

Information notice

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Publication of wholesale charges and provision of information on special agreement

This information notice sets out the publication requirements for the 18 largest water companies ('the companies') on wholesale charges for the 2016-17 charging year.

It also explains how we expect this information to be provided in future years by large and small companies.

Finally, we set out the requirements in relation to special agreements and our intention to publish the special agreement register later this year.

Background

At present only a limited number of non-household customers across England and Wales can choose their retailer. Retailers provide customer facing services such as billing and metering of water and wastewater services.

From 1 April 2017, the UK Government is committed to allowing all non-household customers of water companies operating wholly or mainly in

England to choose their retailer. This is expected to increase the number of customers eligible to choose their retailer by approximately 1.2 million non-household customers.

In preparing for the retail market opening, in our final determinations of the 2014 price review (PR14) we set separate binding controls for wholesale services, household retail services and non-household retail services for the 18 largest water companies (see '[Defining retail services – a discussion paper](#)' for definitions of different services).

The determinations set the maximum revenue that companies are allowed to recover from customers and from non-household retailers for wholesale services. Companies are responsible for converting the maximum allowed revenues into annual charges.

In November 2014 we required the companies to provide us with their wholesale charges schemes (a schedule of charges that are

recovered against the wholesale control's allowed revenue) for the year 2015-16 by no later than 16 January 2015. See '[Approval of charges 2015-16 – information and requirements for large and small companies](#)'.

On 1 September 2015 we issued '[Consultation on charges scheme rules for 2016-17 and future developments](#)' (our September charging consultation), in which we said that we will issue an information notice asking companies to publish their 2016-17 wholesale charges, in January 2016.

Publication of 2016-17 wholesale charges

As per licence condition B, we require companies to publish their wholesale charges scheme on their website by no later than 14 January 2016.

The wholesale charges scheme must include charges for wholesale activities for both households and non-households for the year 2016-17. The

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

wholesale charges scheme must be clear and transparent.

Alongside this notice, we provide a standard wholesale schedule which we require companies to publish alongside their wholesale charges schemes.

In our September charging consultation we said that in future years we are minded to require companies to publish a disaggregated wastewater charge with transparency over the foul, highway drainage and surface water drainage components. We said that we would pilot this in the January 2016 publication of wholesale charges.

The wholesale schedule that we provide alongside this notice allows companies to submit a disaggregated wastewater charge.

Companies must ensure that their charges comply with all their legal obligations, including competition law.

Publication of wholesale charges in future years

The Water Act 2014 will require us to set charging rules for charges made by undertakers to water supply and sewerage licensees (access charges).

In our September charging consultation we set out our intention to consult on and issue wholesale charging rules in 2016, ahead of retail market opening in April 2017.

We also said that we will consult on a rule which will require companies to publish their wholesale charges scheme each year by no later than the first week of January.

In future, we could also require small companies (Cholderton and District Water and the new appointees) to publish wholesale charges. We will consult on whether and, if so, how we will require small companies to publish wholesale charges for charging years from 2017-18 onwards.

From 2017, we expect the publication of wholesale charges to be required by charging rules.

Special agreements

Companies are allowed to set charges for water and sewerage services that they provide either in accordance with a charges scheme or on the basis of an agreement with the person to be charged. We refer to these agreements as 'special agreements'.

We will publish the 2015-16 special agreement register later this year. The register will include information about special agreements as well as bulk supply transactions (bulk supply is the supply of water and/or sewerage services from one water company to another) between all water companies.

For 2016-17, we require all water companies to provide us with information about their existing

special agreements and bulk supply transactions by the end of February 2016 so that we can update and publish the special agreement register by May 2016.

We have published the template for special agreements alongside this notice. It is important that water companies complete both Part A and Part B on each table of the Special Agreement and Bulk Supply tabs of the template.

For the avoidance of doubt, the submission should include details about all new special agreements entered into since February 2015.

In accordance with section 142(6A) of the Water Industry Act 1991 (WIA91), water companies are also required to notify us of the provisions of any new special agreements they enter into with their customers.

We take new special agreements to include existing special agreements where new terms have been agreed.

Ofwat has been given the power to take formal enforcement action to enforce this new requirement, such as making an enforcement order under section 18 of WIA91, or imposing a financial penalty under section 22A of WIA91.

Companies should send information for the special agreements register and the provisions of new agreements to special.agreements@ofwat.gsi.gov.uk.

Enquiries

If you have any questions about this information note please email ynon.gablinger@ofwat.gsi.gov.uk.

More information

[Defining retail services – a discussion paper](#), May 2012

[Approval of charges 2015-16 – information and requirements for large and small companies](#), November 2014

[Consultation on charges scheme rules for 2016-17 and future developments](#), September 2015

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