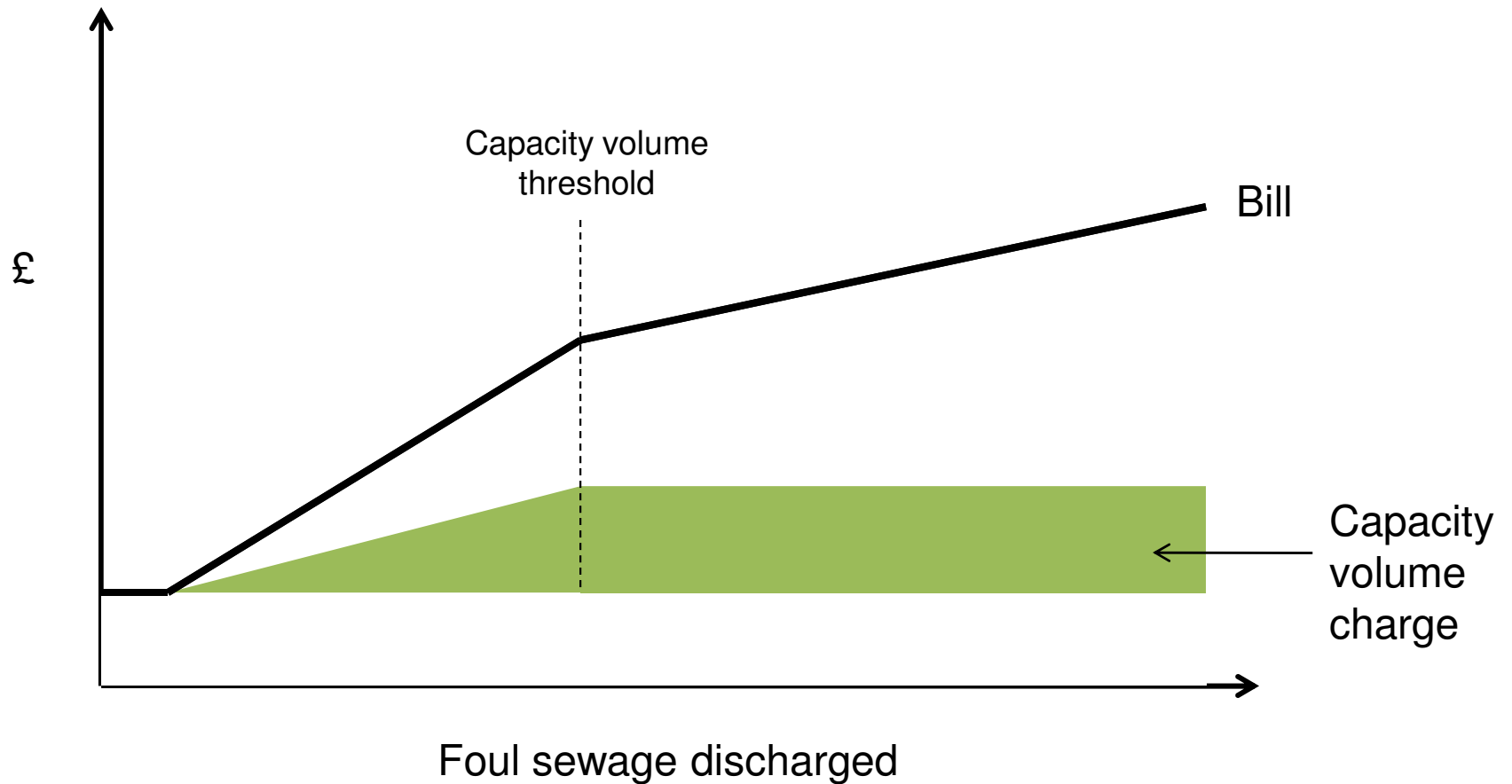
Wholesale foul sewage charges are based on the volumes of foul sewage discharged at a premise. They contain a number of discrete elements.



