

Wholesale Charge Deferral Scheme – Guidance Document for LPs

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- **Introduction**

On 11 May 2020 the Commission published its consultation conclusions and decisions on the Wholesale Charge Deferral Scheme (WCDS) including Directions to implement the Scheme. This was followed by further additions to the Scheme on 1 June, requiring LPs to choose from a series of options. This document provides further detail on how LPs can make use of the scheme to defer wholesale charges and how it will operate. Deferral of wholesale charges is available to LPs who have chosen either option 1 (deferral backed by assignation or alternative security) or option 2 (prepayment of wholesale charges). In addition, the waiving of volumetric charges for unmeasured customers in the circumstances set out below is also available to LPs who have chosen option 3 (above and beyond). Information is also provided on how deferrals will ultimately be unwound and the timetable for reinstating prepayment of wholesale charges.

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 the market documents.

- **Scope and Purpose of Scheme**

The Wholesale Charge Deferral Scheme allows for:

- **Deferral of Estimated Volumetric Charges**

The deferral of volumetric charges which have been estimated using pre-COVID-19 meter readings, recognising that for many customers these estimates will not be representative of their consumption since government restrictions were introduced on 24 March 2020. This deferral of estimated volumetric charges will continue until:

- for metered customers with no meter having a chargeable size greater than 25mm, until the end date of the scheme (which will be 31 December 2020); and

- for metered customers with any meter which has a chargeable size greater than 25mm, until two meter readings taken after 24 March 2020 are available, confirming the true level of consumption during COVID-19 restrictions. Volumetric charges will then be applied retrospectively to any actual consumption during this period. Applications for the removal of volumetric charges should therefore only be made for Supply Points with a meter larger than 25mm where two actual readings (i.e. excluding estimated transfer 'S' reads) since 24 March 2020 are not yet available.
- **60% Deferral of Fixed Charges**
The deferral of 60% of all fixed, roads drainage, property drainage and unmeasured 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.

This deferral of fixed charges will apply during the period from 24 March 2020 until the end date of the scheme (which will be 31 December 2020). LPs remain liable for all deferred charges, which will become due in monthly instalments in the 12 months following the end of the scheme.

This Scheme does not apply to charges for trade effluent services.

- **Unmeasured volumetric charges**
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 available to Licensed Providers who have chosen WICS' Option 3 (Above and Beyond) in addition to those choosing Options 1 or 2.

2. Application conditions and supporting information required

2.1. Customer notification and request

The Scheme requires LPs to publicise and communicate individually to their customers the availability and benefits of the scheme. If requested by their customer, Licensed Providers are to apply to Scottish Water for inclusion in the deferral scheme, with supporting information.

Licensed Providers may also submit an application on behalf of a customer in instances where it is unable to make contact with the customer. Such 'auto-enrolment' applications should be made only where inclusion in the scheme will cause no detriment to the customer and where the Licensed Provider has reasonable grounds to believe that the customer has been financially impacted by the coronavirus outbreak, for instance being a type of business required to close based on Scottish

Government guidance. Businesses which have not been forced to close and which are not adversely affected would not be eligible for the Scheme.

2.2. Undertaking to customer

In order to be eligible for the deferral scheme, the customer must have been 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 two sample customer letters published on Scottish Water's website which has been agreed with the Commission. The sample covering letters have been drafted with support for Citizens Advice Scotland and intended to provide explanation to customers of the reason for the undertaking. Whilst the sample covering letters can be varied by LPs as they see fit, any variation to the undertaking must be agreed with Scottish Water and approved by the Commission.

2.3. Supporting information for applications

Applications can be submitted in bulk, in a flat file format using the templates provided by Scottish Water. 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 for every SPID included in the application, either the customer has requested their inclusion in the deferral scheme or the LP has submitted an application on the customer's behalf for auto-enrolment;
- that the LP has provided the customer with a written undertaking (in the form published on Scottish Water's website), with details of that customer contact included in the SPID-level application data as set out below;
- provide SW with consent to contact the customer as required in connection with the application; and

3. How and when to apply

LPs will be able to submit applications until the closure of the scheme on 31 December 2020.

