

United Utilities Water

Wholesale Charges - Addendum

Bulk charges for New Appointments and Variations – 2019/20 final charges

Introduction

The New Appointments and Variations (NAV) regime was introduced under the Water Industry Act 1991, which allows new entry into the wholesale water and sewerage sector. New entrant companies that use the NAV regime to compete with incumbent companies for the supply of wholesale water and sewerage services are known as NAVs.

NAVs can choose to purchase a bulk supply of water and/or wastewater services from an incumbent. A bulk supply/discharge is the supply of water/wastewater services from one appointed company to another. This document only relates to bulk supplies of water and/or wastewater services from an incumbent water company to a NAV. It does not contain any new connections or developers services charges. These charges can be found on our website: <https://www.unitedutilities.com/builders-developers/>.

In May 2018, Ofwat published final guidance on bulk supply charges for NAVs¹. The guidance suggests that incumbent wholesalers should adopt a 'wholesale-minus' approach to bulk supply charges for NAVs, which deducts costs avoided by the incumbent as a result of NAV activity from the relevant wholesale charge.

We conducted face-to-face meetings in summer and autumn 2018 to discuss our proposals with individual NAVs, which assisted in the further development of our proposed charges. Following this, we formally consulted on our proposed NAV bulk charges early in 2019. This consultation has now closed and the outcome has been published [here](#). We are committed to maintaining open and transparent dialogue with all stakeholders - if you think we could improve the clarity of this document or have any specific comments, please let us know by contacting NAVenquiries@uuplc.co.uk.

Our final NAV charges for 2019/20 have been prepared in line with Ofwat's guidance and feedback received from NAVs. If you would like more information on the methodology used to calculate these charges, please read our 2019 consultation: <https://www.unitedutilities.com/globalassets/documents/nav-tariff-consultation-document-final-acc19.pdf>.

For more information on the NAV market and the benefits NAVs can offer developers, please visit Ofwat's website at: <https://www.ofwat.gov.uk/regulated-companies/markets/nav-market/>

Purpose

This document should provide you with clear information about how much we will charge in 2019/20 for a bulk supply/discharge provided to a NAV. As stated above, it will not provide you with information relating to new connections and developer services charges. In addition, these charges do not apply to bulk supplies between us and other incumbent undertakers.

We have published a NAV tariff calculator on our [website](#). This tool will help NAVs to calculate bulk charges for prospective sites. We recommend that you read this document in conjunction with the published

¹ <https://www.ofwat.gov.uk/wp-content/uploads/2018/05/Bulk-charges-for-NAVs-final-guidance.pdf>

Bulk charges for New Appointments and Variations – 2019/20 final charges

calculator. The charge produced using this calculator will be included within the bulk supply/discharge agreement for each site. We hope that the early certainty provided by this transparent approach will help to support NAV activity in our region and so bring benefits to developers and end-users.

Our Area of Appointment

Our water and wastewater supply areas are defined in our instrument of appointment, and comprises one distinct region in the North West of England (see Figure 1 below).

Figure 1 - United Utilities Water supply area



Bulk charges for New Appointments and Variations – 2019/20 final charges

United Utilities Water Limited's bulk NAV charges for 2019/20

The charges for bulk supplies and discharges are made up of two parts:

- A volumetric charge; and
- A fixed charge.

These charges are detailed separately below and, in accordance with Ofwat's guidance, are expressed as charges for the NAV's end customers. All charges published in this document exclude VAT. VAT will be applied to charges as required by relevant legislation.

Volumetric charges

These charges will be applied against billed volumes recorded at the bulk meter.

Table 1 - Measured water charges

Water volumetric charges by end customer (2019/20 prices)	NAV bulk supply volumetric charge	Uuw wholesale tariff 2019/20 (for reference)
<i>Units</i>	<i>£/m3</i>	<i>£/m3</i>
Household	£1.554	£1.770
Non-household standard	£1.522	£1.792
Select 50	£1.365	£1.401
Select 180	£1.129	£1.157
Select 750	£1.043	£1.069

Table 2 - Measured foul sewerage charges

Wastewater volumetric charges by end customer (2019/20 prices)	Volumetric NAV bulk discharge charge	Uuw wholesale tariff 2019/20 (for reference)
<i>Units</i>	<i>£/m3</i>	<i>£/m3</i>
Household	£1.112	£1.161
Non-household standard	£1.115	£1.202
Non-household (on-site trade effluent consent)	£1.087	£1.202
Select Sewerage	£1.112	£1.139
Select Sewerage (on-site trade effluent consent)	£1.111	£1.139