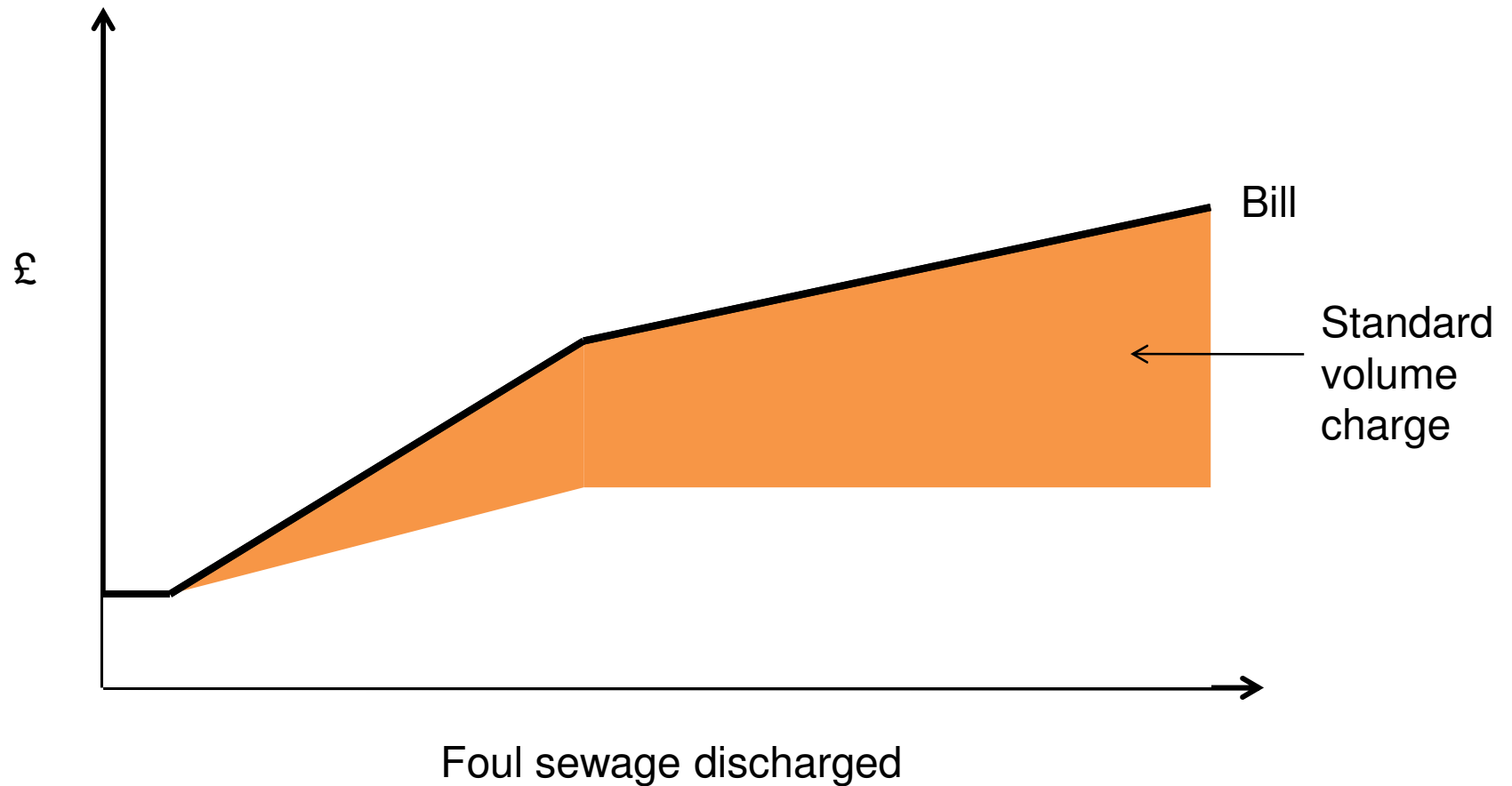
There is a fixed charge per meter point that varies with meter size – this allows the premise to discharge an ‘allocated tranche’ (20m<sup>3</sup> per meter) of foul sewage without incurring further charge



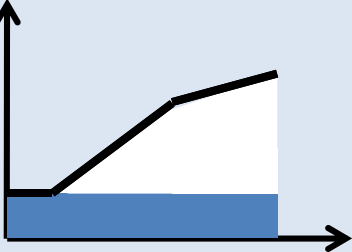
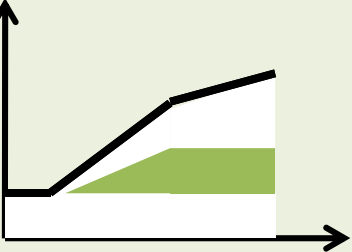
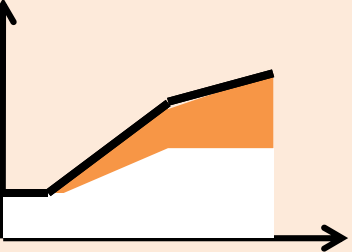
There is a 'capacity volume charge'. These are volumetric charges that apply only at low discharge at a meter point (up to a capacity volume threshold) and relate to the cost associated with using capacity



