

OF **W** AT

A decorative graphic consisting of several overlapping, wavy bands of yellow and blue, resembling water ripples or a stylized landscape. The bands are set against a solid yellow background at the top and a solid blue background at the bottom.

Water and sewerage charges

2006-07 report

Water and sewerage charges

2006-07 report

May 2006



Contents

List of tables and figures	3
Foreword	5
Summary	7
1. Price limits and average bills	9
1.1 How we apply price limits	9
1.2 The tariff basket	9
1.3 Price limits for 2005-06 to 2009-10	10
1.4 Changes to price limits	11
1.5 Current price limits	11
1.6 Average household bills	12
2. Approving companies' charges schemes 2006-07	15
2.1 Our approach to approving charges schemes	15
2.2 The balance between water and sewerage charges	16
2.3 Tariff proposals modified or not approved for 2006-07	19
2.3.1 Household tariffs	19
2.3.2 Non-household tariffs	21
2.3.3 General	21
2.4 Tariff policy developments	21
2.4.1 Charges to vacant properties	21
3. Household charges and bills	23
3.1 How household customers are charged	23
3.1.1 Optional metering entitlement	27
3.1.2 Compulsory metering of households	27
3.2 Unmetered charges	28
3.2.1 RV modifier	29
3.2.2 Unmetered water charges	29
3.2.3 Unmetered sewerage charges	32
3.2.4 Surface water drainage rebates	35
3.3 Metered charges	36
3.3.1 Metered water charges	37
3.3.2 Metered sewerage charges	40
3.3.3 Surface water drainage rebates	43
3.4 Alternative metered tariffs	44
3.4.1 Low user tariffs	45
3.4.2 Tariffs for vulnerable groups	45
3.4.3 Charges for tankered domestic waste	47

3.5	Assessed charges	48
3.6	The balance between metered and unmetered charges	51
3.6.1	Metered/unmetered tariff differential	52
3.7	Payment methods for household customers	54
4.	Non-household tariffs	55
4.1	How non-household customers are charged	55
4.1.1	Regulating large user tariffs	55
4.2	Water charges	56
4.2.1	Standard non-household tariffs	56
4.2.2	Large and intermediate water tariffs	58
4.2.3	Alternative forms of large user tariffs for water	61
4.2.4	Large user tariffs for non-potable water	64
4.3	Sewerage tariffs	65
4.3.1	Charging for foul sewerage	65
4.3.2	Charging for surface water and highway drainage	68
4.4	Trade effluent tariffs	70
4.4.1	Charging for trade effluent	70
4.4.2	The difference between trade effluent volume and strength charges	71
4.4.3	Large user trade effluent tariffs	72
4.4.4	The balance between metered foul sewerage and trade effluent charges	74
4.5	Disconnection for non-payment	75
4.6	Sample bills	75
4.7	Competition	75
5.	Other charges	77
5.1	Connection charges	77
5.2	Infrastructure charges	78
5.3	Miscellaneous charges	78
Appendix 1: List of MD and RD letters mentioned in the report		79

List of tables

Table 1	Price limits for 2005-06 to 2009-10	10
Table 2	Price limits (K factors) in 2006-07	12
Table 3	Average household bills for water 2005-06 and 2006-07	13
Table 4	Average household bills for sewerage 2005-06 and 2006-07	14
Table 5	Indicative split of price limits 2005-06 to 2009-10	17
Table 6	Re-profiled indicative price limits for South West Water, Southern Water and Wessex Water	18
Table 7	Company performance on balancing water and sewerage charges in 2006-07	19
Table 8	Household water customers 2006-07	24
Table 9	Household sewerage customers 2006-07	25
Table 10	Unmetered water tariffs for household customers 2006-07	30
Table 11	Sample unmetered water bills for household customers 2005-06 and 2006-07	31
Table 12	Unmetered sewerage tariffs for household customers 2006-07	33
Table 13	Sample unmetered sewerage bills for household customers 2005-06 and 2006-07	34
Table 14	Charging methods for surface water and highway drainage – unmetered household customers	35
Table 15	Surface water drainage rebates for unmetered household customers 2006-07	36
Table 16	Metered water tariffs for household customers 2006-07	38
Table 17	Sample metered water bills for household customers 2005-06 and 2006-07	39
Table 18	Metered sewerage tariffs for household customers 2006-07	41
Table 19	Sample metered sewerage bills for household customers 2005-06 and 2006-07	42
Table 20	Charging methods for surface water and highway drainage – metered household customers	43
Table 21	Surface water drainage rebates for metered household customers 2006-07	44
Table 22	Vulnerable group tariff 2005-06 and 2006-07	46
Table 23	Tankered domestic waste charges 2006-07	47
Table 24	Household assessed charges for water and sewerage companies 2006-07	49
Table 25	Household assessed charges for water only companies 2006-07	50
Table 26	The metered/unmetered household tariff differential for water and sewerage for all companies 2006-07	53
Table 27	Metered water tariffs for non-household customers 2006-07	57

Table 28	Large and intermediate user tariffs for water – water and sewerage companies 2006-07	59
Table 29	Large and intermediate user tariffs for water – water only companies 2006-07	60
Table 30	Non-household reservation (stand-by) charges for water 2006-07	63
Table 31	Comparison of non-potable water volumetric charges with standard and large user potable water volumetric charges 2006-07	64
Table 32	Metered sewerage tariffs for non-household customers 2006-07	66
Table 33	Large and intermediate user tariffs for sewerage – water and sewerage companies 2006-07	67
Table 34	Charging methods for surface water and highway drainage	68
Table 35	Trade effluent tariffs 2006-07	71
Table 36	Large user trade effluent tariffs 2006-07	73
Table 37	Comparison of metered household sewerage and trade effluent tariffs 2005-06 and 2006-07	74

List of figures

Figure 1	Average household bills from 1989-2006 (today's prices)	14
Figure 2	Proportion of household water customers taking a metered supply from a water and sewerage company	25
Figure 3	Proportion of household water customers taking a metered supply from a water only company	26
Figure 4	Proportion of household sewerage customers taking a metered supply from a water and sewerage company	26
Figure 5	The effect of the RV modifier	29

Foreword

This report summarises companies' regulated charges for 2006-07. It describes our approach to assessing and approving companies' charges schemes, and sets out our policy on tariff issues.

I approved companies' charges schemes as Director General of Water Services for the last time this year. From 1 April 2006 the duties of the Director General became the responsibility of the Water Services Regulation Authority. Ofwat will continue to make sure that companies' charges comply with their price limits, and that charges to different customer groups are broadly cost-reflective (see chapter 2 for more detail). We will continue to develop our policy on particular issues, for example taking into account the findings of the study of charges and affordability that Defra is currently leading, and to which we and other stakeholders are contributing. But the advent of the Authority will not in itself lead us to alter our general approach to charging matters.

The drought in south-east England has raised the profile of water charging issues this year. Defra has granted Water Scarce Area status to Folkestone & Dover Water, giving the company the right to meter all its household customers compulsorily. Customers have a stronger incentive to use water wisely if they pay according to how much they use, and metering seems likely in the longer term to offer the fairest process for charging. So we welcome this move, but it does not necessarily follow that compulsory metering is the answer for all customers in all regions. In some cases, the costs of metering all customers, especially in parts of England and Wales where there are no long-term supply issues, could outweigh the benefits. Consequently, we do not see universal compulsory metering as being in the best interests of customers. We expect all companies continuously to review how best to encourage their customers to use water wisely.

Unmetered household customers in England and Wales are continuing to take advantage of their right to ask their water company to fit a water meter free of charge. During 2006-07, we expect the proportion of household customers with a water meter to exceed 30%, up from around 26% last year. Many unmetered customers, especially those who use little water and live in homes with a high rateable value, are switching to a meter to reduce their bills. As more low-use customers switch, we make sure that charges for the remaining unmetered customers fairly reflect their higher-than-average water use. Where rates of switching are particularly high, as in the south-west, this can put a lot of extra pressure on customers' bills. We made assumptions about the rate of switching in our price limits. We recognise that any increases, whatever the justification, are unwelcome, particularly where bills are already high. Where possible, we look to companies to manage the rate of change, but they must maintain a cost-reflective balance between their charges to metered and unmetered customers.

Our interim report into the allegations of false reporting of information by Severn Trent Water, published on 7 March this year, found that the company had provided data to Ofwat that was either deliberately miscalculated or poorly supported. This led us to set price limits for Severn Trent at the 2004 price review that were higher than necessary, which would have resulted in customers paying £42 million¹ more by 2009-10.

The company has agreed to reduce its price limits for 2006-07 to 2009-10 to return the £42 million to customers. It has reduced its price limit by 0.65% for 2006-07 and has agreed not to utilise this amount in any future years. It has also agreed to a further reduction in 2006-07, equivalent to 1.41% of its charges. Returning this money to customers will not remedy the poor practices we identified at Severn Trent Water. The findings are sufficiently serious that the company should also pay a penalty to its customers, but I cannot assess the size of this now because of the ongoing investigation by the Serious Fraud Office. Ofwat has also initiated investigations by independent forensic accounting teams of acknowledged irregularities in the provision of customer services data, again by Severn Trent Water and in addition by Southern Water. In both cases Ofwat has obtained assurances from the companies concerned that customers would be reimbursed if they are shown to have been disadvantaged.

We take these matters very seriously, and I have written to all of the water companies about the importance of providing reliable information. Auditors and reporters can help to make sure that companies have provided reliable information, but companies themselves carry ultimate responsibility for the information they submit. We expect them to meet their responsibilities in full.



Philip Fletcher
Chairman

¹ In 2004-05 prices.

Summary

Price limits and bills

- The average increase in price limits for 2006-07 is 6.3% including inflation.
- The average increase in household water and sewerage bills from April 2006 is 5.5% including inflation.
- The difference between these increases is largely due to switching by customers from unmetered to metered payments, reducing their own bills and thereby lowering the average.

Charges for households

- Average bills for water services range from £80 for Portsmouth Water to £171 for Cholderton Water, with an overall average of £142. Average sewerage bills range from £104 for Thames Water to £280 for South West Water, with an overall average of £152.
- Companies have continued to bring the difference between their metered and unmetered charges more closely into line with the different costs of the two methods of charging. We set targets for this balance for each company, but we asked some companies to move gradually towards their targets in order to minimise the disruption to customers' bills. Eleven companies have hit their targets this year and we expect more to do so next year.
- Nine of the ten water and sewerage companies have established a fair balance between charges for household sewerage and for trade effluent customers. Dŵr Cymru's charges have moved out of line, but the company has agreed to restore the balance in 2007-08. We have allowed the company to do this in order to avoid unacceptably high increases in trade effluent charges this year.

Charges for large users

- Price limits apply to charges for customers using fewer than 50 MI² of water a year (250 MI for companies operating wholly or mainly in Wales). Bill increases for customers using more than this amount of water are broadly similar to the increases for household customers.

² One megalitre (MI) of water is one million litres.

Highlights for individual companies

- Following our interim report into allegations of false reporting of information, Severn Trent Water will return £42 million (in 2004-05 prices) to customers over the period to 2009-10. It has reduced its price limit by 0.65% for 2006-07 and has agreed not to utilise this amount in any future years. It has also agreed to a further reduction in 2006-07, equivalent to 1.41% of its charges.
- South West Water is making a one-off payment of £20 per household this year to share the benefits of its recent financial restructuring programme with customers.
- Dŵr Cymru has again paid a customer dividend to each customer to reflect the structure of its owner as a company limited by guarantee and the progress it has made against its performance targets.
- With our approval, South West Water, Southern Water and Wessex Water have applied their price limits more evenly between their water and sewerage services, compared with our indicative split of those limits. These companies have done this so as to limit the volatility of water and sewerage bills. They will make sure that the balance between prices for the two services is fully cost-reflective by the end of the five-year period.
- South West Water and Southern Water have introduced lower tariffs for their large trade effluent customers, reflecting the lower costs of serving those customers.

1. Price limits and average bills

We regulate water and sewerage charges by setting a limit on the average change in charges that a company can impose in any year. We set this limit, also known as the K factor (K), for the 23 water (and sewerage) companies in England and Wales. K is the amount by which a company can increase (or must decrease) its overall average charge above (or below) inflation each year to finance its services and meet its legal obligations.

1.1 How we apply price limits

Each company has a licence that provides the framework within which we carry out our regulatory duties. Condition B of the licence sets out the RPI+K+U formula for applying price limits where:

- **RPI** = the percentage increase in the Retail Price Index in the year to the November prior to the charging year that begins on 1 April. RPI to November 2005 was 2.43%;
- **K** = the limit we set on the increase in the overall average charge for each company for each year; and
- **U** = any unused K the company wishes to carry forward for use in future years.

We require each company to produce an annual audited statement (the principal statement) so that we can check that the overall weighted average increase of the company's charges does not exceed the price limit.

1.2 The tariff basket

Companies apply the price limit to the set of regulated charges – the tariff basket (see below). The tariff basket comprises the following 'basket items':

- unmetered water;
- unmetered sewerage;
- metered water;
- metered sewerage; and
- trade effluent.

The tariff basket formula is a complex mechanism for weighting increases in individual tariffs. The current formula was established in the run-up to privatisation in 1989 by the then Secretaries of State for the Environment and for Wales.

The tariff basket formula allows companies to increase or decrease average charges for individual basket items by different amounts, as long as the overall average change is consistent with the price limit. A company can, for example, increase charges for unmetered sewerage services by a greater percentage than it increases charges for metered sewerage services. This is known as tariff rebalancing. We explain these issues in ‘Tariff rebalancing and the tariff basket: a consultation paper’, which we published in May 1997. We also explain the workings of the tariff basket more fully on our website (www.ofwat.gov.uk).

1.3 Price limits for 2005-06 to 2009-10

In December 2004, we set price limits for each company for the years 2005-06 to 2009-10. We published these price limits and explained the reasons for them in our report, ‘Future water and sewerage charges 2005-10: final determinations’. Table 1 shows the overall price limits for each company, excluding inflation.

Table 1 Price limits for 2005-06 to 2009-10

	Annual price limits				
	2005-06	2006-07	2007-08	2008-09	2009-10
Water and sewerage companies					
Anglian	3.8	0.0	2.8	2.7	2.7
Dŵr Cymru	14.2	3.6	4.1	3.3	2.2
Northumbrian ¹	6.5	3.7	3.2	1.0	0.6
Severn Trent	11.8	4.8	2.0	1.7	2.3
South West	12.5	9.8	9.8	1.7	1.4
Southern	12.6	3.9	3.5	5.8	2.6
Thames	14.9	2.1	1.2	1.3	1.5
United Utilities	5.0	6.4	4.4	3.5	3.0
Wessex	8.9	4.9	5.6	4.0	2.9
Yorkshire ²	5.5	4.9	3.6	3.6	2.1
WaSC average (weighted)	9.4	4.0	3.4	2.7	2.2
Water only companies					
Bournemouth & W Hampshire	15.9	2.2	1.6	-0.6	-2.4
Bristol	13.8	2.8	1.5	0.7	-2.3
Cambridge	11.8	1.6	0.3	-0.8	-0.3
Cholderton	7.0	7.0	5.6	0.0	0.1
Dee Valley	5.7	-1.4	0.2	0.6	-0.7
Folkestone & Dover	8.3	7.3	4.0	1.9	2.6
Mid Kent	9.0	0.5	1.9	2.6	2.7
Portsmouth	-0.7	-0.6	1.5	2.5	1.0
South East	15.8	2.3	2.2	0.5	-1.6
South Staffordshire	9.9	2.5	1.7	1.0	1.3
Sutton & East Surrey	12.9	2.0	1.1	-1.0	-1.1
Tendring Hundred	-1.8	-0.7	0.6	-0.3	-0.5
Three Valleys ³	15.3	1.8	1.2	-0.2	0.1
WoC average (weighted)	12.4	1.9	1.5	0.4	-0.3
Industry average (weighted)	9.6	3.9	3.2	2.5	2.0

Notes:

1. The price limit for Northumbrian Water applies to the former Essex & Suffolk Water's area.
2. The price limit for Yorkshire Water applies to the former York Waterworks area.
3. The price limit for Three Valleys Water applies to the former North Surrey Water's area.

1.4 Changes to price limits

We set price limits to be sustainable over the five-year period between 2005-10. However, we recognise that unforeseen circumstances, which are outside the control of an efficient company, could result in significant changes in costs (both up and down). To deal with this, we have put in place three mechanisms to protect the companies and their customers from material changes in costs that affect the water industry between price reviews.

- **Interim determinations.** These allow the companies, or us, to seek revised price limits if specified changes occur in the period since we last set price limits. Any changes must have a total impact on the company amounting to at least 10% of its turnover. (See our report, 'Future water and sewerage charges 2005-10: final determinations'.)
- **Substantial effect determinations.** These allow companies, or us, to seek revised price limits if a circumstance beyond a prudent company's control changes so that the total adverse or beneficial impact on the company amounts to at least 20% of its turnover.
- **Logging up and down.** This takes account, at the start of the next price limit period, of changes in outputs required of the companies during the previous price limit period.

We have not needed to apply any of these mechanisms to change the price limits that we set in December 2004.

1.5 Current price limits

Table 2 shows the price limits for 2006-07. The average price limit for all companies is 3.9%, and including inflation it is 6.3%.

Table 2 Price limits (K factors) in 2006-07

	K for 2006-07 %	Price limit ^a (K + RPI+ unused K) %	Actual increase in average charge %	Unused K carried forward %	Unused K (U) from 2005-06 %
Water and sewerage companies					
Anglian	0.00	2.43	2.43	–	
Dŵr Cymru ¹	3.60	11.09	6.41	4.68	5.06
Northumbrian ²	3.70	6.16	6.16	–	0.03
Severn Trent ³	4.80	7.23	6.58	–	–
South West	9.80	12.23	12.23	–	–
Southern	3.90	6.33	6.33	–	–
Thames	2.10	4.53	4.53	–	–
United Utilities ¹	6.40	8.83	8.82	0.01	
Wessex	4.90	7.33	7.33	–	–
Yorkshire ⁴	4.90	7.33	7.33	–	–
WaSC average (weighted)	4.00				
Water only companies					
Bournemouth & W Hampshire	2.20	4.63	4.63	–	–
Bristol ¹	2.80	5.23	5.22	0.01	–
Cambridge ⁵	1.60	4.03	2.73	–	–
Cholderton	7.00	9.43	9.43	–	–
Dee Valley	-1.40	1.03	1.03	–	–
Folkestone & Dover	7.30	9.73	9.73	–	–
Mid Kent	0.50	2.93	2.93	–	–
Portsmouth	-0.60	1.83	1.83	–	–
South East	2.30	4.73	4.73	–	–
South Staffordshire	2.50	4.93	4.93	–	–
Sutton & East Surrey	2.00	4.43	4.43	–	–
Tendring Hundred	-0.70	1.73	1.73	–	–
Three Valleys ^{1,6}	1.80	4.23	4.22	0.01	–
WoC average (weighted)	1.90				
Industry average (weighted)	3.90				

Notes:

- a. Companies are permitted to increase charges, on average, by the sum of K, RPI inflation and unused K brought forward.
- b. RPI inflation in the year to November 2005 was 2.43%
1. Dŵr Cymru, United Utilities, Bristol and Three Valleys have deferred proportions of their allowable price increases for 2006-07.
2. The price limit for Northumbrian Water applies to the former Essex & Suffolk Water's area.
3. Severn Trent Water has reduced its price limit by 0.65% for 2006-07 and has agreed not to utilise this amount in any future years.
4. The price limit for Yorkshire Water applies to the former York Waterworks area.
5. Cambridge Water has unused K of 1.3% in lieu of an interim determination initiated by Ofwat in respect of the disposal of land and buildings. The company cannot utilise this unused K in subsequent years.
6. The price limit for Three Valleys Water applies to the former North Surrey Water's area.

