

## **Supply Point Temporary Transfer Document**

This is the temporary transfer document required to be  
Made by Scottish Water under Section 12A of the Water Services (Codes and  
Services) Directions 2007, as amended, and  
Approved by the Water Industry Commission for Scotland

**Scottish Water**

**Version 2**

**20 June 2018**

# Supply Point Temporary Transfer Document

## 1 Introduction

### 1.1 Purpose

The purpose of this document is to set out:

- (a) guidance on Scottish Water's approach to implementing the arrangements provided for in the core industry documents and Scottish Water's charges scheme relating to the temporary transfer of supply points for water and/or sewerage services in respect of vacant premises; and
- (b) the steps which Scottish Water will take to bring about the ending of any such temporary transfer and to facilitate the obtaining by the customer of such premises of water and/or sewerage services from a Licensed Provider, in each case without undue delay.

This document follows the framework set out in, and should be read in conjunction with:

- the Water Industry Commission for Scotland's policy documentation on this subject;
- Scottish Water's Charges Scheme, the relevant wholesale services agreement, the Market Code, the Operational Code and the Disconnections Document (the "market documents")

Compliance with this document is a requirement of Section 7.4 of the Wholesale Services Agreement, and failure to comply with its terms may lead to the amendment or reversal of a temporary transfer, or other action under the Wholesale Services Agreement.

### 1.2 Summary

The Temporary Transfer Scheme relates to premises which:

- have been continuously vacant and have persistent non-payment issues; and
- fulfil the conditions determined in the market documents and in this Temporary Transfer Document.

During the Temporary Transfer Period for any premises, the relevant Licensed Provider will:

- cease to be liable for wholesale charges for those supply points;
- cease to be responsible for operational activities and the maintenance of data at those supply points and will support Scottish Water in the maintenance of certain data items noted in Section 3;
- assign to Scottish Water certain rights including the debt accrued within the Temporary Transfer Period for that premises and the power to recover that debt; and
- assign to Scottish Water the power to invoice and recover retail charges for the premises together with any associated legal costs it incurs.

It is a condition for a successful application for temporary transfer that the Licensed Provider must apply for a permanent disconnection of the water supply at a premises. This may also lead to the cessation of meter based annual wholesale charges where a permanent disconnection has taken place, or is to take place.

Appendix 1 provides a worked example of a typical situation where a Licensed Provider could apply for a Temporary Transfer for a supply point.

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Appendix 2 provides a template Schedule of Retail Tariffs to be provided by the Licensed Provider where a temporary transfer has been granted.

## 1.3 Outline of process

The main parts of the process are as follows:

### Section 2: Starting the Temporary Transfer Period

- The Licensed Provider takes all reasonable steps to recover retail charges;
- If the premises has a metered water supply the Licensed Provider applies for a permanent disconnection of the supply point; Scottish Water may set the supply points to be permanently disconnected on a provisional basis;
- The Licensed Provider obtains an inhibition on the premises and applies for a temporary transfer, and Scottish Water considers this application;
- Where a temporary transfer is granted, Scottish Water requests the CMA to remove the registration of the supply points from the Licensed Provider; and
- The Licensed Provider assigns Scottish Water with certain specific rights including the rights to bill and recover charges from the premises, to recover any relevant debt and to the inhibition on the premises.

### Section 3: During the Temporary Transfer Period

- The Licensed Provider maintains the retail contract in force;
- Scottish Water takes operational responsibility for the supply point and, with support from the Licensed Provider, maintains the supply point data at the CMA; and
- Scottish Water continues to bill the premises, and seeks to recover charges.

### Section 4: Ending the Temporary Transfer Period:

The temporary transfer period comes to an end when:

- The premises has a new occupier; or
- The current owner pays the debt in full;
- The premises has a new owner; or
- The premises is no longer an eligible premises, for example it is demolished and removed from the Valuation Roll.

Following the end of this period:

- Scottish Water restores the premises to the contestable market;
- Scottish Water allocates any monies recovered between itself and the relevant Licensed Provider;
- The customer applies for a new connection if necessary;
- The Licensed Provider to whom the premises becomes registered enters into a new retail contract or continues the existing contract, as the case may be.

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## 2 Applications for the temporary transfer of supply points

This section sets out:

- The conditions for supply points to be eligible for temporary transfer;
- How to apply for a temporary transfer;
- Conditions relating to the permanent disconnection of the water supply;
- Granting a temporary transfer; and
- Reversal or amendment of temporary transfer.

### 2.1 Eligibility requirements

Temporary transfer will only be considered for vacant premises with persistent non-payment issues. For the purposes of these arrangements, this means that the non-payment and vacancy must have been continuous for a period of no less than 6 months at the point of application.

