



2021 Wholesale Charges Deferral Scheme Guidance for Licensed Providers

1 Introduction

On 21 May 2021 the Commission published its consultation conclusions on measures in support of the retail market in light of the pandemic. These included plans for a new deferral scheme to provide continuing support to business customers impacted by COVID. This document provides further detail on how LPs can make use of the scheme to defer wholesale charges and how it operates. Deferral of wholesale charges is available to LPs who have signed up to the relevant licence condition. Information is also provided on how deferrals will ultimately be unwound.

These Guidance Notes reflect the expected operation of the Scheme. However, the definitive statement of the legal and contractual framework for the Schemes is set out in WICS' consultation conclusions, Directions and the relevant market documents.

All references in this document to 'the deferral scheme' or 'the scheme' refer to the new 2021 Wholesale Charges Scheme rather than the original 2020 Wholesale Charges Deferral Scheme unless otherwise specified.

2 Scope and Purpose of Scheme

The 2021 Wholesale Charge Deferral Scheme allows for the deferral of up to 100% of all wholesale charges for Supply Points which are either unmeasured, charged only for surface water drainage or metered but with no meter having a chargeable size greater than 25mm. The scheme does not apply to charges for trade effluent services.

Charges relating to services provided between 1 May 2021 and 31 March 2022 can be deferred. LPs remain liable for all deferred charges, which will become due in R4 monthly settlement runs between May 2022 and March 2023 as set out in the schedule in Annex 1. The scenarios in which charges can be deferred are set out in sections 2.1, 2.2 and 2.3 below.

2.1 Deferred Customers

The scheme allows Licensed Providers to defer some or all of the primary wholesale charges for a given Supply Point to reflect extended payment terms which have been agreed or are to be agreed at a retail level with that customer (**'Deferred Customers'**) as a result of the impact of COVID.

Deferred customers must be provided with a written undertaking from the LP, committing to reflect the deferral of wholesale charges by Scottish Water in a corresponding deferral of the customer's retail charges. This undertaking should be in the form set out at the end of the sample customer letter published on Scottish Water's website which has been agreed with the Commission. The sample covering letter is intended to provide explanation to customers of the reason for the undertaking. The sample covering letter can be varied by LPs as they see fit, subject to any variation being agreed with Scottish Water and approved by the Commission.



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2.2 Non-engaging Customers

Licensed Providers are also able to apply for deferral of some or all wholesale charges for Supply Points where:

- retail charges are unpaid and overdue;
- the customer has not responded to LP efforts to engage during COVID regarding outstanding payments (so has not agreed to extended payment arrangements);
- by the date of application for deferral, debt recovery actions have been initiated by the LP; and
- no more than 6 months have elapsed since the start of debt recovery actions (**‘Non-engaging Customers’**).

For Non-engaging Customers, the deferral shall apply to charges for services provided from the start of the scheme (1 May 2021).

2.3 Unmeasured volumetric charges

Licensed Providers continue to be able to apply for support for unmeasured Supply Points which have been adversely impacted by COVID. Unmeasured customers who have requested the installation of a meter but this has either not been physically practical or has not yet been completed, can apply for volumetric charges to be turned off for the duration of the scheme. These charges will be waived rather than deferred. These customers will be identified as those either already charged based on a pseudo meter, those which have been surveyed via the gaps process and confirmed as not feasible to be metered or those with an open reassessment request. This support is not available to **Non-engaging Customers**.

Licensed Providers should notify Scottish Water at the point that the customer is able to restart trading and volumetric charges turned back on.

3 Cap on Deferrals

By default, Scottish Water will cap the value of wholesale charges which can be deferred in any given month in relation to sections 2.1 and 2.2 above at 10% of a Licensed Provider’s total eligible charges for that month.

Eligible charges are the primary charges associated with all Supply Points registered to the Licensed Provider which are within the scope of the scheme (i.e. ≤ 25 mm metered, unmetered or surface drainage only Supply Points as set out in section 2 above), including the value of any charges already deferred under the new 2021 WCDS scheme.

