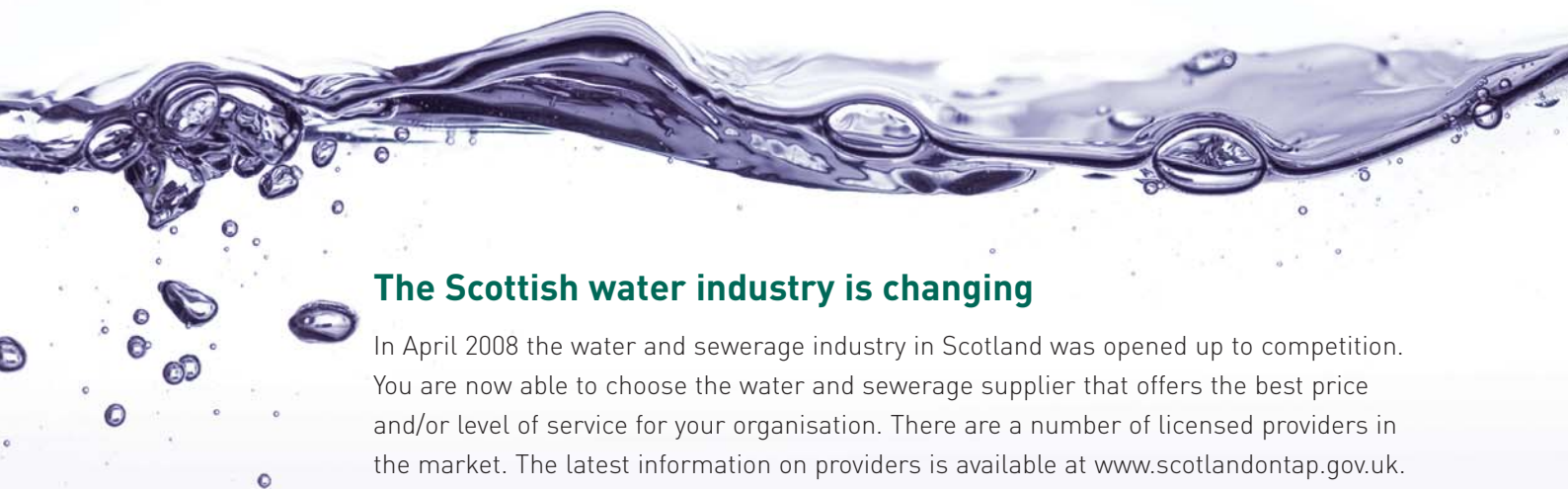




Business customers: How competition could benefit you

This information note explains the changes that have taken place in the Scottish water industry. It also outlines the new opportunities for businesses and public bodies.



The Scottish water industry is changing

In April 2008 the water and sewerage industry in Scotland was opened up to competition. You are now able to choose the water and sewerage supplier that offers the best price and/or level of service for your organisation. There are a number of licensed providers in the market. The latest information on providers is available at www.scotlandontap.gov.uk.

The Water Industry Commission for Scotland already works in the industry as the economic regulator of Scottish Water, ensuring that customers receive value for money. The Scottish Parliament also gave us responsibility for licensing new providers and ensuring that all new providers compete on a level playing field. We aim to ensure that competition in the water and sewerage services market is simple, fair and benefits customers.

This is the first time that competition of this kind has been introduced into the water industry in the UK, so Scotland is leading the field. We hope that lower prices and better levels of service from water and sewerage providers will contribute to an improvement in the competitive position of businesses in Scotland.

You may already have noticed a change in your water and sewerage supplier

You may already have noticed a change in your bills. This is because we required Scottish Water to create a separate organisation to supply retail services to business customers and public bodies. Scottish Water established this organisation, Business Stream, during 2006.

Since April 2008 Business Stream has competed for your custom on an equal footing with a number of other licensed providers. These providers purchase wholesale water and sewerage services from Scottish Water on the same terms.

You can benefit from competition

Competition is an important development for customers in Scotland. It should give you the chance of obtaining better value for money and an improved level of service. We expect the new suppliers to compete to offer service and price packages that are right for your organisation. This is the end of the 'one size fits all' approach to service. Suppliers may offer lower bills, different methods of payment, different levels of response to problems, advice on water or wastewater services and many other potentially useful services.



There is also an opportunity for suppliers to offer you a truly bespoke service that may save you money. If, through working with your supplier, you can demonstrate that your actions have reduced Scottish Water's costs, you may be eligible to benefit from a discount on the wholesale charges your supplier pays to Scottish Water.

Competition also offers the opportunity for business customers to apply for a 'self-supply' licence. As a self-supplier you would receive services direct from Scottish Water and pay only the appropriate wholesale charges. You would not, however, receive any retail services (eg assistance from a retailer in the event of an incident on the network).

How does the market work?

Since 2002, Scottish Water has provided water and sewerage services to all customers in Scotland. Under the arrangements that have been in place since April last year Scottish Water continues to provide services to its 1.5 million household customers. It also retains control of Scotland's publicly owned network of pipes, sewers and treatment works.

The market operates in much the same way as in other utility services (although it is worth noting that wholesale charges are regulated and hence there will not be the volatility in retail prices that have recently characterised the energy markets). Suppliers buy wholesale services, that is the physical supply of water and removal of sewage, from Scottish Water.

Your interests as a customer are safeguarded

We expect that competition will benefit most business customers and public bodies. But the best deals are likely to be open to those who consider carefully what each licensed provider is prepared to offer – both in terms of price and levels of service. However, to make sure that customers' interests are protected at all times, we have put a number of measures in place.

Only licensed providers can compete for your custom

Any organisation that wishes to compete for customers will first need to apply to us for a licence. In order to be awarded a licence, they will need to convince us of their competence and financial viability. Licensed providers will then have to meet a number of conditions designed to protect customers. We monitor their compliance with these conditions.



Your charges, and the service you receive, will be protected

Licensed service providers are required to offer a standard, 'default' level of service, for a 'default' tariff. Until 2010, we have limited the increase in these default tariffs, on average, to less than the rate of retail price inflation. This 'default' tariff is no more than the maximum charge customers would have paid to Scottish Water had competition not been introduced. Each supplier is also required to offer the same 'default' level of service. However, we expect that competition will encourage licensed providers to offer better prices and levels of service in order to win and/or retain customers.

There is no risk to your supply from switching

There will be no risk to your supply should you wish to switch between suppliers. You will always have the option to choose a supplier that offers the default package regardless of your location, size or sector.

Where can I find out more?

For the latest information on competition in the Scottish water industry, look on www.scotlandontap.gov.uk.

Or you can contact us:

By email: licensing-enquiries@watercommission.co.uk

By post: Water Industry Commission for Scotland, Ochil House, Springkerse Business Park, Stirling, FK7 7XE.

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