Applications can be submitted via e-mail to WCDS@scottishwater.co.uk in a bulk flat file format using the template provided on Scottish Water's website at <https://www.scottishwater.co.uk/business-and-developers/licensed-providers/whats-new/coronavirus>. 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:

- Volumetric Charge Deferral ('COVID Vacancy' template)

- 60% Fixed Charges Deferral ('COVID Fixed Charges' template)
- BAU vacancy changes ('BAU Vacancy' template) for any routine vacancy changes not associated with the scheme (see further details in section 6.1.3)
- Exception process for volumetric adjustment at unmeasured premises that have requested reassessment ('COVID Vacancy (UNM)' template)

Each email application submission to Scottish Water can include any or all four of the templates listed above. Note that for a SPID to have volumetric charges deferred and 60% of fixed charges deferred, it will need to be submitted on both templates. The template formats and structure are fixed and should not be modified, otherwise the applications will not process.

4. 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).

Applications for deferral of volumetric charges will be checked against CMA meter reading records. Applications must only be for metered SPIDs or SPIDs charged based on a pseudo meter and should not be submitted for SPIDs with any meter having a chargeable size greater than 25mm which have had two or more actual meter readings (i.e. Cyclic, Customer and AMR reads but not estimated transfer 'S' reads) since 24 March 2020.

Applications for 60% deferral of fixed charges will be checked to ensure that all included SPIDs are either:

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

Scottish Water will also undertake audit checks on a sample of applications, using the information provided to contact customers and validate the application.

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.

5. Timescales for response and submission deadlines

Scottish Water will endeavour to respond 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.

6. How approved deferrals will be applied in the Central Systems

6.1. Volumetric Charges

The deferral of volumetric charges will be achieved by turning the 'SPID Vacant' data item D2015 to true from the effective date specified in the application (being 24 March 2020 at earliest). Additional Central Systems validation introduced in MCCP251-CC means that it will only be possible for an LP to change this data item to true if a valid WCDS code, supplied by Scottish Water, is included in the D4003 Text Comment field of the T12.1 transaction.

Scottish Water will provide the LP with a list of WCDS codes for all SPIDs which have successfully applied for deferral of volumetric charges. This will enable the LP to update the D2015 data item to true in the Central Systems for these SPIDs.

Changing D2015 SPID Vacant to true has the effect in settlement of suppressing the estimation of consumption from the effective date i.e. the settlement calculations will set estimated consumption to zero for this period. Full details of how meter readings and the vacancy status should be treated at the CMA for customers in the deferral scheme is set out in Annex 2.

For metered SPIDs with any meter having a chargeable size greater than 25mm, once the second actual meter reading (i.e. Cyclic, Customer and AMR reads but not estimated transfer 'S' reads) taken after 24 March 2020 has been submitted to the Central Systems, settlement calculations will apply charges to the actual consumption used during this period. **At this point, the LP is responsible for reverting the 'SPID Vacant' data item D2015 back to false.** If the Supply Point has now become vacant in accordance with the definition in CSD0104, the LP must notify Scottish Water at this time that this is the reason for not reverting the data item to false.

Following reversion of the 'SPID Vacant' data item D2015 back to false, settlement calculations will estimate future consumption based on the two latest meter readings, which reflect the customer's actual consumption levels since COVID-19 restrictions began on 24 March 2020.

For metered SPIDs with no meter having a chargeable size greater than 25mm, **the LP is responsible for reverting the 'SPID Vacant' data item D2015 back to false at the end of the Scheme** (which will be 31 December 2020), effective from 24 March 2020. For these customers, meter readings should not be submitted to the CMA for the duration of the Scheme and any readings taken since 24 March 2020 which have already been submitted should be removed. Further details on when to submit meter readings for these customers is set out in Annex 2.

For unmeasured customers charged based on a pseudo meter (or awaiting meter installation) who are processed into the Scheme, volumetric charges will be turned off by turning the 'SPID Vacant' data item D2015 to true from the effective date specified in the application (being 24 March 2020 at

earliest). **The LP is responsible for reverting the ‘SPID Vacant’ data item D2015 back to false effective from the end of the Scheme (which will be 31 December 2020) or the date that the customer chooses to leave the Scheme if this is earlier.**

6.2. BAU Vacancy Changes

The validation introduced by MCCP251-CC applies to all T12.1 transactions to change a SPID from occupied to vacant, whether associated with the WCDS deferral scheme or with a business-as-usual change status at a premises. LPs will therefore need to apply to Scottish Water for WCDS codes for any BAU vacancy changes in order to be able to update the Central Systems. Such transactions can be identified by including ‘BAU’ in the D4003 Text Comment field of the T12.1 transaction, after the WCDS code.