Table 3 - Consumption assumptions

Customer group	Per customer consumption	Subscript
Household - water	88 m3/year	HH
Household - foul	88 m3/year	HH
Non-household - water	250 m3/year	NHH
Non-household standard - foul	250 m3/year	NHH
Non-household (trade effluent consent) - foul	250 m3/year	TE
Select 50	75,000 m3/year	50
Select 180	278,000 m3/year	180
Select 750	1,208,000 m3/year	750
Select Sewerage	75,000 m3/year	SEL

Bulk charges for New Appointments and Variations – 2019/20 final charges

We reserve the right to amend our wastewater charges in the case where the composition of the foul discharge at the discharge point deviates significantly from that expected of the on-site customer mix.

Where a NAV plans to serve a mixed use site, it should refer to Table 1, Table 2 and Table 3 and the following formula to calculate the weighted charge.

Weighted volumetric charge – water

$$= \frac{\{(V_{hh} * C_{hh}) + (V_{nhh} * C_{nhh}) + (V_{50} * C_{50}) + (V_{180} * C_{180}) + (V_{750} * C_{750})\}}{(V_{hh} + V_{nhh} + V_{50} + V_{180} + V_{750})}$$

Weighted volumetric charge – foul

$$= \frac{\{(V_{hh} * C_{hh}) + (V_{nhh} * C_{nhh}) + (V_{te} * C_{te}) + (V_{sel} * C_{sel})\}}{(V_{hh} + V_{nhh} + V_{te} + V_{sel})}$$

Where C is the volumetric charge associated with an end user group, and V is the assumed consumption associated with the end user group. The subscripts (HH, NHH, 50, 180, 750, TE, SEL) denote the user group.

We recommend that NAVs use the online calculator to confirm the weighted charge, which can be found [here](#).

We will calculate the weighted volumetric rate each year depending on customer numbers on-site. NAVs will be required to send us a forecast of on-site customer numbers as at 31 March 2020. This forecast will be used to calculate the weighted volumetric rate for the upcoming year. If outturn customer numbers vary from the forecast, and this variance causes a difference of more than 2.5 percent in total billed volumes, we reserve the right to apply a true-up adjustment to the following years' charges.

Fixed charges

There are four different types of fixed charge that may be applicable to a NAV site:

- On-site meter standing charges;
- Bulk supply meter standing charge;
- Select fixed charge; and
- Surface water drainage and highway drainage charges.

On-site standing charges

We provide a 100 percent discount on all on-site meter standing charges.

Water fixed charges (2019/20 prices)	On-site standing charges	Applicable wholesale charge
<i>Units</i>	<i>£/customer/year</i>	<i>£/customer/year</i>
Household fixed charge (measured)	-	£20.47
NHH fixed charge for meter size 12/15 mm (0.5")	-	£18.95
NHH fixed charge for meter size 20/22 mm (0.75")	-	£19.30
NHH fixed charge for meter size 25/28 mm (1")	-	£21.92
NHH fixed charge for meter size 30/32/35 mm (1.25")	-	£21.92
NHH fixed charge for meter size 40/42 mm (1.5")	-	£28.56
NHH fixed charge for meter size 50/54 mm (2")	-	£42.30
NHH fixed charge for meter size 75/80 mm (3")	-	£43.95
NHH fixed charge for meter size 100 mm (4")	-	£52.94
NHH fixed charge for meter size 150 mm (6")	-	£52.94

Bulk charges for New Appointments and Variations – 2019/20 final charges

Bulk supply meter standing charge

The NAV will be liable to pay an annual meter standing charge for the bulk supply meter. We have discounted from this charge the costs we incur when we interact with the non-household retail market.

We do not charge a fee for the installation of the bulk meter.

Bulk supply meter standing charges (2019/20 prices)	Bulk supply meter standing charge	Applicable wholesale charge
<i>Units</i>	<i>£/customer/year</i>	<i>£/customer/year</i>
Standing charge for meter size 12/15 mm (0.5")	£18.50	£18.95
Standing charge for meter size 20/22 mm (0.75")	£18.85	£19.30
Standing charge for meter size 25/28 mm (1")	£21.41	£21.92
Standing charge for meter size 30/32/35 mm (1.25")	£21.41	£21.92
Standing charge for meter size 40/42 mm (1.5")	£27.89	£28.56
Standing charge for meter size 50/54 mm (2")	£41.31	£42.30
Standing charge for meter size 75/80 mm (3")	£42.92	£43.95
Standing charge for meter size 100 mm (4")	£51.70	£52.94
Standing charge for meter size 150 mm (6")	£51.70	£52.94

Select customer fixed charge

These charges will be applicable where there is an on-site end user that would be eligible for our select tariffs.

