



1 Purpose of the paper

There are a number of specific occasions on which the Schedule 3 flag, Market Code Data Item D2003, is not equal to the value determined by the Commission. This paper sets out Scottish Water's process for using the data item on those occasions.

This paper sets out:

- the uses of the Schedule 3 flag (data item D2003); and
- the method of calculating the value of the flag where it is not equal to a value determined by the Commission.

2 Use of Schedule 3 flags

As of June 2014, there are 33 live SPIDs/DPIDs with a non-zero Schedule 3 value. They fall into the following categories:

- Special agreements in force;
- Special agreements which have come to an end and are on a phasing profile; and
- Other SPIDs/DPIDs – currently 7 SPIDs/DPIDs.

2.1 Schedule 3 Agreements

In 2010, the Water Industry Commission determined the wholesale charges for the agreements then in force. Scottish Water set the Schedule 3 flag to deliver the charge levels determined by the Commission. There are 23 SPIDs/DPIDs which have currently have special agreements.

As of June 2014, there are two cases where the Schedule 3 value is not set at the value determined by the Commission, but in each case this is to deliver the same effect as the value determined by the Commission. In these two cases, the property takes a combination of raw and potable water supplies, so the Schedule 3 value has been calculated by Scottish Water so that the correct wholesale charge is applied to each supply separately, and the Schedule 3 discount delivers the correct aggregate charge. There are a number of other raw water agreements which have no potable element, so the discount on those cases is consistent with the value set out in Commission's Determination.

2.2 Category A: Schedule 3 agreements which have come to an end

In a number of cases, the agreement came to an end on 31 March 2014. In each case the Schedule 3 value is set in line with the terms of the wholesale Charges Scheme. This will be applied consistent with future versions of the Charges Scheme.

2.3 Other SPIDs/DPIDs

There also a number of other situations where there is no Schedule 3 Agreement applying to a premises , but where the central systems are not able to calculate the correct wholesale

charges, and where Scottish Water uses the Schedule 3 flag to deliver the correct charge. In these cases, the Schedule 3 flag is used where the central systems would normally be expected to calculate the charges, but are unable to. The data below are correct as of the date of publication, June 2014.

Category B, Raw water supplies: In one case, a site receives a raw water supply but is not on an agreement. The wholesale charges scheme sets out the tariffs for this supply, but as the central systems are not able to calculate these charges directly the Schedule 3 flag is used to deliver the correct wholesale charge.

Category C, Multi-SPID large user volume agreements (LUVAs): In 3 cases, LUVAs cover more than one SPID. The LUVA tariff is intended to apply to the total consumption over all the SPIDs, but the central systems are not able to calculate this directly so the Schedule 3 flag is used to deliver the correct wholesale charge.

Category D, Trade effluent services with transitional partial treatment phasing: in two cases, DPIDs are moving from one level of treatment to another. As per the Charges Scheme, these sites will receive transitional phasing relief. These transitional charges cannot be calculated directly by the central systems, so the Schedule 3 flag is used to deliver the correct wholesale charge. The calculation of these discounts is set out in guidance from the Commission.

Category E: One further site has a Schedule 3 value set to reflect the fact that for part of the year it is a business property and for part of the year a domestic property.

3 Publication of Schedule 3 values

In order to increase the transparency of this process Scottish Water will take the following approach:

- In February each year Scottish Water will publish on the LP portal the Schedule 3 values for the following financial year for the categories A-E identified above.
- Where these values are not those determined by the Commission, Scottish Water will share the detailed calculations with the individual LP to which each SPID/DPID is registered. Scottish Water will provide the underlying detail of the calculations that support these discounts, including volume assumptions.
- In October in each year and again following the end of the financial year, Scottish Water will recalculate the discounts for the SPIDs/DPIDs in category B above based on actual volumes submitted to date, and share the underlying detail of the calculations with the CMA and the LP(s) affected by the charges. It is not proposed to review the discounts associated with trade effluent treatment phasing as the discounts are determined in line with the Commission's guidance.

Any enquiries about this approach or the underlying calculations may be addressed in the first instance to the account management function.

Scottish Water/ June 2014/ JMcT