

Wholesale



Scheme of Charges 2016-2017



Delivering excellence

for our customers, our people and our environment

Portsmouth Water's powers to charge for water supplies are contained in the Water Industry Acts. Charges are set in accordance with revenue control limits determined by Ofwat. To comply with Condition E of our licence to operate, charges must not show undue preference to, or discriminate against, any class of person.

Under the terms laid down by Section 143 of the Water Industry Act 1991 and Ofwat's 2014 Price Review, incumbent regional monopoly water supply wholesalers are required to publish separate charges for the wholesale and retail activities of their business.

This publication describes our wholesale charging policy and the charges, and is only applicable to retailers of water. It is focused on non-household given the competitive market for non-household water and sewerage retail services planned opening in April 2017. For completeness our household charges are included.

Our retail charging policy and charges for end-users (customers of Portsmouth Water's incumbent retailer) are described in our two publications for household and non-household respectively. These are also available on our website or on request.

Wholesale charges are published on our website annually, normally in January each year. Tariffs will take effect on 1st of July each year. The template issued by Ofwat relating specifically to non-household wholesale charges is a separate document.

OPEN WATER PROGRAMME

Open Water is charged by Government to coordinate the development of the market rules, framework and systems required for an effective non-household retail market, these activities are known as *The Open Water Programme*. The competitive market for non-household water and sewerage retail services is expected to open in April 2017. This will be for the retail element only of the water supply service.

Under the arrangements being put in place the retail element of the service is open to competition. The physical supply and distribution of water to end users will, for the time being, remain a regional monopoly service where the standard of service and prices remain regulated by Ofwat.

As such the provision of business terms and codes of practice for the separate wholesale and retail services within the water supply industry is still under development and we reserve the right to amend the policies within this publication with reference to Open Water's most current publications as market opening develops and the creation of market policy documents progresses.

DEFINITIONS

Billing period: the period, consisting of one or more settlement periods, that is charged for in one bill. These settlement periods only commence in April 2017, with the new market.

Access Code: An appointed water company's document that sets out all principal aspects of access to its supply system and the terms and conditions on which it will grant access to its supply system by a licensee.

Eligibility criteria: the definition of a customer eligible to switch supplier will be as that laid down in Ofwat's document 'Guidance on assessing whether customers in England and Wales are eligible to switch their water and wastewater retailer', August 2015.

Incumbent retailer: retailer of one of the vertically integrated water and/or sewerage companies who can only operate within their own geographic area.

Normal working hours: means 8.30am to 4.30 pm Monday to Friday.

Ofwat: see WRSA below

Payment period: The length of time after the billing period in which the retailer must pay the wholesaler for services provided within the billing period.

Price Review: The process of setting appointed water companies' revenue limits. Maximum revenues are normally set every five years. The 2014 price review set wholesale prices and revenues for the period 1 April 2015 – 31 March 2020.

Rateable value: means the 'value' assigned a property by the local government Valuation Office which was effective on 31 March 1990.

Retail licensee: new entrant with a retail licence, including licensed retailers who are associates of regional monopoly wholesalers and who are able to operate outside their geographical area.

Retailer: provider of the retail service to the end customer, dealing with all customer services as outlined within the Ofwat pricing methodology statement such as billing, payment handling, customer calls, meter reading and administering new connections. A retailer could be an Incumbent Retailer or a Retail Licensee.

Settlement period: one calendar day. This is the minimum period for which services can be purchased by a retailer. This applies when the market operator has been established in April 2017.

WSSL (Water Supply and Sewerage Licence): a water supply and sewerage licence will allow entry into the competitive supply market for the purpose of providing retail services.

Water supply wholesaler: incumbent regional monopoly water company providing physical water services. This includes the supply of water services, meter ownership, installation, maintenance and replacement, and monitoring, physical disconnections and reconnections.

Wholesale: the abstraction of raw water, transmission of raw water, water treatment, storage and distribution to end users plus ancillary services.

The Wholesaler: the wholesale division of Portsmouth Water; the organisation levying the charges described in this document.

Wholesale charges: charges paid to a water supply wholesaler by a retail licensee for the supply of treated, potable water.

Wholesale contract: a contract between the retailer and the company on terms and conditions the services the wholesaler will provide to the retailer and the commercial terms on which they will be provided.

Wholesale tariff: the tariff offered by wholesalers to retailers.

Wholesale tariff structure: the structure and thresholds of wholesale tariffs offered by a wholesaler to retailers. Wholesale tariff structures are different for each wholesaler in England.

WRSA: Water Services Regulation Authority (Ofwat). The economic regulator of the water and sewerage industry in England and Wales.

