



Wessex Water Services Limited

Notification of expected changes to 2017-18 wholesale access charge structures

Introduction

This statement sets out expected changes to Wessex Water's wholesale access charge structures for 2017-18.

Ofwat's information notice IN 16/02 *Information requirement on publication of indicative wholesale access charges for 2017-18* states that large water and sewerage companies should notify stakeholders in July 2016 if they anticipate significant changes to their wholesale access charging structures in 2017-18 and what these changes may be.

Ofwat will consult later in the year on requirements for the publication of wholesale access charges from 2017 onwards. For the purposes of this document we provide information on wholesale access charges defined by Ofwat in its copy of its draft wholesale access charging rules, shared in advance of its formal consultation later in 2016. In this document wholesale access charges are defined as:

- the provision of services to eligible premises to which a special agreement would apply if the undertaker continued to provide the services,
- the replacement of lead service pipes,
- damage to apparatus,
- site inspections,
- the provision and use of standpipes,
- the testing of meters, and
- the disconnection of a service pipe to any premises and the reconnection of such premises to a water main.

The content of this document (and the indicative access charges that will set in October) are subject to the review and approval of the Wessex Water Services Board, which will approve wholesale charges for 2017-18 in advance of the new charging year commencing 1 April 2017.

We provide details of changes to wholesale access charges in the following sections.

Primary charges

No major changes or any new tariffs are expected which will alter the charging structures for primary charges or create major incidence effects. A few minor changes to charging structures are expected for 2017-18 and are detailed below.

Removal of trade effluent minimum charges

Rule 21 of the draft wholesale charging rules shared with us by Ofwat states that trade effluent charges must be based on the Mogden formula, a reasonable variant of the Mogden formula or on a demonstrably more cost-reflective basis.

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Our charges scheme currently contains an annual minimum charge where discharges are relatively small in quantity or weak in strength. In future we will charge premises solely based on the Modgen formula stated in our charges scheme plus fixed charges to cover the costs of sampling where the customer chooses to receive a measured service.

Currently nearly 200 low consumption trade effluent premises have minimum charges applied. As the minimum charge only applies where a bill does not meet the minimum threshold there will be no adverse incidence effects from its removal.

Reservation tariff

Our charges scheme contains a reservation tariff which applies where non-household premises with an alternative supply reserve a specified volume of water each year. Currently no premises are charged using the tariff although it is published in the charges scheme. The tariff comprises of three elements:

- reserved capacity charges in decreasing block rates,
- unreserved capacity charges in single volumetric rates, and
- capacity usage charges in decreasing block rates.

It is recognised that the Open Water billing engine that will be used for calculating non-household wholesale charges from 1 April 2017 does not have the functionality to incorporate the reservation tariff in its current form. Therefore rather than propose a costly revision to the Open Water billing engine we will alter the tariff structure to fit the new system. We expect to introduce a simpler tariff structure encompassing:

- annual fixed charges reflecting the magnitude of capacity reserved,
- volumetric charges reflecting the reserved volume, and
- volumetric charges reflecting consumption above the reserved volume.

Since no premises are currently charged on the tariff there will be no incidence effects from the change in tariff structure.

Changes in annual bill magnitudes due to Open Water billing calculation

The wholesale large user tariffs have a decreasing block structure where an initial volume is charged at a higher volumetric rate and subsequent consumption above this threshold is charged at a lower rate. Currently premises are billed at the beginning of the year at the higher rate until they reach the tariff threshold, at which point they are billed at the lower rate.

Rather than calculate decreasing block tariffs on an annual basis, the Open Water billing engine calculates the appropriate charge on a monthly basis. To do this it calculates the applicable volume that falls into the higher and lower blocks each month to create a weighted charge. This will lead to small bill reductions for the small number of premises that do not use enough every month to benefit from the decreasing block charge, as more volume overall will be billed at the lower rate over the year. Premises with this characteristic will always pay less than they would have done under the previous method of calculation so there are no adverse incidence effects from the change in calculation method.

Non-primary charges

In preparation for non-household retail market opening on 1 April 2017 the business has reviewed the appropriateness of its non-primary charges. The approach to charging for the following non-primary access charges in 2017-18 is described below.

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Site inspections

Site inspections will be charged at fixed rates. Where a retailer or customer requests verification of service provision or verification of market data, where it is confirmed to be incorrect and is Wessex Water's responsibility no charge will be levied.

Damage to apparatus

Damage to apparatus will be charged at cost.

Standpipes

The methodology used to calculate the appropriate wholesale charges for provision of standpipes will remain unchanged for 2017-18.

Replacement of lead service pipes

We propose no change from our current policy for 2017-18.

Meter testing

Testing of meters will be charged on a fixed fee basis for meters sized less than 25mm and on a price on application basis over this size.

Disconnections

The following activities will be charged on a fixed fee basis:

- surveys for disconnection,
- temporary disconnections when requested by a retailer, and
- reconnections following temporary disconnection.

No charge will be levied for permanent disconnection of a premises from the water supply network.

Special agreements

We have not entered into nor altered the terms of any special agreements since submitting the 2016-17 special agreements register in February 2016.