

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing
Table N1 : Transfer Pricing Summary (Capex)**

Report Year 2016-17

1 2 3 4 5 6 7 8 9 10 11

Block A: Market Testing

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover(Col 9) %
1.1.1	Wholesale	Scottish Water Solutions 2 Ltd	N/A	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with Solutions 2	12,947,096	12,947,096	100.00%
1.1.2	Wholesale	Scottish Water Horizons	9,911	6 Weeks	Kingdom Park Kirkcaldy	Framework from previous formal competitive tendering	9,911	17,161,628	0.06%
1.3.1	Wholesale	Scottish Water Horizons	98,303	8 Weeks	Fernhill Water Main Upgrade	Competitive tendering	98,303	17,161,628	0.57%
1.3.2	Wholesale	Scottish Water Horizons	56,880	18 Months	Tummel Bridge	Contract payment due to SSE mandated to Horizons	56,880	17,161,628	0.33%
1.3.3	Wholesale	Scottish Water Horizons	480	1 Year	Sale of Renewable Energy Assets	All sales of assets were at cost.	480	17,161,628	0.00%

Block B: Cost Allocation. Recharges to Associate from Core

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
1.4.1	Wholesale	Scottish Water Solutions 2 Ltd - project costs and business support costs, incurred on 'allocated' capital projects	3,575,998	12,947,096	27.62%

Block C: Cost Allocation. Recharges to Core from Associate

Line Ref	Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
1.5.1	Scottish Water Solutions 2 Ltd Delivery of the capital programme	Wholesale	12,947,096	12,947,096	100.00%
			12,947,096	12,947,096	100.00%
	Scottish Water Horizons				
1.7.1	Sale of Renewable Energy Assets		480	17,161,628	0.00%
1.7.2	Developer Support Work carried out		165,094	17,161,628	0.96%
			165,575	17,161,628	0.96%

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing
Table N.2: Transfer Pricing Summary (P&L)**

Report Year 2016-17

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Block A: Market Testing

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover (Col 9) %

Block B: Cost Allocation. Recharges to Associate from Core

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
	Wholesale	Scottish Water Solutions 2 Ltd			
2.1.1		- secondment of staff from SW to SWS2	117,841	12,947,096	0.91%
2.1.2		- support services IT	84,921	12,947,096	0.66%
2.1.3		- support services Property	58,235	12,947,096	0.45%
2.1.4		- Financial Services	11,343	12,947,096	0.09%
2.1.5		- Travel	8,254	12,947,096	0.06%
2.1.6		- sundry	18	12,947,096	0.00%
			280,612	12,947,096	2.17%
	Wholesale	Scottish Water Business Stream Ltd			
2.2.1		- support services Treasury, Tax & Insurance	40,501	183,798,484	0.02%
2.2.2		- support services Internal Audit	74,812	183,798,484	0.04%
			115,314	183,798,484	0.06%
	Wholesale	Scottish Water Business Stream Ltd			
2.3.1		- Wholesale Water & Wastewater Charge	130,294,051	183,798,484	70.89%
2.3.2		- Non Primary Meter Services	40,454	183,798,484	0.02%
2.3.3		- Non Primary Supply Shut Off and Disconnections	370,574	183,798,484	0.20%
2.3.4		- Non Primary Building Water Supplies	49,014	183,798,484	0.03%
2.3.5		- Non Primary Inspections	132,838	183,798,484	0.07%
2.3.6		- Non Primary Connections	842,808	183,798,484	0.46%
2.3.7		- Verification Of Services	209,859	183,798,484	0.11%
			131,939,599	183,798,484	71.78%
	Wholesale	Scottish Water Horizons			
2.4.1		Management & Support Recharge	11,578	17,161,628	0.07%
2.4.2		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	661,461	17,161,628	3.85%
2.4.3		Support Services Aquatrine	186,518	17,161,628	1.09%
2.4.4		Support Services Shipping Water	407,930	17,161,628	2.38%
2.4.5		Support Services Asset Management	156,399	17,161,628	0.91%
2.4.6		Support Services Contact Centre	29,655	17,161,628	0.17%
2.4.7		ABM & Support Charge For Horizons	432,893	17,161,628	2.52%
2.4.8		Support Services Property	23,275	17,161,628	0.14%
2.4.9		Internal Audit Recharge	14,797	17,161,628	0.09%
2.4.10		Sampling Recharges	7,036	17,161,628	0.04%
2.4.11		IT Service Charge	103,572	17,161,628	0.60%
2.4.12		Legal Re-Charge	75,273	17,161,628	0.44%
2.4.13		Payroll & Timesheet Recharges	68,857	17,161,628	0.40%
			2,179,244	17,161,628	12.70%
	Wholesale	Scottish Water International			
2.5.1		Management & Support Recharge	163,450	2,027,599	8.06%
2.5.2		Support Services Asset Management	45,803	2,027,599	2.26%
2.5.3		Support Services Customer Service	94,763	2,027,599	4.67%
2.5.4		Support Services Property	2,010	2,027,599	0.10%
2.5.6		IT Service Charge	28,125	2,027,599	1.39%
			334,152	2,027,599	16.48%
	Wholesale	Non Core			
2.6.1	SW Wholesale	ABM Support Charge for Customer Operations	238,620	2,054,247	11.62%
			238,620	2,054,247	11.62%
2.6.4	SW Wholesale	Support Lab Plant & Veh Cross Charge for Aquatrine	239,466	2,054,247	11.66%
2.6.7	SW Wholesale	Support Lab Plant & Veh Cross Charge for Deerdykes	4,829	2,054,247	0.00%
2.6.8	SW Wholesale	Material & Contractor Charge for Legal & Estates	6,000	2,054,247	0.29%
2.6.9	SW Wholesale	Test & Sample processing charge for Scientific Services	795,679	2,054,247	38.73%
2.6.10	SW Wholesale	Material & Contractor Charge for Rechargeable Works	520,997	2,054,247	25.36%
			1,566,972	2,054,247	76.28%
	Total SW (Regulated)	Total SW (Non Regulated)	1,805,592	2,054,247	87.90%

Block C: Cost Allocation. Recharges to Core from Associate

Line Ref	Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
	Scottish Water Business Stream Ltd	Wholesale			
2.7.1	Interest Paid to SWBS		196,149	183,798,484	0.11%
2.7.2	GSS Payment		38,386	183,798,484	0.02%
2.7.3	Gap Incentive - SWBS		837,556	183,798,484	0.46%
2.7.4	Vacancy Incentive - SWBS		323,000	183,798,484	0.18%
2.7.5	Hire of Microstrainer		15,400	183,798,484	0.01%
2.7.6	Impact Assessment Charges		5,545	183,798,484	0.00%
2.7.7	Hire & Maintenance of SAF Units		126,726	183,798,484	0.07%
			1,542,761	183,798,484	0.84%
	Scottish Water Horizons	Wholesale			
2.8.1	Impact Assessment Charges		210,841	17,161,628	1.23%
2.8.2	Agregates Recharge		50,822	17,161,628	0.30%
2.8.3	Plan Provision Recharge		32,354	17,161,628	0.19%
2.8.4	Compensation recharge		500,000	17,161,628	2.91%
2.8.5	Timesheet Recharge		98,912	17,161,628	0.58%
2.8.6	Renewable Energy		85,893	17,161,628	0.50%
			978,822	17,161,628	5.70%