For example, if an LP’s monthly charges for eligible Supply Points would have been £1 million before deferrals, comprising £950K in undeferred wholesale charges and £50K of agreed deferrals, the total Eligible Charges will be £1m and the monthly cap will be £100K i.e. 10% of £1 million.

If a Licensed Provider wishes to apply for cap on deferrals higher than the default 10%, additional credit security would be required. To ensure no detriment to Scottish Water, the value of the credit security would need to cover the incremental value of the cap above 10%.



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The forms of credit security could include cash security account, guarantee, letter of credit and surety bond from a party with an Investment Grade credit rating, on terms acceptable to SW.

4 Removal of deferral – change of circumstances

Licensed Providers should notify Scottish Water within 5 Business Days in the event of any of the following changes of circumstances:

- a **Deferred Customer** has agreed that no further retail charges will be deferred, in which case the D2006 Section 29E discount for the Supply Point will be reverted to 0% effective from the date that retail deferrals have ended;
- a **Deferred Customer** has repaid all previously deferred retail charges relating to the period of the scheme (from 1 May 2021 to 31 March 2022), in which case the D2006 Section 29E discount for the Supply Point will be reverted to 0% with backdated effect, removing any previously applied wholesale deferrals;
- a **Non-Engaging Customer** has engaged with the LP and agreed extended payment terms in which case the SPID will be re-designated as a Deferred Customer;
- a **Non-Engaging Customer** has paid any outstanding retail charges relating to the period of the scheme (from 1 May 2021 to 31 March 2022), in which case the D2006 Section 29E discount for the Supply Point will be reverted to 0% with backdated effect, removing any previously applied wholesale deferrals;
- an **Unmeasured Customer** whose volumetric charges have been removed under the terms of the scheme has been able to reopen, in which case the D2015 SPID Vacant data item will be reverted to 'Occupied' effective from the date of the change of circumstances; and
- any Supply Point with deferred charges switches to another Licensed Provider during the scheme, in which case the deferral will end, effective from the date of transfer.

For a **Non-Engaging Customer**, where 6 months have elapsed since 1 May 2021 and the Licensed Provider has not notified Scottish Water of the agreement of extended payment terms with the customer, the D2006 Section 29E discount will be reverted to 0% with backdated effect, removing any previously applied wholesale deferrals. No deferrals will therefore apply to **Non-Engaging Customers** beyond 1 November 2021.

Following the removal of deferral in the Central Systems in any of the scenarios described above, the wholesale charges will become due via the normal settlement process i.e. following the next scheduled settlement run for any period for which deferral has been removed.

The % deferral applied at a Supply Point can be changed during the scheme but only with effect from that date forward.

5 Removal of deferral – end of the scheme

All deferred charges which remain outstanding will be repaid in instalments during 2022/23 via additional R4 settlement runs scheduled by the CMA. Prior to each R4 run the D2006 Section 29E



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Discount will be reduced to 0% by Retrospective Amendment for that month so that the settlement report includes the previously deferred charges. Annex 1 sets out the timing of the R4 runs.

6 How to apply

Applications can be submitted via e-mail to WCDS@scottishwater.co.uk in a bulk flat file format. Copies of the templates and a technical document providing details on file content and submission are available on Scottish Water's website at <https://www.scottishwater.co.uk/business-and-developers/licensed-providers/whats-new/coronavirus>.

LPs will be required to provide the supporting information listed in the technical document for each SPID included in the application as well as a declaration with each batch application. The LP's declaration will confirm that all SPIDs included in the application are eligible for support under the terms of the scheme.

LPs will be able to submit applications until 31 March 2022.

Applications can be submitted up to once per business day and there is no limit on the number of SPIDs that can be included in a single application template.