1.6 Average household bills

Tables 3 and 4 show details of average household bills for all companies for 2005-06 and 2006-07. The tables also show the percentage changes in average household bills for water and for sewerage services from 2005-06 to 2006-07. Figure 1 shows average bills from 1989 to 2006 in real terms, highlighting the trend in bills over the period.

We estimate the average household bill for 2006-07 in England and Wales for both water and sewerage services to be £294 (£142 for water and £152 for sewerage). The level of household bills for 2006-07 varies across England and Wales. For water, Cholderton Water has the highest average bill at £171 and Portsmouth Water the lowest at £80. The level of average sewerage bills ranges from a high of £280 for South West Water to a low of £104 for Thames Water. In addition to these geographic variations, the difference between the average bill and that for an individual customer will depend, for example, on whether the customer has a metered or unmetered supply.

Table 3 Average household bills for water 2005-06 and 2006-07

	% change in average bills 2005-06 and 2006-07		Average bill for	
	(excluding inflation)	(including inflation)	2005-06 £	2006-07 £
Water and sewerage companies				
Anglian Water	1.0	3.4	135	140
Dŵr Cymru ¹	1.5	4.0	141	146
Northumbrian:				
Northumbrian	3.4	5.9	111	118
Essex & Suffolk	3.5	6.1	143	152
Severn Trent ²	2.0	4.5	129	135
South West ³	10.2	12.9	150	169
Southern	3.4	6.0	106	112
Thames	3.2	5.7	153	161
United Utilities	4.7	7.3	136	146
Wessex	8.6	11.3	143	159
Yorkshire	3.9	6.4	126	134
WaSC average (weighted)	3.4	6.0	135	143
Water only companies				
Bournemouth & W Hampshire	0.6	3.1	129	132
Bristol	2.5	5.0	129	135
Cambridge	-0.2	2.2	104	106
Cholderton	6.9	9.5	156	171
Dee Valley	-2.6	-0.2	114	114
Folkestone & Dover	4.9	7.5	155	166
Mid Kent	0.8	3.3	147	152
Portsmouth	-0.8	1.6	79	80
South East	1.8	4.3	154	160
South Staffordshire	2.5	5.0	101	106
Sutton & East Surrey	1.2	3.7	143	149
Tendring Hundred	-1.0	1.4	165	167
Three Valleys	1.1	3.6	140	145
WoC average (weighted)	1.3	3.8	131	136
Industry average (weighted)	3.1	5.6	134	142

Notes:

- Average household bills are for both metered and unmetered customers.
 - Percentage changes in average bills may not calculate exactly from the last two columns in this table due to rounding.
 - Level of bills for 2005-06 and 2006-07 are estimates based respectively on provisional and forecast data.
 - Inflation, as measured by annual changes in RPI (Retail Price Index), was 2.43% in November 2005.
- The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
 - The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
 - All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

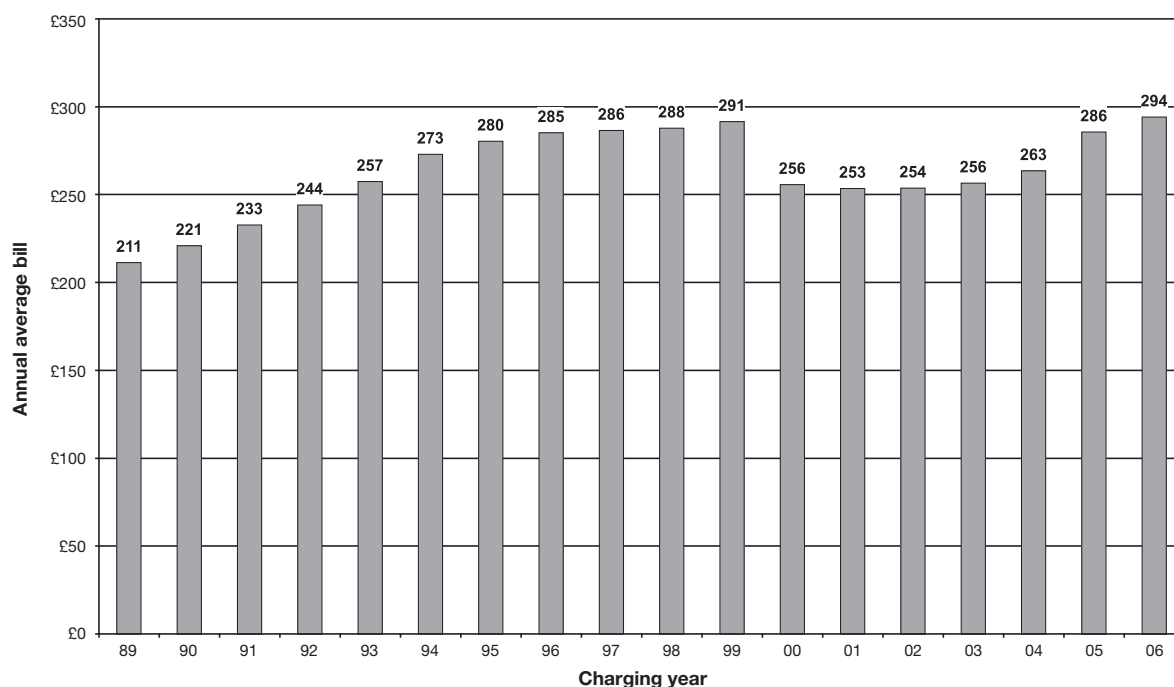
Table 4 Average household bills for sewerage 2005-06 and 2006-07

	% change in average bills 2005-06 and 2006-07		Average bill for	
	(excluding inflation)	(including inflation)	2005-06 £	2006-07 £
Water and sewerage companies				
Anglian Water	-0.9	1.6	174	176
Dŵr Cymru ¹	4.3	6.8	179	191
Northumbrian	2.9	5.4	142	150
Severn Trent ²	4.5	7.0	123	132
South West ³	4.9	7.4	261	280
Southern	3.3	5.8	190	201
Thames	0.5	3.0	101	104
United Utilities	5.4	7.9	153	165
Wessex	0.8	3.3	167	173
Yorkshire	4.4	7.0	138	147
Industry average (weighted)	2.8	5.3	145	152

Notes:

- a. Average household bills are for both metered and unmetered customers.
 - b. Percentage changes in average bills may not calculate exactly from the last two columns in this table due to rounding.
 - c. Level of average bills for 2005-06 and 2006-07 are estimates based respectively on provisional and forecast company data.
 - d. Inflation, as measured by annual changes in RPI (Retail Price Index), was 2.43% in November 2005.
1. The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
 2. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
 3. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Figure 1 Average household bills from 1989-2006 (today's prices)



2. Approving companies' charges schemes 2006-07

The Water Industry Act 1999 (WIA99) requires all companies to have a charges scheme approved by the Director (who was replaced by the Water Services Regulation Authority on 1 April 2006). Household customers can only be charged in accordance with an approved charges scheme³.

2.1 Our approach to approving charges schemes

Companies are responsible for deciding individual charges. We make sure that these are consistent with:

- licence Condition B, which requires that overall changes in charges comply with price limits;
- licence Condition E, which requires that tariffs should not be unduly preferential or unduly discriminatory. We interpret this to mean that, where possible, there should be no cross-subsidy between different classes of customer;
- guidance on charging matters from the Secretary of State and the Welsh Assembly Government; and
- our duties to protect customers and to contribute to the achievement of sustainable development.

WaterVoice and its successor, the Consumer Council for Water (CCWater), played an important role in advising us in the approval process for 2006-07. In particular, they:

- participated in the tariffs meetings with the companies in July, August and September 2005;
- provided comments on companies' draft charges schemes during November 2005; and
- commented on revised proposals after companies submitted their final draft charges schemes.

Taking the high-level approach described above, we emphasise the following points when approving charges schemes.

- Charges for water and sewerage services should broadly reflect the costs of providing each service.

³ This does not affect agreements made between companies and households before WIA99 took effect.

- Companies should maintain a fair balance between unmetered and metered charges. Any difference, on average, between metered and unmetered household bills should be no greater than the extra costs of providing a metered service. This difference is known as the metered/unmetered tariff differential. We set targets for each company's differential, which we describe in more detail in chapter 3.
- Companies should provide a range of suitable payment options for customers to pay their bills (see chapter 3).
- Companies should maintain a fair balance between metered household sewerage charges and trade effluent charges. Differences in bills should only reflect differences in the volume and strength of the effluent. Chapter 4 discusses this in more detail.
- Customers should not see significant changes in their bills from year to year if either their water use or price limits do not change markedly.

2.2 The balance between water and sewerage charges

Charges for water delivered and sewage taken away should recover fairly the costs of providing each service. This is particularly important for the significant number of customers who receive their water and sewerage services from different suppliers.

We regard the balance between water and sewerage charges to be fair if the share of total revenue that companies gain from each service equals the share of total costs that they incur in providing each service. We consider that the best basis for achieving this is for water and sewerage companies to equalise the rates of return on the capital they employ in each service. The basis for this calculation should be the regulatory capital values for each service.

For 2005-10, we set single price limits for water and sewerage companies rather than separate water and sewerage service price limits. However, as part of our final determinations in December 2004, we published an indicative split of the price limits for the two services for each of the water and sewerage companies. The separate indicative price limits are shown in table 5.

Table 5 Indicative split of price limits 2005-06 to 2009-10

	2005-06		2006-07		2007-08		2008-09		2009-10	
	Water %	Sewerage %	Water %	Sewerage %	Water %	Sewerage %	Water %	Sewerage %	Water %	Sewerage %
Anglian	10.7	-0.4	1.0	-0.7	3.8	2.3	2.5	2.7	2.7	2.7
Dŵr Cymru	18.0	10.9	2.1	4.8	2.9	5.1	2.7	3.7	1.6	2.6
Northumbrian	7.1	5.8	4.0	3.3	3.5	2.8	1.0	1.0	0.2	1.2
Severn Trent	9.0	14.6	3.5	6.1	1.4	2.6	1.4	2.1	2.4	2.3
South West	19.7	7.7	12.4	8.1	12.2	8.0	2.6	0.9	2.4	0.6
Southern	22.2	9.3	1.0	4.9	-0.2	4.9	1.0	7.6	-0.1	3.5
Thames	31.3	2.2	3.7	0.7	2.2	0.1	1.2	1.3	0.7	2.1
United Utilities	-0.3	9.4	6.1	6.8	3.6	5.0	2.5	4.2	1.9	3.7
Wessex	16.8	5.3	7.7	3.6	7.7	4.6	4.6	3.7	1.8	3.5
Yorkshire	5.4	5.6	4.7	5.1	2.7	4.5	2.5	4.6	0.7	3.4

In the past, some companies have pointed out that actual expenditure on both water and sewerage services in any particular year may deviate from the forecasts they made at the relevant price review. We think it is sensible for companies to follow their indicative price limits for the five-year period as a whole, rather than to make year-on-year adjustments to these factors based on actual expenditure. On this basis, we have allowed South West Water, Southern Water and Wessex Water to apply their respective indicative price limits more evenly over the five-year period. They have done this to limit the volatility in water and sewerage bills over the period. Table 6 shows the re-profiled indicative price limits that we have agreed for these three companies. The overall price limits for each year, combining water and sewerage, are unaffected by this re-profiling.

Table 6 Re-profiled indicative price limits for South West Water, Southern Water and Wessex Water

South West Water					
	2005-06	2006-07	2007-08	2008-09	2009-10
Water	19.7%	12.4%	12.2%	2.6%	2.4%
Sewerage	7.7%	8.1%	8.0%	0.9%	0.6%
Combined	12.5%	9.8%	9.8%	1.7%	1.4%
Southern Water					
	2005-06	2006-07	2007-08	2008-09	2009-10
Water	12.6%	3.9%	3.5%	2.6%	0.0%
Sewerage	12.6%	3.9%	3.5%	6.9%	3.5%
Combined	12.6%	3.9%	3.5%	5.8%	2.6%
Wessex Water					
	2005-06	2006-07	2007-08	2008-09	2009-10
Water	10.7%	10.7%	10.7%	4.6%	1.8%
Sewerage	8.1%	2.3%	3.2%	3.7%	3.5%
Combined	8.9%	4.9%	5.6%	4.0%	2.9%

Table 7 shows that companies have closely followed their agreed indicative price limits for 2006-07.

Dŵr Cymru has not utilised its full price limit for 2006-07. The differences between Dŵr Cymru's indicative price limits for the water and sewerage services and the actual increases in its respective average charges are consistent with its unused K of 4.68%. This has enabled the company to pay a "customer dividend" of £19 to each water and sewerage customer, compared with the £18 that it paid to each water and sewerage customer in 2005-06.

Table 7 Company performance on balancing water and sewerage charges in 2006-07

		Indicative K factors for 2006-07 (including inflation) %	Actual increase in average charge for 2006-07 (including inflation) %	Difference (allowable increase less actual increase)
Water and sewerage companies				
Anglian	Water	3.43	3.61	-0.18
	Sewerage	1.73	1.73	0.00
Dŵr Cymru ¹	Water	4.53	4.85	-0.32
	Sewerage	7.23	7.66	-0.43
Northumbrian	Water	6.43	6.47	-0.04
	Sewerage	5.73	5.76	-0.03
Severn Trent	Water	5.93	5.28	0.65
	Sewerage	8.53	7.82	0.71
South West ²	Water	14.83	14.84	-0.01
	Sewerage	10.53	10.46	0.07
Southern ²	Water	3.43	6.33	-2.90
	Sewerage	7.33	6.33	1.00
Thames	Water	6.13	6.16	-0.03
	Sewerage	3.13	3.21	-0.08
United Utilities	Water	8.53	8.43	0.10
	Sewerage	9.23	9.15	0.08
Wessex ²	Water	10.13	13.13	-3.00
	Sewerage	6.03	4.71	1.32
Yorkshire	Water	7.13	7.12	0.01
	Sewerage	7.53	7.53	0.00

Notes:

1. Dŵr Cymru has deferred 4.68% of its price limit for 2006-07 (see table 1). The difference between the indicative Ks and actual increases in the average charges for water and sewerage services is consistent with this deferment.
2. These companies have decided, with our approval, to apply the indicative Ks more evenly over the five-year period in order to limit sharp changes in water and sewerage bills.

2.3 Tariff proposals modified or not approved for 2006-07

Companies have agreed to withdraw or defer a number of proposals for further consideration and possible implementation in 2006-07. These are set out below.

2.3.1 Household tariffs

Anglian Water proposed to address the issue of affordability by extending its Aquacare Plus tariff in a way that would have offered a reduction of 25% to all households receiving qualifying, income-related government benefits. The proposals would have meant higher bills for customers not in receipt of these benefits. We were not persuaded that the proposals in their present form would be consistent with Condition E of the company's licence.

We also rejected a proposal from Dŵr Cymru to give a £20 discount to customers whose bills are paid directly from their benefits via Water Direct, a scheme operated by the Department of Work and Pensions (DWP). The company wanted to provide an incentive for more indebted customers on benefits to pay via Water Direct.

We questioned the need for such an incentive at the expense, we consider, of other customers. Water companies are entitled to apply to the DWP to place customers onto the Water Direct scheme without the customer's consent, and other companies have successfully increased take-up without such an incentive.

Dŵr Cymru also argued that it was appropriate to pass onto Water Direct customers the savings that the company makes as a result of receiving timely payments from customers who previously did not pay their bills on time. We were concerned that it could be unduly discriminatory to offer a discount to Water Direct customers but not to all other customers (including low-income customers) who pay their bills promptly. We were also concerned that a discount could give an inappropriate incentive to customers to fall into debt in order to meet the qualifying criteria for the scheme.

At our request, Dŵr Cymru agreed to withdraw for 2006 the proposed discount and to work closely with the DWP to place more eligible customers onto Water Direct. The company will pass on to all customers any savings that it makes as a result. This will help test the need for any specific incentive.

Bristol Water sought our views on introducing a charge for customers who are late payers. CCWater Wessex and we thought that this would not help customers who genuinely could not pay their bill. In the light of this, the company has decided not to pursue this issue further.

In a similar vein, Mid Kent Water has agreed to withdraw charges for interest on unpaid accounts that are overdue and which are referred to court. Although the company's charges scheme previously had the provision to charge interest in these circumstances, the company did not exercise it. The company will still seek the additional costs of proceedings where court action is necessary.

South East Water wanted to change the structure of its assessed charge. Previously, this had been based on the assumed use of each individual property, taking into account the number of occupants and the number of appliances in the property. The company then applied its relevant regional metered standing charge and volumetric rate.

For 2006-07, South East Water wanted to base its assessed charge on the average water use of properties in each of its four charging zones. On review of the actual changes in tariffs, we were concerned that this policy change could lead to some customers facing high bill increases without any warning. In the light of our concerns, the company decided not to introduce this policy change in 2006-07. Instead, it will look to introduce it in 2007-08 and will notify all affected customers of the change during 2006-07.

2.3.2 Non-household tariffs

Folkestone & Dover Water wanted to introduce a reservation/stand-by tariff for customers who require back-up for an alternative source of water (for example, from an on-site borehole). We were concerned that the company did not have a robust basis for its proposed tariff. Consequently, the company has withdrawn its proposal for the time being, although it will continue to provide stand-by supplies on request, on terms to be agreed between the parties.

Portsmouth Water proposed to increase its large user tariffs in 2006-07 by more than we had assumed when we set price limits in 2004, and by more than it proposed to increase its metered household tariff. The company subsequently submitted a revised proposal which increased the large user tariff in line with both the proposed increase for standard volumetric rate customers and the allowed tariff basket price increase for the year.

2.3.3 General

Several companies previously charged customers who asked for their supplies to be either temporarily or permanently disconnected. Companies are not legally entitled to charge for disconnecting a supply at the customer's request, although they can charge for reconnecting a customer's supply. We asked companies to withdraw their charges for disconnecting supplies at the customer's request.

2.4 Tariff policy developments

2.4.1 Charges to vacant properties

In RD13/05 we consulted stakeholders on companies' approaches to charging vacant household properties. We published our conclusions in RD02/06. We said that:

- It is for companies to set individual charges and to decide whom to bill. However, it seems reasonable to regard unfurnished vacant properties as being unoccupied, so we recommend that companies do not charge unfurnished vacant properties.

- For furnished properties, we recommend that companies charge their standard metered and unmetered charges in full, unless the customer asks to be disconnected. We recommend that companies charge only for surface water drainage, where it is economic to do so, if a customer asks to be disconnected.
- Many companies' charges schemes are not clear on the charges that apply to vacant properties under different circumstances (metered or unmetered, furnished or unfurnished). All companies should make sure that their 2007-08 charges schemes clarify their charges for customers with vacant properties.

We recognised that companies may develop alternative approaches. We said that we would continue to review good practice in the light of any such developments, and that we would discuss these issues with companies as part of the 2007-08 charges scheme approval process. We will report on companies' approaches in the 2007-08 'Water and sewerage charges' report.

3. Household charges and bills

3.1 How household customers are charged

In most cases, companies charge their household customers for water and sewerage by:

- unmetered charges – usually based on the rateable value (RV) of the customer's property;
- metered charges – based on the amount of water recorded by the customer's meter; or
- assessed charges – based on the amount of water a customer would be likely to use if they had a meter.

Tables 8 and 9 show companies' estimates of the numbers of household customers whose supplies are metered and the numbers whose supplies are unmetered in 2006-07. Figures 2 and 3 show the proportion of water customers who have a metered supply. Figure 4 shows the proportion of sewerage customers charged on a metered basis. Customers on assessed charges are counted as being unmetered. Overall, companies expect around 30% of household customers in England and Wales to have metered supplies in 2006-07.

