

MARKET CODE CHANGE PROPOSAL			Draft Form Version 1.2	
Market Code Change Proposal Ref (Assigned by CMA)		MCCP 031	Version Number (Assigned by CMA)	Version 1.0
Title of the change		20mm meter charging premium		
1. GENERAL DETAILS		Proposers are reminded that Change Proposals must be countersigned by the Proposer's Contract Manager or the person designated by the signatory to the Market Code Framework /Accession Agreement		
Company:	Scottish Water	Org ID if assigned:	SW	
Signature:	Pass signed copy to the TP Secretary before the start of the TP meeting at which the MCCP is to be presented; please remove this text.	Date:	Name:	
Contact details for the Proposal - the contact should be able to deal with queries regarding this Market Code Change Proposal and need not be the same person who has countersigned the Change Proposal				
Name:		Richard Lavery		
Email Address:		<a href="mailto:richard.lavery@scottishwater.co.uk">richard.lavery@scottishwater.co.uk</a>		
Telephone and or Mobile:		07875 873845		
Number of Associated Documents	00	Name or link to documents		
If the MCCP will also affect the Operational Code, an OCCP must also be raised				
Indicate if there is an associated OCCP		OCCP Ref: CMA use only		
URGENT – IF PROPOSER HAS INDICATED THIS MCCP IS URGENT, STATE REASONS HERE The CMA Chief Executive will review this information and make a decision as to whether to take this MCCP forward as urgent as defined as under Market Code Part 8.7.1 (ii) (e)				
2. MARKET CODE CHANGE PROPOSAL DETAILS				
A	ISSUE or DEFECT WHICH THIS MARKET CODE CHANGE PROPOSAL SEEKS TO ADDRESS required under Market Code Part 8.7.1 (ii) (b)			

This Change Proposal addresses the need to make changes to the Market Code Subsidiary Documents and the Central Systems correctly to reflect Scottish Water's Wholesale Charges Scheme, as approved by the Water Industry Commission. For the avoidance of doubt, this proposal deal with systems implementation of these charges, not the charges themselves.

The Wholesale Charges Scheme includes a volumetric charge premium applied to meters with a chargeable size of less than or equal to 20mm. The premium is detailed in section 4.2.2, footnote 3 on page 15 of the 2009/10 Wholesale Charges Scheme. This paper addresses how the premium is applied in the Central System to ensure that wholesale charges are correctly calculated.

The issue addressed by this change proposal is that, at present, the Central Systems apply the 20mm volumetric charge premium only to meters with a chargeable size of 20mm. This results in the under-recovery of wholesale charges from meters with a chargeable size from 1mm up to 19mm. A separate MCCP has been submitted to this Technical Panel regarding the charges applicable to meters with a chargeable size of 0mm.

B	DESCRIPTION OF NATURE AND PURPOSE OF THE CHANGE AND HOW IT MEETS THE MARKET CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS required under Market Code Part 8.7.1 (ii) (c)								
<p>The Proposer should indicate which principles the change supports and whether there is any adverse effect on any principle(s).</p> <table border="0"> <tr> <td>a) Proportionality</td> <td>e) Barriers to entry</td> </tr> <tr> <td>b) Transparency</td> <td>f) Customer contact</td> </tr> <tr> <td>c) Simplicity, cost-effectiveness and security</td> <td>g) Non-discrimination</td> </tr> <tr> <td>d) Non-exclusivity</td> <td>h) Not detrimental to Scottish Water's core functions</td> </tr> </table>		a) Proportionality	e) Barriers to entry	b) Transparency	f) Customer contact	c) Simplicity, cost-effectiveness and security	g) Non-discrimination	d) Non-exclusivity	h) Not detrimental to Scottish Water's core functions
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<p>This proposal is to change the Central Systems so that the 20mm volumetric charge premium described in section 4.2.2, footnote 3 on page 15 of the 2009/10 Wholesale Charges Scheme is correctly applied to all meters with a chargeable size from 1mm up to 20mm inclusive.</p> <p>The change is required to be implemented effective from 1 April 2008.</p> <p>This change supports the principles of:</p> <table border="0"> <tr> <td>a) Proportionality and;</td> </tr> <tr> <td>h) Not detrimental to Scottish Water's core functions.</td> </tr> </table>		a) Proportionality and;	h) Not detrimental to Scottish Water's core functions.						
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C	IMPACT – required under Market Code Part 8.7.1 (ii) (d), (f) and (g)								
<p>The Proposer should indicate the sections of the Market Code affected, whether the Operational Code or CSDs, Wholesale Services Agreement or License is impacted and whether there are likely to be implications on:</p> <table border="0"> <tr> <td>a) Central Systems</td> <td>c) CMA Interfaces/ Processes</td> </tr> <tr> <td>b) Trading Party's systems</td> <td>d) Trading Party's business processes</td> </tr> </table>		a) Central Systems	c) CMA Interfaces/ Processes	b) Trading Party's systems	d) Trading Party's business processes				
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b) Trading Party's systems	d) Trading Party's business processes								
<p>The change proposal will affect Appendix 1 of CSD0205 Charge Calculation, Allocation and Aggregation. The proposed changes to CSD0205 are shown in section D below. The change will not affect the Operational Code, Wholesale Services Agreement or Licenses.</p> <p>This change proposal will affect the Central Systems. The change should not affect Trading Party's systems, CMA Interfaces/Processes or Trading Party's business processes.</p>									
D	DRAFT LEGAL TEXT – required under Market Code Part 8.7.1 (ii) (d)								