In addressing persistent non-payment issues, all reasonable means of engaging the customer must have been exhausted without effect. As set out by the Commission, the Licensed Provider must have taken all reasonable and proportionate measures to secure payment from their customer, at least equivalent to those measures which can or must be taken by Licensed Providers which are described in sections 5.1 – 5.4 of the Disconnections Document. In particular, the Licensed Provider must provide:

- all retails bills issued to the customer which must be accurate and issued correctly; and
- all correspondence between the customer and the Licensed Provider relating to the billed sums and any credit management arrangements proposed by the Licensed Provider.

Provided that the premises fulfils the conditions above, the following criteria must be met for premises to be considered eligible for temporary transfer:

- The premises must be vacant at the point of application and have been continuously vacant from the start of the period applied for (the “Temporary Transfer Commencement Date”);
- It must be the case that no charges have been recovered from the premises from the start of the period applied for;
- The Licensed Provider must have secured a court decree for non-payment and registered an inhibition against the owner of the property for the amount of the debt accrued to that date; and
- If the premises has a metered water supply, the Licensed Provider must have applied for a permanent disconnection, whether or not the permanent disconnection takes place.

### 2.2 Applications for temporary transfer

Applications for temporary transfer must be made in accordance with Process 27C of the Operational Code by submitting Form W to [Scottish Water – contact details to be confirmed], together with all necessary supporting information and documentation required to evidence the application, including copies of:

- The extract decree;
- The registered inhibition;
- A property search showing the registered owner (if available);

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- The customer contract if any, or the standard terms and conditions applicable to the property if the site is supplied under a deemed contract;
- Retail bills issued to the customer; and
- Schedule of retail tariffs (Appendix 2).

The relevant Wholesale Services Agreement sets out the obligations taken on by the Licensed Provider by signing and submitting the application for temporary transfer, subject to the application being accepted. In summary, the Licensed Provider is:

1. Exclusively assigning its whole right, title and interest in and to:
  - a) Any and all sums properly due by the customer under the customer contract to the Licensed Provider in respect to any and all services supplied to such vacant premises up to the date on which the temporary transfer of the Supply Point is granted by Scottish Water (“the Debt”);
  - b) Any and all diligence rights, decrees, orders of court or analogous rights pertaining to the Debt (including insofar as possible any rights under and in terms of any inhibition relating to the Customer), and
  - c) Any and all sums properly due by the customer to the Licensed Provider in respect of any and all services that continue to be supplied to such vacant premises from and after the date on which the temporary transfer of the Supply Point is granted by Scottish Water until the Temporary Transfer Cessation Date.
2. Confirming and agreeing that it shall not:
  - a) Take any steps to terminate the customer contract; or
  - b) Seek to recover charges from the customer for the services provided to the supply subject to temporary transfer Supply Point under the customer contract and all rights to recover such sums will vest in Scottish Water.
3. Confirming and agreeing that it shall pay amounts to Scottish Water without delay in the event that the debt is recovered by the Licensed Provider.

### **2.2.1 Application review process**

Scottish Water will grant or reject applications for temporary transfer based on the information and evidence that has been provided by the Licensed Provider in the Form W. The application will be rejected if the application is incomplete or inaccurate or if the supply point does not meet the eligibility requirements.

Scottish Water will not accept applications for temporary transfer which are more than 3 months after the date of the inhibition, or more than 30 months after the proposed Temporary Transfer Commencement Date.

### **2.2.2 Rejected applications**

If an application is rejected, Scottish Water will inform the Licensed Provider explaining why the application has been rejected.

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### 2.3 Conditions relating to permanent disconnections of metered water supplies at vacant premises received by 31 March 2019

For vacant premises with a water meter, an application for a permanent disconnection of the water supply at the premises must be made before an application for temporary transfer can be made. However, such an application can be made whether or not an application is made for temporary transfer. There is no requirement to apply for a permanent disconnection at a premises with an unmetered water supply or with no water supply.

Scottish Water's Charges Scheme sets out the definitive statement of the treatment of wholesale charges at sites which are, or are to be, permanently disconnected. That description is summarised here for vacant premises to be disconnected at LP request for persistent non-payment.

For applications received by 30 September 2018, the liability for meter based annual wholesale charges will be removed from the premises *prior* to the physical disconnection taking place. For such applications, the liability for these charges will be removed on the date that a valid application is received and have effect from the Provisional Effective Date which will be the later of:

- 1 April 2017; and
- the date of the start of the current continuous period of vacancy; and
- any later date which is the start of the current continuous period from which monies are properly due and remain unpaid.

In these cases and as set out in Section 2.4, any application for temporary transfer for this premises will have a Temporary Transfer Commencement Date which is the same as the Provisional Effective Date.