There is a standard volume charge. This applies at all consumption greater than the allocated tranche



This structure of wholesale charges provides incentives on Licensed Providers and their customers to act in ways that impact Scottish Water's costs in a positive way...

Incentives on Licensed Providers	 Fixed Charge	 Capacity volume charge	 Standard volume charge
Reduce volumes		(✓)	✓
Reduce peak demand	✓	✓	
Demand lower quality			
Unable to influence – fixed costs	✓		

Summary of structure

# WHOLESALE SURFACE DRAINAGE

## Scottish Water also charges for surface drainage, separately to water and other wastewater services

- Two types of surface drainage
  - Property drainage (charge for draining rainwater from a property)
  - Roads drainage (charge for draining rainwater from public spaces)
- Both charges are paid with reference to a rateable value of the premise
- The Scottish Government has indicated that it wishes to move to banded area based property drainage charges in the future

This structure of wholesale charges provides incentives on Licensed Providers and their customers to act in ways that impact Scottish Water's costs in a positive way...

Incentives on Licensed Providers	Property drainage	Roads drainage
Reduce volumes		
Reduce peak demand	✓	
Demand lower quality		
Unable to influence – fixed costs		✓

Summary of structure of Mogden formula

# WHOLESALE TRADE EFFLUENT

Scottish Water charges for trade effluent using a variant of the Mogden formula. It separately prices availability and operating elements.

**Availability charge – based on trade effluent consent**

Reception charge (daily charge per m <sup>3</sup> )
Volumetric charge (daily charge per m <sup>3</sup> )
Biological charge (daily charge per m <sup>3</sup> of settled biological oxygen demand)
Sludge charge (daily charge per m <sup>3</sup> of suspended solids)
x
Chargeable daily volume
x
Number of days

**Operating charge – based on actual discharge**

Reception charge (charge per m <sup>3</sup> )
Volumetric charge (charge per m <sup>3</sup> )
Biological charge (charge per m <sup>3</sup> of settled biological oxygen demand weighted by Scottish average strength)
Sludge charge (charge per m <sup>3</sup> of suspended solids weighted by Scottish average strength)
x
Actual volume discharged

This structure of wholesale charges provides incentives on Licensed Providers and their customers to act in ways that impact Scottish Water's costs in a positive way...

Incentives on Licensed Providers	Availability				Operating			
	Reception	Volumetric	Biological	Sludge	Reception	Volumetric	Biological	Sludge
Reduce volumes					✓	✓		
Reduce peak demand	✓	✓						
Demand lower quality			✓	✓			✓	✓
Unable to influence – fixed costs								

Summary of structure

# OTHER CHARGES

Aside from 'primary' water and sewerage charges, in 2009-10 Scottish Water also provides other wholesale services to Licensed Providers – examples include...

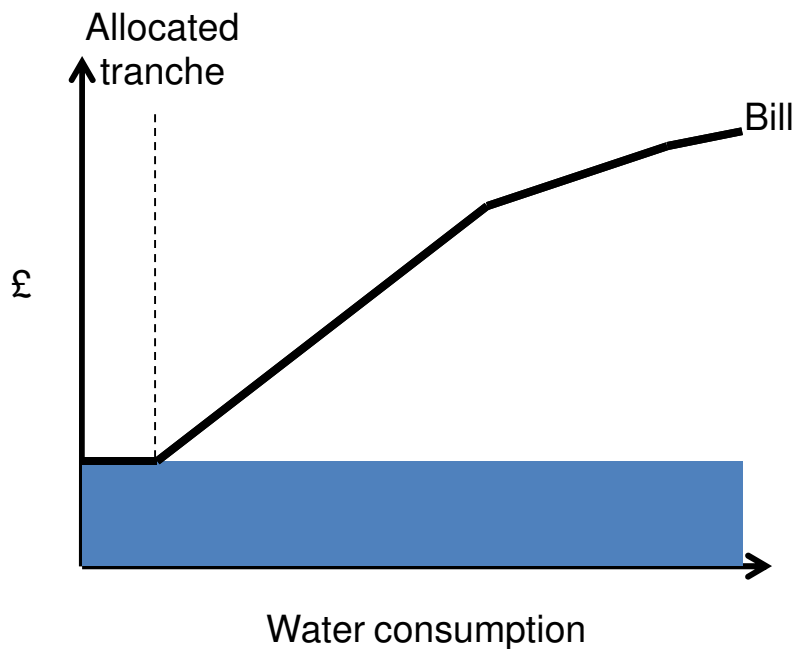
- Verification of service provision
- Bylaw inspection repeat visits
- Water shut off and reconnection
- Misreported supply failure / pipe burst
- Metering services
- Development services – connections and connection inspection
- Building water
- Information provision