### Supply Points with 20mm meters

Supply Points containing 20mm meter(s) are subject to a phasing premium on their Water Services volume greater than the allocated tranche and less than the capacity volume threshold. **The phasing premium applies to all meters with a chargeable size between 1mm and 20mm (inclusive). Any reference to 20mm meters in the remainder of this section applies to all meters with a chargeable size between 1mm and 20mm (inclusive).**

This charge applies to both Rateable Value assessed and metered Supply Points.

This applies for both the Capacity Volume Charge and the Standard Volume Charge associated to Volume at a Supply Point. The percentage premium is set out in the Wholesale Charges Scheme.

The allocation of this percentage will be performed by adding the following component for each 20mm meter at a Supply Point to the normal EWA and AWA Unit Rates:

$$P_{20mm} = \frac{PP_{20mm} * (B1 + C_C) * (V_C - V_{FW})}{YV}$$

Where:

$P_{20mm}$  is the premium Unit Rate for the 20mm meter relating to a Supply Point;

$PP_{20mm}$  is the percentage premium for the Year;

B1 is the Unit Rate for Band one;

$C_C$  is the Capacity Volume Charge Unit Rate;

$V_C$  is the Volume Limit associated with the Capacity Volume Charge for a 20mm meter;

$V_{FW}$  is the Volume Limit associated with the meter's Free Allocation; and

YV is the Yearly Volume (Estimated or Actual) supplied to the Supply Point over the Year.

Where the YV is equal or less than any Volume Limit the CMA will substitute YV into the calculation.

For a Multi Meter Supply Point containing more than one 20mm meter the Volume limits for  $V_C$  and  $V_{FW}$  will be multiplied by the number of 20mm meters.

$$V_{MT} = n * V_M$$

Where:

$V_{MT}$  is the aggregate Volume Limit for the Supply Point;

$V_M$  is the 20mm Volume Limit for the meter ( $V_C$  or  $V_{FW}$ ); and

n is the number of 20mm meters contained in the Supply Point.

The 20mm premium is not applicable to any 20mm meter at a Supply Point that was formerly under a large-user volume agreement.

### 3. IMPLEMENTATION DETAILS - PROPOSED IMPLEMENTATION DATE OR LEAD TIME

Timescale must not overlap with the period of consultation with the Commission and should take account of the impacts identified in Section C. Any quoted lead time should commence from date of approval.

The change is required to be implemented effective from 1 April 2008 to correct all charges from market opening onwards. This requires the change to be implemented in the Central Systems prior to the final calculation of charges for any invoice period in 2008/9. Volumetric charges are finalised at RF which will take place in December 2009 for the 2008/9 tariff year.

Following approval by the Commission, the Implementation Date is therefore required to be prior to the running of RF to allow inclusion in RF.

4. ANY OTHER COMMENTS

The full text of the objectives and principles for the Market Code are set out in The Water Services (Codes and Services) Directions 2007 which can be downloaded from the Commission's website ([http://www.watercommissioner.co.uk/view\\_Directions.aspx](http://www.watercommissioner.co.uk/view_Directions.aspx))