For applications received between 1 October 2018 and 31 March 2019 the liability for meter based annual wholesale charges will be removed on the date that Scottish Water notifies the Licensed Provider that the physical disconnection is viable. For such applications, the effective date of this change shall be the date of receipt of a valid application for permanent disconnection.

In these cases any application for temporary transfer for this premises will have an effective date which is before the effective date of the permanent disconnection as the period of continuous non-payment of the premises must start before an application can be made for permanent disconnection.

In either case, the charge for the permanent disconnection will only be applied once the supply has been successfully disconnected. In cases where a disconnection is not viable the Licensed Provider may be charged for surveys or other work as set out in the Charges Scheme.

#### 2.3.1 Sites where a physical disconnection is carried out

In cases where a physical disconnection of the water supply is carried out, the relevant water SPID shall be permanently disconnected and foul sewerage services will be removed from the associated sewer SPID. For applications received by 30 September 2018 this will have effect from the Provisional Effective Date. For applications received between 1 October 2018 and 31 March 2019 this will have effect from the date of receipt of a valid application for permanent disconnection.

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### 2.3.2 Sites where a physical disconnection cannot be carried out

In some cases, a physical disconnection of the water supply cannot be carried out. In relation to applications received by 30 September 2018, the liability for meter based annual charges will be restored with effect from the date that Scottish Water notifies the Licensed Provider that the disconnection is not viable unless Scottish Water has in the meantime granted a temporary transfer of the premises, in which case the liability for all wholesale charges will have been removed from the Temporary Transfer Commencement Date.

In relation to applications received between 1 October 2018 and 31 March 2019, liability for charges would only have been removed following a successful disconnection, and so no consequential changes are necessary to the liability for charges.

### 2.3.3 Summary of relevant actions

The table below sets out the dates of changes to the Licensed Provider's liability for wholesale charges.

Application for temporary transfer	Application for permanent disconnection	Applications for disconnection received by 30 September	Application for disconnection received between 1 October 2018 and 31 March 2019
Application granted	Viable	Liability for all charges removed with effect from Temporary Transfer Commencement Date	Liability for all charges removed with effect from Temporary Transfer Commencement Date
	Not viable	Liability for all charges removed with effect from Temporary Transfer Commencement Date	Liability for all charges removed with effect from Temporary Transfer Commencement Date
Application not granted or No application made	Viable	Meter based charges removed with effect from Provisional Effective Date i.e. date of application	Liability for meter based charges with effect from the application date
	Not viable	Liability for meter based charges removed from Provisional Effective Date i.e. date of application and then liability restored with effect from the date that Scottish Water notifies the Licensed Provider that disconnection is not viable.  Liability will only be restored once the temporary transfer application has been rejected.	No change to liability for meter based charges as changes are only confirmed once the disconnection is shown to be viable

### 2.4 Action following granting of Temporary Transfer

If an application for temporary transfer is granted, Scottish Water will notify the Licensed Provider of this fact and of the Temporary Transfer Commencement Date, which is the later of:

- 1 April 2017 and
- the date of the start of the current continuous period of vacancy and
- any later date which is the start of the current continuous period from which monies are properly due and remain unpaid.

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The Licensed Provider will then:

- Issue a final retail bill for the period up until the Temporary Transfer Grant Date;
- Amend billing systems to highlight that the Supply Point is subject to a temporary transfer so that no future bills are issued;
- Write to the customer, and copy to Scottish Water, confirmation that:
  - The contract between the customer and the Licensed Provider remains in place;
  - Scottish Water has been assigned rights to bill and collect charges from the Temporary Transfer Grant Date;
  - Scottish Water has been assigned rights to collect debt for services in relation to the Temporary Transfer Period in addition to:
    - Legal costs incurred in securing a decree;
    - Legal costs incurred in securing an inhibition; and
    - Any associated legal costs that Scottish Water itself incurs.

Scottish Water shall also write to the customer in the same terms as the Licensed Provider as outlined above. Scottish Water will then submit a request to the CMA for the Supply Point(s) to cease to be registered to the relevant Licensed Provider with effect from the Temporary Transfer Commencement Date. This will have the effect of removing the Licensed Provider's liability for wholesale charges at such Supply Points.

As set out in Section 7.4 of the Wholesale Services Agreement, wholesale charges that have already been paid by the Licensed Provider to Scottish Water will be repaid to the Licensed Provider through the reconciliation process. This means that there may be a time-lag between the temporary transfer being granted and charges being repaid. Depending on the timing of settlement runs, in some cases the repayment of charges may take place in RF.