Each service carries a standardised charge based on Scottish Water's resource requirements to provide the service.

Summary of 2009-10 rates

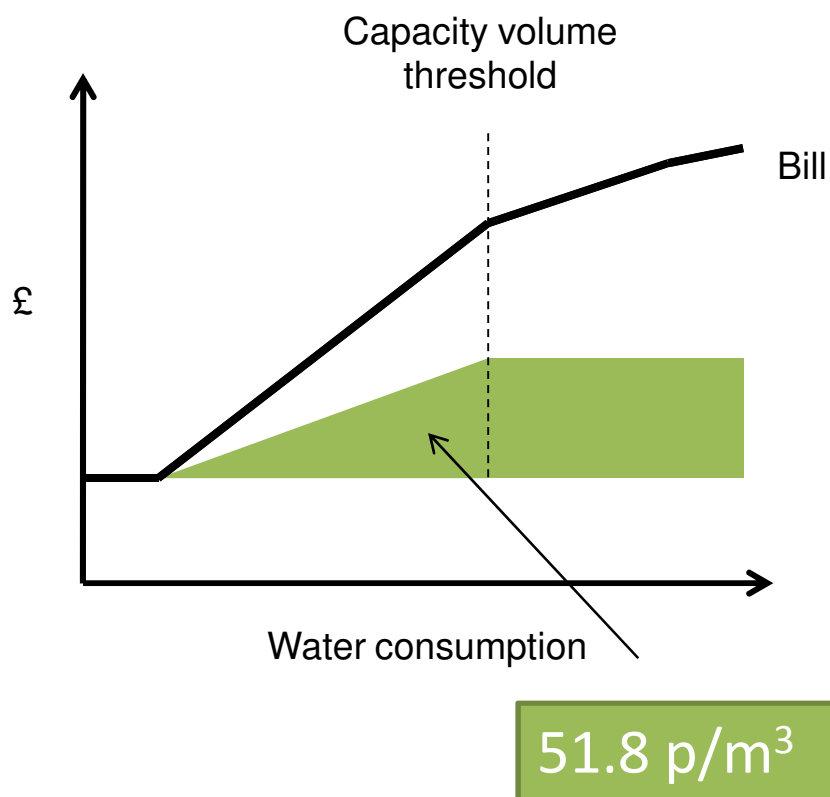
# WHOLESALE WATER

# In 2009-10, the fixed wholesale charges for water services are as follows...



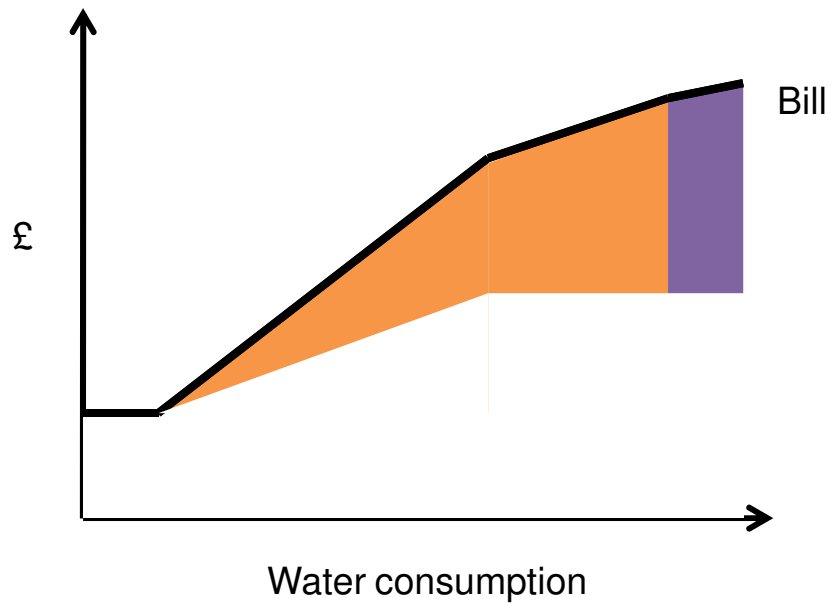
Meter size	Annual Fixed charge
20 mm	£69
25 mm	£133
40 mm	£526
50 mm	£949
80 mm	£1,845
100 mm	£2,001
150 mm	£4,213
200 mm	£31,595
250 mm	£84,254
300 mm	£104,265

