

Statement of Significant Changes  
to Wholesale Non-Household  
Assessed Charge Structures and  
Unmetered Charges

**October 2017**



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# South East Water: Statement of significant changes to wholesale non-household assessed charge structures and unmetered charges

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## 1. Overview

The purpose of this statement is to provide retailers, non-household customers and other stakeholders with information on changes to our wholesale assessed charges and rateable value charges for 2018-19 in relation to non-household premises only. This information is provided in accordance with the wholesale charging rules issued by Ofwat on 24 November 2016. This statement relates to wholesale charges that we apply to retailers (water supply licensees).

## 2. Description of the tariff changes

### Nature of the tariff changes

We intend to introduce a new methodology for the calculation of wholesale non-household assessed charges and to replace existing non-household assessed charges with the revised assessed charges as of 1 April 2018. We also propose to progressively replace existing non-household rateable value charges with the new assessed charges from April 2018.

This change in the methodology relates primarily to the assessment of the consumption at relevant non-household premises. The volumetric rate that will be applied will be same as the volumetric rate for metered charges.

We believe the new charging structure will provide a fairer and more transparent approach to charging retailers supplying unmetered premises. It will also improve the consistency with metered charges.

### 3. How will retailers and non-household customers be affected by the change?

#### Who will be affected?

This tariff change will apply in respect of non-household premises which have been charged on the basis of the current assessed charge methodology up to 31 March 2018.

The current assessed charge structure (2017-18) is as follows:

- Water use below 80m<sup>3</sup> per year: £121.00
- Water use above 80m<sup>3</sup> per year: £272.07

We intend to discontinue this assessed charge structure from 1 April 2018.

We also propose to progressively replace existing non-household rateable value charges with the new assessed charges described in this statement and in the consultation document referred to below.

#### How will the tariffs be calculated?

The assessed charge will be calculated by multiplying the assessed annual volume for the relevant eligible premises by the wholesale non-household standard measured volumetric rate per cubic metre for the relevant charging region and the relevant charging year. There will be no fixed (standing) charge component to this tariff.

The volumetric rates will be the same as the standard metered volumetric rates, which are for 2017-18:

- Eastern region: £1.7040 per cubic metre
- Western region: £1.2932 per cubic metre

#### How will the assessed annual volume be determined?

Our approach to determining the assessed volume for eligible premises will be based on the type of business activity or other non-household activity carried out on the premises and the size of the business or organisation. The number of full time employees will be used to determine the relative size of the business or organisation and the corresponding assessed water usage on the premises.

Details of the methodology to be used for assessing consumption of particular non-household premises are set out in the consultation on our proposed revised assessed charge which is available on our website following this link:

<https://wholesale.southeastwater.co.uk/our-network/our-charges>

## 4. Impact and handling strategies

### Impact on charges to retailers and on non-household customers' bills

Initial analysis suggests that there will in most cases be no impact exceeding 5% on wholesale charges to retailers or on non-household customers' bills as a consequence of applying the tariff change to relevant non-household premises.

We have recognised that in certain cases, the revised assessment of consumption applying the new methodology may result in increases in charges to retailers and their non-household customers for particular premises. Some of these increases could be in excess of 5% when compared with wholesale charges and end-user bills based on the previous method of assessing consumption. However, it will only be possible to determine which premises and end-user customers may be so affected once the initial reassessment of consumption has been completed applying the new methodology. Increases in charges may also apply where existing rateable value charges are replaced with assessed charges calculated following the new methodology set out in this statement.

### Engagement

We have consulted with retailers, wholesalers, CCW and other stakeholders on our proposal and in particular on handling strategies. We have extended the range of our proposed measures to take account of their comments.

We will continue our engagement with CCW, sewerage wholesalers and other stakeholders until we publish our final charges and final handling strategies in January 2018.

### Handling strategies

Where the assessment of consumption using our new methodology would lead to increases in charges to retailers or their non-household customers in excess of 5%

for particular premises we propose to offer the following handling strategies to assist with the transition:

- We will carry out an individual re-assessment of the consumption taking account of the specific circumstances of the premises. Where appropriate we will carry out a site visit with the retailers consent and compare the assessed volume to similar metered properties;
- We will assess whether it is feasible to meter the premises and where possible apply metered charges instead of assessed charges;
- We will provide free water efficiency advice subject to the consent of the retailer and review the assessment of the consumption on the premises once water efficiency measures have been implemented that result in a significant reduction; and
- When the impact on charges cannot be mitigated through the measures described above, we will apply a phase in relief. The phase in relief will be comparable to the phase in option offered to household customers under our customer metering programme.

In the first year, we will compare:

- (i) the amount of the charges that would have been payable if an increase of 5% had been applied on the previous year's charge with
- (ii) the amount of the revised assessed charge, and will apply the phase in relief to the difference between these two amounts.

In the second year, we will compare:

- (i) the amount actually paid in the first year (i.e. adjusted applying the first year phase in relief) plus the general increase in charges for that year with
- (ii) the amount of the revised assessed charge for the second year, and will apply the phase in relief to the difference between these two amounts. The phase in relief will spread the relevant proportion of the increase in charges over a period of two years.
  - In year 1, a discount of 87.5% will be applied to the difference between the 2018/19 full assessed charge bill and 105% of 2017/18 assessed charge bill;
  - In year 2, the discount applied will be 37.5% applied to the difference between the 2019-20 full assessed charge (based on the new methodology) and the 2018-19 charge (including the phase in relief) plus the general increase in charges for 2019-20;
  - In year 3 there will be no discount.

The full details on our phased relief scheme will be set out in our final charges document for non-household customers.

Please send your observations or queries to:  
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