### 2.5 Relevant dates

In relation to any supply point:

- The Temporary Transfer Grant Date is the date that Scottish Water notifies the Licensed Provider that a temporary transfer is to be granted – Scottish Water is responsible for billing the customer with effect from this date;
- The Temporary Transfer Commencement Date is the date from which the supply point ceases to be registered to the Licensed Provider and is defined in Section 2.4 above;
- The Temporary Transfer Cessation Date is the date that the temporary transfer ends as set out in Section 4; and
- The Temporary Transfer Period is the period from the Temporary Transfer Commencement Date to the Temporary Transfer Cessation Date.

It is noted that the Temporary Transfer Grant Date will be some time after the date that the Licensed Provider obtains an inhibition on the premises. The inhibition will relate to debt invoiced before the inhibition has been obtained. The Licensed Provider is required to send out a final invoice to the customer for the balance of retail charges for the period between the date of the inhibition and the Temporary Transfer Grant Date.

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### **2.6 Debt transferred under the Temporary Transfer Scheme**

For supply points which are subject to temporary transfer, the debt transferred to Scottish Water will only relate to charges from the Temporary Transfer Commencement Date. The debt will include all retail charges billed by the Licensed Provider in relation to the period between the Temporary Transfer Commencement Date and the Temporary Transfer Grant Date in addition to any legal costs incurred and notified to the customer.

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## 3 Activity during the Temporary Transfer Period

This section sets out the activity that will take place during the Temporary Transfer Period.

### 3.1 Customer contact with the Licensed Provider during the Temporary Transfer Period

If the customer contacts the Licensed Provider during the Temporary Transfer Period, the Licensed Provider should notify Scottish Water of the contact and provide all details of the discussion.

If the customer offers to make payment, the Licensed Provider will:

- Highlight to the customer that the debt is now the responsibility of Scottish Water;
- If possible, take payment on behalf of Scottish Water;
- Notify Scottish Water of any payment; and
- Pay any such sum to Scottish Water on receipt of an invoice.

Where the Licensed Provider recovers any relevant debt from the customer, the Licensed Provider shall inform Scottish Water of the amount paid by the customer and Scottish Water shall then issue an invoice to the Licensed Provider for that amount.

The Licensed Provider must also bring to Scottish Water's attention any relevant information it has or becomes aware of relating to the premises.

The Licensed Provider shall also continue to read any meters at the premises or in a meter network that involves that premises, and provide those meter readings to Scottish Water for submission under the Market Code.

### 3.2 Scottish Water's responsibility during the Temporary Transfer Period

During the Temporary Transfer Period Scottish Water shall:

- continue to issue retail bills on a quarterly basis, and pursue debt at the premises;
- carry out operational activity and maintain SPID data for the supply points, with cooperation from the Licensed Provider as noted in Section 3.1;
- take over responsibility for handling applications for, and payments in relation to, guaranteed service standards payment; and
- monitor the premises for changes in ownership or occupancy.

Any invoice that Scottish Water issues will include emergency contact details.

### 3.3 Reversal or amendment of temporary transfer

As set out in Process 27D of the Operational Code, if Scottish Water has granted a temporary transfer and that decision is based on information and documentation contained in the application which is later found to have been incorrect, the grant may be reversed or amended.

Process 27D also states that Scottish Water may also amend or reverse the grant of temporary transfer in if the key terms of this document are not met, or cease to be met, for example if:

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- The Licensed Provider receive any payments from a relevant customer and fails to advise Scottish Water;
- The Licensed Provider cancels the contract with the customer; or
- The Licensed Provider invoices the customer.

In all cases, if Scottish Water consider that a grant should be reversed or amended, they shall follow the steps set out in Process 27D of the Operational Code. Any challenges by the LP to the decision should also be in accordance with this process.

If the granting of temporary transfer is to be reversed, the temporary transfer of the Supply Point will be amended in the Central Systems and liability for wholesale charges shall be restored from the Temporary Transfer Commencement Date. If the grant is to be amended, Scottish Water shall take the appropriate steps to ensure that the liability for wholesale charges are correct.

In these circumstances, Scottish Water will inform the Commission that the grant has been reversed or amended as the case may be.

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## 4 Ending the Temporary Transfer Period

### 4.1 How the temporary transfer period ends

The Temporary Transfer Period ends and the property is returned to the contestable market when:

1. The vacant premises becomes occupied;
2. A new owner takes ownership of the premises which remains vacant;
3. The premises continues to be in the same ownership and vacant, but the full debt is recovered by Scottish Water; or

In the first two cases, the Temporary Transfer Cessation Date shall be the date on which the relevant event occurs. In the third case the Temporary Transfer Cessation Date is the date that the premises returns to the contestable market as a gap site – this is set out in more detail in Section 4.2.4 below.