LPs will be required to submit a separate file template for each element of the scheme:

- Wholesale Charges Deferral ('COVID Charges Deferral' template)
- Exception process for volumetric adjustment at unmeasured premises that have requested reassessment ('COVID Vacancy (UNM)' template)
- Change of SPID from '**Non-Engaged Customer**' to '**Deferring Customer**'
- Change of deferral %
- Removal of deferral – exiting the scheme

Each email application submission to Scottish Water can include any or all of the templates listed above. The template formats and structure are fixed and should not be modified, otherwise the applications will not process.

7 How Scottish Water will process applications

All applications will be acknowledged by e-mail within 1 business day, confirming receipt of the included templates and the number of SPIDs within each template. Acknowledgement will be sent to the originating e-mail address.

Scottish Water will check the inclusion of a valid declaration with all applications and will verify the completeness and validity of SPID level data provided in all applications. Scottish Water will exercise appropriate and reasonable judgment to ensure customers who are affected by the coronavirus outbreak benefit in line with the spirit of the scheme. Other market and SAA data will also be referenced to check the validity of all applications. Applications will not be expected from businesses continuing to operate as normal during the COVID-19 restrictions and Scottish Water reserves the right to refuse applications for customers that have not been adversely affected by the crisis (e.g. hospitals, supermarkets).



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Applications will be checked to ensure that all included SPIDs are either:

- unmeasured (including SPIDs with reassessed charges);
- charged for property drainage only; or
- metered and with no meter at the Supply Point having a chargeable size greater than 25mm.

Scottish Water will review the value of the applications against the Licensed Provider's existing deferrals and their deferral cap. Applications which would cause the value of deferrals to exceed the cap will not be accepted.

Following these checks Scottish Water will issue the LP with a response indicating for each SPID in the template whether the application has been approved or rejected. Where rejected, reasons will be provided. SW will retain the right for retrospective audit of applications and for the removal of deferral if information is subsequently found to have been incorrect.

8 Timescales for response and submission deadlines

Scottish Water will endeavour to process CMA updates in response to applications within 5 business days. Larger applications will be processed as quickly as is practical and likely timescales will be discussed with the LP.

9 How approved deferrals will be applied in the Central Systems

9.1 Wholesale Charge Deferrals

Deferrals will be applied in the Central Systems by setting the D2006 Section 29E data item to up to 100% from the effective date for a given SPID specified in the application (being 1 May 2021 at earliest).

9.2 Unmeasured Volumetric charges

The removal of volumetric charges at unmeasured Supply Points will be applied by the LP turning the 'SPID Vacant' data item D2015 to true from the effective date specified for the SPID in the application (being 24 March 2020 at earliest).

The Licensed Provider should include 'WCDS' in the D4003 Text Comment field of the T12.1 transaction in order to identify that the transaction relates to the deferral scheme rather than because the premises is vacant as defined in CSD0104.

9.3 BAU Vacancy Changes

Additional Central Systems validation introduced in MCCP251-CC meant that it was only possible for an LP to change the 'SPID Vacant' data item D2015 to true if a valid WCDS code, supplied by Scottish Water, is included in the D4003 Text Comment field of the T12.1 transaction. This validation is being removed following the start of the new 2021 WCDS scheme in June 2021.



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10 Invoicing, Deemed Charges and Repayments

10.1 Deferral of charges

Once deferrals have been applied in the Central Systems, the corresponding reduction in wholesale charges for each individual SPID will be reflected in any subsequent settlement reports for the periods covered by the deferral for that SPID.

10.2 Deemed Charges

Scottish Water will additionally issue invoices to Licensed Providers for Deemed Charges, reflecting an estimate of the value of the deferred charges. These invoices will not be payable at the time of issue and are issued to provide a record of the value of the deferred charges in case the LP should become insolvent prior to repayment.

