On 17 May 2007 the Water Industry Commission for Scotland determined a set of standard licence conditions[1] for the purposes of granting water services and sewerage services licences under the Water Services etc. (Scotland) Act 2005.

Under Standard Licence Condition B1 (Duty to provide default services), each company that holds a general water services licence and/or a general sewerage services licence (a **licensed provider**) may be bound by the Commission's Default Directions[2]. The Default Directions require the licensed provider to offer its 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 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. A customer will be free to contract with a licensed provider for services on different terms, e.g. a customer may contract for a higher or lower service standard at an appropriate price. However, the Default Standards will act as a safety net for all customers to ensure they all receive an appropriate minimum level of service.

The Default Maximum Tariffs have been set at the prices which customers would have been charged if Scottish Water was still providing services directly. By doing this the Commission has ensured that there will be no adverse financial effect for customers from the introduction of the competitive market. With customers having a number of licensed providers to choose from, they should benefit from competition through lower prices.

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[1] As amended on both 26 September 2007 and 18 January 2008

[2] As at 1 February 2012 the Commission has suspended Standard Licence Condition B1 for certain licensed providers having considered both the overall proportion of wholesale charges for which they are responsible and the regulatory burden which the requirement to provide the default package may therefore pose.