Should the property cease to be an eligible premises there is no requirement to return the premises to the contestable market. This may happen, for example, if the premises is demolished and reverts to land, or becomes a domestic premises. In this case, the Temporary Transfer Cessation Date shall be the effective date of the permanent disconnection or deregistration as the case may be.

### 4.2 Returning the premises to the contestable market

In any case that a premises is returned to the contestable market, the steps that Scottish Water will take depends on a number of considerations:

- Where the existing contract between the Licensed Provider and the customer continues in force Scottish Water will seek to ensure that any SPIDs related to the premises are registered to this Licensed Provider – in line with the Deemed Contract Scheme any deemed contract ends at the Temporary Transfer Cessation Date;
- Where a Licensed Provider alerts Scottish Water that the premises has a new owner or new occupier as the case may be, Scottish Water shall seek to ensure that gap sites created at the end of the temporary transfer period are allocated to that Licensed Provider; and
- Where the water supply at the premises has been permanently disconnected Scottish Water will seek to allocate the new water SPID to the Licensed Provider that applies to the new connection.

#### 4.2.1 Premises where the water supply has been permanently disconnected

Following the Temporary Transfer Cessation Date, the owner or the occupier, as the case may be, may apply for a new water connection through a Licensed Provider. The new water supply point associated with this new connection will be allocated to the Licensed Provider making the application for a new connection – this might not be the same Licensed Provider to whom the existing sewer supply point is registered. The foul sewerage service associated with this water supply will be added to the existing sewer supply point.

If the contract that the existing Licensed Provider has with the owner continues in force following the end of the Temporary Transfer Period then the sewer supply point will be registered to the existing Licensed Provider. If this is not the case and a Licensed Provider alerts Scottish Water to a

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new owner or occupier Scottish Water will seek to allocate the sewer SPID to that Licensed Provider. Otherwise the existing sewer supply point will be entered into the gaps process with effect from the Temporary Transfer Cessation Date. The owner or the occupier, as the case may be, may chose a Licensed Provider or have one allocated.

If the Licensed Providers for the water and sewer SPIDs are different it is up to the customer to decide whether or not they wish to have a single Licensed Provider or not.

### **4.2.2 Premises where the water supply has not been permanently disconnected**

If the contract that the existing Licensed Provider has with the owner continues in force following the end of the Temporary Transfer Period then the water and sewer supply points will be registered to the existing Licensed Provider in the gap site process. If this is not the case and a Licensed Provider alerts Scottish Water to a new owner or occupier Scottish Water will seek to allocate the sewer SPID to that Licensed Provider. Otherwise the existing water and sewer supply points will be entered into the gaps process with effect from the Temporary Transfer Cessation Date. The owner or the occupier, as the case may be, may chose a Licensed Provider or have one allocated.

### **4.2.3 New owner or occupier without full debt recovery**

In these cases, Scottish Water will issue bills for any unbilled period, and return the property to the contestable market as set out in Section 4.2.1 or 4.2.2 as the case may be. Scottish Water will allocate any debt that it has recovered as set out in 4.3.2 and will continue to pursue the previous owner for any outstanding debt.

### **4.2.4 Existing owner repays debt in full**

Scottish Water will return the property to the contestable market as set out in Section 4.2.1 or 4.2.2 as the case may be. Scottish Water will allocate any debt that it has recovered as set out in 4.3.2

As Scottish Water will bill in arrears, the full debt payment by the customer will only cover the period up to the end of the latest bill issued. Scottish Water will therefore issue final retail bills for balancing period the between the end of the period covered by its latest bill and the Temporary Transfer Cessation Date. For example:

- Scottish Water issues a bill for the period 1/1/18 to 31/03/18 – the latest billed period;
- The customer pays the bill on 15/4/18 – the payment date;
- Scottish Water returns any existing SPIDs to the contestable market no later than 5 business days after the payment date – say on 20/04/18;
- The date that the existing SPIDs are returned to the contestable market as gaps is defined as the Temporary Transfer Cessation Date; and
- Scottish Water issues a final bill for services provided from the end of the last billed period to the Temporary Transfer Cessation Date.

### **4.2.5 The premises ceases to be an eligible premises**

Where the property ceases to be an eligible premises e.g. the premises is demolished and reverts to land, or becomes a domestic premises, the SPID will be permanently disconnected or deregistered as the case may be. Scottish Water will allocate any debt that it has recovered as set out in 4.3.2 and will continue to pursue the previous owner for any outstanding debt.

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### 4.3 Allocation of debt recovered following the end of the Temporary Transfer Period

#### 4.3.1 Approach

In any case that a premises returns to the contestable market, Scottish Water shall allocate any money recovered from the customer between Scottish Water and the relevant Licensed Provider.

