

Charges for 2010-11

From April 2008, all 130,000 non-household water and sewerage customers in Scotland have been able to purchase water and wastewater services from retailers (**licensed providers**). The introduction of the competitive market has led to keener, more innovative pricing as well as better customer service. The Water Industry Commission for Scotland (the **Commission**) is the economic regulator of the Scottish water industry and we are therefore responsible for the framework that supports the new competitive market.

We have today published two key documents that will impact on charges within the competitive market in 2010-11. We set out in this note a brief explanation of the two documents, together with the main changes from the charges for 2010-11.

N.B. Readers should be aware that all of the charges mentioned within this note will not take effect until 1 April 2010.

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1. Wholesale charges scheme for 2010-11

The Commission has a statutory duty to approve the terms of Scottish Water's wholesale charges scheme for 2010-11¹. The wholesale charges scheme sets out the charges for 2010-11 that licensed providers will be liable to pay Scottish Water for wholesale water and sewerage services.

The main changes to the wholesale charges scheme for 2010-11 from the 2009-10 charges scheme are as follows:

Prices

In November 2009, we determined that by 2015 charges to business customers would have fallen by 5% (relative to inflation). This reduction is reflected in the charges Scottish Water may recover from licensed providers².

Phasing for metered charges

Scottish Water has carried out a nationwide meter installation programme which has resulted in many customers moving from charges based on the rateable value of their premises to charges based on actual water usage. Following wide consultation by Scottish Ministers in 2006, it was decided that customers whose meters were installed under the installation programme should move to metered charges on a phased basis³. The phasing process began in 2009-10 and will continue in 2010-11.

The wholesale charges scheme for 2010-11 sets out the phasing structure and the percentages of rateable value based and meter based charges that Scottish Water will charge licensed providers for the applicable premises:

	2010-11
Percentage derived from Rateable Value	33.3%
Percentage derived from actual meter reads	66.7%

¹ Under section 29A(7) of the Water Industry (Scotland) Act 2002.

² Wholesale water charges have increased by 1.8% below inflation for 2010-11. Wholesale waste water charges have increased by 5% below inflation for 2010-11. Trade effluent charges have increased by 1% above inflation. Inflation measured for these purposes is -0.78%.

³ To find out more about how Ministers reached the decision to introduce phased metered charges, please visit: www.scotland.gov.uk/Topics/Business-Industry/waterindustryscot/developments

2. Default maximum tariffs and standards for 2010-11

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

Under the standard conditions issued by the Commission, all licensed providers⁴ are bound by the Commission's default directions. The default directions require licensed providers to offer their customers a set of default retail services to a particular standard (the **default standards**) and at a price not exceeding a maximum amount (the **default maximum tariffs**). The default directions therefore act as a safety net for all customers as they define the minimum level of retail services which a customer can require a licensed provider to provide, and the maximum price that licensed provider may charge for those services.

Now that we have approved the terms of Scottish Water's wholesale charges scheme for 2010-11 (see above), we have calculated the default maximum tariffs that will apply for the financial year beginning 1 April 2010.

As set out above in our explanation of the changes to the wholesale charges scheme for 2010-11, the main changes in the default maximum tariffs from 2009-10 are that following our determination in November 2009, charges to business customers will have fallen by 5% (relative to inflation) by 2015⁵. Likewise, licensed providers are required to continue to phase customers from unmeasured to measured charges where their premises were metered under the compulsory metering programme⁶. This phasing mirrors the percentage changes contained within the wholesale charges scheme for 2010-11.

Further information

The default charges and services and the wholesale charges scheme form part of the framework for competition in the Scottish water industry. All of the remaining documentation relating to the framework is available on our website (www.watercommission.co.uk) – or contact enquiries@watercommission.co.uk.

Water Industry Commission for Scotland
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⁴ Except those with a specialist or self-supply licence.

⁵ For the purposes of the wholesale charges scheme for 2010-11 inflation was taken as -0.78%.

⁶ See Annex B: Unmeasured to measured customer phasing.