Table 8 Household water customers 2006-07

	Unmetered household supplies (thousands of customers)	Metered household supplies (thousands of customers)	Proportion metered households (percentage)
Water and sewerage companies			
Anglian	787.0	1,059.7	57.4
Dŵr Cymru	888.1	308.3	25.8
Northumbrian:			
Northumbrian	882.9	157.8	15.2
Essex & Suffolk	423.5	277.8	39.6
Severn Trent	2,215.5	842.0	27.5
South West	294.3	363.8	55.3
Southern	635.7	318.0	33.4
Thames	2,520.8	741.4	22.7
United Utilities	2,180.3	593.1	21.4
Wessex	307.4	183.4	37.4
Yorkshire	1,326.1	582.4	30.5
WaSC total	12,461.7	5,427.9	30.3
Water only companies			
Bournemouth & W Hampshire	97.0	77.9	44.5
Bristol	329.7	116.0	26.0
Cambridge	49.4	63.8	56.3
Cholderton	0.6	0.1	12.9
Dee Valley	65.3	41.2	38.7
Folkestone & Dover	32.9	34.5	51.2
Mid Kent	139.3	84.9	37.9
Portsmouth	254.8	21.4	7.8
South East	372.8	179.1	32.5
South Staffordshire	412.5	90.3	18.0
Sutton & East Surrey	195.5	55.9	22.2
Tendring Hundred	23.0	42.4	64.9
Three Valleys	809.3	364.3	31.0
WoC total	2,782.1	1,171.8	29.6
Industry total	15,243.8	6,599.6	30.2

Notes:

- a. Figures are based on forecast data for 2006-07.
b. The totals may not add up due to rounding.

Table 9 Household sewerage customers 2006-07

	Unmetered household supplies (thousands of customers)	Metered household supplies (thousands of customers)	Proportion metered households (percentage)
Water and sewerage companies			
Anglian	1,024.5	1,367.7	57.2
Dŵr Cymru	907.8	322.1	26.2
Northumbrian	917.7	160.1	14.9
Severn Trent	2,540.0	898.0	26.1
South West	258.9	348.6	57.4
Southern	1,165.0	541.5	31.7
Thames	3,817.9	1,226.9	24.3
United Utilities	2,156.9	589.4	21.5
Wessex	685.9	326.1	32.2
Yorkshire	1,344.7	579.9	30.1
Industry total	14,819.2	6,360.4	30.0

Notes:

- a. Figures are based on forecast data for 2006-07.
- b. The totals may not add up due to rounding.

Figure 2 Proportion of household water customers taking a metered supply from a water and sewerage company

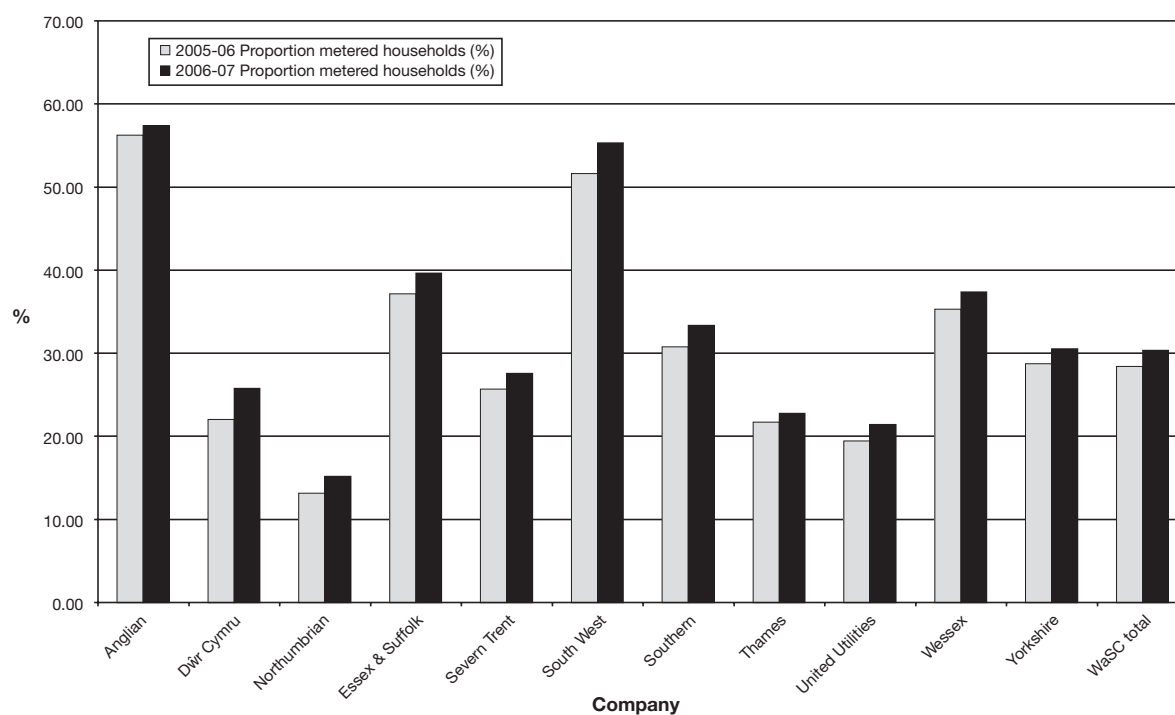


Figure 3 Proportion of household water customers taking a metered supply from a water only company

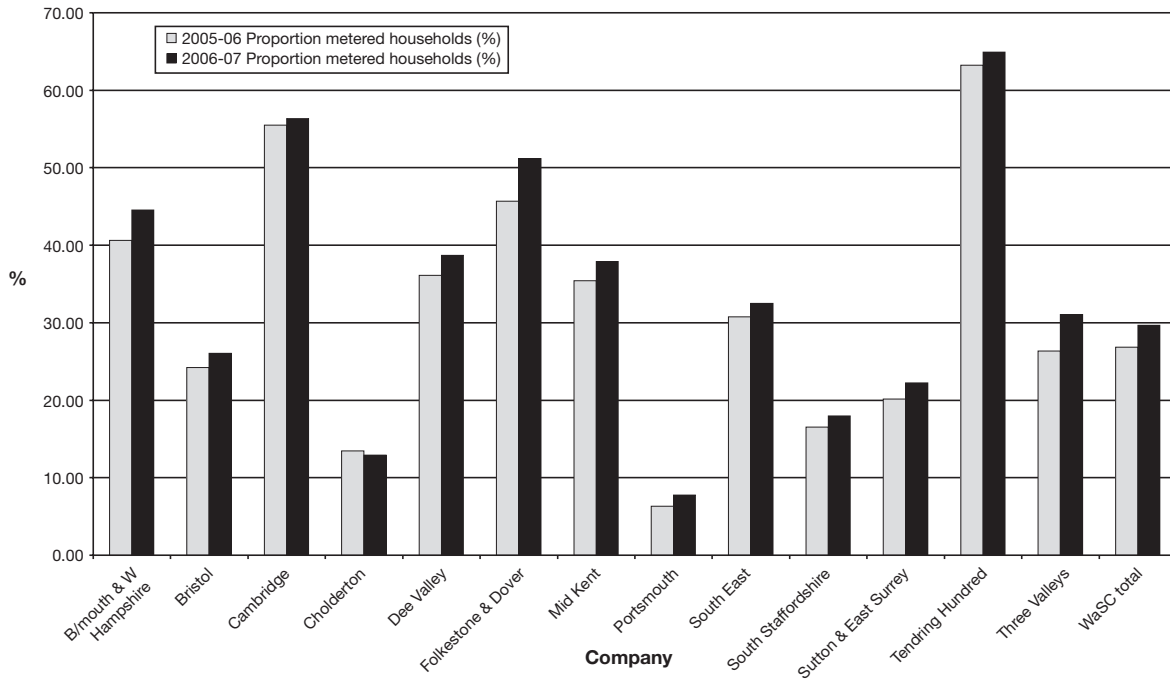
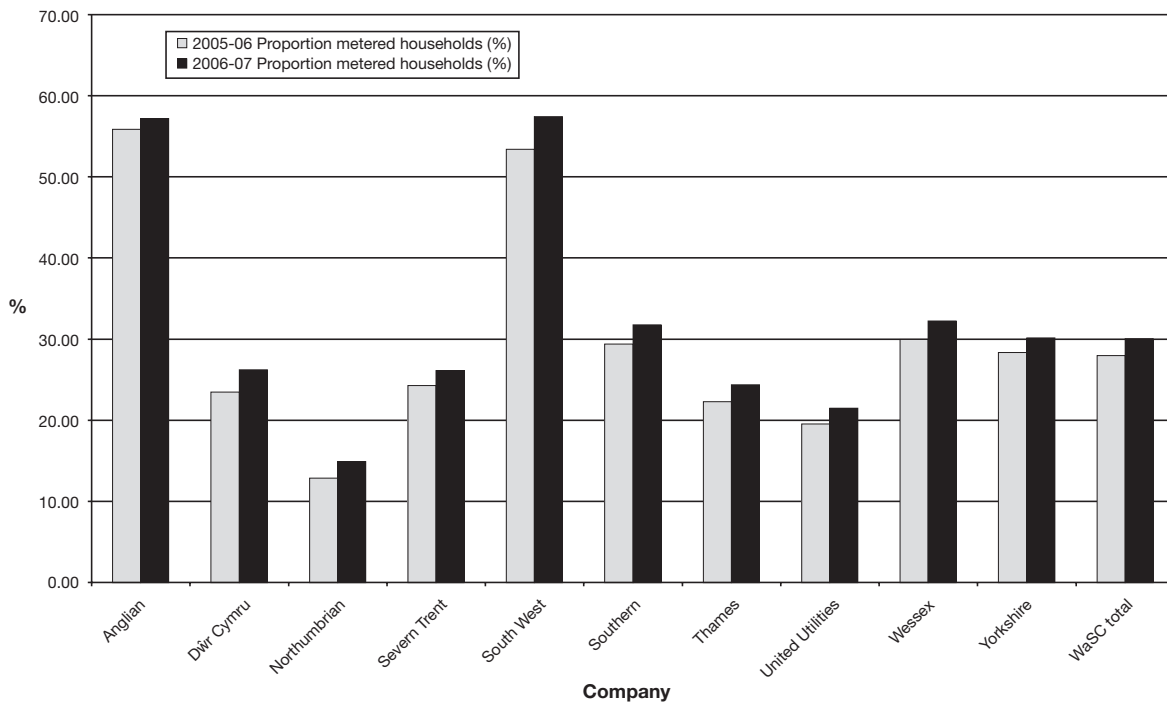


Figure 4 Proportion of household sewerage customers taking a metered supply from a water and sewerage company



We consider that metered charges are the fairest method of charging for water. They relate customers' bills to the amount of water that they use and the amount of sewage they discharge and, hence, to costs. However, we do not propose that companies meter all of their customers. In many areas, the extra capital and operating costs of metering might outweigh the economic and environmental benefits of water savings.

Companies can meter household customers either if:

- the customer asks their supplier to install a meter; or
- circumstances allow the company to install a meter compulsorily.

3.1.1 Optional metering entitlement

Since 1 April 2000, all unmetered household customers have been entitled to have a meter installed by their company free of charge. The price limits set for 2005-10 included allowances for companies to install 1.2 million such meters in this period. We require all companies to install a free meter within three months of the customer making a request. Companies do not have to fit an optional meter if it is too technically difficult or costly for them to do so. In such cases, the company will apply an assessed charge (see section 3.5).

Customers have the right to refer any dispute concerning the installation of a free meter to us. Sixty such disputes were referred to us in 2005-06. Fifteen of these were resolved in favour of the customer. In nine cases, the company applied an assessed charge. Eleven cases remain outstanding.

3.1.2 Compulsory metering of households

Section 144A of the WIA91 allows companies to compulsorily meter existing household customers when there is a change of occupier. This could be, for example, when customers move house or where a property has been split to create several separate new dwellings with completely new occupiers.

Subsequent regulations under the WIA99 extended the list of circumstances under which companies can compulsorily meter existing unmetered households. These regulations apply where a customer:

- waters their garden using non hand-held apparatus, such as sprinklers;
- has a pond or swimming pool with a capacity of more than 10,000 litres that is automatically replenished;
- has a bath, spa or jacuzzi with a capacity of more than 230 litres;
- has a particular type of shower, such as a power shower;
- has a water treatment unit that incorporates reverse osmosis; and
- lives in an area of water scarcity as determined by the Secretary of State.

In February 2006, the Secretary of State approved Folkestone & Dover Water's application for Water Scarce Area status, the first such case. This allows the company to meter its remaining unmetered household customers compulsorily, which it will begin to do later this year. By 2015, it estimates that 90% of its household customers will have water meters.

Companies are only allowed to meter existing unmetered household properties compulsorily when one or more of the above conditions applies and not simply if the original RV is rendered invalid. If this happens, for example where an extension has been added to an existing property or where premises have been merged without there being any new occupiers, companies are allowed to charge either by notional RV or by an assessed charge.

3.2 Unmetered charges

Unmetered households usually pay:

- a fixed charge, which includes the customer-related costs of supply (for example, billing); and
- an RV-related charge.

Unmetered customers' charges are based on the RV of their property under the 1973 Valuation Act. The Valuation Office has not issued any new RVs since March 1990 because of the change in the basis of local taxation. Most new household properties built after 1990 are metered.

The WIA91 allowed companies to use RVs as a basis of charging until 31 March 2000. However, the WIA99 removed this deadline and gave companies the right to continue to use RVs for unmetered charging purposes. In some cases, for example where premises have been extensively altered, the original RV of the property may be out of date. In such cases, companies may apply a notional RV charge. This is based on such criteria as the size and location of the property.

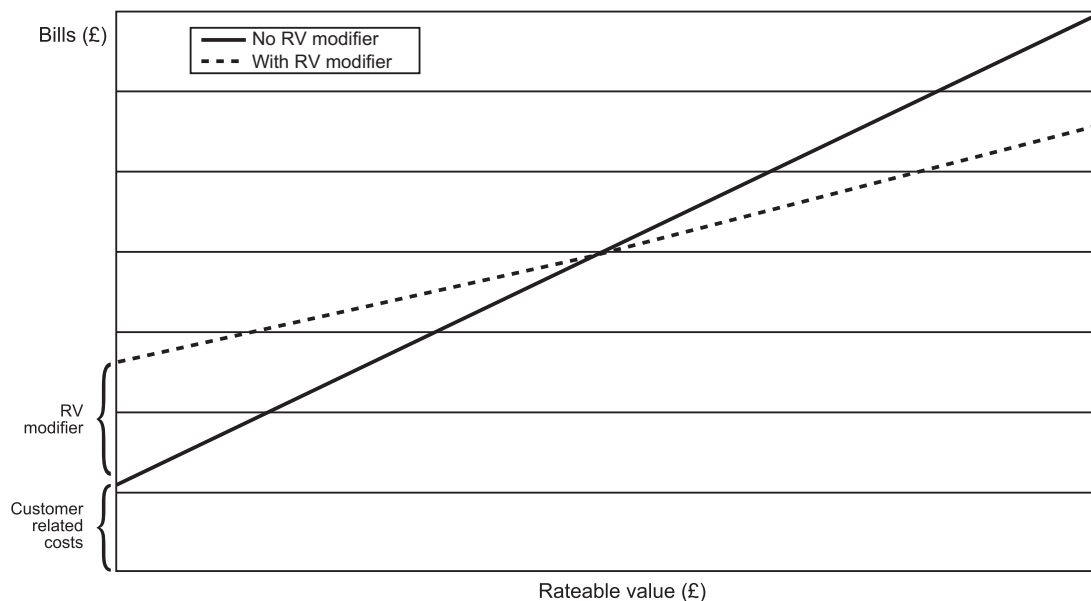
The Government has not ruled out the introduction of other unmetered charging arrangements in the future. The 'Cross-Government Review of Water Affordability Report' (Defra, December 2004) concluded that the Government and Ofwat should consider reviewing the current RV-based charging system in the light of the Lyons inquiry into local government funding.

3.2.1 RV modifier

In the long run, the costs of supplying individual customers depend largely on the amount of water that the customer uses and the amount of wastewater that they discharge. Unmetered customers do not pay for their water and sewerage services according to the amount of water that they actually use, so unmetered charges are unlikely to reflect accurately the costs of supplying services to individual customers. Properties with high RVs are often larger than properties with low RVs, so they tend to have more occupants and to use more water. However, this is not always the case. Water use does not necessarily rise in proportion to increases in RV. Consequently, some customers with lower RVs might pay too little for the amount of water that they use, while some customers with higher RVs might pay too much.

To help adjust for this, some companies have lower RV-related charges but include an additional amount in the fixed charge. This charging structure reduces the range in the level of customers' bills between higher and lower RV properties. The additional fixed charge is called the 'RV modifier'. Its effect is to unwind part of the cross-subsidy that exists between low RV and high RV customers. This is shown in figure 5.

Figure 5 The effect of the RV modifier



3.2.2 Unmetered water charges

Table 10 shows the unmetered charges for water, as well as the forecast average unmetered household water bill for 2006-07 for each company. It reveals that Severn Trent Water and South Staffordshire Water do not include a fixed charge in their bills. Two other companies, Anglian Water in the Hartlepool area and Sutton & East Surrey Water in its northern area, have a fixed licence fee and no RV charge.

Table 10 Unmetered water tariffs for household customers 2006-07

	Fixed charge £/year	Rateable value charge p/£RV	Average bill in 2006-07 £
Water and sewerage companies			
Anglian:			165
Anglian	104.82	40.77	
Hartlepool ¹	108.84	-	
Dŵr Cymru ²	99.95	56.83	162
Northumbrian ³ :			
Northumbrian	63.60	38.37	120
Essex & Suffolk:	36.25		167
Essex		53.48	
Suffolk		94.53	
Severn Trent ^{4,5}			140
Zone 1		81.08	
Zone 2		73.00	
Zone 3		70.78	
Zone 4		73.96	
Zone 5		85.02	
Zone 6		88.44	
Zone 7		89.02	
Zone 8		70.78	
South West ⁶	79.30	84.10	207
Southern	27.76	45.00	115
Thames:	24.00		166
Area 1		53.96	
Area 2		54.93	
Area 3		41.29	
Area 4		49.44	
Area 5		63.50	
Area 6		55.08	
Area 7		75.67	
United Utilities ³	44.00	63.60	148
Wessex	7.00	97.32	176
Yorkshire:			141
Yorkshire	29.63	89.80	
York	23.25	51.10	
Water only companies			
Bournemouth & W Hampshire	21.00	57.19	142
Bristol	21.00	65.10	139
Cambridge ³	22.50	43.10	118
Cholderton	33.00	62.39	174
Dee Valley:			127
Chester	29.44	43.74	
Wrexham	74.64	46.70	
Folkestone & Dover	40.00	87.30	182
Mid Kent	49.00	60.68	163
Portsmouth ^{7,8}	19.00	28.70	80
South East:	12.00		168
Eastbourne		88.77	
Mid Southern		51.37	
Mid-Sussex		94.48	
West Kent		82.73	
South Staffordshire ⁴	-	51.40	106
Sutton & East Surrey:			159
Croydon	37.00	33.60	
Northern Area ¹	137.80	-	
Southern Area	37.00	57.48	
Tendring Hundred	33.00	90.06	200
Three Valleys:			150
Three Valleys:	32.40		
Colne Valley		41.11	
Lee Valley		50.49	
Rickmansworth		40.06	
North Surrey	32.40	42.21	

Notes:

Bill = fixed charge + (rateable value charge x rateable value of property).

1. A fixed licence fee is levied in the Hartlepool area of Anglian Water and the Northern area of Sutton & East Surrey Water.
2. The average bill is net of the dividend of £9.50 that Dŵr Cymru will give to customers in 2006-07.
3. Customers who pay their bills by direct debit pay a lower fixed charge.
4. Severn Trent Water and South Staffordshire Water do not have a fixed charge for unmetered water customers.
5. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
6. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.
7. These charges apply from 1 July 2006.
8. A charge of £57.00 applies where the combined standing and rateable value charges are less than £57.00.

Table 11 provides examples of annual unmetered household water bills for three sample levels of RV – £100, £200 and £300.