#### 4.3.2 Allocation of debt recovered

Scottish Water's approach to sharing debt repayments with the Licensed Provider is set out below. In summary:

- if Scottish Water receives full payment of all amounts due to Scottish Water, the Licensed Provider will be paid 75% of the retail margin and all legal costs associated with the amount billed by the Licensed Provider and assigned to Scottish Water under the conditions of the Temporary Transfer; and
- where Scottish Water receives a payment of part of the sums due, the Licensed Provider will not receive any payment until Scottish Water has received all sums due to Scottish Water.

The debt owed by the customer can be categorised as follows:

Category	Between Temporary Transfer Commencement Date and Temporary Transfer Grant Date	Between Temporary Transfer Grant Date and Temporary Transfer Cessation Date
Wholesale element of charges billed and due	1. Retained by SW	6. Retained by SW
Retail margin element of charges billed and due	2. 25% retained by SW 3. 75% paid to LP	7. 100% retained by SW
Licensed Provider's associated legal costs incurred and notified to the customer	4. Paid to LP	8. None
Scottish Water's associated legal costs incurred and notified to the customer	5. None	9. Retained by SW

The Total Debt due by the customer is the sum of all elements in the table above. The Scottish Water Retention Amount is the sum of Items 1, 2, 6, 7 and 9. The Licensed Provider Payment Amount is the sum of the Items 3 and 4.

- Where the customer settles the Total Debt in full, the allocation will be as set out in 4.3.2 below and the premises will be promptly returned to the contestable market; and
- Where the customer settles debt in part, the repayment will be allocated to Scottish Water until the Scottish Water Retention Amount is completely covered, and then the balance is paid to the Licensed Provider.

The Scottish Water Retention Amount will increase over time, so if the debt is paid in stages, the allocation will depend on the amount of debt due to Scottish Water on the date of each payment. The value of the Licensed Provider Payment Amount depends only on the values at the Temporary Transfer Grant Date and so will not change over time.

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Appendix 1 provides a worked example of how the share of the retail margin due to the Licensed Provider is calculated.

### **4.3.3 Debt paid promptly following temporary transfer**

Where the debt is paid in full within 1 month of the Temporary Transfer Grant Date Scottish Water shall not retain any of the retail margin associated with the charges billed by the Licensed Provider. In this case, the Scottish Water Retention Amount is the sum of Items 1, 6, 7 and 9. The Licensed Provider Payment Amount is the sum of the Items 2, 3 and 4, that is the Licensed Provider will be paid 100% of the retail margin element of charges billed for the period from the Temporary Transfer Commencement Date to the Temporary Transfer Grant Date.

### **4.3.4 Payment mechanism**

Payments will be processed twice each month in line with Scottish Water's existing scheduled non-primary billing and incentive payments timetable. This timetable will be set out annually by Scottish Water.

### **4.4 Scottish Water's responsibilities after the Temporary Transfer Period ends**

From the point at which the Supply Point has been returned to the market, Scottish Water shall no longer have any future billing rights but will still be entitled to recover:

- Any outstanding amounts from the debt transferred to Scottish Water by the Licensed Provider in relation to the Temporary Transfer Period;
- Any retail charges billed by Scottish Water during the Temporary Transfer Period, including the final bill described in 4.3.5 above; and
- Any associated legal costs incurred by Scottish Water and notified to the customer.

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## 5 Review of this document

This document may be reviewed at any time, and shall be reviewed following any significant change in:

- The Commission's policy on this or other relevant matters;
- Relevant changes to the market documents; or
- Any other matter as seems relevant to Scottish Water.

Any proposed changes to this document will be subject to approval by the Water Industry Commission for Scotland, and will be subject to any requirements by the Commission for prior communication with Licensed Providers.

**Scottish Water**

**June 2018**

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## Appendix 1 - Worked Example

This worked example reflects Scottish Water's understanding of the process for applying for a court decree and inhibition. While reasonable care has been taken in preparing this example, Licensed Providers will need to confirm the amounts that apply at each stage in any particular case.

makes the following assumptions:

Retail Charges = £50 per week  
 Wholesale Charges = £35 per week  
 Legal costs of securing decree = £250  
 Legal costs of registering an inhibition = £150

