

**PORTSMOUTH WATER NETWORK ACCESS CODE
INDICATIVE ACCESS PRICES**

The indicative prices tabulated below have been produced in line with Ofwat's latest guidance (see letter from Andrew Beaver dated 18th August 2014 – 'The Costs Principal and Access Pricing'). The prices given are indicative only and based on assumptions, which may not all apply to a site-specific case. The Wholesale prices used are a first draft of the tariff schedule to be submitted to Ofwat in January 2016, and based on the Final Determination allowed revenues.

Indicative Access Price Assumptions

Retail Price

- Retail charges have been calculated using 2016-17 prices. All costs have therefore been uplifted to this price base in order to maintain consistency.
- The Retail price for 2015/16 is calculated using the current charging year prices, uplifted to 2016/17 prices by RPI.
- Standing charges have been calculated assuming a 5MI customer would use a 1 inch meter, a 25MI customer would use a 2 inch meter, a 50MI customer would use a 3 inch meter and a 500MI customer would use a 12 inch meter.
- Retail charges consist of Wholesale and Retail elements, consistent with the Final Determination for AMP6. The Retail element includes a margin of 2.5% on total revenues, for all non-household customers.

Wholesale Price

- These consist of a standing charge which is dependent of the meter size, a volumetric charge which is dependent on the volume band of the customer and a site fee for all customers using > 10MI per annum.
- Charges are in 2016/17 prices and are the draft customer charges that apply to the charging year 2016/17, starting from 1st April 2016.

Retail Expenses

Where Portsmouth Water provides Retail services, the following expenses will apply. These are included in the Wholesale prices in Table 3 and are in addition to the Final Determination Wholesale prices in Table 2. These will however be subject to the individual Wholesale agreement.

TABLE 1

Retail expenses 2014/15 prices		Expenses (£) for serving licensee with 1 customer using:				Expenses (£) for serving Two customers of a single licensee each using:			
		5MI/yr	25MI/yr	50MI/yr	500MI/yr	5MI/yr	25MI/yr	50MI/yr	500MI/yr
R1	Billing	7	7	7	7	7	7	7	7
R3	Payment handling	1	1	1	1	1	1	1	1
R4	Handling and resolving licensee's calls, correspondence and complaints	0	0	0	0	0	0	0	0
R5	Debt Management	2	2	2	2	2	2	2	2
R6	Doubtful debts	4	4	4	4	4	4	4	4
R10	Cost of licensee credit	3	14	28	248	6	29	57	496
	Total costs allocated	17	28	42	262	20	42	70	510
	Total Costs in 2016/17 prices	17	29	44	272	20	44	73	530
	Total Costs £/m³	0.003	0.001	0.001	0.001	0.004	0.002	0.001	0.001
	Number of customers served by single licensee	1	1	1	1	2	2	2	2

- Licensees will undertake customer billing, meter reading, maintenance of customer account information, payment handling, debt collection, advice on water efficiency and account management activities.
- Licensee billing; only monthly billing to the Licensee has been included.
- Payment Handling; costs per payment will be reduced overall as the number of payments received will fall. Each will be for a higher value.
- Handling and resolving customers' calls, correspondence and complaints; these costs will be half. Although the licensee will be responsible for handling customers' complaints directly, the Company may still have to provide information to the licensee.
- Debt collection; costs relate to outstanding licensee payments

- Licensee costs of credit are based on the debtors' day calculation of 17.44 days.

Combined Supply

- No water supply deficits are anticipated during the next 5 years.
- As average demands are only being considered there are no capital schemes scheduled to take place that can be deferred during the next five years as a result of a licensee supplying water.

Forecast supply surplus without Licensee's water or Portsmouth Water investment (MI/d)

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	23.70	23.81	13.86	14.23	14.19	15.26	15.50

2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
15.68	15.65	10.49	11.39	11.04	10.86	10.74	10.38

2030-31	2031-32	2032-33	2033-34	2034-35
10.71	10.64	10.60	10.36	9.99

Source: Table WRP1, Line 18BL – Baseline Dry Year Average August 2014

Indicative wholesale price information

TABLE 2

	5 MI p.a.	25 MI p.a.	50 MI p.a.	500 MI p.a.
Fixed charge (site fee)	£0	£188	£5,169	£5,169
Standing charge	£65.5 <i>1" meter</i>	£182.7 <i>2" meter</i>	£270.4 <i>3" meter</i>	£6,369.3 <i>12" meter</i>
Volumetric charge	£0.684	£0.663	£0.563	£0.563
Total Revenue	£3,486	£16,945	£33,589	£293,038
Average Wholesale charge/m³	£0.697	£0.678	£0.672	£0.586

