

# Charges scheme rules compliance

## Household charges 2021/22

### 1. INTRODUCTION

This document sets out United Utilities Water Limited’s (“Uuw”) compliance with the Charges Scheme Rules published in March 2020 by the Water Services Regulation Authority. Compliance with the rules regarding infrastructure charges is documented as part of Uuw’s assessment against the rules applicable to all New Connection Services, and is therefore not included in this document. Against each requirement Uuw’s assessment of compliance against the household charges scheme is set out.

### 2. CHARGES SCHEME RULES FOR 2021/22

| Charges scheme rules reference | Charges scheme rules issued by the Water Services Regulation Authority, published March 2020  |
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|                                | <b>Introduction</b>   |
| 1.                             | These rules are issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991.   |
| 2.                             | The rules come into effect on 1 April 2020, replacing the rules that came into effect on 20 December 2018.  |
| 2A                             | The rules were reissued on 27 March 2020 to confirm that they will, from 1 April 2020, apply to the Isles of Scilly, as part of England.  |
| 3.                             | The rules apply to water undertakers and sewerage undertakers when they are making a charges scheme.  |
| 4.                             | The rules are supplementary to statutory provisions that apply to relevant undertakers under any enactment, or instrument made thereunder (including the conditions of their appointments), and in the event of any conflict between the rules and any statutory provision, the latter shall prevail. |
|                                | The appropriate set of rules (1 to 4) have been considered.   |

|    | Interpretation   |
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| 5. | Unless the context otherwise requires, in these rules: <ul style="list-style-type: none"> <li>• “charges scheme” means a charges scheme under section 143 of the Water Industry Act 1991;</li> <li>• “Charging Year” means a calendar year running from 1 April in a given year to 31</li> </ul> |

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March in the following year;

- **“domestic premises”** means any premises used wholly or partly as a dwelling or intended for such use;
- **“Income Offset”** means a sum of money offset against Infrastructure Charges in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of:
  - i. supplies of water to the premises connected to the new Water Main; or
  - ii. sewerage services to the premises connected to the new Sewer.

and **“Income Offsetting”** shall be construed accordingly.

- **“Infrastructure Charges”** means the charges described in section 146(2) of the Water Industry Act 1991.
- **“metered charge”** means a charge for services that are based wholly or partly on measured quantities of volume;
- **“the Minister”** means –
  - (a) in the case of an undertaker whose area is wholly or mainly in England, the Secretary of State, and
  - (b) in the case of an undertaker whose area is wholly or mainly in Wales, the Welsh Ministers;
- **“Mogden formula”** means the following formula:

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

where:

**R** = reception and conveyance charge [p/m<sup>3</sup>]

**V** = primary treatment (volumetric) charge [p/m<sup>3</sup>]

**Bv** = additional volume charge if there is biological treatment [p/m<sup>3</sup>]

**M** = treatment and disposal charge where effluent goes to sea outfall [p/m<sup>3</sup>]

**B** = biological oxidation of settled sewage charge [p/kg]

**Ot** = Chemical oxygen demand (COD) of effluent after one hour quiescent settlement at pH7

**Os** = Chemical oxygen demand (COD) of crude sewage after one hour quiescent settlement

**S** = treatment and disposal of primary sewage sludge charge [p/kg]

**St** = total suspended solids of effluent at pH7 [mg/litre]

**Ss** = total suspended solids of crude sewage [mg/litre]

- **“Network Reinforcement”** has the same meaning as in the charging rules for new connection services issued by the Water Services Regulation Authority under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991;
- **“new appointee”** means a company holding an appointment as a relevant undertaker where the conditions of that appointment limit the charges that can be fixed under a charges scheme by reference to the charges fixed by one or more other relevant undertakers;

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|    | <ul style="list-style-type: none"> <li>• <b>“New Connection Charging Rules”</b> means the Charging Rules for New Connection Services (English Undertakers) issued by the Water Services Regulation Authority under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991;</li> <li>• <b>“rateable value charge”</b> means a charge fixed wholly or partly by reference to a rating valuation list or otherwise determined, whether directly or indirectly, by reference to any value or other amount specified at any time in such a list or which purports to be so fixed or determined;</li> <li>• <b>“rating value list”</b> means a list which is or has at any time been maintained, for the purposes of rating, under section 41 of the Local Government Finance Act 1988, section 67 of the General Rate Act 1967 or any other enactment;</li> <li>• <b>“service”</b> includes the supply of water;</li> <li>• <b>“Sewer”</b> has the meaning given in the New Connection Charging Rules;</li> <li>• <b>“unmetered charge”</b> means a charge for services that are not based on measured quantities of volume to any extent; and</li> <li>• <b>“Water Main”</b> has the meaning given in the New Connection Charging Rules.</li> </ul> |
| 6. | Unless the contrary intention appears, words and expressions used in these rules have the same meaning as in any provision of the Water Industry Act 1991.   |
|    | The interpretation is understood and applied consistently.   |
|    | <b>Consumer Council for Water</b>  |
| 7. | Before making a charges scheme a relevant undertaker must consult the Consumer Council for Water about its proposed scheme in a timely and effective manner.   |
|    | The Consumer Council for Water (CCW) has been consulted during the development of 2021/22 charges and the charges scheme. More information on this engagement is included in the table attached to the assurance statement.  |
|    | <b>Bill stability</b>  |
| 8. | Undertakers should carry out a proportionate impact assessment whenever the nominal value of bills for a given customer type (assuming a constant level of consumption) is expected to increase by more than 5% from the previous year.  |
|    | No household customers are expected to experience bill increases of more than 5% in 2021/22 (assuming constant characteristics such as consumption).   |
|    | <b>Publication</b>   |
| 9. | Charges schemes must be published no later than the first working day of the February immediately preceding the Charging Year in relation to which they have effect.   |
|    | The Charges Scheme will be published on the United Utilities’ website in accordance with the required publication date.  |