Table 11 Sample unmetered water bills for household customers 2005-06 and 2006-07

	Annual bill in £ for properties with rateable values of					
	£100		£200		£300	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Water and sewerage companies						
Anglian:						
Anglian	136.89	145.59	178.43	186.36	219.97	227.13
Hartlepool	105.46	108.84	105.46	108.84	105.46	108.84
Dŵr Cymru ¹	139.59	147.28	192.88	204.11	246.17	260.94
Northumbrian ² :						
Northumbrian	96.34	101.97	132.43	140.34	168.52	178.71
Essex & Suffolk:						
Essex	85.51	89.73	136.52	143.21	187.53	196.69
Suffolk	124.22	130.78	213.94	225.31	303.66	319.84
Severn Trent ³ :						
Zone 1	78.08	81.08	156.16	162.16	234.24	243.24
Zone 2	70.30	73.00	140.60	146.00	210.90	219.00
Zone 3	68.16	70.78	136.32	141.56	204.48	212.34
Zone 4	71.23	73.96	142.46	147.92	213.69	221.88
Zone 5	81.87	85.02	163.74	170.04	245.61	255.06
Zone 6	85.18	88.44	170.36	176.88	255.54	265.32
Zone 7	85.75	89.02	171.50	178.04	257.25	267.06
Zone 8	68.16	70.78	136.32	141.56	204.48	212.34
South West ⁴	138.48	163.40	209.76	247.50	281.04	331.60
Southern	68.88	72.76	111.48	117.76	154.08	162.76
Thames:						
Area 1	73.81	77.96	124.62	131.92	175.43	185.88
Area 2	74.72	78.93	126.44	133.86	178.16	188.79
Area 3	61.88	65.29	100.76	106.58	139.64	147.87
Area 4	69.55	73.44	116.10	122.88	162.65	172.32
Area 5	82.79	87.50	142.58	151.00	202.37	214.50
Area 6	74.86	79.08	126.72	134.16	178.58	189.24
Area 7	94.25	99.67	165.50	175.52	236.75	251.01
United Utilities ²	100.40	107.60	159.80	171.20	219.20	234.80
Wessex	92.08	104.32	177.16	201.64	262.24	298.96
Yorkshire:						
Yorkshire	111.68	119.43	195.48	209.23	279.28	299.03
York	69.49	74.35	117.19	125.45	164.89	176.55
Water only companies						
Bournemouth & W Hampshire	74.47	78.19	128.94	135.38	183.41	192.57
Bristol	82.46	86.10	143.92	151.20	205.38	216.30
Cambridge ²	64.10	65.60	106.20	108.70	148.30	151.80
Cholderton	87.15	95.39	144.15	157.78	201.15	220.17
Dee Valley:						
Chester	74.35	73.18	118.79	116.92	163.23	160.66
Wrexham	123.27	121.34	170.71	168.04	218.15	214.74
Folkestone & Dover	116.96	127.30	196.96	214.60	276.96	301.90
Mid Kent	105.55	109.68	164.10	170.36	222.65	231.04
Portsmouth ^{5,6}	56.60	57.00	75.60	76.40	102.90	105.10
South East:						
Eastbourne	95.22	100.77	178.44	189.54	261.66	278.31
Mid Southern	60.15	63.37	108.30	114.74	156.45	166.11
Mid-Sussex	100.57	106.48	189.14	200.96	277.71	295.44
West Kent	89.55	94.73	167.10	177.46	244.65	260.19
South Staffordshire	49.85	51.40	99.70	102.80	149.55	154.20
Sutton & East Surrey:						
Croydon	68.01	70.60	100.02	104.20	132.03	137.80
Northern Area	132.00	137.80	132.00	137.80	132.00	137.80
Southern Area	90.75	94.48	145.50	151.96	200.25	209.44
Tending Hundred	124.86	123.06	217.32	213.12	309.78	303.18
Three Valleys:						
Colne Valley	71.98	73.51	111.56	114.62	151.14	155.73
Lee Valley	81.01	82.89	129.62	133.38	178.23	183.87
Rickmansworth	70.91	72.46	109.42	112.52	147.93	152.58
North Surrey	70.51	74.61	112.52	116.82	154.53	159.03

Notes:

Bill = fixed charge + (rateable value charge x rateable value of property).

1. The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
2. Bills do not include the discount for direct debit payers.
3. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
4. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.
5. These charges apply from 1 July 2006.
6. Minimum charge applies for RV = £100.

3.2.3 Unmetered sewerage charges

Companies charge unmetered household customers for three main sewerage services. These are for collecting and treating:

- foul sewage;
- surface water drainage (run-off from rainwater that falls onto customers' properties); and
- highway drainage (run-off from roads and pavements).

In principle, customers who can demonstrate that they do not receive any of these services apart from highway drainage should be entitled to an appropriate reduction in charges.

Foul sewerage service

The costs of collecting, treating and disposing of foul sewage depend upon the volumes and strengths of the wastewater. But companies do not assess the strength of foul sewage for charging purposes.

Most unmetered household customers pay for the foul sewerage service by a charge based on the RV of their property. These charges are outlined in table 12.

Table 12 Unmetered sewerage tariffs for household customers 2006-07

	Fixed charge £/year	Rateable value charge p/£RV	Average bill in 2006-07 £
Water and sewerage companies			
Anglian	126.38	44.40	204
Dŵr Cymru ¹	124.62	75.81	211
Northumbrian ²	89.40	42.68	153
Severn Trent ^{3,4}	–		133
Zone 1		75.52	
Zone 2		63.60	
Zone 3		67.00	
Zone 4		72.65	
Zone 5		84.77	
Zone 6		82.10	
Zone 7		80.01	
Zone 8		66.53	
South West ⁵	71.70	194.37	359
Southern	52.89	84.00	216
Thames:	31.00		105
Area 1		28.96	
Area 2		30.02	
Area 3		18.85	
Area 4		27.07	
Area 5		35.48	
Area 6		29.36	
Area 7		41.26	
United Utilities ^{2,3}	–	102.20	168
Wessex	7.00	100.20	187
Yorkshire	32.55	96.60	155

Notes:

Bill = fixed charge + (rateable value charge x rateable value of property).

1. The average bill is net of the dividend of £9.50 that Dŵr Cymru will give to customers in 2006-07.
2. Customers who pay bills by direct debit pay a lower fixed charge.
3. Severn Trent Water and United Utilities do not have a fixed charge for unmetered sewerage customers.
4. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
5. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Table 13 provides examples of annual unmetered household foul sewerage bills for three sample levels of RV – £100, £200 and £300.

Table 13 Sample unmetered sewerage bills for household customers 2005-06 and 2006-07

	Annual bill in £ for properties with rateable values of					
	£100		£200		£300	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Water and sewerage companies						
Anglian	162.63	170.78	210.15	215.18	257.67	259.58
Dŵr Cymru ¹	178.20	190.93	249.56	266.74	320.92	342.55
Northumbrian ²	125.06	132.08	165.62	174.76	206.18	217.44
Severn Trent ³ :						
Zone 1	71.07	75.52	142.14	151.04	213.21	226.56
Zone 2	59.85	63.60	119.70	127.20	179.55	190.80
Zone 3	63.04	67.00	126.08	134.00	189.12	201.00
Zone 4	68.36	72.65	136.72	145.30	205.08	217.95
Zone 5	79.76	84.77	159.52	169.54	239.28	254.31
Zone 6	77.25	82.10	154.50	164.20	231.75	246.30
Zone 7	75.29	80.01	150.58	160.02	225.87	240.03
Zone 8	62.59	66.53	125.18	133.06	187.77	199.59
South West ⁴	234.22	266.07	405.34	460.44	576.46	654.81
Southern	128.04	136.89	206.64	220.89	285.24	304.89
Thames:						
Area 1	58.02	59.96	86.04	88.92	114.06	117.88
Area 2	59.04	61.02	88.08	91.04	117.12	121.06
Area 3	48.24	49.85	66.48	68.70	84.72	87.55
Area 4	56.19	58.07	82.38	85.14	108.57	112.21
Area 5	64.33	66.48	98.66	101.96	132.99	137.44
Area 6	58.41	60.36	86.82	89.72	115.23	119.08
Area 7	69.92	72.26	109.84	113.52	149.76	154.78
United Utilities ²	94.90	102.20	189.80	204.40	284.70	306.60
Wessex	102.34	107.20	197.68	207.40	293.02	307.60
Yorkshire	120.20	129.15	210.10	225.75	300.00	322.35

Notes:

Bill = fixed charge + (rateable value charge x rateable value of property).

1. The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
2. Bills do not include the discount for direct debit payers.
3. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
4. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Surface water drainage (SWD) and highway drainage (HWD)

Surface water is the water that drains from customers' land into the public sewer network. Unmetered household customers pay for SWD either by:

- a fixed fee in the standing charge; or
- reference to the RV of their property.

Companies also treat water that falls onto the public highways and which drains to the sewers. The costs of this highway drainage service are not related to the amount of water that customers use or to the value or size of their properties, so there is no uniquely correct way of recovering those costs. HWD benefits everyone who uses the

road network either directly or indirectly. Consequently, there is a case for recovering the costs of this service from highway authorities or from road users. At present, however, the law prevents this option.

In 'Water charging in England and Wales: Government decisions following consultation', published in November 1998, the Government indicated that there are no plans to change the way in which HWD charges are collected. It suggested that there might be little benefit in any change and that the cost of the service would still have to be collected through other charges, such as council tax.

Table 14 below shows the specific SWD and HWD charging methods by company.

Table 14 Charging methods for surface water and highway drainage – unmetered household customers

Water and sewerage companies	Fee in standing charge	RV charge
Anglian	✓	
Dŵr Cymru:		
Surface water drainage	✓	
Highway drainage	✓	
Northumbrian	✓	
Severn Trent:		
Surface water drainage		✓
Highway drainage ¹		✓
South West		✓
Southern	✓	
Thames	✓	
United Utilities		✓
Wessex		✓
Yorkshire:		
Surface water drainage	✓	
Highway drainage		✓

Note:

1. Severn Trent Water recovers part of the charge for highway drainage from the foul sewerage element of the sewerage charge (ie the rateable value charge) and part of the charge from the surface water drainage element of the sewerage charge (ie the property type charge).

3.2.4 Surface water drainage rebates

In MD152 we required companies to offer rebates for SWD to customers who do not benefit in any way from this service. All ten water and sewerage companies now do this.

We do not, however, expect companies to provide rebates retrospectively for periods before the current charging year. If companies were to do this, they would expect to backdate corresponding increases in charges for customers who are connected for SWD. We do not consider this to be either practicable or desirable.

We also said in MD152 that companies must make sure that these rebate provisions are set out on household customers' bills. We have checked that all companies provide sufficient information to customers about the availability of the rebate. Unmetered household customers receive the rebate as either a lower:

- fixed charge; or
- RV charge.

Table 15 below shows the level of SWD rebates for unmetered household customers for 2006-07.

Table 15 Surface water drainage rebates for unmetered household customers 2006-07

	Fixed charge £/year	RV charge p/£RV
Water and sewerage companies		
Anglian:		
Standard	30.00	n/a
SoLow	n/a	n/a
Aquacare plus	n/a	n/a
Dŵr Cymru	37.00	n/a
Northumbrian	34.80	n/a
Severn Trent ¹	n/a	22.78-30.53
South West	n/a	23.11
Southern	22.00	n/a
Thames	17.50	n/a
United Utilities	n/a	26.10
Wessex	n/a	9.44
Yorkshire	31.30	n/a

Notes:

n/a = no abatement in this element of the charge.

1. The majority of Severn Trent Water's customers receive a rebate related to property type. The rebate is based on property RV which varies according to the charging area.

3.3 Metered charges

The metered household bill has two elements:

- a standing charge, which is fixed regardless of how much water is used and is the same for all customers on the tariff; and
- a volumetric charge, which varies depending on how much water is used.

To give customers sensible incentives to use water efficiently, companies should set the metered volumetric charge to recover the costs that they will incur over the longer term to meet demand.

The metered standing charge, on the other hand, should recover no more than the customer-related costs for the unmetered service, plus the additional fixed costs associated with providing a metered service (for example, meter reading).

High standing charges lessen the incentives for customers to control their consumption. They are also difficult to reconcile with the duty placed on all companies by the 1995 Environment Act, which requires them to promote the efficient use of water by their customers.

3.3.1 Metered water charges

Table 16 shows the metered charges for water, as well as the forecast average metered household water bill for 2006-07 for each company.

Table 16 Metered water tariffs for household customers 2006-07

	Standing charge £/year	Volumetric charge p/m ³	Average bill in 2006-07 £
Water and sewerage companies			
Anglian:			121
Anglian:	Standard	24.00	106.46
	SoLow	0.00	138.46
	Aquacare Plus ¹	60.00	58.46
Hartlepool:	Standard	24.00	74.41
	SoLow	0.00	106.41
	Aquacare Plus ¹	47.00	43.75
Dŵr Cymru ²		27.00	113.93
Northumbrian ³ :		26.40	
Northumbrian			78.95
Essex and Suffolk:			129
Essex			87.85
Suffolk			119.32
Severn Trent ⁴	19.80	108.77	121
South West ⁵	23.76	124.97	138
Southern	24.57	76.00	108
Thames	23.00	95.10	144
United Utilities ³	25.00	112.60	135
Wessex	17.00	128.76	132
Yorkshire:			120
Yorkshire	24.05	102.00	
York	21.21	57.10	
Water only companies			
Bournemouth & W Hampshire	21.00	87.57	121
Bristol	29.00	93.45	125
Cambridge ³	24.50	72.00	97
Cholderton	23.00	103.00	149
Dee Valley:	23.00		93
Chester		73.91	
Wrexham		80.01	
Folkestone & Dover	25.56	112.68	152
Mid Kent:			132
Standard	22.20	89.98	
Low User	0.00	119.58	
Helpu/Medico ¹	54.40	57.88	
Portsmouth ⁶	23.00	53.10	82
South East:	15.00		144
Eastbourne		130.85	
Mid Southern		74.41	
Mid-Sussex		136.74	
West Kent		109.29	
South Staffordshire	25.00	77.00	109
Sutton & East Surrey:	23.00		114
Northern Area		74.47	
Southern Area		96.52	
Tendring Hundred	23.40	148.13	149
Three Valleys	24.80	80.60	134

Notes:

1. The Aquacare Plus tariff of Anglian Water and the Medico tariff of Mid Kent Water are available to customers in receipt of specified benefits.
2. The average bill for Dŵr Cymru is net of the dividend of £9.50 that will be given to customers in 2006-07.
3. Customers who pay their bills by direct debit pay a lower standing charge.
4. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
5. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.
6. The standing charge and volumetric charge apply from 1 July. The bill applies from 1 April.

Table 17 provides examples of annual metered household water bills for three sample levels of consumption – 60m³, 110m³ and 160m³.

Table 17 Sample metered water bills for household customers 2005-06 and 2006-07

	Annual bill in £ for annual consumption of					
	60 m ³		110 m ³		160 m ³	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Water and sewerage companies						
Anglian ¹ :						
Anglian	80.66	83.08	136.67	141.11	187.89	194.34
Hartlepool	59.77	63.85	98.37	105.85	132.18	143.06
Dŵr Cymru ²	82.77	85.86	137.57	142.82	192.38	199.79
Northumbrian ³ :						
Northumbrian	67.55	73.77	103.84	113.25	140.13	152.72
Essex and Suffolk:						
Essex	72.49	79.11	112.89	123.04	153.30	166.96
Suffolk	89.81	97.99	144.66	157.65	199.50	217.31
Severn Trent ⁴	78.53	85.06	128.78	139.45	179.02	193.83
South West ⁵	87.37	98.74	142.67	161.23	197.98	223.71
Southern	64.94	70.17	100.09	108.17	135.24	146.17
Thames	75.31	80.06	119.74	127.61	164.16	175.16
United Utilities ³	83.30	92.56	133.55	148.86	183.80	205.16
Wessex	84.66	94.26	141.04	158.64	197.42	223.02
Yorkshire:						
Yorkshire	79.01	85.25	126.11	136.25	173.21	187.25
York	51.35	55.47	77.65	84.02	103.95	112.57
Water only companies						
Bournemouth & W Hampshire	70.08	73.54	111.82	117.33	153.55	161.11
Bristol	79.46	85.07	123.17	131.80	166.89	178.52
Cambridge ³	66.00	67.70	101.00	103.70	136.00	139.70
Cholderton	77.40	84.80	124.40	136.30	171.40	187.80
Dee Valley:						
Chester	64.14	67.35	99.59	104.30	135.04	141.26
Wrexham	67.66	71.01	106.04	111.01	144.42	151.02
Folkestone & Dover	83.00	93.17	133.56	149.51	184.13	205.85
Mid Kent ¹	70.21	71.75	118.64	121.18	162.75	166.17
Portsmouth ⁶	52.26	54.86	78.31	81.41	104.36	107.96
South East:						
Eastbourne	88.30	93.51	149.38	158.94	210.46	224.36
Mid Southern	56.68	59.65	91.41	96.85	126.14	134.06
Mid-Sussex	91.60	97.04	155.43	165.41	219.26	233.78
West Kent	76.22	80.57	127.23	135.22	178.25	189.86
South Staffordshire	64.98	71.20	100.46	109.70	135.94	148.20
Sutton & East Surrey:						
Northern Area	64.78	67.68	100.43	104.92	136.08	142.15
Southern Area	77.45	80.91	123.65	129.17	169.86	177.43
Tendring Hundred	107.82	112.28	178.67	186.34	249.52	260.41
Three Valleys (including North Surrey)	68.40	73.16	106.06	113.46	143.73	153.76

Notes:

Bill = standing charge + (consumption x volumetric charge).

1. Annual bills for 60m³ for Anglian Water and Mid Kent Water are based on their respective SoLow and Low User tariffs (see table 13). The 160m³ bills are based on the standard tariff data.
2. The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
3. Bills do not include the discount for direct debit payers.
4. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
5. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.
6. Bills for year beginning 1 July.

3.3.2 Metered sewerage services

As for unmetered customers, companies charge metered household customers for collecting and treating:

- foul sewage;
- surface water drainage (run-off from rainwater that falls onto customers' properties);
and
- highway drainage (run-off from roads and pavements).

In principle, customers who can demonstrate that they do not receive any of these services apart from highway drainage should be entitled to an appropriate reduction in charges.

Foul sewerage service

Companies usually base their charges for foul sewerage for metered household customers on the volumes recorded on the water meter (adjusted where appropriate for non-return to sewer allowances). Table 18 shows these charges for each of the companies.

Table 18 Metered sewerage tariffs for household customers 2006-07

	Standing charge £/year	Volumetric charge p/m ³	Average bill in 2006-07 £
Water and sewerage companies			
Anglian:			156
Standard	62.00	106.58	
SoLow	0.00	189.25	
Aquacare Plus ¹	104.00	50.58	
Dŵr Cymru ²	50.00	125.32	134
Northumbrian ³	60.00	76.47	134
Severn Trent ⁴	10.24	73.23	130
South West ⁵	11.04	232.48	222
Southern	43.95	119.70	170
Thames	42.00	47.49	102
United Utilities ³	71.00	91.40	157
Wessex	34.00	124.26	144
Yorkshire	32.55	101.37	128

Notes:

a. The volumetric charges used above take account of the different non-return to sewer assumptions for each company.

1. The Aquacare Plus tariff of Anglian Water is available only to customers in receipt of specified benefits.

2. The average bill for Dŵr Cymru is net of the dividend of £9.50 that will be given to customers in 2006-07.

3. Customers who pay their bills by direct debit pay a lower standing charge.

4. Customers pay for surface water drainage through either a fixed charge related to property type:

 Flat/terrace 23.88

 Semi-detached 47.88

 Detached 71.76

 or a charge related to the RV of customers' properties:

 Zone 1 27.08 p/£RV

 Zone 2 22.78 p/£RV

 Zone 3 24.17 p/£RV

 Zone 4 26.1 p/£RV

 Zone 5 30.53 p/£RV

 Zone 6 29.53 p/£RV

 Zone 7 28.76 p/£RV

 Zone 8 24.17 p/£RV

The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.

5. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Table 19 provides examples of annual metered household foul sewerage bills for three sample levels of metered water delivered – 60m³, 110m³ and 160m³.

Table 19 Sample metered sewerage bills for household customers 2005-06 and 2006-07

	Annual bill in £ for annual consumption of					
	60 m ³		110 m ³		160 m ³	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Water and sewerage companies						
Anglian ¹	111.96	113.55	176.33	179.24	228.29	232.52
Dŵr Cymru ²	96.84	115.69	160.05	178.36	223.25	241.02
Northumbrian ³	99.98	105.88	135.80	144.11	171.62	182.34
Severn Trent ⁴ :						
Property-based surface water drainage charge:						
Flat/terrace	70.51	78.06	103.47	114.67	136.43	151.29
Semi-detached	92.35	102.06	125.31	138.67	158.27	175.29
Detached	114.07	125.94	147.03	162.55	179.99	199.17
RV-based surface water drainage charge:						
Zone 4	96.29	106.38	129.25	142.99	162.21	179.61
South West ⁵	138.66	150.53	245.71	266.77	352.76	383.01
Southern	109.21	115.77	165.68	175.61	222.15	235.46
Thames	68.78	70.49	91.93	94.24	115.08	117.98
United Utilities ³	112.82	125.84	152.67	171.54	192.52	217.24
Wessex	102.37	108.56	161.02	170.69	219.66	232.82
Yorkshire	86.05	93.37	132.50	144.05	178.96	194.73

Notes:

- Bill = standing charge + (consumption x volumetric charge).
- The volumetric charges used above take account of the different non-return to sewer assumptions for each company.
 - Anglian Water's annual bill for 60m³ is based on its SoLow tariff (see table 15).
 - The bills are net of the dividends of £9 and £9.50 that Dŵr Cymru gave to customers in 2005-06 and 2006-07 respectively.
 - Bills do not include the discount for direct debit payers.
- Severn Trent Water's customers pay their surface water drainage charges through either a fixed charge related to property type or a charge based on the RVs of their properties. The bill for customers in zone 4 is based on an RV of £200. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving to customers in 2006-07.
- All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Surface water drainage (SWD) and highway drainage (HWD) charges

Historically, companies have charged metered household customers for SWD and HWD in a variety of different ways:

- as part of the volumetric rate;
- as a fee within the fixed charge;
- by reference to the RV of the property; or
- via a charge related to property type.

The most common method of charging metered household customers for SWD and HWD is by a fixed fee in the standing charge. South West Water recovers SWD and HWD through the volumetric rate. Severn Trent Water charges metered household customers a fixed charge for SWD depending on the type of property the customer occupies. This charge is separate from the standard fixed charge and volumetric rate. Both of these companies therefore have metered sewerage standing charges that are lower than are those of other water and sewerage companies.

In 2006-07, Dŵr Cymru will complete the transfer of HWD charges from the volumetric rate to the standing charge for metered household customers. This has meant that its metered sewerage standing charge has increased from £30 in 2005-06 to £50 in 2006-07. The company will continue to recover charges for SWD through the volumetric rate. The different recovery methods for SWD and HWD are the main reason why sewerage standing charges for metered customers vary between companies.

Table 20 shows the different methods of charging for SWD and HWD for metered household customers.

Table 20 Charging methods for surface water and highway drainage – metered household customers

	Volumetric rate charge	Fee in standing charge	RV charge	Property type charge
Water and sewerage companies				
Anglian ¹		✓		
Dŵr Cymru:				
Surface water drainage	✓			
Highway drainage		✓		
Northumbrian		✓		
Severn Trent:				
Surface water drainage			✓	✓
Highway drainage ²	✓		✓	✓
South West	✓			
Southern		✓		
Thames		✓		
United Utilities		✓		
Wessex		✓		
Yorkshire:				
Surface water drainage		✓		
Highway drainage	✓			

Notes:

1. Anglian Water's metered household customers who are on the SoLow tariff pay for surface water and highway drainage costs through the volumetric rate. All other customers pay for both services through the standing charge.
2. Severn Trent Water recovers part of the charge for highway drainage from the foul sewerage element of the sewerage charge (ie the volumetric rate) and part of the charge from the surface water drainage element of the sewerage charge (ie the property type charge).

3.3.3 Surface water drainage rebates

We expect all companies to provide SWD rebates for metered household customers who do not receive a service. These should also be backdated to the current charging year where applicable. Metered household customers will receive the rebate in the form of either a lower:

- standing charge; or
- volumetric rate.

Table 21 shows the level of SWD rebates for metered household customers in 2006-07.

Table 21 Surface water drainage rebates for metered household customers 2006-07

	Standing charge £/year	Volumetric charge p/m ³
Water and sewerage companies		
Anglian:		
Standard	30.00	n/a
SoLow	n/a	40.00 ¹
Aquacare plus	30.00	n/a
Dŵr Cymru	n/a	26.49 ¹
Northumbrian	34.80	n/a
Severn Trent ²	47.88	n/a
South West	n/a	31.26 ¹
Southern	22.00	n/a
Thames	17.50	n/a
United Utilities	31.00	n/a
Wessex	17.00	n/a
Yorkshire	31.30	n/a

Notes:

n/a = no abatement in this element of the charge.

1. The rebates have been standardised to take account of non-return to sewer allowances.
2. The majority of Severn Trent Water's customers receive a rebate related to property type. The amount of rebate shown for metered customers is for a semi-detached property.

On average, both metered and unmetered customers should receive similar reductions in their bills.

3.4 Alternative metered tariffs

In addition to the standard metered tariffs outlined above, there are other metered tariffs, which may apply to certain groups of household customers. These are:

- low user tariffs;
- vulnerable group tariff; and
- tankered waste charges.

3.4.1 Low user tariffs

Two companies – Anglian Water (including Hartlepool Water) and Mid Kent Water – have a metered tariff for households that use relatively little water. The tariffs are structured with no standing charge and a higher than standard volumetric charge. To benefit from the tariff, customers must use no more than the break-even volume (the volume above which the tariff is no longer beneficial). This is currently 75m³ per year.

Following consultation, we set out our position on optional low user tariffs in MD165. The consultation showed that there was only limited support for such tariffs. Therefore, we are unwilling to accept new proposals from companies who wish to introduce such tariffs. However, we have not required Anglian Water or Mid Kent Water to withdraw their existing low user tariffs because of the adverse effects this would potentially create for customers currently on the tariff.

3.4.2 Tariffs for vulnerable groups

The Water Industry (Charges) (Vulnerable Groups) Regulations 1999 apply for metered customers of companies operating wholly or mainly in England and are applied voluntarily by companies operating wholly or mainly in Wales. They allow customers who meet certain qualifying conditions to apply for a vulnerable group tariff. Qualifying customers will pay either a bill based on usage or a bill capped at the average household charge for their area – whichever is lower.

Table 22 sets out the levels of the vulnerable group tariff for each company for 2005-06 and 2006-07. In line with the regulations, we required the companies to set their tariffs for 2006-07 at or as close as possible to the average household bill for each service.

Table 22 Vulnerable group tariff 2005-06 and 2006-07¹

	Water £/year		Sewerage £/year	
	2005-06	2006-07	2005-06	2006-07
Water and sewerage companies				
Anglian:				
Anglian	134.00	140.00	169.00	176.00
Hartlepool	102.00	107.00	–	–
Dŵr Cymru ^{2,3}	142.40	146.46	178.80	191.25
Northumbrian:				
Essex & Suffolk	143.00	151.00	–	–
Northumbrian	111.00	117.00	142.00	149.00
Severn Trent ⁴	129.00	136.00	123.00	133.00
South West ⁵	146.00	169.00	254.00	280.00
Southern	107.00	112.00	192.00	201.00
Thames	145.00	154.00	100.00	104.00
United Utilities ⁶	135.00	146.00	154.00	165.00
Wessex	141.00	159.00	165.00	172.00
Yorkshire:				
Yorkshire	127.00	136.00	137.00	147.00
York	89.00	97.00	–	–
Water only companies				
Bournemouth & W Hampshire	123.32	128.95	–	–
Bristol	129.00	135.00	–	–
Cambridge	104.00	106.00	–	–
Cholderton	155.00	170.85	–	–
Dee Valley ²	114.54	114.03	–	–
Folkestone & Dover	150.00	160.00	–	–
Mid Kent	149.00	153.00	–	–
Portsmouth ⁷	79.00	80.00	–	–
South East:				
Eastbourne	152.00	180.13	–	–
Mid Southern	152.00	137.36	–	–
Mid Sussex	152.00	209.15	–	–
West Kent	152.00	164.46	–	–
South Staffordshire	104.00	106.00	–	–
Sutton & East Surrey	114.07	114.37	–	–
Tendring Hundred	163.70	166.80	–	–
Three Valleys	142.30	152.20	–	–

Notes:

1. In line with the vulnerable group regulations, companies have been required to set the vulnerable group tariff in 2006-07 at or close to the average household bill for each service.
2. Regulations relating to vulnerable groups do not apply to any water or sewerage company whose area is wholly or mainly in Wales (Dŵr Cymru and Dee Valley Water). These companies, however, have voluntarily chosen to introduce a scheme for vulnerable customers.
3. The vulnerable group tariffs for Dŵr Cymru are net of the dividends of £9 and £9.50 (per service) that the company gave to customers in 2005-06 and 2006-07 respectively.
4. The bills for Severn Trent Water do not include the 1.41% reduction that the company is giving customers in 2006-07.
5. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.
6. United Utilities has a reduced vulnerable group tariff for sewerage customers whose properties do not receive a surface water drainage service.
7. This charge applies from 1 July 2006.

In February 2005, Defra reviewed the qualifying criteria for the vulnerable group tariff. As a result, it made changes and widened eligibility for the tariff. For specific details of the changes made, please refer to individual companies' charges schemes.

3.4.3 Charges for tankered domestic waste

Owners of cesspools and septic tanks employ private tanker operators to transport this waste to treatment works. The sewerage company levies a charge on the tanker operator for disposal of the waste, which the tanker operator passes on to the customer, together with its own costs. The charges made by sewerage companies to tanker operators for 2006-07 are shown in table 23.

Table 23: Tankered domestic waste charges 2006-07

	Weak ^a	Effluent strength (£/m ³) Medium ^b	Strong ^c
Water and sewerage companies			
Anglian	6.40	6.40	6.40
Dŵr Cymru ¹	3.73	–	6.19
Northumbrian ²	1.72	9.90	9.90
Severn Trent ³	0.76	–	9.68
South West ⁴	2.17	9.44	9.44
Southern ⁵	3.56	5.20	6.29
Thames ⁶	1.05	4.33	7.16
United Utilities ⁷	8.01	8.01	8.01
Wessex ⁸	3.23	7.37	10.14
Yorkshire ⁹	1.68	6.07	23.17

Notes:

Strength thresholds vary from company to company.

1. For Dŵr Cymru the charges are for:
 - a. weak loads, suspended solids below 2,000mg/l.
 - c. strong loads, suspended solids between 2,000mg/l and 20,000mg/l.
2. For Northumbrian Water the charges are for:
 - a. cesspool waste only (subject to minimum charge of £15.10).
 - b. and c. septic tank or combined waste only (subject to minimum charge of £48.00).
3. For Severn Trent Water, the charges are in addition to a £6.00 fixed charge per individual tanker load and are for:
 - a. weak loads, suspended solids of less than 800mg/l.
 - c. strong loads, suspended solids of 800mg/l and above.
4. For South West Water, the charges are in addition to a £9.90 fixed charge per individual tanker load and are for:
 - a. weak loads, suspended solids below 1,000mg/l.
 - b. and c. medium and strong loads, suspended solids of 1,000mg/l and above.
5. For Southern Water the charges are for:
 - a. weak loads, suspended solids of less than 2000mg/l.
 - b. indeterminable strength.
 - c. strong loads, suspended solids above 2000mg/l.
6. For Thames Water the charges are for:
 - a. monitored loads, suspended solids of 399mg/l or less. Most cesspool effluent will be charged at the lower rate.
 - b. unmonitored loads.
 - c. monitored loads, suspended solids of 400mg/l and above.
7. For United Utilities, the charges are in addition to a £5.00 standing charge to cover the cost of reception and administration.
8. For Wessex Water, the charges are in addition to a £7.50 fixed charge per individual tanker load and are for:
 - a. low strength loads, suspended solids below 1,000mg/l.
 - b. medium strength loads, suspended solids between 1,000mg/l and 10,000mg/l.
 - c. high strength loads, suspended solids above 10,000mg/l.
9. For Yorkshire Water, the charges are in addition to a £6.50 standing charge per individual tanker and are for:
 - a. weak loads, suspended solids of less than 2,000mg/l.
 - b. standard loads, suspended solids of 2,000mg/l to 9,000mg/l.
 - c. strong loads, suspended solids above 9,000mg/l (discounts available for discharges at selected sites).

Sewerage companies are not obliged under WIA91 to provide this service. As such, we currently have no jurisdiction to regulate these charges, either under Condition B (relating to the tariff basket) or Condition E (relating to undue discrimination or preference). Nor do we have regulatory jurisdiction over the charges made by tanker operators.

Under the Competition Act 1998 (CA98), we have powers concurrent with the Office of Fair Trading to investigate commercial activities connected with the provision of water and sewerage services. We may use the powers to investigate complaints about the provision of these sewerage services. We will consider whether this is an effective means of redress in individual cases.

Following the principle that charges should be cost-reflective, we think it is more appropriate for companies to offer separate charges for septic tank and cesspool waste. Eight companies have separate charges for different types of waste.

3.5 Assessed charges

Companies must offer assessed charges if it is either impractical or too expensive for them to install meters. They may also levy assessed charges when properties have been merged or substantially altered, which invalidates the original RV of the property.

Companies should base their assessed charges on a proxy for the amount of water that customers are likely to use. It is for individual companies to decide how to do this. They must apply a consistent approach to all assessed charge customers. Tables 24 and 25 show the current assessed charges that water companies offer.

Table 24 Household assessed charges for water and sewerage companies 2006-07

Water and sewerage companies	Water £/year	Sewerage £/year	Sewerage (no surface water drainage) £/year
Anglian ¹	–	–	–
Dŵr Cymru ² :			
1 occupant	89.50	119.50	102.50
2 occupants	124.50	158.50	133.50
3 or more occupants	165.50	203.50	168.50
1 occupant (low user)	75.50	104.50	90.50
2 occupants (low user)	104.50	135.50	115.50
3 or more occupants (low user)	137.50	172.50	144.50
Northumbrian:			
Essex & Suffolk:			
Essex:			
Standard	131.80	–	–
Single occupier	87.90	–	–
Suffolk:			
Standard	169.60	–	–
Single occupier	109.90	–	–
Northumbrian:			
Standard	121.10	151.80	–
Single occupier	81.70	113.50	–
Severn Trent:			
Detached house	219.72	219.68	147.92
Semi-detached house	165.33	159.19	111.31
Other household premises	129.44	111.02	87.14
South West ³ :			
1 occupant	86.50	163.00	122.50
2 occupants	137.50	244.00	203.50
3 or more occupants	199.00	330.00	289.50
Southern:			
1 bedroom	77.77	126.76	–
2 bedrooms	92.97	151.35	–
3 bedrooms	111.97	181.11	–
4 bedrooms	115.77	187.58	–
5 or more bedrooms	130.97	210.87	–
Thames	143.00	102.00	–
United Utilities:			
Detached house	191.65	206.27	175.27
Semi-detached house	175.88	193.48	162.48
Other household premises	136.47	161.49	130.49
Wessex:			
Band 1	114.00	123.00	–
Band 2	164.00	171.00	–
Band 3	203.00	209.00	–
Band 4	236.00	241.00	–
Band 5	266.00	270.00	–
Band 6	294.00	296.00	–
Band 7	318.00	320.00	–
Band 8	343.00	343.00	–
Yorkshire:			
Yorkshire:			
Detached house	149.51	157.23	125.93
Semi-detached house	126.05	133.92	102.62
Other household premises	111.77	119.72	88.42
York:			
Detached house	100.01	–	–
Semi-detached house	85.16	–	–
Other household premises	74.88	–	–

Notes:

1. Anglian Water applies standard tariffs to its assessment of the likely consumption at the premises.
2. The assessed charges for Dŵr Cymru are net of the dividends of £9.50 that the company will give to customers in 2006-07.
3. All of South West Water's household customers will receive a £20 rebate in 2006-07. The figures above do not take this into account.

Table 25 Household assessed charges for water only companies 2006-07

	Fixed charge £/year	Volumetric charge p/m ³
Water only companies		
Bournemouth & W Hampshire ¹	21.00	87.57
Bristol:		
1 bedroom	103.00	–
2 bedrooms	133.00	–
3 bedrooms	163.00	–
4 bedrooms	193.00	–
5 bedrooms	223.00	–
>5 bedrooms	253.00	–
Cambridge:		
Property type: other	82.00	–
Property type: semi-detached	110.00	–
Property type: detached	133.00	–
Cholderton	155.00	–
Dee Valley	92.92	–
Folkestone & Dover:		
1 person household	95.00	–
2 person household	150.00	–
3 person household	215.00	–
4+ person household	275.00	–
Mid Kent:		
1 bedroom	106.00	–
2 bedrooms	148.00	–
3 bedrooms	190.00	–
4 bedrooms	232.00	–
5 bedrooms	274.00	–
>5 bedrooms	316.00	–
Portsmouth	81.50	–
South East: ²		
Eastbourne	12.00	130.85
Mid Southern	12.00	74.41
Mid-Sussex	12.00	136.74
West Kent	12.00	109.29
South Staffordshire:		
Property type: other	94.00	–
Property type: semi-detached	131.00	–
Property type: detached	166.00	–
Sutton & East Surrey	114.37	–
Tendring Hundred	148.60	–
Three Valleys and North Surrey: ³		
1 person household	78.00	–
2 person household	117.50	–
3 or more person household	152.20	–

Notes:

1. Bournemouth & West Hampshire Water's assessed charge uses the standard metered standing charge and volumetric rate and assumes a usage of 60m³ per occupant.
2. South East Water's assessed charge is based on an assessment of estimated water use, taking into account the number of people in the property and the amount of appliances in the property that use water. Assessed charges are based on a minimum estimated consumption of 45m³ per annum.
3. Three Valleys Water's assessed charges are calculated by using the standard metered standing charge and volumetric rate. They assume a consumption of 66m³ per annum for a single person household, 115m³ for a two person household and 158m³ for a three person household. These totals are shown above.

Of the five types of assessed charge shown in the tables, the most common are a fixed charge equal to the average metered household bill and a charge based on the type of property in which the customer lives. Other companies structure their assessed charges differently. Anglian Water and South East Water, for example, estimate the usage of the individual customer and apply their standard metered tariffs to the assessed volume. For 2006-07, with our approval, Folkestone & Dover Water has changed its assessed charge from one based on the average metered household bill to one based on the number of occupants in the property. Dŵr Cymru, Northumbrian Water, South West Water and Three Valleys Water also charge according to occupancy.

3.6 The balance between metered and unmetered charges

Since the WIA99 gave household customers the right to request a free meter, many previously unmetered customers have opted to switch to being metered. To avoid undue preference or undue discrimination between the two customer groups, companies have to adjust the balance of tariffs between metered and unmetered customers to take account of the impact of customers switching. This is known as tariff re-balancing.

Companies can lose revenue in three ways when customers switch to a meter. The loss might be because the household that switches:

- has a higher than average RV;
- used less water pre-metering than the average unmetered user; or
- uses less water because it is metered.

The tariff basket allows companies to reset tariffs to maintain revenue when households with a higher than average RV switch to a meter. When they do this, they must comply with their price limits, and they must meet our targets on the metered/unmetered differential (see below), which we use to make sure that companies maintain a fair balance between charges for metered and unmetered customers. This tends to mean that companies will increase unmetered charges, which is fair because, on average, remaining unmetered customers have previously paid less than it costs to supply them. The same effect will continue, quite rightly, as the number of metered customers increases, so that the tariff basket mechanism and the metered/unmetered differential will continue to be fit for purpose in the future.