1. BASIS FOR CALCULATING WHOLESALE CHARGES

The underlying principle used for deriving this wholesale tariff structure is that the wholesale tariff for each customer segment should be reflective of the average cost of providing wholesale water.

For the purposes of tariff setting wholesale activities are defined to cover the activities and overheads associated with: water resources and abstraction of water, raw water distribution, water treatment, treated water distribution and scientific services.

Development of the tariffs followed two key steps:

- Identification of the wholesale cost base, separated by functional activity;
- Allocation of those wholesale costs to distinct customer classes / segments.

To identify the unit cost to serve for each customer segment, cost allocation rules were developed applying variants of the relative output method, which is considered best practice within Fully Distributed Cost (FDC) methodologies.

2. REQUIREMENT FOR A WHOLESALE CONTRACT

Any retail licensee wishing to provide retail services within our area of supply will be required to enter in to a wholesale contract. At the time of writing this will be the standard Common Contract for a Wholesale Supply.

3. PAYMENT TERMS FOR RETAILERS

All wholesale charges for water standard services will be billed monthly. Fixed charges are applied pro-rata for the number of days over which services are applied. All wholesale charges for standard water, sewerage and trade effluent services will be based on the calculations in the Open Water central market settlement systems.

Wholesale charges will be billed when the liability for wholesale charges of the Retailer exceeds £500 in total, or such other sum that forms part of the Open Water Market Codes.

Portsmouth Water will make available to Retailers the standard payment terms in the retail market. The standard wholesale charges set out in this document will apply whichever payment term options are selected by the Retailer. The settlement calculations within the retail market will make any adjustment in payments that arise from the Retailer selection of payment terms.

4. PAYMENT TERMS

The standard payment terms described below are available to any licensed retailer.

Standard payment terms

Billing period	One calendar month
Payment period	30 days from the last day of the billing period, or 15 days after the invoice is deemed to have been received by the retailer, whichever is the later.
Scope of products and services	Standard payment terms apply to all products and services provided by the company to retailers. Services provided directly by the Wholesaler to end customers are not covered by these payment terms.

Non-standard payment terms

Non-standard terms may be agreed between the Wholesaler and the retailer.

If non-standard terms are agreed with any retailers the Wholesaler will publish these terms and make them available to any other retailer with whom it has a wholesale contract on request.

5. METHODS OF PAYMENT

For each monthly billing period the Wholesaler will invoice the retailer. Invoices will be issued electronically unless otherwise agreed with the retailer.

The retailer should settle the monthly invoice from the escrow account, ensuring that the account is then topped-up to the agreed level (see part 3, 'Credit requirement', above). Alternatively, and only by agreement between the Wholesaler and Retailer, the Retailer may settle the account by a Clearing House Automatic Payments System transfer of funds.

6. INTEREST

If any sum payable under the wholesale contract is not paid at the expiry of the period for payment specified in Section 1.4 (payment terms) the Wholesaler will claim interest on the amount outstanding (both before and after judgment or decree) at the rate of three (3) per cent per annum above the current official Bank Base Rate.

Such interest will be calculated from (but excluding) the date of expiry of such period until payment thereof, calculated on a daily basis and compounded annually.

7. VALUE ADDED TAX

All charges contained in this Charges Scheme are exclusive of Value Added Tax (VAT). VAT is payable on industrial water supplied for customers falling within Standard Industrial Classifications (SIC) 1-5. The codes are published in the Standard Industrial Classification by the Central Statistical Office and are available from HM Stationery Office.

As the Wholesaler may not know which of the retailer's customers will fall in to SIC codes

1-5 it will therefore expect the retailer to ensure that its customers are billed the appropriate VAT for the water consumed.

All charges for ancillary services the Wholesaler provides will be subject to VAT at the appropriate rate.

8. MEASURED CHARGES

Where the occupier of a non-household property at which a meter has been installed is liable to pay water charges the standard measured charges will apply unless there is an agreement between the company and the retailer of that property to pay a different tariff or the company has confirmed to the retailer of that property that unmeasured charges will apply.

The standard measured charges will also apply where a customer moves into a property at which a meter has been installed previously even if the out-going occupier of the property was not paying measured charges.

9. UNMEASURED CHARGES

Where the occupier of a property is liable to pay water and a meter has not been installed at the property, the standard unmeasured charges, set out in this charges scheme will apply.

Unmeasured charges will continue to apply until such time as either:

- (a) The occupier of the non-household property chooses to have a meter installed.
Unmeasured charges will continue to apply and be payable up to the date the meter is installed; or
- (b) Portsmouth Water determines that water is being used, or is to be used, for one or more of the non-domestic purposes which would entitle Portsmouth Water to require the water supply to be metered under Regulations made by the Secretary of State for the Environment. Again unmeasured charges will continue to apply and be payable up to the date the meter is installed.