A Deemed Charge invoice will be issued for each P1, R1, R2 and R3 settlement run relating to the months May 2021 to March 2022 inclusive where deferrals are applied or have previously been applied to any SPIDs registered to the Licensed Provider in that month.

Deemed charges will be based on additional reports run by the CMA as a value-added service showing the charges which would have applied had no deferral applied to the SPID.

Deemed Charges invoices will be cancelled when the deferred charges become repayable and are invoiced via R4 runs in the normal settlement processes as set out below.

10.3 Repayment of deferred charges

Following the removal of deferral in the Central Systems before the end of the scheme in any of the scenarios described in section 4 above, the wholesale charges will become due via the normal settlement process i.e. following the next scheduled settlement run for any period for which deferral has been removed.

All deferred charges which remain outstanding at the end of the scheme on 31 March 2022 will be repaid in instalments during 2022/23 via additional R4 settlement runs scheduled by the CMA. Prior to each R4 run the D2006 Section 29E Discount will be reduced to 0% for all SPIDs by Retrospective Amendment for that month so that the settlement report includes the previously deferred charges. Annex 1 sets out the timing of the R4 runs. Once an invoice is issued on the basis of the R4 settlement run, the deemed charges invoice will be cancelled.

11 Transition Arrangements for the previous 2020 WCDS

11.1 Fixed Charge Deferrals for the previous 2020 WCDS

At the commencement of the new 2021 WCDS scheme, all fixed charge deferrals under the previous 2020 WCDS will be removed, effective from 30 April 2021. For any Supply Points which should be transferred into the new deferral scheme with effect from 1 May 2021, Licensed



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Providers can submit an application for deferral following the process set out in section 6 above. Any customers transferring into the new scheme will have charges deferred effective from 1 May 2021.

11.2 Volumetric Charge Deferrals for the previous 2020 WCDS

The adjustment of volumetric charges under the previous 2020 WCDS will not apply to charges for any services supplied after 30 April 2021. Where Supply Points are eligible for continuing support under the new scheme this will be available via the deferral of up to 100% of charges as set out above.

At the commencement of the new 2021 WCDS scheme, Licensed Providers will be provided with a list of all Supply Points registered to them which are currently subject to a volumetric charge deferral under the previous 2020 WCDS. Licensed Providers will be asked to change the D2015 SPID Vacant data item to 'Occupied' except where the SPID has become a Vacant Premises as defined in section 2 of CSD0104 Maintain SPID Data. The SPID should be turned to 'Occupied' effective from the date that the SPID first entered the previous 2020 WCDS i.e. with backdated effect.

Any actual meter readings taken since the start of the previous 2020 WCDS scheme and which had not previously been submitted to the CMA under the terms of that scheme should be sent to the Central Systems at the same time.

11.3 Unmeasured Volumetric Charge Removal for the previous 2020 WCDS

At the commencement of the new 2021 WCDS scheme, Licensed Providers will be provided with a list of all unmeasured Supply Points registered to them which are currently subject to the removal of volumetric charges under the previous 2020 WCDS.

Licensed Providers will be asked to confirm which Supply Points continue to be adversely impacted by COVID and should therefore be transferred into the new 2021 WCDS scheme with effect from 1 May 2021 by submitting an application for deferral following the process set out in section 6 above. Licensed Providers will be asked to amend the D2015 SPID Vacant data item to 'Occupied' for all other SPIDs that are within the previous 2020 WCDS with effect from 1 May 2021 or any earlier date from which the customer was able to reopen.



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Annex – Deferral and Unwinding Timetable

Deferral and Unwinding

Settlement runs with deferred Charges

Repaid charges over 12 months (without impacting RF timetable)

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	
R1	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
R2	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	
R3	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
R4			Apr-20	May-20	Jun-20	Aug-20	Oct-20	Dec-20	Feb-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22			
RF					Jul-20	Sep-20	Nov-20	Jan-21	Mar-21															
	2020/21												2021/22											
Payment due on R4 invoices			Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21									
													May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	