# In 2009-10, the wholesale capacity volume charges apply as follows...



Meter size	Capacity volume threshold
20 mm	100 m <sup>3</sup>
25 mm	500 m <sup>3</sup>
40 mm	1,000 m <sup>3</sup>
50 mm	2,500 m <sup>3</sup>
80 mm	7,500m <sup>3</sup>
100 mm	25,000 m <sup>3</sup>
150 mm	75,000 m <sup>3</sup>
200 mm	100,000 m <sup>3</sup>
250 mm	150,000 m <sup>3</sup>
300 mm	300,000 m <sup>3</sup>

In 2009-10, the standard and large volume wholesale charges at a single premise are as follows...



Volume	Rate
20 to 250,000 m <sup>3</sup>	70.46 p/m <sup>3</sup>
250,000 to 1,000,000 m <sup>3</sup>	59.49 p/m <sup>3</sup>
1,000,000 m <sup>3</sup> +	36.51 p/m <sup>3</sup>

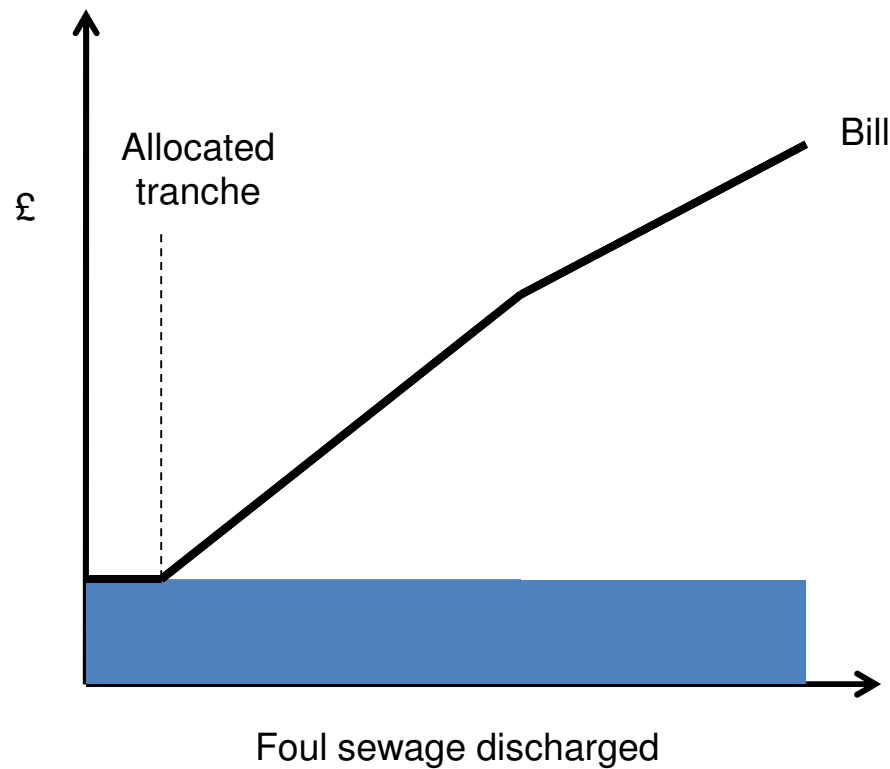
In 2009-10, we are in the process of phasing in some aspects of wholesale charges – the following premises may pay rates different to those outlined