10. UNOCCUPIED PROPERTIES

Where a retailer identifies a site that believes is unoccupied but is currently being charged, or is occupied but currently not charged they should advise Portsmouth Water through the standard Open Water process.

11. LEAKAGE

The non-household customer is liable for the cost of all water registered on the meter. No allowance is made in respect of leakage from customers' pipework except for mixed use premises where a first leak allowance may be due in respect of a first external supply pipe leak in respect of the household element of the water supply.

12. WATER METER INSTALLATION

Customers receiving an unmeasured water supply may wish to be charged for water supplied to their premises by meter. If their premises are served by a separate service pipe and the plumbing installations comply with Water Regulations, they may elect to have a meter installed, subject to the completion of certain formalities. Where a shared supply exists the Company can quote to enable a separate supply and meter be fitted.

The meter will be positioned in the Company's preferred location at the property boundary, although consideration may be given to alternative locations provided that provision is made for unrestricted access to read the meter.

A meter, where installed, remains the property of the Company.

For a non-household premise, the person chargeable must pay the cost of installation of the meter and once the water charges have become measured charges, they will remain so irrespective of any change of use of the premises or of the purpose for which the water is used. Installation will be carried out within fifteen working days from the date of payment.

13. FIREFIGHTING

No water charges are levied for water used for firefighting, fire training or firefighting systems such as sprinklers, including the replenishment of storage tanks, hydrants and testing. Portsmouth Water will usually install a separate connection to the water mains for these systems.

Fire Hydrant installation and replacement charges are set out at the end of this document.

14. GAP SITES

Where a retailer identifies a site that they believe is supplied with water services but is not currently being billed the relevant charges then they should advise Portsmouth Water through the standard Open Water process.

Portsmouth Water do not operate an incentive scheme for the identification of such sites and only backdate charges for the current Charging Year, or to the point at which it was reasonable to have expected the customer / retailer to advise Portsmouth Water of the services received.

15. METER READING SERVICES

Portsmouth Water may be able to offer meter reading services to retailers.

16. GUARANTEED STANDARDS

Portsmouth Water operates separate customer charters for household customers and non-household customers and retailers, which are available on the company's website or via our Customer Services, on request.

HOUSEHOLD

Unmetered water supplies

Standing charge	£10.67
Rateable value charge (£/£rv)	37.35 pence per £ of rateable value
Licence charge	£92.86
Minimum charge	£60.79

Metered water supplies

Standing charge

Size of meter			Size of meter		
mm	inches	£	mm	inches	£
15mm	0.5	10.15	40mm	1.50	143.82
20mm	0.75	14.18	50mm	2.00	183.05
25mm	1.00	65.83	80mm	3.00	270.71
Consumption charge per cubic metre					
68.6p					

Assessed meter charges

Single occupier with one bedroom	£51.60
Other	£76.69
WaterSure	£79.43

NON-HOUSEHOLD

Unmetered water supplies

Standing charge	£7.62
Rateable value charge (£/£rv)	37.80 pence per £ of rateable value
Licence charge	£87.38
Minimum charge	£54.47

Metered water supplies

	< 10,000 m ³ pa	10,000 – 50,000m ³ pa	> 50,000 m ³ pa
	£	£	£
Volume Charge (£/m ³)	0.6920	0.6690	0.5660
Site Fee (£)	n/a	200.00	5400.00

Standing charge (£/annum)

Size of meter			Size of meter		
mm	inches	£	mm	inches	£
15mm	0.5	6.42	80mm	3.00	270.38
20mm	0.75	10.46	100mm	4.00	687.69
25mm	1.00	65.51	150mm	6.00	1,532.85
40mm	1.50	143.49	200mm	8.00	2,659.26
50mm	2.00	182.74	300mm	12.00	6,379.26

GENERAL CHARGES

Turn on supply

At the request of the retailer, or for a return visit following disconnection for non-payment	£50.00
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Standposts

Size		Period	Deposit	Charges	
mm	inches	month(s)	£	£	£
				Hire	Consumption
25 measured	0.75 measured	1	200	45	based upon the usage of water at the standard volumetric rate
25 measured	0.75 measured	6	200	100	
50 measured	2.00 measured	1	600	45	
50 measured	2.00 measured	6	600	160	

VAT

Returnable deposit	exempt
Hire charge	standard rated
Consumption charge - domestic supplies	zero rated
Consumption charge - industrial supplies	standard rated

Meter testing

Household meters	£70.00
Non-household meters	By quotation