TABLE 3

	Year	2015-16	2016-17	2017-18	2018-19	2019-20
Company specific K	%		0.94	0.96	0.80	0.11
For 5 MI per annum						
Retail price	£/m ^{3*}	0.7160	0.7193	0.7262	0.7321	0.7329
Wholesale price - 1st customer	£/m ^{3*}	0.7006	0.7072	0.7139	0.7197	0.7204
Wholesale discount - 1st customer	£/m ^{3*}	0.0154	0.0155	0.0157	0.0158	0.0158
Wholesale discount - 2nd customer with same licensee	£/m ^{3*}	0.0160	0.0160	0.0160	0.0160	0.0160
For 25 MI per annum						
Retail price	£/m ^{3*}	0.6951	0.6990	0.7058	0.7114	0.7122
Wholesale price - 1st customer	£/m ^{3*}	0.6790	0.6854	0.6919	0.6975	0.6982
Wholesale discount - 1st customer	£/m ^{3*}	0.0161	0.0162	0.0164	0.0165	0.0166
Wholesale discount - 2nd customer with same licensee	£/m ^{3*}	0.0167	0.0167	0.0167	0.0167	0.0167
For 50 MI per annum						
Retail price	£/m ^{3*}	0.6889	0.6884	0.6950	0.7006	0.7013
Wholesale price - 1st customer	£/m ^{3*}	0.6727	0.6790	0.6855	0.6910	0.6917
Wholesale discount - 1st customer	£/m ^{3*}	0.0162	0.0164	0.0166	0.0167	0.0167
Wholesale discount - 2nd customer with same licensee	£/m ^{3*}	0.0168	0.0168	0.0168	0.0168	0.0168
For 500 MI per annum						
Retail price	£/m ^{3*}	0.5977	0.6021	0.6079	0.6128	0.6135
Wholesale price - 1st customer	£/m ^{3*}	0.5866	0.5921	0.5978	0.6026	0.6033
Wholesale discount - 1st customer	£/m ^{3*}	0.0111	0.0112	0.0113	0.0114	0.0114
Wholesale discount - 2nd customer with same licensee	£/m ^{3*}	0.0116	0.0116	0.0116	0.0116	0.0116
Discounts for higher levels of market share						
Average wholesale discount per customer for a licensee serving 50% of eligible customers by volume	£/m ^{3*}	0.0021	0.0021	0.0021	0.0021	0.0021
Average wholesale discount per customer for a licensee serving 100% of eligible customers by volume	£/m ^{3*}	0.0021	0.0021	0.0021	0.0021	0.0021
* 2016/17 prices						

The Indicative prices calculated above assume no payments shall be made in advance.

Indicative combined supply prices

TABLE 4

Access start date (2015-16), price based (2016-17)		2015-16	2016-17	2017-18	2018-19	2019-20
Forecast supply surplus without licensee's water or water undertaker's investment (-ve is deficit)	MI/d	23.70	23.81	13.86	14.23	14.19
5 MI per year						
Retail price	£/m3	0.7160	0.7193	0.7262	0.7321	0.7329
Combined supply discount	£/m3	0.0363	0.0363	0.0363	0.0363	0.0363
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	23.71	23.82	13.87	14.24	14.20
25 MI per year						
Retail price	£/m3	0.6951	0.6990	0.7058	0.7114	0.7122
Combined supply discount	£/m3	0.0370	0.0370	0.0370	0.0370	0.0370
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	23.77	23.88	13.93	14.30	14.26
50 MI per year						
Retail price	£/m3	0.6889	0.6884	0.6950	0.7006	0.7013
Combined supply discount	£/m3	0.0371	0.0371	0.0371	0.0371	0.0371
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	23.84	23.95	14.00	14.37	14.33
500 MI per year						
Retail price	£/m3	0.5977	0.6021	0.6079	0.6128	0.6135
Combined supply discount	£/m3	0.0320	0.0320	0.0320	0.0320	0.0320
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	25.07	25.18	15.23	15.60	15.56