	P0.	P1.	P2.	P3.	P4.	P5.	P6.	P7.	P8.	P9.
	Week 0	Week 1	Week 4	Week 56	Week 60	Week 72	Week 76	Week 80	Week 82	Week 94
	Property occupied, customer paying	Property vacant, customer paying	Property vacant, customer not paying	Supply is permanently disconnected	LP applies for court decree	Court decree granted	Inhibition registered	LP applies for Temporary Transfer	Temporary Transfer approved	Full debt recovered by SW
Wholesale charges billed	-	£35	£140	£1,960	£2,100	£2,520	£2,660	£2,800	£2,870	£3,290
Retail charges billed	-	£50	£200	£2,800	£3,000	£3,600	£3,800	£4,000	£4,100	£4,700
Retail charges overdue	-	£0	£200	£2,600	£2,800	£3,400	£3,600	£3,800	£3,900	£4,500
Retail margin (£)	-	£15	£60	£840	£900	£1,080	£1,140	£1,200		
Court costs	-	-	-	-	£250	£250	£250	£250	£250	£250
Inhibition cost	-	-	-	-	-	-	£150	£150	£150	£150
Permanent disconnection charge	-	-	-	£500	£500	£500	£500	£500	£500	£500
Permanent disconnection survey cost	-	-	-	£190	£190	£190	£190	£190	£190	£190
Sum of decree	-	-	-	-	-	£4,340	£4,340	£4,340	£4,340	£4,340
Sum of overdue bills covered by decree	-	-	-	-	-	£3,400	£3,400	£3,400	£3,400	£3,400
Sum of overdue bills not covered by decree	-	-	-	-	-	£0	£200	£400	£500	£1,100
Sum of debt transferred	-	-	-	-	-	-	-	-		

Vacancy	Occupied	Vacant								
Customer payment	Paying		Not Paying							
Temporary transfer period			Temporary Transfer Period							
Retail billing	LP Retail Billing							LP Balancing Bill		SW Retail Billing
Wholesale charges	LP Liable for Wholesale Charges									
Effective dates	TT Com Date			TT App Date			TT Grant Date	TT Cess Date		

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**Week 1** – The property becomes vacant and the customer continues to pay. This is the start of the current period of continuous vacancy.

**Week 4** – The property remains vacant but the customer has ceased payment. This is the start of the period of persistent non-payment within the current period of continuous vacancy. Once the SPID is accepted into the Temporary Transfer Scheme this is the **Temporary Transfer Commencement Date**.

**Week 56** – The supply to the property is permanently disconnected. The cost of the permanent disconnection is £690 (£500 permanent disconnection charge and £190 survey cost).

**Week 60** – The LP has billed 60 weeks (£3,000) in retail charges and 56 weeks (£2,800) are now overdue. The LP raises court proceedings in relation to the 56 weeks (£2,800) of overdue charges and permanent disconnection costs of £690 (total = £3,490).

**Week 72** – The court grants decree for the overdue charges which are now at 68 weeks. The sum of the decree is revised from £3,490 to £4,090 to account for additional overdue charges incurred. Court costs of £250 are also awarded.

**Week 76** – The LP registers an inhibition on the property for the sum of the court decree plus expenses. This relates to 68 weeks (£3,400) of overdue charges, court costs of £250 and permanent disconnection costs of £690 (total = £4,340).

If the inhibition is to be assigned to Scottish Water under the Temporary Transfer Scheme, the value of the inhibition should only relate to charges billed since the **Temporary Transfer Commencement Date** in addition to any expenses awarded and permanent disconnection costs. The LP should continue to bill retail charges until the **Temporary Transfer Grant Date**.

**Week 80** – The LP applies to Scottish Water for a Temporary Transfer of Supply Point – **The Temporary Transfer Application Date**.

**Week 82** – Scottish Water grants the application for a Temporary Transfer of Supply Point. On the **Temporary Transfer Grant Date**:

- 1) The LP should issue a balancing retail bill for the period ending on the **Temporary Transfer Grant Date**, with total retail charges billed at £4,100.
- 2) Scottish Water will commence retail billing and refund 82 weeks of wholesale charges (82wks@£35p/w = £2,870).
- 3) Scottish Water will commence debt recovery action for £5,190, which consists of:

Retail charges billed by LP prior to Temporary Transfer Grant Date	£4,100
LP incurred court costs of securing decree	£250
LP incurred court costs of registering the inhibition	£150
Permanent disconnection charge	£500
Permanent disconnection survey cost	£190
Sum due from property owner on Temporary Transfer Grant Date	<u>£5,190</u>

**Week 94** – Scottish Water recovers full payment of the debt that was transferred (£5,190) and 12 weeks of retail billing by Scottish Water (£600) following the **Temporary Transfer Grant Date**, a total of £5,790. The total amount payable to the LP will be equal to 75% of the value of the retail margin of the charges accrued during the **Temporary Transfer Period** in addition to court costs incurred by

## **Supply Point Temporary Transfer Document**

the LP in obtaining the court decree and registering the inhibition and all costs associated with the permanent disconnection of the supply.