- Premises with a 20mm meter
- Premises that consume more than 100,000m<sup>3</sup>
- Premises that did not have a meter installed on 1 April 2006

Summary of 2009-10 rates

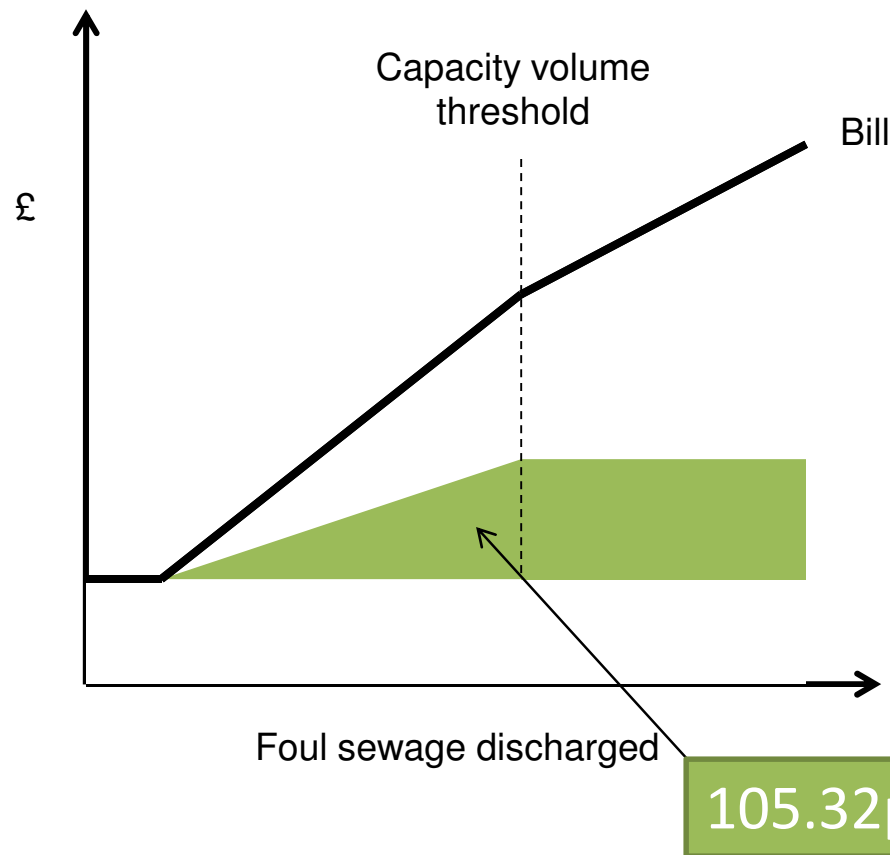
# WHOLESALE FOUL SEWERAGE

# In 2009-10, the fixed wholesale charges for foul sewage services are as follows...



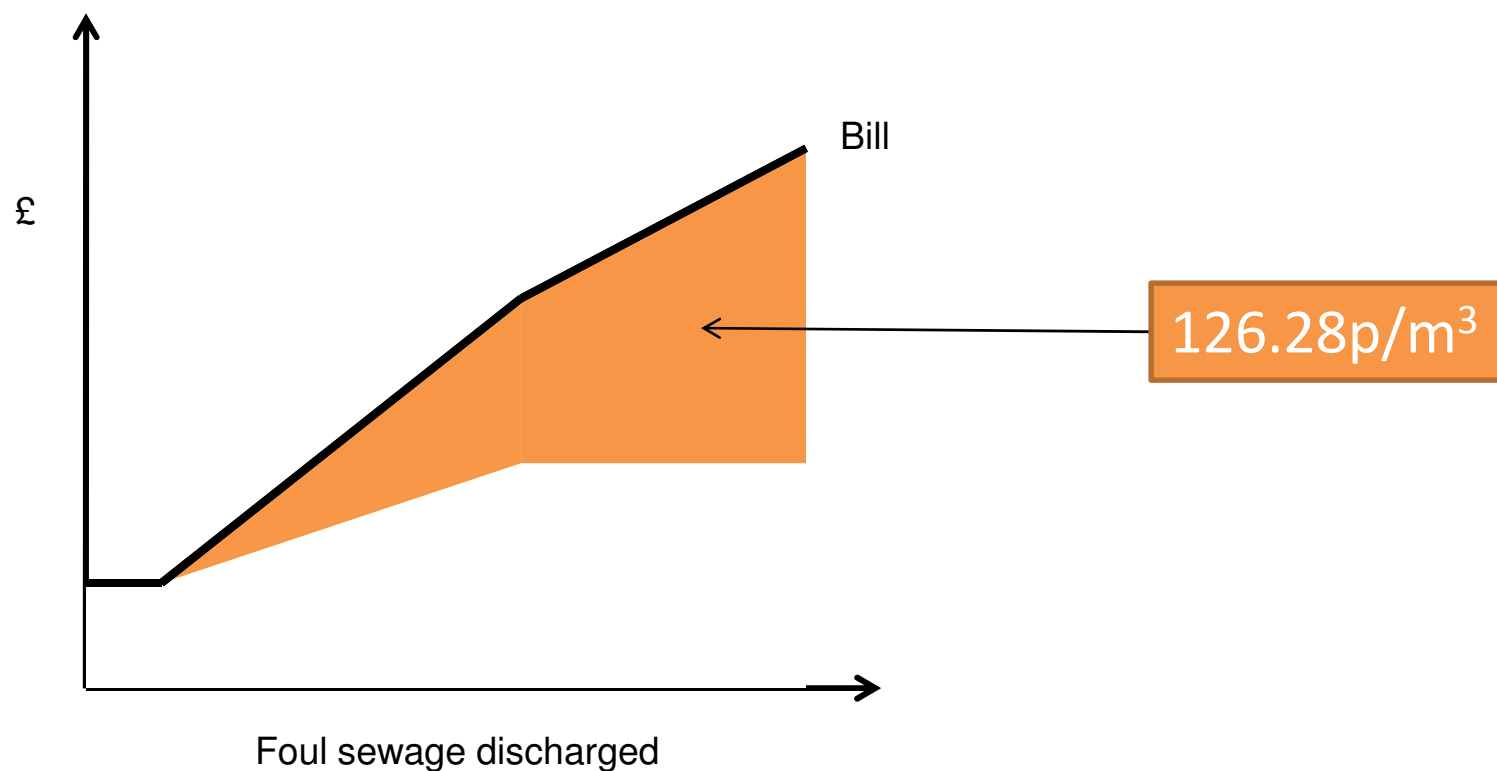
Meter size	Annual Fixed charge
20 mm	£79
25 mm	£158
40 mm	£622
50 mm	£927
80 mm	£2,510
100 mm	£4,459
150 mm	£14,285

# In 2009-10, the wholesale capacity volume charges for foul sewage services apply as follows...



Meter size	Capacity volume threshold
20 mm	50 m <sup>3</sup>
25 mm	250 m <sup>3</sup>
40 mm	500 m <sup>3</sup>
50 mm	1,500 m <sup>3</sup>
80 mm	3,000 m <sup>3</sup>
100 mm	10,000 m <sup>3</sup>
150 mm	20,000 m <sup>3</sup>

In 2009-10, the wholesale standard charges for foul sewage are as follows...



2009-10 Charges

# WHOLESALE SURFACE DRAINAGE

## In 2009-10, the wholesale charges for surface drainage are as follows

Service	Charge
Property drainage	2.1877 p/£RV
Roads drainage	1.4046 p/£RV

2009-10 Mogden formula charges

# WHOLESALE TRADE EFFLUENT

In 2009-10, Scottish Water's wholesale Mogden formula charges were as follows

**Availability charge – based on trade effluent consent**

	Rate
Reception	7.7622 p/m <sup>3</sup> /day
Volumetric	5.1682 p/m <sup>3</sup> /day
Biological	19.7213 p/kg/day
Sludge	16.9038 p/kg/day

**Operating charge – based on actual discharge**

	Rate
Reception	12.5127 p/m <sup>3</sup> standard strength
Volumetric	8.3450 p/m <sup>3</sup> standard strength
Biological	11.1527 p/m <sup>3</sup> standard strength
Sludge	6.8199 p/m <sup>3</sup> standard strength

In 2009-10, we are in the process of phasing in some aspects of wholesale charges – properties that previously received ‘capped’ charges under Scottish Water’s former regime may receive an individual discounted rate to those outlined above



**For further information - Scottish Water's wholesale charges scheme is available on our website**

[www.watercommission.co.uk](http://www.watercommission.co.uk)