The new validation introduced by MCCP251-CC will not apply to T12.1 transactions changing SPIDs from vacant to occupied.

6.3. Fixed Charges Deferral

Deferral of 60% of all charges other than metered volumetric charges will apply to Supply Points which are either:

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

This deferral will be applied in the Central Systems by setting the D2006 Section 29E data item to 60% from the effective date specified in the application (being 24 March 2020 at earliest).

7. Reporting and Reconciliation

Scottish Water will issue reports detailing SPIDs which an LP has applied for and setting out the application status.

8. Timetable for unwinding deferral

The Commission’s consultation document specified that deferred wholesale charges will be repaid gradually over the 12 month period following the end of the scheme (which will be 31 December 2020).

Licensed Providers should notify Scottish Water if a customer chooses to end their participation prior to the end of the scheme.

8.1. Ending the deferral of any future charges

At the end of the scheme, all SPIDs which have had 60% of their fixed charges deferred will have the D2006 Section 29E data item set from 60% back to 0% effective from the end date of the scheme (i.e. 31 December 2020 as confirmed by the Commission) so that no future charges will be deferred.

8.2. Unwinding fixed charges deferred during the scheme

Following the end of the scheme, the effective from date of all deferrals will be pushed forward by one month at a time and a series of additional R4 settlement runs will be undertaken by the CMA in order that the deferred amounts fall due in monthly instalments. The table below sets out the timetable by which the deferred charges relating to each month of the scheme will become due via an R4 settlement run. This is also set out in the diagram in Annex 1.

Month to which charges relate	Deferred charges become due	Timing of R4 settlement run (issued, billed and due)
Mar-20 (24 th onwards)	Mar-20 R4 run	Mar-21
Apr-20	Apr-20 R4 run	Apr-21
May-20	May-20 R4 run	May-21
Jun-20	Jun-20 R4 run	Jun-21
Jul-20	Jul-20 R4 run	Jul-21
Aug-20	Aug-20 R4 run	Aug-21
Sep-20	Sep-20 R4 run	Sep-21
<i>If scheme extended to 31 Dec 2020:</i>		
Oct-20	Oct-20 R4 run	Oct-21
Nov-20	Nov-20 R4 run	Nov-21
Dec-20	Dec-20 R4 run	Dec-21

8.3. Volumetric charges

As set out in section 6.1 above, the LP is responsible for reverting any SPIDs which have had their volumetric charges deferred (or, in the case of unmeasured SPIDs, waived) from vacant back to occupied in the Central Systems at the relevant date.

9. Timetable for reinstating prepayment

The timetable for reinstating prepayment depends on the option chosen by LPs following the Commission's additions to the deferral scheme, published on 1 June 2020.

For LPs who have not chosen option 2 (prepayment of wholesale charges), wholesale payment terms will revert to two months prepayment in two steps between February 2021 and May 2021 as set out in the revised timetable set out in the Commission's consultation conclusions of 2 September 2020.

Step 1:

- In December 2020, Scottish Water writes to LPs to confirm that wholesale payment terms will transition to one month prepayment from February 2021 (for the March 2021 P1 invoice)
- In February 2021 LPs will make a double payment (for the February 2021 P1 and March 2021 P1) to move from payment in month to one month prepayment

Step 2:

- In March 2021 Scottish Water writes to LPs to confirm that wholesale payment terms will revert to two months prepayment from May 2021 (for the July 2021 P1 invoice)

- In May 2021 LPs will make a double prepayment (for the June 2021 P1 and July 2021 P1) to move from one month prepayment to two months prepayment

For LPs who have chosen option 2 (prepayment of wholesale charges), prepayment two months in advance resumed in July 2020, when the LPs will made a triple payment (for the July 2020 P1, August 2020 P1 and September 2020 P1) to move from payment in month to two months prepayment.

This is also set out in the diagram in Annex 1.