Where a household that switches uses less water than the unmetered average, or where it reduces its water use, companies cannot directly recover this lost revenue. The 2004 price review allowed for this by setting price limits consistent with the projected rate of switching for each company.

3.6.1 Metered/unmetered tariff differential

We expect any difference, on average, between metered and unmetered household bills to be no greater than the extra costs of providing a metered service. These additional costs consist of:

- the cost of the meter, plus installation costs;
- the cost of creating a meter space;
- the customer-related costs of metering (such as meter reading, billing and account management); and
- the value of benefits received by metered customers but not by unmetered customers (such as the cash flow effect of paying bills in arrears and rebates on supply pipe leakage).

Every year we require each company to estimate the sum of these additional costs, using the methodology that we set out in RD02/04. Companies must treat these estimates as targets for the difference between their metered and unmetered household bills. We check to make sure that individual companies have complied with this requirement by:

- applying a company's metered household charges to the average amount of water delivered by that company to an unmetered household; and
- comparing the resulting metered household bill with a forecast of the average unmetered household bill for that company.

The difference between these two bills (the metered/unmetered tariff differential) should normally be within $\pm\text{£}1$ of each company's differential target.

The average amount of water that companies deliver to unmetered households may fluctuate year on year as changing weather conditions affect the demand for water. We do not think that it is appropriate for these fluctuations to generate unnecessary changes in prices for metered and unmetered customers. Consequently, we allow companies additional flexibility around their differential targets if they can demonstrate that unmetered water use has been affected significantly by unusual weather conditions. In RD02/04 we said that we would allow an additional $\pm\text{£}1$ flexibility for the water service and an additional $\pm\text{£}2$ flexibility for the sewerage service under these circumstances, but we have since decided that it is necessary to deal with this issue on a case-by-case basis.

When we introduced the differential targets in 2005-06, we found that many companies needed to make significant changes to bring their metered and unmetered charges into balance. These changes would have resulted in unacceptable bill increases for some customers. Consequently, although some companies were able to move directly to their targets in 2005-06, we asked many companies to phase in the new targets.

Table 26 shows the levels of the differentials for all companies in 2006-07, together with their differential targets.

Table 26 The metered/unmetered household tariff differential for water and sewerage for all companies 2006-07

	Water		Sewerage		Total differential
	Target	Actual	Target	Actual	
Water and sewerage companies					
Anglian	29	29	16	16	44
Dŵr Cymru	31	32	16	8	40
Northumbrian	28	29	11	9	38
Severn Trent	40	37	19	11	48
South West	33	38	32	44	82
Southern	29	29	18	19	47
Thames	29	28	11	11	40
United Utilities	34	34	15	15	49
Wessex	30	29	15	14	44
Yorkshire	31	28	15	13	41
Water only companies					
Bournemouth & W Hampshire	31	32			
Bristol	29	28			
Cambridge	28	27			
Cholderton	22	22			
Dee Valley	28	19			
Folkestone & Dover	35	29			
Mid Kent	28	31			
Portsmouth	22	22			
South East	34	34			
South Staffordshire	31	30			
Sutton & East Surrey	30	27			
Tendring Hundred	30	30			
Three Valleys	32	33			

Note:

All figures are rounded to the nearest £.

Almost half of the companies will not meet their differential targets for 2006-07. In most cases this is because we have asked the companies to move gradually towards their targets in order to minimise the disruption to customers' bills. We expect Dŵr Cymru, Yorkshire Water, Folkestone & Dover Water, and Sutton & East Surrey Water to meet their targets in 2007-08. We also expect Severn Trent Water to achieve its water differential target in 2007-08, while it should meet its sewerage target in 2008-09. Northumbrian Water and Dee Valley Water should also meet their targets in 2008-09.

We had expected Mid Kent Water and South West Water to achieve their targets in 2006-07, but we have allowed these two companies to exceed their targets due to exceptional circumstances. In both cases, the companies' estimates of unmetered

water use were unusually high and would have led to unacceptably large increases in unmetered bills. We expect that both companies will meet their targets in 2007-08.

3.7 Payment methods for household customers

We ask companies to make sure that household customers have a range of payment options available to them. Examples of such payment methods include:

- at a bank;
- at a post office;
- on the Internet;
- over the phone; or
- in person at the water company's offices.

Many of the payment options that companies offer are free of charge.

We are also conscious that some household customers face difficulties when budgeting for essential household bills. To help with this, we expect companies to maintain acceptable payment arrangements for low-income customers. This includes allowing customers to:

- pay by instalments;
- make cash payments free of charge at reasonably accessible locations; and
- have payments taken directly from source through the Water Direct⁴ scheme operated by the Department of Work and Pensions (DWP).

For more details on the specific payment options each company offers, either refer to its charges scheme or contact the company directly.

We will continue to work with the industry and with CCWater to make sure that water companies plan their debt management and recovery approaches to collect outstanding revenue as effectively as possible. We are also undertaking a review of the 'Ofwat guidelines to companies on dealing with customers in debt'. We issued a pre-consultation discussion paper on 11 April 2006, and we will be discussing this with stakeholders at a workshop in May 2006.

⁴ Paying by Water Direct is available to household customers who are in arrears and who are on certain benefits.

4. Non-household tariffs

4.1 How non-household customers are charged

Charges to non-household customers typically vary according to the volume of water that the customer uses and the volume of wastewater or trade effluent that it discharges. Smaller non-households usually pay the same volumetric rates as household customers, although their standing charges may differ according to the size of their water meter (see section 4.2).

With the exception of Cholderton Water, all companies offer reduced rate tariffs to large water users, reflecting the lower costs of supplying these customers. Most water and sewerage companies also offer reduced rate tariffs to their large sewerage and trade effluent customers.

4.1.1 Regulating large user tariffs

We amended companies' licences in April 2000 to remove large users from the tariff basket. Companies' licences⁵ currently define large users as customers that are, or are likely to be, supplied with not less than 50 MI/year for companies in England. For companies largely operating in Wales the threshold is 250 MI/year (see MD194). The wording of this part of the licence allows for the volume threshold to be adjusted automatically to the amount specified in any order that the Government makes under section 7(6) of WIA91⁶.

Consequently, charges for customers supplied with not less than 50 MI/year are not subject to the price limits that we set. We removed these charges from the tariff basket because we considered that large users formed part of an emerging competitive market so their charges did not require the same degree of regulation as those for other groups of customers. Nevertheless, large user charges are still subject to the requirement that they must be neither unduly preferential nor unduly discriminatory.

The principles that underpin our approach to large user tariffs are listed below.

- Charges can reflect the lower costs of providing services to large users, such as:
 - delivering large quantities of water to a single point of delivery, which does not require the use of all levels of the distribution system;
 - supplying water to customers whose peak demands do not occur during the period when the system is at peak; and

⁵ Section 7(a) of Condition B.

⁶ As amended by section 40 of the Competition and Service (Utilities) Act 1992.

- delivering a lower level of service to customers on an optional basis.
- Unit charges should not be lower for large business customers simply because they use a large amount of water.
- Charges should provide incentives for customers to avoid wasting water.

As far as possible, we expect companies to justify large user tariffs on a robust allocation of accounting costs over the classes of customers concerned. We noted in MD159 that failure to do this would be the principal means by which we would assess abuses of market power and undue discrimination.

Large user tariffs should also be consistent with robust estimates of Long Run Marginal Cost (LRMC). This is particularly important in areas where water resources are constrained. Please refer to MD170 for further information on the role of LRMC in tariff setting.

We monitor year-on-year changes to the difference between large user tariffs and household tariffs to make sure that the charges for both groups of customers are neither unduly preferential nor unduly discriminatory.

4.2 Water charges

4.2.1 Standard non-household tariffs

Unmetered customers pay according to each company's household unmetered charges (see chapter 3).

Most metered non-household customers pay for their water through a standing charge, which depends on the size of the meter, and a volumetric rate. Table 27 shows the standing charges that customers pay for various meter sizes.

Table 27 Metered water tariffs for non-household customers 2006-07

	Meter size (£/year)													Volumetric charge p/m ³			
	12mm (1/2")	20mm (3/4")	25mm (1")	32mm (1 1/4")	40mm (1 1/2")	50mm (2")	65mm (2 1/2")	75mm (3")	100mm (4")	125mm (5")	150mm (6")	200mm (8")	250mm (10")		300mm (12")	500mm (20")	
Water and sewerage companies																	
Anglian:																	
Hartlepool ¹	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	49.76
Dŵr Cymru	27.00	27.00	71.00	121.00	223.00	334.00	446.00	591.00	703.00	906.00	906.00	906.00	906.00	906.00	906.00	906.00	113.93
Northumbrian:																	
Essex & Suffolk:	26.40	26.40	64.20	109.80	140.40	235.20	346.00	401.40	401.40	401.40	401.40	401.40	401.40	401.40	401.40	401.40	87.85
Essex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119.32
Suffolk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78.95
Northumbrian	26.40	26.40	64.20	109.80	140.40	235.20	346.00	401.40	401.40	401.40	401.40	401.40	401.40	401.40	401.40	401.40	108.77
Sewern Trent	19.80	28.32	38.40	-	53.76	74.16	84.24	84.24	84.24	84.24	84.24	84.24	84.24	84.24	84.24	84.24	124.97
South West	23.76	23.76	31.20	38.64	38.64	65.40	65.40	65.40	65.40	65.40	65.40	65.40	65.40	65.40	65.40	65.40	76.00
Southern	24.57	24.57	61.00	61.00	127.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	95.10
Thames	23.00	52.00	92.00	144.00	207.00	368.00	575.00	828.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	112.60
United Utilities	43.00	63.00	76.00	76.00	106.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	128.76
Wessex	17.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	102.00
Yorkshire:	24.05	64.99	104.34	127.00	172.91	243.86	398.88	536.02	827.58	827.58	827.58	827.58	827.58	827.58	827.58	827.58	57.10
York	21.21	25.48	26.54	28.66	35.04	61.56	99.78	130.56	278.10	278.10	278.10	278.10	278.10	278.10	278.10	278.10	87.57
Water only companies																	
Bournemouth & W Hampshire	21.00	21.00	61.50	-	177.10	302.10	369.00	432.00	457.00	457.00	457.00	457.00	457.00	457.00	457.00	457.00	93.45
Bristol ²	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	72.00
Cambridge	24.50	24.50	26.50	40.50	54.00	81.00	136.00	177.00	177.00	177.00	177.00	177.00	177.00	177.00	177.00	177.00	103.00
Cholderton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73.91
Dee Valley:	23.00	23.20	59.60	82.80	127.20	175.80	315.20	442.40	606.20	697.20	697.20	697.20	697.20	697.20	697.20	697.20	80.01
Chester	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112.68
Wrexham	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89.98
Folkestone & Dover	34.80	55.80	111.24	166.44	261.00	341.52	780.84	1,189.68	1,370.00	1,370.00	1,370.00	1,370.00	1,370.00	1,370.00	1,370.00	1,370.00	53.10
Mid Kent	24.60	30.60	35.40	-	46.80	142.80	183.00	217.20	381.00	381.00	381.00	381.00	381.00	381.00	381.00	381.00	74.41
Portsmouth ³	23.00	29.00	76.00	-	141.00	178.00	256.00	627.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	130.85
South East:	15.00	15.00	15.00	120.00	170.00	300.00	600.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	109.29
Mid Southern	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77.00
Eastbourne	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136.74
Mid-Sussex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74.47
West Kent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96.52
South Staffordshire	25.00	63.00	100.00	136.00	170.00	208.00	295.00	407.00	520.00	685.00	685.00	685.00	685.00	685.00	685.00	685.00	148.13
Sutton & East Surrey ² :	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	80.60
Northern Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23.00
Southern Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23.00
Tending Hundred	23.40	30.75	78.00	-	154.80	308.55	783.60	783.60	783.60	783.60	783.60	783.60	783.60	783.60	783.60	783.60	23.00
Three Valleys (including North Surrey)	24.80	24.80	24.80	100.60	167.90	194.60	234.30	287.00	334.80	334.80	334.80	334.80	334.80	334.80	334.80	334.80	23.00
Minimum	15.00	15.00	15.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Maximum	43.00	70.00	111.24	166.44	261.00	368.00	828.00	1,189.68	1,529.00	2,680.00	2,680.00	2,680.00	2,680.00	2,680.00	2,680.00	2,680.00	1,529.00

Notes:

1. Anglian Water has no standing charges based on meter size for non-household customers. The non-household volumetric rate depends on the applicable non-household tariff option.
2. These companies have a uniform fixed charge for non-household customers.
3. These charges apply from 1 July 2006.

Larger non-household customers may qualify for large or intermediate user tariffs (see section 4.1.2). Customers using quantities of water below the threshold for these reduced rate tariffs will normally pay the same volumetric rate as for metered household customers (see chapter 3). However, Anglian Water has separate charges for its non-household customers. For details on these charges, please see table 28.

4.2.2 Large and intermediate water tariffs

Most companies' large user tariffs comprise a fixed charge and a lower than standard volume-related charge. Some of these tariffs have a higher fixed charge and a lower volumetric rate for all water used. Some have a lower volumetric rate for all consumption above a certain threshold, generally with no fixed charge in addition to the standard meter-based standing charge. Both types of tariff structure minimise the incentives for customers to use more water solely to qualify for the tariff.

Tables 28 and 29 show companies' water tariffs for large users for 2006-07.

Table 28 Large and intermediate user tariffs for water – water and sewerage companies 2006-07

Water and sewerage companies	Threshold point MI	Fixed charge £/year	Maximum demand charge £/MI/day	Standard volumetric charge p/m ³	Large and intermediate user volumetric charge p/m ³	Bill saving for customer using 300 MI %
Anglian:						
Green	<0.5	46		89.33	89.33	
Orange	0.5	66		89.33	85.41	
Blue	5	512		89.33	76.48	
Industrial potable+		6,880	113,770	89.33	18.54	28 ¹
Industrial interruptible+		6,880	103,380	89.33	16.84	34 ¹
Hartlepool:						
Industrial potable+		1,200	59,070	49.76	15.27	23 ¹
Dŵr Cymru:						
Band 1	50	16,621		113.93	80.74	
Band 2	100	23,681		113.93	73.68	
Band 3	250	54,131		113.93	61.50	30
Band 4	500	66,681		113.93	58.99	
Band 5	1,000	94,269		113.93	56.23	
Northumbrian:						
Northumbrian:						
Focus20	20	2,364		78.95	68.21	
Focusextra	60	9,660		78.95	56.08	
Focusplus	175	29,760		78.95	44.58 ²	31
Essex & Suffolk:						
Essex:						
Focus20	20	2,292		87.85	77.44	
Focusextra	60	8,760		87.85	66.71	
Focusplus	175	21,960		87.85	59.19 ²	24
Suffolk:						
Focus20	20	2,808		119.32	106.31	
Focusextra	60	11,088		119.32	92.52	
Focusplus	175	26,820		119.32	83.53 ²	23
Severn Trent:						
ECO 10	(May – Sep)	10	2,705.86 ³	108.77	110.23	
	(Oct – Apr)				61.06	
ECO 50	(May – Sep)	50	15,769.36 ^{3,4}	108.77	76.07	
	(Oct – Apr)				40.75	
ECO 250	(May – Sep)	250	15,608.86 ^{3,4}	108.77	74.54	46 ¹
	(Oct – Apr)				39.21	
ECO 250 plus*	(May – Sep)	250	15,608.86 ^{3,4}	108.77	68.58	50 ¹
	(Oct – Apr)				36.07	
South West:						
HW1	50	Standard		124.97	97.93 ⁵	18
HW2	100	Standard		124.97	72.59 ⁵	28
HW3	150	Standard		124.97	59.03 ⁵	26
Southern	100	17,000 ³		76.00	59.00	15
Thames:						
Intermediate volume user	20	1,616 ³		95.10	87.02	
Large volume user	50	9,346 ³		95.10	71.56	
Super large volume user	250	37,275 ³		95.10	60.39	23
United Utilities:						
Select 50	50	8,430 ³		112.60	95.70	
Select 180	180	47,480 ³		112.60	74.00	20
Select Plus	3,000	47,480 ³		112.60	26.80 ⁶	
Wessex:						
Option 20	20	2,000		128.76	116.70 ⁵	
Option 100	100	2,000		128.76	82.66 ⁵	
Option 150	150	2,000		128.76	66.93 ⁵	24
Option 20 Managed Demand*	20	2,700		128.76	109.25 ⁷	
Managed Demand*	-	350			119.36	
Yorkshire:						
Yorkshire:						
Band 1	50	Standard		102.00	63.20 ⁸	
Band 2	250	Standard		102.00	53.70 ⁸	33
Interruptible Band 1	0	Standard		102.00	99.00 ^{8,9}	
Interruptible Band 2	50	Standard		102.00	60.20 ^{8,9}	
Interruptible Band 3	250	Standard		102.00	50.70 ^{8,9}	36
York:						
Band 1	50	Standard		57.10	48.50 ⁸	13
Interruptible Band 1	0	Standard		57.10	54.10 ^{8,9}	
Interruptible Band 2	50	Standard		57.10	45.50 ^{8,9}	18

Notes:

- Percentage bill reductions are based on supplies by a 150 mm meter.
 - * ECO 250 plus tariff of Severn Trent Water and both Managed Demand tariffs of Wessex Water are interruptible tariffs.
 - + Anglian Water's Industrial tariffs are subscribed demand type tariffs.
- The percentage bill saving assumes that consumption is spread evenly throughout the year.
 - For the Essex, Suffolk and Northumbrian areas, lower volumetric rates of 52.35p/m³, 74.36p/m³ and 37.60p/m³ apply to all consumptions above 1,000 MI/yr, 1,000 MI/yr and 2,500 MI/yr respectively.
 - Fixed charge is supplementary to the normal standing charge based on meter size.
 - Fixed charge reduces by 2p for every m³ supplied over the threshold point until it gets to zero.
 - The standard volumetric charge applies up to the threshold for the tariff option chosen and thereafter the large user volumetric charge for that tariff option applies.
 - A higher volumetric rate (74.00 p/m³) applies to all consumption up to 3,000 MI/yr.
 - A higher volumetric rate (102.52 p/m³) applies to all consumption up to 20 MI/yr.
 - This is a falling block tariff. The large user volumetric charge falls at each of the threshold points.
 - The interruptible tariff is only available to customers using over 250 MI/yr.

