

Licence fees for the retail market January 2010

This is the Commission's response to its December 2009 consultation on its proposals to update the Commission's policy statement for the fees scheme approved by Scottish Ministers.

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Background

Section 9 of the Water Services etc. (Scotland) Act 2005 requires the Commission to collect fees from licensed providers by way of levy to cover the costs incurred by the Commission in exercising its functions relating to water and sewerage services licences.

At present, the fixed element of the levy is £6,000 pa reduced to £3,000 pa for licensed providers who have at least one registered customer. In its December 2009 consultation the Commission proposed to revise the policy statement accompanying the fees scheme in order to incentivise licensed providers to locate and serve customers. The proposal was to increase the fixed element of the levy by a factor of ten from £6,000 to £60,000 pa, again reduced to £3,000 pa for licensed providers who have at least one registered customer. The Commission also proposed that if a licensed provider did not have any customers, the fixed element would be £3,000 pa on the basis that the licensed provider could provide evidence of its attempts to win customers. If a licensed provider is unable to provide such evidence when requested to do so, then the fixed element of the levy would increase to £60,000 pa until such time as that licensed provider acquired a customer.

Consultation responses

We received two responses to the consultation, both from current licensed providers operating within the market; Osprey and Business Stream. The Commission would like to take this opportunity to thank both respondents for submitting their views.

In summary, Business Stream were supportive of the Commission's proposals. Osprey were also supportive but suggested the use of a reasonable time period for licensed providers to register their first customer rather than a demonstration of attempts to register customer(s), believing the proposal to be too open to interpretation and potential abuse. Osprey also suggested linking a higher levy to a failure by licensed providers to attend industry forums such as the Technical Panel and Market Participant Forum.

Commission's view

With regard to the points raised by Osprey, the Commission believes that licensed providers must be given the flexibility to prepare themselves for operating within the market as they see fit. Accordingly, the Commission is reluctant to set a time limit by when a customer must have been registered by a licensed provider. The Commission seeks to maintain strong communication links with all of the licensed providers and customers and therefore believes that it will be able to determine when licensed providers are making efforts to win customers and when they are not.

With regard to Osprey's second point, the Technical Panel and Market Participant Forum are designed to allow market participants to discuss and shape the market framework. The Commission believes that licensed providers have a natural incentive to attend these forums given that all licensed providers must operate within the market framework as amended. The Commission is therefore reluctant to create a financial incentive where it believes that a natural one already exists.

Next steps

Having consulted on its proposals for the fees scheme, the Commission will publish the revised the policy statement on its website.