

Statement of significant changes to charges schemes

January 2018



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1. Overview

This statement is made in accordance with the charges scheme rules published by Ofwat and relates specifically to changes to the non-household assessed charges and unmetered charges to non-household end-users.

The purpose of this statement is to provide Ofwat, non-household customers and other stakeholders with information on changes to our assessed charges and rateable value charges for 2018-19 in relation to non-household premises only.

Other changes will apply in respect of charges for new connection services and infrastructure charges in accordance with new charging rules issued by Ofwat and change to condition C of our instrument of appointment. As these are made in accordance with new charging rules, they are not set out in this statement. Details will be set out in a new charging arrangements document and a charges scheme relating to infrastructure charges.

There are no other significant changes.

2. Description of the tariff changes

We have introduced a new methodology for the calculation of non-household assessed charges and will replace existing non-household assessed charges with the revised assessed charges as of 1 April 2018. We also intend to progressively replace existing non-household rateable value charges with the new assessed charges from April 2018 with the agreement of the relevant customers.

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 standard metered charges.

We believe the new charging structure will provide a fairer and more transparent approach to charging for water supplied to unmetered non-household premises. It will also improve the consistency with metered charges.

3. How will 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 80m³ per year: £121.00
- Water use above 80m³ per year: £272.07

We will 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 with the agreement of the relevant customers.

How will the tariffs be calculated?

The assessed charge is an annual sum which is designed to reflect the estimated usage of water on the relevant premises and is based on the characteristics of the premises.

The assessed charge includes:

- An annual standing charge for the geographic area in which the premises are located
- An annual volumetric charge which is calculated by multiplying the assessed annual volume for the relevant premises by the non-household standard metered volumetric rate per cubic metre for the relevant charging region and the relevant charging year.

How will the assessed annual volume be determined?

We will determine the assessed annual volume for eligible premises based on the type of business or other non-household activity carried out on the premises and on the size of the business or organisation.

We will use the actual number of full time employees to determine the relative size of the business and the corresponding assessed annual volume for the premises. (For the purpose of the assessment, “employees” include volunteers who regularly perform work for a third sector organisation.)

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>

The methodology will also be set out in our non-household charges scheme for 2018-2019.

4. Impact and handling strategies

Impact on non-household customers' bills

There will in most cases be no impact exceeding 5% 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 non-household customers for particular premises. Some of these increases could be in excess of 5% when compared with 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.

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.

From January 2018 we have been contacting customers affected to start implementing our handling strategies before 1 April 2018. We will also keep CCW informed of our engagement with customers.

Handling strategies

Where the assessment of consumption using the methodology set out above would lead to increases in charges in excess of 5% for particular premises compared with the previous year's assessed charges, we will apply a phase in relief.

The phase in relief will spread the relevant proportion of the increase in charges over a period of two years.

The following illustrates how the phase in relief will be applied:

- In year 1 (2018-19), a discount of 87.5% will be applied to the difference between the 2018-19 assessed charge bill (based on the new methodology) and 105% of 2017-18 assessed charge bill (which was based on our previous methodology);
- In year 2 (2019-20), a discount of 37.5% will be applied to the difference between the 2019-20 assessed charge (based on the new methodology) and the 2018-19 assessed charge (including the phase in relief) plus the general increase in charges for 2019-20;
- In year 3 there will be no discount.

Where we expect that the assessment of consumption using the methodology set out above would lead to increases in charges in excess of 5% for particular premises compared with the previous year assessed charges, we may also apply the following:

- arrange for an individual re-assessment of the consumption taking account of the specific circumstances of the premises. Where appropriate this will involve a site visit and a comparison of the assessed annual volume to similar metered properties;
- arrange for an assessment of whether it is feasible to meter the premises and where possible apply metered charges instead of assessed charges; and
- arrange for free water efficiency advice and for a review of the assessment of the consumption on the premises once water efficiency measures have been implemented that result in a significant reduction.

The full details on our phase in relief will be set out in our 2018-2019 charges scheme for non-household customers.

Please send your observations or queries to:

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