Table 29 Large and intermediate user tariffs for water – water only companies 2006-07

	Threshold point	Fixed charge	Maximum demand charge	Standard volumetric charge	Large and intermediate user volumetric charge	Bill saving for customer using 300 MI
Water only companies	MI	£/year	£/MI/day	p/m³	p/m³	%
Bournemouth & West Hampshire:						
Band 1 – Jun, Jul, Aug	10	734.00 ²		87.57	102.50	
– other months					72.50	
Band 2 – Jun, Jul, Aug	20	2,105.00 ²		87.57	102.50	
– other months					63.35	
Band 3 – Jun, Jul, Aug	50	5,052.00 ²		87.57	96.95	
– other months					57.34	
Band 4 – Jun, Jul, Aug	100	14,289.00 ²		87.57	96.95	
– other months					45.03	
Band 5 – Jun, Jul, Aug	150	24,294.00 ²		87.57	96.95	32 ¹
– other months					36.13	
Bristol:						
Band D	50	2,575.00		93.45	76.48	
Band C	100	4,200.00		93.45	73.23	
Band B	250	7,650.00		93.45	69.78	
Band A	750	18,900.00		93.45	65.28	
Band Super A	over 750	0.00		93.45	60.75	35
Cambridge	150	Standard		72.00	53.50	26
Dee Valley (Wrexham area)	250	40,606.20 ³		80.01	64.01	3
Folkestone & Dover	50	Standard		112.68	83.86	25
Mid Kent:						
High season – May, Jun, Jul, Aug	50	Standard		89.98	112.00	10
Low season – other months					65.00	
Portsmouth	50	4,750.00 ²		53.10	43.60	18
South East:						
Mid Southern:						
InterSaver	10	948.45		74.41	66.13	
	50	3,064.08		74.41	61.90	
Saver	250	9,304.36		74.41	59.40	16
SuperEconomy	50	2,910.00	56,465	74.41	44.56	
	250	8,839.00	54,202	74.41	42.77	19 ¹
Eastbourne:						
InterSaver	10	1,583.39		130.85	116.22	
	50	5,321.45		130.85	108.74	
Saver	250	16,077.93		130.85	104.44	16
SuperEconomy	50	5,055.00	99,243	130.85	78.29	
	250	15,113.00	95,301	130.85	75.19	19 ¹
Mid-Sussex:						
InterSaver	10	1,649.00		136.74	121.45	
	50	5,559.00		136.74	113.63	
Saver	250	16,791.67		136.74	109.14	16
SuperEconomy	50	5,225.00	132,714	136.74	73.86	
	250	15,784.00	127,458	136.74	70.94	19 ¹
West Kent:						
InterSaver	10	1,340.84		109.29	97.08	
	50	4,456.65		109.29	90.85	
Saver	250	13,503.53		109.29	87.23	16
SuperEconomy	50	4,233.00	106,105	109.29	59.05	
	250	12,828.00	101,871	109.29	56.70	19 ¹
South Staffordshire:						
Medium user	50	1,600.00		77.00	75.00	
Reservation	100		63,148 ⁴	77.00	35.90	33
	350			77.00	34.11	
Sutton & East Surrey:						
Southern Area	250	Standard		96.52	71.88	26
Northern Area	250	Standard		74.47	71.88	3
Tendring Hundred:						
Band 1 – Jun, Jul, Aug	5	Standard		148.13	185.92	
Band 1 – other months					126.78	
Band 2 – Jun, Jul, Aug	25	8,928.00		148.13	131.52	
Band 2 – other months					91.05	
Band 3 – Jun, Jul, Aug	50	17,850.00		148.13	108.31	
Band 3 – other months					74.98	
Band 4 – Jun, Jul, Aug	100	26,778.00		148.13	96.71	
Band 4 – other months					66.95	44 ¹
Three Valleys:						
Mid User	3	Standard ⁵		80.60	74.29	
Large User	50	13,052.00 ²		80.60	48.19	35

Notes:

- Bournemouth & West Hampshire's large user tariffs have been redeveloped. There is no longer a Band 6 tariff.
 - Percentage bill reductions are based on supplies by a 150 mm meter.
 - South East Water's SuperEconomy and South Staffordshire Water's Reservation tariffs are subscribed demand type tariffs.
- The percentage bill saving for those companies assumes that consumption is spread evenly throughout the year.
 - Fixed charge is supplementary to the normal standing charge based on meter size.
 - Dee Valley Water's fixed charge is based on meter size. For a 75 mm meter it is £40,315.20, increasing to £40,442.40 for a 100mm meter and to £40,606.20 for a 150 mm meter.
 - This charge is for a capacity reservation of 1 MI/day.
 - Standing charge is £51 for meter sizes up to 28 mm. All other meter sizes attract normal meter-based standing charge.

4.2.3 Alternative forms of large user tariffs for water

The following alternative forms of large user tariffs are currently available.

Seasonal tariffs

Seasonal tariffs comprise a volumetric rate that is higher in the summer months than in the winter months. Companies can apply seasonal tariffs if they read customers' meters at appropriate intervals – they do not need to install 'smart' meters to do this. Currently, only Bournemouth & West Hampshire Water, Mid Kent Water, South Staffordshire Water, Tendring Hundred Water and Severn Trent Water offer seasonal tariffs to their non-household customers. South Staffordshire Water has introduced a seasonal element to its reservation tariff for the first time in 2006-07. Also this year, Mid Kent Water is conducting a household seasonal tariff trial, involving a small sample of its household customers.

Subscribed demand tariffs

This type of tariff provides customers with a strong incentive to manage their peak demands. Customers are required to notify companies of their likely maximum daily demand before the charging year starts.

A subscribed demand tariff usually comprises three main elements:

- an annual maximum demand charge (expressed in £ per Ml/d), that is generally based on a customer's maximum daily demand;
- a usage rate (p/m^3), which is applied to the volume of water that the customer uses up to the quantity which that customer has notified as its maximum daily demand; and
- a penalty rate (p/m^3), which is applied to all volumes that the customer takes in excess of its notified maximum daily demand.

As each customer has to forecast its maximum daily demand at the start of the year, customers need to talk to their supplier about likely future demand. Companies say they have found this dialogue useful as a means of establishing a serious discussion about water use (and the potential for water conservation) with their large users.

Anglian Water, South East Water and South Staffordshire Water currently offer subscribed demand tariffs.

Interruptible tariffs

Interruptible tariffs allow commercial customers to take the risk of occasional interruptions to supply in exchange for lower tariffs. To date, only Severn Trent Water, Yorkshire Water, Anglian Water and Wessex Water offer interruptible tariffs. Both Severn Trent Water and Yorkshire Water offer an interruptible tariff to customers that use at least 250 MI/year and who are prepared to interrupt their supplies on a medium-term (24 hours) basis. Anglian Water and Wessex Water offer interruptible tariffs for customers who are prepared to accept a short-term (four hours) interruption.

We have agreed operating rules with these companies to make sure that customers on interruptible tariffs are capable of managing supply interruptions. For example, we encourage companies to conduct at least one test interruption per customer per year.

Reservation charges for stand-by supplies

Customers who have access to supplies from, for example, a borehole or an on-site effluent treatment plant, may only require back-up supplies if their own supplies fail. These customers have particular cost characteristics and, as a distinct customer class, may require a dedicated suite of reservation or stand-by charges.

Companies charge for stand-by supplies by using:

- a fixed standing charge (£/year) related to meter size⁷;
- a volume-related charge (p/m³) that companies apply to the volume reserved by customers over the whole year (possibly split between peak and off-peak seasons);
or
- a specific reservation charge (£/MI/d) based on customers' maximum daily demands.

Currently, six companies offer standard reservation tariffs to their customers (see table 30). Other companies may be willing to offer reservation tariffs by special agreement.

⁷ The standing charge can be viewed as a form of fixed reservation charge where the maximum daily demand is effectively determined by the size of the meter.

Table 30 Non-household reservation (stand-by) charges for water 2006-07

Companies	Reserved capacity charges			Capacity usage charges				
	Threshold volume (MI/year)	Applicable up to threshold point	Applicable after threshold point	Fixed (£/year)	Threshold volume (MI/year)	Applicable up to threshold point (p/m ³)	Applicable after threshold point (p/m ³)	Fixed (£/year)
Anglian:								
Hartlepool		£113,770 per MI/day		6,880.00		18.54		
Bournemouth & West Hampshire ^{1,2} :		£59,070 per MI/day		1,200.00		15.27		
Band 1	10	£58,915 per MI/day				102.50		
Band 2	20	£58,915 per MI/day				57.10		
Band 3	50	£58,699 per MI/day				102.50		
Band 4	100	£58,699 per MI/day				44.44		
Band 5	150	£58,699 per MI/day				96.95		
Band 6	Over 200	£58,699 per MI/day				35.00		
Severn Trent ¹ :						96.95		
Band 1	0	106.73 p/m ³		0		40.47		0.00
Band 2	10	79.70 p/m ³		1,711.78		30.53		994.00
Band 3	50	55.71 p/m ³		9,696.08 ³		20.37		6,074.00 ⁴
Band 4	250	54.95 p/m ³		8,610.58 ³		19.60		6,999.00 ⁴
United Utilities ¹ :								
Band 1	Up to 0.137 MI/day	£60,816 per MI/day				95.10		112.60
Band 2	Up to 0.493 MI/day	£60,816 per MI/day		8,009.00		79.00		95.70
Band 3	Over 0.493 MI/day	£60,816 per MI/day		46,293.00		57.40		74.00
Wessex ¹ :								
Option 1	Up to 0.055 MI/day	£149,295 per MI/day	£135,295 per MI/day	2,700.00	Up to 20	87.86		79.62
Option 2	Up to 0.274 MI/day	£149,295 per MI/day	£95,848 per MI/day	2,700.00	Up to 100	87.86		56.40
Option 3	Up to 0.411 MI/day	£149,295 per MI/day	£77,602 per MI/day	2,700.00	Up to 150	87.86		45.67
Yorkshire:								
Band 1	0	30.32 p/m ³				71.68		
Band 2	50	30.32 p/m ³				32.88		
Band 3	250	30.32 p/m ³				23.38		
Band 4	3000	30.32 p/m ³				23.38		

Notes:

- a. All stand-by customers are required to reserve their annual demand in advance, at the beginning of the year.
- b. If customers take more than their notified volumes different charges apply.
 1. Charges are additional to normal standing charge based on meter size.
 2. Reserve capacity charge is discounted at the rate of 1/365 per day if reserved capacity is not called upon during the 92-day peak period from June to August inclusive.
 3. Reserved capacity fixed charge reduces to nil by 1.5p for each cubic metre in excess of the threshold volume.
 4. Capacity usage fixed charge reduces to nil by 0.5p for each cubic metre in excess of the threshold volume.
 5. Customers must elect to pay both the reserved capacity and usage capacity charges on the same option.

Severn Trent Water and Yorkshire Water calculate their reservation charges by applying a volumetric charge to the volume reserved by customers. Anglian Water, Bournemouth & West Hampshire Water, United Utilities and Wessex Water base their charge on customers' maximum daily demands, like a subscribed demand tariff. Bournemouth & West Hampshire Water also offers a surplus capacity charge for customers with oversized meters, whose demand levels may be unpredictable.

4.2.4 Large user tariffs for non-potable water

Some companies supply non-potable water to industrial customers. The charges for these supplies are shown in table 31.

Table 31 Comparison of non-potable water volumetric charges with standard and large user potable water volumetric charges 2006-07

Company	Non-potable p/m ³	Standard potable p/m ³	Large user potable p/m ³
Anglian:			
Green	–	89.33	89.33
Orange	76.87	89.33	85.41
Blue	68.83	89.33	76.48
Industrial ¹	17.06	89.33	18.54
Industrial Plus ¹	7.64	89.33	-
Dee Valley (Wrexham area) ²	50.45	80.01	64.01
Dŵr Cymru ³ :			
Standard:	82.83	113.93	113.93
Band 1	49.24	113.93	80.74
Band 2	42.18	113.93	73.68
Band 3	30.00	113.93	61.50
Band 4	27.49	113.93	58.99
Band 5	24.73	113.93	56.23
Northumbrian ^{4, 5}	15.89	78.95	44.58
Sutton & East Surrey ² :			
Northern area	64.70	74.47	71.88
Southern area	64.70	96.52	71.88
United Utilities ^{6, 7}	33.20	112.60	74.00

Notes:

1. In addition to the volumetric rate, large user potable water customers pay a maximum daily demand charge of £113.77 per m³ and non-potable customers pay a maximum daily demand charge of £104.70 per m³.
2. Dee Valley Water and Sutton & East Surrey Water's large user potable volumetric charges apply to water supplies of at least 250 Ml/year.
3. There are separate volumetric charges for the supply of partially treated water.
4. Non-potable water volumetric charge apply to supply of partially treated water from Teesside Industrial Raw Water system.
5. The large user potable water volumetric charge shown is that for the Focus plus tariff.
6. The large user potable water volumetric charge shown is that for the Select 180 tariff.
7. Optional reservation charges for non-potable supply available: a capacity charge of £26,254 Ml/day and a usage charge of 25.70 p/m³ up to reserved amount and 33.20 p/m³ over reserved amount apply.

We accept that the volumetric charge for non-potable water will be lower than that for a comparable potable supply because it does not include the cost of treating water to potable standard.

4.3 Sewerage tariffs

Sewerage services comprise four main activities, which are for collecting and treating:

- foul sewage;
- surface water drainage (run-off from rainwater that falls onto customers' properties);
- highway drainage (run-off from roads and pavements); and
- trade effluent.

In principle, customers who can demonstrate that they do not receive any of these services apart from highway drainage should be entitled to an appropriate reduction in charges.

4.3.1 Charging for foul sewerage

Companies usually base their charges for the foul sewerage service for metered non-household customers on the volumes recorded on the water meter (adjusted where appropriate for non-return to sewer allowances). Non-household metered customers' standing charges depend upon the size of their meter. Details of these charges are in table 32. Most unmetered non-household customers pay for foul sewerage by a charge based on the RV of their property. These charges are outlined in chapter 3.

Table 32 Metered sewerage tariffs for non-household customers 2006-07

	Meter size (£/year)														Volumetric charge p/m ³ (20")	RV charge p/£RV	
	12mm (1/2")	20mm (3/4")	25mm (1")	32mm (1 1/4")	40mm (1 1/2")	50mm (2")	65mm (2 1/2")	75mm (3")	100mm (4")	125mm (5")	150mm (6")	200mm (8")	250mm (10")	300mm (12")			500mm (20")
Water and sewerage companies																	
Anglian ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dŵr Cymru	50.00	50.00	166.00	241.00	363.00	636.00	1,026.00	1,488.00	2,620.00	5,939.00	5,939.00	10,512.00	-	-	-	-	125.32
Northumbrian ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76.47
Sewern Trent (zone 4) ³	10.24	15.00	20.16	-	28.32	38.88	-	60.36	102.00	-	234.84	296.04	357.12	389.28	-	-	73.23
South West ⁴	11.04	11.04	14.52	18.00	18.00	30.36	30.36	32.76	34.68	39.12	39.12	39.12	39.12	39.12	39.12	39.12	232.48
Southern	43.95	43.95	131.00	131.00	267.00	464.00	-	1,215.00	1,819.00	-	3,864.00	3,864.00	3,864.00	3,864.00	3,864.00	3,864.00	119.70
Thames	42.00	95.00	168.00	263.00	378.00	672.00	1,050.00	1,512.00	2,407.00	3,536.00	4,916.00	8,428.00	12,944.00	18,463.00	-	-	47.49
United Utilities ⁵	88.00	246.00	437.00	437.00	983.00	1,744.00	-	3,922.00	6,965.00	-	15,661.00	15,661.00	15,661.00	15,661.00	15,661.00	15,661.00	81.50
Wessex	34.00	34.00	200.00	300.00	400.00	700.00	1,000.00	1,750.00	3,000.00	4,000.00	6,000.00	8,000.00	-	-	-	-	124.26
Yorkshire ⁶	14.18	33.65	54.07	66.69	90.97	129.78	-	210.29	283.60	-	438.62	438.62	438.62	438.62	438.62	438.62	96.81
Minimum	10.24	11.04	14.52	18.00	18.00	30.36	30.36	32.76	34.68	39.12	39.12	39.12	39.12	39.12	39.12	39.12	-
Maximum	88.00	246.00	437.00	437.00	983.00	1,744.00	1,050.00	3,922.00	6,965.00	5,603.00	15,661.00	15,661.00	15,661.00	15,661.00	15,661.00	15,661.00	-

Notes:

The volumetric charges have been standardised to take account of different non-return to sewer assumptions for each company.

1. Anglian Water has no standing charges based on meter size for non-household customers. The non-household volumetric rate depends on the applicable non-household tariff option.
2. Northumbrian Water does not have a metered standing charge for non-household customers. Surface and highway drainage costs are recovered through either a fixed charge or a rateable value or site area-based charge.
3. Severn Trent Water recovers surface water drainage charges through either a site-area based charge or a RV-based charge. The RV-based charge shown is that for zone 4 of the company's area.
4. Customers on the large user sewerage tariffs pay a fixed charge of £16,450 for surface water drainage.
5. United Utilities recovers surface water highway drainage charges through a rateable value charge, except for properties without a rateable value. These are billed on a standing charge basis.
6. Yorkshire Water applies a fixed scale of surface water charges banded by the site area of the premises to recover surface and highway drainage costs.

All companies, except for Anglian Water (for both water and sewerage) and Northumbrian Water, base the metered non-household standing charge on meter size. For more details on these companies' charges, please see table 33. United Utilities Water, Southern Water, Thames Water and Wessex Water have non-household sewerage standing charges that are higher than average. This is because these companies include the costs of both surface water and highway drainage within the sewerage standing charge. Dŵr Cymru's sewerage standing charges have increased for 2006-07 because the company is in the process of transferring its surface water drainage charge from the volumetric rate. For the same reason, Dŵr Cymru's sewerage volumetric rate has fallen for 2006-07.

Large user tariffs for foul sewerage

The principles that companies should apply when setting large user tariffs for water should also apply when they set large user tariffs for foul sewage or trade effluent. So it is likely that companies would justify a large user tariff for foul sewage or trade effluent on the basis that large customers make less use of the reception and conveyance part of the service. Details of companies' large and intermediate sewerage tariffs are given in table 33.

Table 33 Large and intermediate user tariffs for sewerage – water and sewerage companies 2006-07

Water and sewerage companies	Threshold point MI	Fixed charge £/year	Standard volumetric charge p/m ³	Large and intermediate user volumetric charge p/m ³	Bill saving for customer using 300 MI %
Anglian					
Green	<0.5	118	101.43	101.43	
Orange	0.5	138	101.43	97.88	3
Blue	5	271	101.43	95.49	6
Industrial	–	1,617	101.43	93.06	8
Dŵr Cymru	100	Standard	125.32	117.38	6
Severn Trent ¹					
Band 1	50	Standard	73.23	71.16	
Band 2	250	Standard	73.23	67.82	3 ²
South West ³					
HS1	50	16,450 ^{4,5}	232.48	185.55	17
HS2	100	16,450 ^{4,5}	232.48	175.78	18
Southern	135	47,500 ⁴	122.93	89.49	12
Thames	106	10,169 ⁴	47.49	37.90	13
Wessex			124.26		33 ⁶
Yorkshire ¹					
Band 1	50	Standard	96.81	76.48	
Band 2	250	Standard	96.81	69.83	18 ²

Notes:

- Percentage bill reductions are based on drainage by a 150 mm meter.
 - The sewerage volumetric charges have been standardised to take account of companies' non-return to sewer assumptions.
 - The % bill savings assume that the standard non-return to sewer allowances apply.
- This is a falling block tariff. The large user volumetric charge falls at each of the threshold points.
 - In addition to a standing charge Severn Trent Water and Yorkshire Water apply a site area based banded charge to recover costs for surface water and highway drainage. The percentage bill saving assumes a site area of 15,500 m².
 - The standard volumetric charge applies up to the threshold for the tariff option chosen and thereafter the large user volumetric charge for that tariff option applies.
 - Fixed charge is supplementary to the normal standing charge based on meter size.
 - Fixed charge recovers surface water drainage costs only.
 - Customers can opt to pay under Waste Tariff 80 – a Mogden-based tariff. The bill saving is for a waste tariff customer discharging average strength effluent (COD = 802 mg/l, SS = 313 mg/l).

All of the water and sewerage companies, except for United Utilities Water and Northumbrian Water, offer large user tariffs for foul sewage. With the exception of Wessex Water, these companies offer a simple two-part tariff. Wessex Water's sewerage tariff is the same as the one it offers to its large trade effluent customers.

4.3.2 Charging for surface water and highway drainage

Historically, companies have charged non-domestic customers for surface water and highway drainage services in a variety of ways, including:

- as part of the volumetric rate;
- as a fee within the fixed charge;
- by reference to the RV of the property; or
- via a charge related to the surface area drained to the public sewer.

Table 34 shows companies' different approaches to charging their non-household customers.