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| 10. | Charges schemes must be published on a relevant undertaker's website and in such other manner as the undertaker considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by it.  |
|     | The Charges Scheme will be published on the United Utilities' website in accordance with the required publication date.  |
| 11. | Where a relevant undertaker has published or fixed standard charges otherwise than under a charges scheme for any services provided by that undertaker, charges schemes must state how customers may obtain a copy of such charges and, if applicable, where on a relevant undertaker's website those charges may be found.  |
|     | All regulated water and sewerage charges for household customers are contained within the household charges scheme.  |
|     | <b>Principles for determining the amounts of charges</b>   |
| 12. | Consistent principles and approaches must be applied to the calculation of charges for different classes of customers.   |
|     | Consistent principles and methodologies have been applied in the calculation of charges for different classes of customers.  |
| 13. | Charging structures must reflect the long run costs associated with providing the relevant service.  |
|     | Charges have been set predominantly based on AMP7 average costs, which are considered to best reflect forward looking long run costs. The majority of revenue is recovered through variable charges, based on the volume of water consumed / discharged or Rateable Value of properties (which are set based on an assumed volume). Charges for providing surface water drainage and highway drainage are based on the average costs of providing these services to household customers. |
| 14. | Charges for services provided to domestic premises must be fixed so that the average difference between metered charges and unmetered charges only reflects any differences in the costs of, and the additional benefits of, the provision of one service relative to the other.   |
|     | The difference between metered and unmetered charges reflects the principles and guidelines for water and sewerage service charges as published by Ofwat in October 2013.  |
| 15. | Differences between charges for services provided to larger users of water and charges for services provided to smaller users of water must only be based on cost differences associated with differential use of network assets, differential peaking characteristics, different service levels and/or different service measurement accuracy.  |
|     | There are no such differentials used in the calculation of the household charges.  |
| 16. | Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to larger users of water and charges for services provided to smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.  |

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|     | No peaking characteristics are used as a basis for differences in setting household charges.   |
| 17. | Charges for sewerage services must take into account the different pollutant loads associated with household foul sewage, non-household foul sewage, trade effluent, surface water draining from premises and surface water draining from highways.  |
|     | There are separate charges for foul water, trade effluent, surface water drainage and highway drainage, recognising different average pollutant loads for different services when setting these charges.   |
|     | <b>Assessed charges</b>  |
| 18. | <p>Charges schemes must allow a customer to choose to pay an assessed charge determined in accordance with this rule in the specified circumstances:</p> <p>(a) The type and amount(s) of an assessed charge must be determined in accordance with the following principles:</p> <ul style="list-style-type: none"> <li>(i) assessed charges should, as closely as practicable, reflect the metered charges that would apply in relation to the volume of water that is likely to be supplied; and</li> <li>(ii) the amount of an assessed charge payable by an individual who is the sole occupier of domestic premises (a single occupier assessed charge) should reflect the volume of water that is likely to be supplied to domestic premises occupied by one individual in the relevant area.</li> </ul> <p>(b) The specified circumstances for the purposes of this rule are where a water undertaker has received a measured charges notice in accordance with section 144A of the Water Industry Act 1991 but was not obliged to give effect to it because:</p> <ul style="list-style-type: none"> <li>(i) it is not reasonably practicable to fix charges in respect of the premises by reference to the volume of water supplied, or</li> <li>(ii) to do so would involve the incurring by the undertaker of unreasonable expense.</li> </ul> |
|     | The assessed charges for households are based on either the type of property (detached, semi-detached or other) or based on a single occupier. An assessed charge applies to larger household properties that either have a swimming pool (with capacity greater than 10,000 litres) or are larger than 250 m <sup>2</sup> in area and have six or more bedrooms. Charges reflect the metered charges that would apply in relation to the average volume of water likely to be supplied to those types of property.  |
|     | <b>Unmetered charges</b>   |
| 19. | <p>Charges schemes that include any unmetered charges must clearly state the basis on which those charges are fixed or determined and, in the case of rateable value charges, state:</p> <p>(a) which rating valuation list charges are fixed or determined by reference to; and</p> <p>(b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated.</p>   |