Our select tariffs incorporate a fixed and volumetric element. The fixed charge includes a discount for the costs we incur when we interact with the non-household retail market. It does not include a discount for on-site avoided costs, as this discount is applied wholly against the volumetric tariff. The volumetric charge can be found in [Table 1](#).

Select customer fixed charges (2019/20 prices)	Select fixed charge	Applicable wholesale charge
<i>Units</i>	<i>£/customer/year</i>	<i>£/customer/year</i>
Select 50 user fixed charge	£19,091	£19,550
Select 180 user fixed charge	£61,979	£63,470
Select 750 user fixed charge	£126,428	£129,470

Surface water drainage and highway drainage charges

In some circumstances, a NAV may need to purchase surface water drainage services from us. In these circumstances and in line with Ofwat guidance, we will charge on an end user basis. This means that the charge will not be based on the total area of the NAV site, but on the individual site areas of the NAV's on-site customers.

These charges are discounted to reflect avoided on-site costs.

Highway drainage charges are applicable only where a NAV site is connected for surface water drainage services. Highway drainage charges are not applicable where a NAV site is connected only for domestic sewerage and/or trade effluent services.

We offer several concessions on surface water drainage charges, details of which can be found in our [wholesale sewerage charges scheme](#). If an end-user is eligible for a concession, please contact us to discuss

Bulk charges for New Appointments and Variations – 2019/20 final charges

further. For example, there could be a school on-site that is eligible for a concession to its surface water drainage charges as per section 2.8.2 of our [wholesale sewerage charges scheme](#).

Site area charging band	Chargeable area (m2)	Surface water drainage only charge	Highway drainage only charge	Surface water drainage and highway drainage charge
Household	-	-	£25.35	£65.69
Band 1	Up to 124	£83.21	£38.54	£121.75
Band 2	125 - 299	£206.68	£95.73	£302.41
Band 3	300 - 649	£460.60	£213.39	£673.99
Band 4	650 - 1,499	£1,042.16	£482.82	£1,524.98
Band 5	1,500 - 2,999	£2,179.81	£1,009.92	£3,189.73
Band 6	3,000 - 6,999	£4,846.44	£2,245.38	£7,091.82
Band 7	7,000 - 11,999	£9,207.68	£4,265.98	£13,473.66
Band 8	12,000 - 17,999	£15,212.28	£6,935.65	£22,147.93
Band 9	18,000 - 24,999	£21,804.50	£9,941.20	£31,745.70
Band 10	25,000 - 49,999	£38,031.48	£17,339.50	£55,370.98
Band 11	50,000 - 74,999	£63,386.14	£28,899.32	£92,285.46
Band 12	75,000 - 99,999	£88,740.79	£40,459.14	£129,199.93
Band 13	100,000 - 124,999	£114,095.44	£52,018.97	£166,114.41
Band 14	125,000 - 149,999	£139,450.10	£63,578.78	£203,028.88
Band 15	≥ 150,000	£164,805.24	£75,138.85	£239,944.09

Worked example

A NAV would like to calculate UUW's charge for a commercial site with ten small user non-household customers and one large user customer. The large user would be charged using UUW's select 50 tariff if it was in UUW's area. The smaller users would be charged according to UUW's non-household volumetric rate.

The NAV is only interested in purchasing a water supply from UUW.

The NAV will pay the select 50 fixed charge, net of costs we incur when we interact with the non-household retail market, which is £19,091. We apply a 100 percent discount against all on-site meter standing charges.

The volumetric rate for the site is calculated using the weighted volumetric charge formula, using the volume weights set out in table 3 above:

$$\text{Volumetric charge} = \frac{\{([10 * 250] * 1.522) + ([1 * 75,000] * 1.365)\}}{([10 * 250] + [1 * 75,000])} = £1.370/\text{m}^3$$

Therefore, in addition to the fixed charge, the NAV will be charged £1.370/m³ for every unit of water recorded at the bulk supply meter. This unit rate will not change if actual consumption differs from assumed consumption.

NAVs can also use our online tool to calculate the volumetric charge for a mixed site. This tool is available [here](#).