Table 34 Charging methods for surface water and highway drainage

	Non-household customers						
	Metered			Unmetered			
	Volumetric rate charge	Fee in standing charge	RV charge	Site area charge	Fee in standing charge	RV charge	Site area charge
Water and sewerage companies							
Anglian		✓			✓		
Dŵr Cymru:							
Surface water drainage	✓				✓		
Highway drainage		✓			✓		
Northumbrian ¹			✓	✓			✓
Severn Trent:							
Surface water drainage				✓			✓
Highway drainage ²	✓			✓			✓
South West ³	✓	✓					✓
Southern		✓			✓		
Thames		✓			✓		
United Utilities ⁴		✓	✓				✓
Wessex		✓					✓
Yorkshire:							
Surface water drainage				✓			✓
Highway drainage	✓					✓	

Notes:

1. Northumbrian Water is introducing a phased transition to site-area based surface water drainage charges for its existing non-household customers. In 2006-07, non-household customers will pay one-third of their charges based on site-area and two-thirds of their charges based on rateable value.
2. Severn Trent Water recovers part of the charge for highway drainage from the foul sewerage element of the sewerage charge (ie the volumetric rate or rateable value charge) and part of the charge from the surface water drainage element of the sewerage charge (ie the site area charge).
3. South West Water's large user customers consuming 50 Ml or more pay for SWD by means of a fixed charge equal to £16,450 per annum.
4. United Utilities Water's metered non-household customers pay for SWD via either a p/£ charge based on the charging value of the property OR a fixed charge based on the size of the meter if the property has no charging value. Charging values are calculated by using rateable values and a divisor. Full details are available in United Utilities' charges scheme.

Surface water drainage (SWD)

Following our review of SWD charges, in RD35/03 we said that the fairest method of charging should accurately reflect the costs of providing the SWD service. These costs generally depend upon:

- the surface area of the property drained to the sewer;
- the nature of the surface water run-off and the capacity; and
- extent of the sewerage system.

We concluded that charging by site area was the best method of charging for SWD. We recommended that water companies consider introducing site area-based charging for SWD – particularly for non-household customers where the process is simpler to implement.

However, we also recognised that there could be considerable set-up and administration costs associated with introducing site area-based SWD charges that would vary depending on the nature of the individual water companies' customer bases. We said that it was for the companies to decide if the benefits of implementing site area SWD charging outweigh the costs. We will monitor this policy, taking into account the recent experience of Northumbrian Water (see below).

Three companies charge non-household customers on the basis of the size of their site area. Severn Trent Water introduced this method of charging in 1990-91 and Yorkshire Water did the same in 2001-02. Northumbrian Water began to introduce this method of charging on 1 April 2005. All of Northumbrian Water's non-household customers will be charged in this way by the 2008-09 charging year.

In MD152 we required all water companies to offer rebates for SWD to customers who do not benefit in any way from this service. All ten water and sewerage companies now do this.

We do not, however, expect companies to provide rebates retrospectively for periods before the current charging year. If companies were to do this, they would expect to backdate corresponding increases in charges for customers who are connected for SWD. We do not consider this to be either practicable or desirable.

Generally, companies offer the rebate to non-household customers in a form similar to that offered to household customers. Non-household customers who pay a site area-based charge for SWD are exempt from paying this charge if they do not receive a surface water drainage service.

In RD35/03, we also encouraged the companies to consider giving partial rebates to non-household customers who can prove that some of their surface water drains away from the public sewer.

Highway drainage

See chapter 3 for a discussion of companies' approaches to charging for highway drainage.

4.4 Trade effluent tariffs

4.4.1 Charging for trade effluent

The costs of collecting, treating and disposing of trade effluent depend upon the volumes and strengths of the wastewater. However, unlike for foul sewerage, companies assess for charging purposes the strength and volume of trade effluent before it enters the sewers.

Charges for trade effluent are based on the Mogden formula, which is given below.

$$\text{Charge per unit of effluent} = R + [(V + Bv) \text{ or } M] + B(Ot/Os) + S(St/Ss)^8$$

This formula links charges to the characteristics (volume and strength) of the discharges from a customer's premises, which determine the level of treatment needed and therefore the costs involved. Companies calculate the average costs across their regions, so charges do not reflect the costs incurred at any one treatment works. Companies may reduce the collection charge if a discharger is connected directly to the treatment works.

United Utilities Water offers, on an optional basis, a reservation charge for trade effluent customers. The charge comprises:

- a fixed element to reflect the cost of infrastructure capacity reserved by the customer, based on the volume and loads specified in the customer's consent or agreement; and
- a variable element based on the actual flow and loads discharged from the customer's premises.

Details of companies' trade effluent tariffs for 2006-07 are shown in table 35.

⁸ See table 35 for an explanation of the breakdown of the Mogden formula.

Table 35 Trade effluent tariffs 2006-07

	Minimum charge £	Regional strengths							
		R p/m ³	V p/m ³	Bv p/m ³	M p/m ³	B' p/kg	S' p/kg	Os mg/l	Ss mg/l
Water and sewerage companies									
Anglian – Green	214.00	17.75	27.77	5.37	14.86	55.05	48.92	439	394
Dŵr Cymru	170.00	23.78	27.06	11.24	16.19	35.13	36.32	500	350
Northumbrian	302.50	24.56	12.03	6.68	0.00	26.15	49.11	360	182
Severn Trent	133.02	19.01	17.23	0.00	0.00	29.34	22.38	351	343
South West	210.00	49.75	45.86	0.00	8.35	108.53	98.65	744	489
Southern	263.00	34.76	25.36	4.14	22.02	74.10	44.74	452	512
Thames	87.00	7.87	9.66	0.00	0.00	27.85	35.33	445	336
United Utilities ¹	215.00	17.60	14.20	2.10	13.40	40.20	46.30	350	230
Wessex – Standard	227.00	47.33	19.56	0.00	0.00	41.32	50.05	802	313
Yorkshire	285.00	28.70	28.38	0.00	17.03	30.75	50.46	898	332

Notes:

- Some companies apply the fixed charge for the foul sewerage service in addition to the above, even if there is no domestic strength discharge.
 - Charges for B and S are usually expressed in p/m³ relative to standard strength (concentration: usually expressed in mg/litre), which vary from company to company. To maintain comparability, the charges shown here (B' and S') are corrected for standard strength and shown as p/kg.
- United Utilities offers a trade effluent reservation tariff to customers who wish to be charged on that basis. The tariff has two components: a reservation charge which is based on maximum consent limits and a volume charge which is based on discharged volume.

Trade effluent bills are calculated according to the Mogden formula: $Bill = R + [(V + Bv) \text{ or } M] + B(Ot/Os) + S(St/Ss)$

Key to charges:

R – reception and conveyance
 V – primary treatment (V for volumetric)
 Bv – additional volume charge if there is biological treatment
 M – treatment and disposal where effluent goes to a sea outfall
 B – biological oxidation of settled sewage
 B' – B charge corrected for average regional strength (ie B/Os x 1000)
 S – treatment and disposal of primary sludge
 S' – S corrected for average regional strength (ie S/Ss x 1000)

Key to other terms:

Os – chemical oxygen demand (COD) of crude sewage after one hour quiescent settlement
 Ss – total suspended solids (mg/litre) of crude sewage
 Ot – COD of effluent after one hour quiescent settlement at pH 7
 St – total suspended solids (mg/litre) of trade effluent at pH 7

4.4.2 The balance between trade effluent volume and strength charges

In recent years there has been a trend for companies to adjust the relative balance of their volume and strength charges within the Mogden formula. Some companies increased their charges for receiving and conveying trade effluent, while decreasing their charges for biological treatment and the treatment and disposal of sludge.

We accept that any such changes to the Mogden charges can be justified if they result in a more cost-reflective reception and conveyance charge on the one hand and treatment charge on the other.

For example, five companies have split the secondary treatment charge into two elements (B and Bv) to reflect the load- and volume-related costs associated with

secondary treatment (see table 35). We think that this refinement has enabled companies to achieve a better balance between the different treatment elements within the current Mogden charging formula. However, we require robust calculation of the cost-reflective level for the Mogden charges to allay concerns that companies could be engaging in anti-competitive pricing for treatment services.

4.4.3 Large user trade effluent tariffs

For 2006-07, South West Water and Southern Water introduced large user trade effluent tariffs. All of the companies that offer large user sewerage tariffs also offer large user tariffs for trade effluent customers (see table 36). Of these companies, Dŵr Cymru, Severn Trent Water, South West Water, Southern Water and Yorkshire Water offer a reduced charge for collection (that is, a lower 'R' charge). The other three companies (Anglian Water, Thames Water and Wessex Water) offer reduced charges for both collection and treatment (that is, lower 'R', 'V', 'B' and 'S' charges).

Table 36 Large user trade effluent tariffs 2006-07

	Threshold	Fixed charge £/year	Regional strengths							
			R p/m ³	V p/m ³	Bv p/m ³	M p/m ³	B' p/kg	S' p/kg	Os mg/l	Ss mg/l
Water and sewerage companies										
Anglian:										
	Orange	–	16.26	25.45	4.92	13.63	50.44	44.86	439	394
	Blue	–	15.76	24.66	4.77	13.20	48.87	43.42	439	394
	Industrial	–	12.18	19.06	3.69	10.22	37.79	33.57	439	394
Dŵr Cymru:										
	above 100 MI/a		15.42	all other charges as standard					500	350
Severn Trent:										
	up to 50 MI/a		19.01	all other charges as standard					351	343
	up to 250 MI/a		16.94	all other charges as standard					351	343
	above 250 MI/a		13.60	all other charges as standard					351	343
Southern ¹ :										
	above 135 MI/a		34.76	all other charges as standard					452	512
South West:										
	HTE1 above 50 MI/a		45.87	all other charges as standard					744	489
	HTE2 above 100 MI/a		43.13	all other charges as standard					744	489
Thames:										
	bill > £54,400	10,878	6.30	7.73	–	–	22.28	28.26	445	336
Wessex – Waste 80 tariff:										
	up to 80 MI/a		48.32	15.99	–	–	35.12	41.60	802	313
	above 80 MI/a		19.14	15.99	–	–	35.12	41.60	802	313
Yorkshire:										
	up to 250 MI/a		15.87	all other charges as standard					898	332
	above 250 MI/a		10.82	all other charges as standard					898	332

Notes:

- Some companies apply the fixed charge for the foul sewerage service in addition to the above, even if there is no domestic strength discharge.
 - Charges for B and S are usually expressed in p/m³ relative to standard strength (concentration: usually expressed in mg/litre), which vary from company to company. To maintain comparability, the charges shown here (B' and S') are corrected for standard strength and shown as p/kg.
1. The reception element of the charge is capped at 135 MI/year. This means that the reception component is always 135,000 x R for discharges of 135 MI/year and above.

Key to charges:

R – reception and conveyance
 V – primary treatment (V for volumetric)
 Bv – additional volume charge if there is biological treatment
 M – treatment and disposal where effluent goes to a sea outfall
 B – biological oxidation of settled sewage
 B' – B charge corrected for average regional strength (ie B/Os x 1000)
 S – treatment and disposal of primary sludge
 S' – S corrected for average regional strength (ie S/Ss x 1000)

Key to other terms:

Os – chemical oxygen demand (COD) of crude sewage after one hour quiescent settlement
 Ss – total suspended solids (mg/litre) of crude sewage
 Ot – COD of effluent after one hour quiescent settlement at pH 7
 St – total suspended solids (mg/litre) of trade effluent at pH 7

United Utilities Water offers a reservation tariff to trade effluent customers who wish to be charged on that basis. The tariff comprises:

- a reservation charge, which is based on maximum consent limits; and
- a volume charge, which is based on discharged volume.

4.4.4 The balance between metered foul sewerage and trade effluent charges

We expect to see an appropriate balance between the charges for trade effluent and for domestic foul sewerage. For a given volume of effluent, differences between bills for domestic and trade sources should only be related to differences in strength. Similarly, for effluent of a given strength, differences in bills should only reflect any difference in the volume of effluent.

We use a simple test to check the balance between sewerage and trade effluent charges. We subtract a notional trade effluent charge for domestic strength effluent from the metered sewerage volumetric charge. (RD26/00 explains how we calculate the notional trade effluent charge.) We consider that domestic sewerage and trade effluent charges are broadly in balance if the difference falls within a range $\pm 5\text{p/m}^3$ (see MD152).

Table 37 shows the difference between the metered sewerage volumetric and notional trade effluent charges for sewage for 2005-06 and 2006-07.

Table 37 Comparison of metered household sewerage and trade effluent tariffs 2005-06 and 2006-07

	Differential reflecting average levels of treatment p/m ³		Change p/m ³
	2005-06	2006-07	
Water and sewerage companies			
Anglian ¹	4	4	0
Dŵr Cymru ²	-5	10	15
Northumbrian	-2	-2	0
Severn Trent	3	3	0
South West	2	2	0
Southern	1	1	0
Thames	-4	-4	0
United Utilities	5	5	0
Wessex	5	5	0
Yorkshire	-4	-3	1

Notes:

a. All figures are calculated:

net of surface and highway drainage.

using forecast treatment loads for 2006-07.

using assumed effluent characteristics: 650 mg/l for COD and 450 mg/l for SS.

b. All figures are rounded to zero decimal places.

1. The differential for Anglian Water has been calculated using its Streamline Green trade effluent tariff.

2. As an exception, Dŵr Cymru have been allowed to miss their sewerage/trade effluent differential for 2006-07. Please see text for further details.

With the exception of Dŵr Cymru, for all companies the differences between the domestic sewerage and trade effluent charges fall within the desired boundaries of $\pm 5\text{p/m}^3$. Dŵr Cymru's charges have moved outside of the boundary because the company did not adjust its differential calculation in 2005-06 correctly to take account

of the phased transfer of its highway drainage charge from the volumetric rate to the standing charge. The company has agreed to bring its sewerage/trade effluent differential back within the desired range of $\pm 5\text{p}/\text{m}^3$ in 2007-08. We have allowed the company to do this in order to avoid unacceptable increases in trade effluent charges this year.

4.5 Disconnection for non-payment

Water companies can disconnect non-household customers' supplies for not paying their bill. However, this is not the case if a non-household customer's property is classed as mixed-use premises.

Mixed-use premises are those with a shared supply that includes a dwelling (within the meaning of paragraph 1(1) of Schedule 4(A) of WIA91) that is occupied by a person as an only or principal home, but which is also used for a non-domestic purpose. Examples of such premises include caretakers' accommodation within an office block and public houses with residential quarters.

Our view (as set out in RD14/04) is that the water companies are not entitled to disconnect mixed-use premises for non-payment of bills where any part of the premises constitutes a private dwelling house. However, this point cannot be finally decided until the law is clarified either through precedents established in case law or through subsequent legislation.

4.6 Sample bills

We provide sample bills for business customers on our website (www.ofwat.gov.uk).

4.7 Competition

On 1 December 2005, the new water supply licensing (WSL) regime came into effect. At the time of writing, four new water supply licensees have been appointed. Customers who are likely to use at least 50 Ml of water a year at eligible premises can now purchase water from either their existing appointed water company or from a licensee.

At the heart of the new WSL regime is the duty on appointed water companies to allow licensees access to their supply systems (for either combined or wholesale supplies), on reasonable terms. On 31 August 2005, appointed water companies published their indicative access prices, followed on 15 September 2005 by their access codes, which set out how they will allow licensees access to their water supply systems.

The Competition Act 1998 (CA98) came into effect on 1 March 2000. It gives the Water Services Regulation Authority concurrent powers with the Office of Fair Trading to apply and enforce CA98 for the water and sewerage sectors in England and Wales. Under CA98, we have powers to investigate anti-competitive behaviour.

We regulate the appointed water companies under WIA91 and their Conditions of Appointment. But this does not preclude us from looking at potentially anti-competitive behaviour that may infringe CA98 such as predatory or excessively high pricing by dominant companies.

Where a particular agreement or practice falls within the scope of WIA91 as well as CA98, we use the statutory power we judge to be most appropriate to address the specific complaint.

5. Other charges

5.1 Connection charges

Customers pay a connection charge to cover the direct costs of work and materials required to connect a property to a company's water main or sewer. Companies will generally permit customers to make the connection to the sewer themselves. If a company insists on doing the work, we can determine a reasonable connection charge. We have received only sixteen complaints about sewer connection charges since we acquired determination powers in 1992.

Most companies, however, insist on making the physical connection to the company water main, although customers may be allowed to do some of the preparation, such as the excavation, pipelaying and reinstatement work. A few companies allow developers to make connections in accordance with appropriate standards.

We do not approve connection charges, but we have powers to settle disputes between customers and companies about charges for connections to the water supply. We have decided 313 cases since 1992. At our request, companies have reviewed their connection charges and these now more properly reflect costs. In addition, most companies now undertake meaningful reviews of their costs when customers ask them to do so. As a result, the number of requests we receive for determinations remains low. During 2005-06, we needed to make only eight determinations, and in all of these the companies were found to have charged excessively.

The Water Act 2003 (WA03) changed the way in which water and sewerage companies can reach agreement with developers about installing new pipework. The WA03 amended the WIA91 with effect from 28 May 2004. It introduced a formal basis for deriving single lump sum charges for the mains and sewers that the companies lay, and formal provisions for companies to adopt the water mains for domestic supplies that developers or their contractors lay themselves ('self-lay'). It also introduced formal provisions for the requisition of lateral drains. We have powers to determine disputes about:

- the charges that the companies make;
- refusal by the companies to adopt self-lay mains; and
- the terms and conditions of the agreements for adopting self-lay mains, including payment for the asset by the company.

We published guidance about the financial arrangements for self-lay and requisitioning agreements⁹ in May 2004. We have received only three formal complaints to date.

⁹ 'Guidance on financial arrangements for self-lay and requisitioning agreements' (May 2004).

5.2 Infrastructure charges

Companies can raise infrastructure charges for connecting premises for domestic purposes to a public water main or to a public sewer for the first time. We set an upper limit on this charge. At the 2004 price review, we set the maximum infrastructure charge at £260.15 for each service for 2005-06, to be indexed subsequently each year in line with inflation. The maximum infrastructure charge for 2006-07 is set at £266.48.

Where a supply is provided by a single, larger (non-standard) service pipe, for example a hotel or block of flats where a management company is responsible for water charges, the infrastructure charges are calculated by reference to the number and type of water fittings.

5.3 Miscellaneous charges

Many companies include a number of non-standard charges within their approved charges schemes. These 'miscellaneous charges' cover a variety of services which companies may provide as a water undertaker, but which are not included within the tariff basket. Examples include:

- charges for reconnection;
- non-domestic meter installations;
- meter testing;
- hydrant installation; and
- standpipe hire.

While we have not formally investigated these charges, we monitor them to make sure that they are broadly cost-reflective. We will consider challenging a company if a complaint is received.

Appendix 1: List of MD and RD letters mentioned in the report

MD letters

- MD152 – Approval of companies' charges schemes in 2000-01' (September 1999).
- MD159 – 'LRMC and regulatory framework' (February 2000).
- MD165 – 'Approval of companies charges schemes in 2001-02' (September 2000).
- MD170 – 'The role of long run marginal costs in the provision and regulation of water services' (May 2001).
- MD194 – 'Proposed licence modifications: Conclusions' (August 2004).

RD letters

- RD26/00 – 'The household sewerage/trade effluent differential: confirmation of adjustments to Ofwat methodology' (December 2000).
- RD35/03 – 'Surface water drainage – charging policy' (September 2003).
- RD02/04 – 'Measured/unmeasured tariff differential: conclusions' (January 2004).
- RD14/04 – 'Disconnection of mixed-use premises for non-payment of water charges – guidance to water companies' (August 2004).
- RD13/05 – 'Charges to Vacant Household Properties' (27 July 2005).
- RD02/06 – 'Charges to Vacant Properties: Conclusions' (15 March 2006).



Ofwat

Centre City Tower, 7 Hill Street, Birmingham B5 4UA

Telephone: 0121 625 1300 Fax: 0121 625 1400

Website: www.ofwat.gov.uk e-mail: enquiries@ofwat.gsi.gov.uk

ISBN 1 904655 29 7

Printed on 75% minimum de-inked post-consumer waste paper

© Crown Copyright 2006