FORM OF FEES SCHEME

This scheme is made by the Water Industry Commission for Scotland (the Commission) pursuant to section 9 of the Water Services Etc (Scotland) Act 2005 (the 2005 Act) for the purpose of securing that the fees payable in accordance therewith are sufficient to meet the costs incurred by the Commission in exercising its functions relating to water services and sewerage services licences.

The scheme is subject to the approval of the Scottish Ministers and, subject to section 9 of the 2005 Act, may be revoked or amended from time to time.

A. Application fees

1. Each applicant for a water services licence or a sewerage services licence shall pay an application fee of £4,750. In the case of a single application for both types of licence, only one such fee of £4,750 shall be payable.

2. An application fee payable in accordance with paragraph 1 of this section A shall accompany the relevant application or, with the Commission's consent, shall be payable within 30 days following notice requesting payment being served upon the applicant by the Commission.

B. Annual levy

1. Each licensed provider shall pay an annual levy to the Commission determined in accordance with the following provisions of this section B.

2. The annual levy for any year shall be paid in such instalments and by such date or dates as the Commission may notify to each licensed provider.

3. The annual levy payable by each licensed provider for any year shall be an amount representing the relevant proportion of the estimated costs incurred by the Commission for that year in exercising its functions relating to water services and sewerage services licences (including any costs incurred by the
Commission in connection with a reference under paragraph 3 of the 2005 Order which related to any licence held by the licensed provider), as determined by the Commission, but subject to adjustment in accordance with paragraph 4 of this section B.

4. The Commission shall make such adjustments to the levy for any year as it shall consider appropriate so as to take account of:-

(a). the relevant proportion of any under-estimate or over-estimate arrived at under paragraph 3 of this section B for any earlier year if:-

(i). the under-estimate or over-estimate has not been previously taken into account; and

(ii). the licensed provider held a licence during all or part of the earlier year in which the under-estimate or over-estimate occurred; and

(b). any payments made to the Commission under section A of this scheme;

such adjustment to be calculated by reference to the audited accounts of the Commission.

5. For the purposes of paragraph 3 of this section B, a reference under the 2005 Order shall be taken to have related to a licensed provider’s licence if it held that licence during all or part of the preceding year and the reference related to the carrying on of any activities authorised or regulated by such licence.

6. For the purposes of paragraph 3 of this section, the estimated maximum annual costs to the Commission are £1.2 million.
C. Revocation and savings

1. The fees scheme made by the Commission and approved by Scottish Ministers on 20 December 2006 (the **2006 Scheme**) is hereby revoked.

2. Notwithstanding paragraph 1 of this section C, the 2006 Scheme shall remain in effect for the purpose of enabling the Commission to charge and recover all of part of any fee or levy payable under that scheme in respect of any matter or period occurring prior to the relevant date.

D. Interpretation

1. In this scheme:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
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<tbody>
<tr>
<td>2005 Order</td>
<td>means the Water Services etc. (Scotland) Act 2005 (Consequential Provisions and Modifications) Order 2005 (SI 2005/3172);</td>
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<tr>
<td>estimated costs</td>
<td>means costs estimated by the Commission as likely to be incurred by the Commission;</td>
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<tr>
<td>licensed provider</td>
<td>means a water services provider or a sewerage services provider;</td>
</tr>
<tr>
<td>relevant date</td>
<td>means the date on which this scheme is approved by Scottish Ministers;</td>
</tr>
<tr>
<td>relevant proportion</td>
<td>means, in relation to a licensed provider, the proportion determined according to principles established by the Commission and notified to the licensed provider;</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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<td>year</td>
<td>means a period of 12 months beginning on 1 April;</td>
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</table>

2. Any words or expressions used in the 2005 Act shall, unless the contrary intention appears, have the same meaning when used in this scheme.