
SECTION P

TARIFF BASKET INFORMATION

Edition 6

ANNUAL RETURN 2007-08

EDITION CHANGES – SECTION P

<u>Edition</u>	<u>Description of Change</u>
	<u>No Changes for Annual Return 2007-08</u>

SECTION P TARIFF BASKET INFORMATION

Outline

The key purpose of this section is to provide Scottish Water with an opportunity to:

- Summarise information about its customer base and revenue as relates to the tariffs it offers
- Submit customers numbers that will be used to set tariffs in line with price limits.

It is vital that Scottish Water explains in detail any annual variations in its tariff multipliers. These should be explained in relation to:

- changes due to underlying trends;
- changes due to expenditure to relieve development constraints; and
- changes due to specific reviews of the customer base.

Underlying trends

Scottish Water should present its forecast data for Section P based on the information available and any limitations on the data available should be identified. Historical trends should be identified for categories of customer and used to explain annual variations and for projections of future customer numbers and revenue. Assumptions will be necessary and these should be identified and fully explained in the commentary.

Development constraints

Where properties are connected for the first time to due specific expenditure to relieve development constraints, Scottish Water should identify this deviation from trend growth in its commentary and explain its effects. This information should be consistent with reported expenditure and outputs against delivery plan projections.

Information on underlying trend growth and growth due to expenditure on development constraints should be consistent with Scottish Water’s Reasonable Cost and Infrastructure Charges submissions.

Customer base reviews

Where Scottish Water has undertaken specific work to review its reported customer base, this should be clearly documented. Simply stating that variations from annual trends are due to “data cleansing” is not sufficiently detailed. Consideration should be given to explaining:

- the specific nature of review exercises;
- the reasons for undertaking categories of specific reviews;
- the specific categories of customer that are being reviewed and numbers affected by change;
- the magnitude of changes within an overall portfolio effect;#
- any validation exercises carried out; and
- how these changes impact elsewhere (eg Bad Debt)

We suggest this part of the submission should be divided into the sections highlighted below.

Customer base tariffs and revenue forecasts	
Section 1	Household tariffs, customer base and revenues
Section 2	Non-household tariffs, customer base and revenue

Section 1 Household tariffs, customer base and revenues

Scottish Water should summarise the key aspects of its forecast charges affecting households. The information on customer numbers per band should be based on published information and information provided by Councils to Scottish Water. All assumptions required to do this should be documented.

Section 2 Non-household tariffs, customer base and revenue

Scottish Water should summarise the key aspects of its charges affecting non-households. This should take account of other material non-household revenues, including special agreements and bulk supplies.

For Trade effluent customers, non-standard rates refer to customers and loads subject to:

- The harmonisation cap;
- The treatment cap; and
- Otherwise reduced charges.

General

Scottish Water should use the tables in Section P to provide forecasts of their charges and charging bases which underpin revenues.

The following notes relate to specific issues which may arise in the completion of the tables.

Non-standard tariffs

Revenue should be based on approved tariffs and projections for non-standard tariffs based on assumptions which are to be made explicit in the commentary. Any material change between years in this line should be explained with reference to either Scottish Water's submissions in relation to Schedule 3 of the Water Services etc. (Scotland) Act 2005 or Section 29E of the same act.

Metering

Customer numbers, tariffs and revenue forecasts for properties billed on a measured basis should reflect anticipated progress on metering household and non-household properties. Metering activities that affect revenue may include meter replacement programme, meter installation and meter right-sizing.

Void properties

Customer numbers, tariffs and revenue forecasts should be consistent with projected trends in the number of void properties. Where void property numbers represent a high proportion of all properties a programme to reduce their numbers may be appropriate.

Underlying growth

Assumptions as to underlying growth should be made explicit. This relates to forecast growth in demand (if any) excluding tariff switching and the net effect of new properties and properties no longer billed (either because they become void or are permanently disconnected from the network).

Mid-year property numbers

Mid-year property numbers are required based on the forecast number of properties billed for water or sewerage services (or both) within the area at the mid-point of the charging year.

Supply pipe leakage

Volumes should exclude supply pipe leakage where the meter is internal or fitted externally to the wall or adjacent to the property. In all other circumstances water delivered should include supply pipe leakage, for example, properties externally metered where the meter is located away from the property towards the property boundary. The volume of water delivered (and sewage collected) should include supply pipe leakage to unmeasured properties.

Guidance to Scottish Water

SW should ensure that no input cell is left blank. If the information is unknown or not applicable, then a zero should be entered in the cell with an appropriate CG.

Guidance to the Reporter

The Reporter should:

- confirm or otherwise that the base year information is consistent with other published / audited information, and, where appropriate, billing records
- scrutinise Scottish Water's explanations for annual variations in tariff multipliers and confirm that Scottish Water has identified variations that relate to underlying trend growth, expenditure to remove development constraints and customer base reviews. The Reporter should check that the latter is sufficiently well explained.
- scrutinise, and provide an assessment of any explanations provided by Scottish Water for discrepancies
- comment on the material assumptions employed by Scottish Water
- scrutinise, and provide an assessment of the basis presented by Scottish Water for assumptions of the number of properties, average rateable value and demand
- comment on the match between demand forecasts and recent trends in demand (pcc etc) as reported in England and Wales and the Domestic Water Consumption Study 1999.
- comment on the basis for the assumptions employed in forecasting large user/industrial demands
- confirm or otherwise that the information relating to water delivered (and sewage collected) is consistent with information in part B5.
- provide an assessment of any explanations provided by Scottish Water where discrepancies are identified with other parts of the plan.