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|     | Unmetered charges (excluding assessed charges) are charged based on rateable value. The household charges scheme includes details of which rating valuation list is used in calculating a customer's charge, or the charges that will apply if there is no rateable value.   |
|     | <b>Wastewater charges</b>  |
| 20. | Sewerage undertakers' charges schemes must provide for a cost reflective reduction in the charges payable for the provision of sewerage services to any premises where the sewerage undertaker knows, or should reasonably have known, that surface water does not drain to a public sewer from those premises.  |
|     | Where a household customer is able to demonstrate that surface water from their property does not drain to a public sewer they will not incur the surface water charge.  |
| 21. | Sewerage undertakers must set out in their charges schemes how any reduction in the charges payable for the provision of sewerage services to any premises will be calculated if customers can demonstrate that they have significantly reduced the volume of surface water draining to a public sewer from their premises or explain why there is no such provision.  |
|     | In determining the surface water drainage charge for household customers, an assumption has already been made to recognise that, for an average customer, the full site area of the premises does not drain to a sewer. Therefore, the charge already includes an allowance for partial surface water drainage. It is not considered appropriate to measure the site area of individual household premises due to the high volume of administrative activities this would entail.  |
|     | <b>Trade effluent</b>  |
| 22. | Charges to be paid in connection with the carrying out of a sewerage undertaker's trade effluent functions must be based on the Mogden formula, a reasonable variant of the Mogden formula or on a demonstrably more cost reflective basis.  |
|     | Trade effluent charges are not applicable to the household charges scheme.   |
|     | <b>Social tariffs / Concessionary drainage charges</b>   |
| 23. | Charges schemes must state:<br>(a) whether or not undertakers have decided to include in the charges scheme:<br>(i) provision designed to reduce charges to community groups in respect of surface water drainage from their property (having had regard to any guidance issued by the Minister under section 43 of the Flood and Water Management Act 2010);<br>(ii) provision designed to reduce charges for individuals who would have difficulty paying in full (having had regard to any guidance issued by the Minister under section 44 of the Flood and Water Management Act 2010); and<br>(b) if any such provision is included, how eligible customers can apply for such reduced charges. |

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|            | <p>Section 23 a(i) above is not relevant to household charges.</p> <p>In relation to section 23 a(ii) there are schemes (WaterSure, Help To Pay and Back on Track) designed to reduce charges for household customers who struggle to pay. Details of these tariffs, including how eligible customers can apply for each tariff, are set out in the household charges scheme.</p>   |
|            | <b>Times and methods of payment</b>   |
| <b>24.</b> | Charges schemes must include provisions giving customers a reasonable choice as to the times and methods of payment of the charges fixed by the scheme.   |
|            | The household charges scheme set out a range of options available for customers to make payments.   |
|            | <b>New appointees</b>   |
| <b>25.</b> | Rule 9 does not apply to new appointees. Instead new appointees must publish charges schemes no later than the 22 February immediately preceding the Charging Year in relation to which they have effect.   |
|            | Not applicable.   |
|            | <b>Annex: Information requirements</b>  |
| <b>A1.</b> | <p>Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the charges schemes confirming that:</p> <p>(a) The company complies with its legal obligations relating to the charges set out in its charges schemes;</p> <p>(b) The Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;</p> <p>(c) The company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and additional information is accurate; and</p> <p>(d) The company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.</p> |
|            | UW's assurance statement, confirming the requirements, will be published and provided to the Water Services Regulation Authority by the required date.  |
| <b>A2.</b> | <p>With the exception of new appointees, each undertaker should provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker, and publish the statement, at least three weeks before the publication of the charges schemes.</p> <p>The statement should include the following:</p>   |

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|            | <p>(a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:</p> <ul style="list-style-type: none"> <li>(i) what size increase is expected;</li> <li>(ii) which customer types are likely to be affected; and</li> <li>(iii) the handling strategies adopted by the company or why the company considered that no handling strategies are required.</li> </ul> <p>(b) Details of any significant changes in charging policy by the company from the previous year.</p> |
|            | <p>UUW's statement of significant changes, addressing the requirements, will be published and provided to the Water Services Regulation Authority by the required date.</p>  |
| <b>A3.</b> | <p>In addition to the assurances set out in A1 above, new appointees' assurance statements must include assurance that their charges schemes offer:</p> <ul style="list-style-type: none"> <li>(a) levels of service at least comparable to the previous appointee's charges scheme;</li> <li>(b) prices that do not exceed those in the previous appointee's charges scheme for similar services; and</li> <li>(c) prices equivalent to those specified in the new appointee's application for each individual appointment or variation area.</li> </ul>  |
|            | <p>Not applicable.</p>   |