The maximum sum refundable to the LP on payment of full debt by the property owner will be recorded on the Temporary Transfer Grant Notice. In this example, if Scottish Water recovers full payment of the debt (£5,790), the LP will receive £2,013.

If Scottish Water were to recover less than full payment of the debt, the LP will receive any monies recovered over £3,778.

## Supply Point Temporary Transfer Document

### Apportionment Methodology

#### LP Billed Retail Charges

At the Temporary Transfer Grant Date the outstanding amount due to be paid by the property owner is: £5,190

	Amount payable to LP	Repayment mechanism	Paid through Temporary Transfer	Sum paid to LP* once full debt** is paid to SW
Retail charges to be billed by LP up until the Temporary Transfer Grant Date	£4,100	75% retail margin		
<i>Wholesale element of billed amount</i>	£2,870	100%	Refunded through Temporary Transfer	£2,870
<i>Retail margin within the billed amount</i>	£1,230	75%	Refunded when debt paid to SW	£923
LP incurred court costs of securing decree	£250	100%	Refunded when debt paid to SW	£250
LP incurred court costs of registering the inhibition	£150	100%	Refunded when debt paid to SW	£150
Permanent disconnection fee	£500	100%	Refunded when debt paid to SW	£500
Permanent disconnection survey cost	£190	100%	Refunded when debt paid to SW	£190
Sum due from property owner on Temporary Transfer Grant Date	<u>£5,190</u>		<u>£2,870</u>	<u>£2,013</u>
Charges billed by SW during Temporary Transfer Period	<u>£600</u>			
Total sum due from property owner	<u>£5,790</u>			

**If full payment is made of:** £5,790  
 Scottish Water will pay LP: £2,013  
 LP will be paid any monies over: £3,778

**If less than full payment received**  
 LP will be paid any moneys over: £3,778

\* The maximum sum refundable to LP on payment of full debt by property owner will be recorded on the Temporary Transfer Grant Notice

\*\*Full debt is the sum due on Temporary Transfer Grant Date plus all sums due to (and billed by) Scottish Water during the Temporary Transfer Period

#### Priority for allocating debt payments between SW and LP

Retail charges billed by SW during Temporary Transfer Period	£600	Scottish Water	
Legal costs incurred by SW and notified to the customer	£0	Scottish Water	
Wholesale charges associated with sums billed by the LP during the Temporary Transfer Period	£2,870	Scottish Water	£3,470
Retail margin associated with sums billed by the LP during the Temporary Transfer Period and retained by SW	£308	Scottish Water	£3,778
Sum payable to the LP - balance of retail margin, legal costs of decree & inhibition and permanent disconnection costs	£2,013	Paid to LP	£5,790
	<u>£5,790</u>		

All monies above this value will be paid to LP

## Appendix 2

### Retail Tariffs

The LP's retail tariffs are required to calculate the LP's share of the retail margin.

The schedule of retail tariffs must be completed by the LP and attached to all applications for Temporary Transfer of Supply Points.

The LP must complete all fields highlighted. If the property does not benefit from a particular service (metered water in this example), the field should be left blank.

Retail Tariff Template						
<b>Daily retail charges billed to customer (LP to complete)</b>						
Metered water						to be entered by LP
Unmeasured water	£0.5000	£0.5000	£0.5000			to be entered by LP
Metered foul sewerage						to be entered by LP
Unmeasured foul sewerage	£0.5000	£0.5000	£0.5000			to be entered by LP
Property Drainage	£4.8000	£4.8000	£4.8000			to be entered by LP
Roads Drainage	£4.2000	£4.2000	£4.2000			to be entered by LP
	<u>£10.0000</u>	<u>£10.0000</u>	<u>£10.0000</u>			
Temporary Transfer Commencement Date (not before 1 April 2017)	01/04/2017	to be entered by LP				
Temporary Transfer Grant Date	21/07/2018	to be entered by LP				
Days of overdue payments	476					
	Daily retail					
Unpaid retail charges	charge	Unpaid days	Retail debt			
2017-18	£10.0000	365	£3,650.00			
2018-19	£10.0000	111	£1,110.00	21-Jul-18	01-Apr-18	
2019-20	£10.0000	0	£0.00	01-Apr-19	01-Apr-19	
<b>Value of overdue sums referred to in decree</b>			<b>£4,760.00</b>			
Court costs - Securing decree and recorded in inhibition			£250.00	to be entered by LP		
Court costs - registering inhibition and billed to customer			£150.00	to be entered by LP		
Permanent disconnection charge			£500.00	to be entered by LP		
Permanent disconnection survey cost			£190.00	to be entered by LP		
<b>Total amount due from property owner</b>			<b>£5,850.00</b>			