Annex 1

Settlement timetable - prepayment, deferral and unwinding

Prepayment

WICS Options 1 and 3 - revert to 2 month prepayment between Oct 20 and Feb 21

	Jan-20	Feb-20	Mar-20	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
				No payment	No payment									Double payment			Double payment		
P1 payment terms	2 month prepay	2 month prepay	2 month prepay	No prepay	No prepay	No prepay	No prepay	No prepay	No prepay	No prepay	No prepay	No prepay	No prepay	1 month prepay	1 month prepay	1 month prepay	2 month prepay	2 month prepay	2 month prepay
P1	Mar-20	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

WICS Option 2 - revert to 2 month prepayment from Jul 20

	Jan-20	Feb-20	Mar-20	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
				No payment	No payment		Triple payment												
P1 payment terms	2 month prepay	2 month prepay	2 month prepay	No prepay	No prepay	No prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay	2 month prepay
P1	Mar-20	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

Deferral and Unwinding

Settlement runs with deferred Charges
Repaid charges over 12 months (without impacting RF timetable)

Deferral Scheme - 9 month	End of Scheme												End of repayment of deferred wholesale charges												
	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	Apr-22	
R1	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	Apr-22
R2	Feb-20	Mar-20	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
R3								Mar-20	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	
R4 (potential)											Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20					
RF	2019/20												2020/21												

Annex 2 – Volumetric Charges, Meter Readings and Repayments

Deferral Scheme - Volumetric Charges, Meter reads and Repayments

The tables below set out the approach to applying the deferral of volumetric charges under the Wholesale Charge Deferral Scheme and treatment of meter readings during and after the scheme.

Large customers (i.e. >25mm metered)

Customer message: Volumetric charges are deferred until 2 actual meter readings since start of COVID (24/3/20) are available up to a maximum of 1 year. If 2 reads since the start of COVID (24/3/20) are not available after a year of deferral, consumption will be calculated based on the latest meter reads available.

No. of meter reads since 24 March	During scheme (24 Mar 20 - 24 Sep 20)			After scheme, pre- R4s (24 Sep 20 - Mar 21)			Repayment Period (Mar 21 - Sep 21)		
	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges
0	On since 24 Mar	N/A	Vol charges zero	Off since 24 Sep	N/A	Vol charges at pre-COVID level, 24 Sep onwards	Off back to 24 Sep 20	N/A	Vol charges back on from 24 Sep 20 at pre-COVID level
1	On since 24 Mar	N	Vol charges zero	Off since 24 Sep	N	Vol charges at pre-COVID level, 24 Sep onwards	Off back to 24 Mar 20	Y	Vol charges reflect actual consumption up to read, estimate since may be overstated
2	Off, backdated to 24 Mar	Y	Charges rightsized to post-COVID	Off, backdated to 24 Mar	Y	Charges rightsized to post-COVID	Off, backdated to 24 Mar	Y	Charges rightsized to post-COVID

Small customers (i.e. <=25mm metered)

Customer message: Volumetric charges are deferred until at least 24 September. Volumetric charges will become repayable after 24 September, as soon as 2 actual meter readings taken since start of COVID (24/3/20) are available and are deferred up to a maximum of 1 year. If 2 reads since the start of COVID (24/3/20) are not available after a year of deferral, consumption will be estimated based on the latest meter reads available.

No. of meter reads since 24 March	During scheme (24 Mar 20 - 24 Sep 20)			After scheme, pre-R4s (24 Sep 20 - Mar 21)			Repayment Period (Mar 21 - Sep 21)		
	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges	Vacancy Flag at the CMA	Should meter reads be submitted to the CMA?	Application of Volumetric Charges
0	On since 24 Mar	N/A	Vol charges zero	Off since 24 Sep	N/A	Vol charges at pre-COVID level, 24 Sep onwards	Off back to 24 Sep 20	N/A	Vol charges back on from 24 Sep 20 at pre-COVID level
1	On since 24 Mar	N	Vol charges zero	Off since 24 Sep	N	Vol charges at pre-COVID level, 24 Sep onwards	Off back to 24 Mar 20	Y	Vol charges reflect actual consumption up to read, estimate since may be overstated
2	On since 24 Mar	N	Vol charges zero	Off, backdated to 24 Mar	Y	Charges rightsized to post-COVID	Off, backdated to 24 Mar	Y	Charges rightsized to post-COVID

Variation from approach for large customers