
2021 WCDS Deferral Scheme – LP Briefing

- Scope of deferral scheme
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For full details, please refer to guidance document and technical documentation available on Scottish Water website:

<https://www.scottishwater.co.uk/Business-and-Developers/Licensed-Providers/Whats-New/Coronavirus/New-2021-Wholesale-Charges-Deferral-Scheme>

Scope of New Deferral Scheme

- ≤ 25 mm Metered, Unmetered & Drainage-only customers
- Does not apply to Trade Effluent charges
- Up to 100% of wholesale charges at SPID relating to May 2021 – 31 March 2022 can be deferred

Deferrals available for:

- **'Deferring Customers'** where extended payment arrangements agreed at retail level due to COVID
- **'Non-Engaging Customers'**
 - Retail charges are unpaid and overdue
 - Customer has not engaged in efforts to discuss payment arrangements during COVID
 - Debt recovery process is in progress
 - Up to 6 months deferral from 1 May 2021
- **Unmeasured Customers** – waiving of volumetric charges for unmeasured customers impacted by COVID and seeking to switch to metered charges will continue as per old 2020 WCDS scheme. To be eligible, must have pseudo meter, open reassessment request or be gap site where meter install wasn't feasible

Deferral Cap

Cap on Deferrals

- Up to 10% of Eligible Charges can be deferred
- Eligible Charges = LP's total charges for $\leq 25\text{mm}$ Metered, Unmetered & Drainage-only SPIDs (including value of previous deferrals)
- Cap will be calculated based on Eligible Charges and deferrals in any given month

Example:

- *LP's monthly charges for eligible Supply Points would have been £1 million before deferrals, comprising £950K in undeferred wholesale charges and £50K of agreed deferrals,*
- *Total Eligible Charges will be £1m and the monthly deferrals cap will be £100K i.e. 10% of £1 million.*
- Credit security required for increased cap above 10%

Removal of Deferral

LP to notify SW in following circumstances:

- **Deferred Customer** repays all deferred retail charges – wholesale deferral ends with backdated effect
- **Deferred Customer** stops deferring new retail charges – wholesale deferral ends from that date forward
- **Non-engaging Customer** engages during 6 month recovery process and agrees payment terms – redesignated as a **Deferred Customer**
- **Non-engaging Customer** pays any outstanding charges relating to scheme period – wholesale deferral ends with backdated effect
- **Unmeasured Customer** able to restart using water – waiving of volumetric charges ends from that date
- Customer transfers out to another LP – wholesale deferral ends from date of transfer

- If **Non-engaging Customer** fails to engage during 6 month recovery process – deferral removed at end of 6 months with backdated effect. **All Non-Engaging deferrals therefore removed on 1 Nov 2021**
- After any removal of deferral, charges become due at next scheduled settlement run
- All remaining deferrals automatically unwind in monthly instalments from Mar 22 – Jan 23 before RF run (May 21 deferrals removed in R4 run issued Mar 22, Jun 21 deferrals removed in R4 run issued Apr 22 etc.)

How to Apply

- Bulk applications via e-mail to WCDS@scottishwater.co.uk using simplified WCDS templates
- Declaration included with application (confirming SPIDs' eligibility for scheme)
- Applications accepted until 31 March 2022
- Separate templates for:
 - Application for Deferral (Deferred and Non-Engaging Customers)
 - Unmeasured Customers (waiving of volumetric charges)
 - Change of SPID from 'Non-Engaged Customer' to 'Deferring Customer'
 - Change of deferral % (forward looking only)
 - Removal of deferral – exiting the scheme
- Acknowledged within 1 day
- Eligibility check and application value checked against cap
- Responses typically within 5 business days

Settlement and Invoicing

Central Systems and Settlement

- Deferrals applied via D2006 Section 29E % Discount
- Unmeasured adjustments applied via D2015 Vacant flag – include 'WCDS' in D4003 Text Comment field
- Existing validation on vacancy transactions to be removed shortly – LPs will no longer need to apply to SW for validation code for BAU vacancy changes

Invoicing

- Once applied in Central Systems, deferrals will be applied at next scheduled settlement runs for affected period
- Credits and invoices will follow normal settlement processes and timetable
- As per WCDS, deemed charges (estimate of deferred charges, not payable at time of issue) invoiced at start of deferral, revised at each settlement run and cancelled at end – accounting safeguard in case of LP insolvency and POLR

Repayment

- Where deferrals removed during scheme (see slide 4), charges become due at next scheduled settlement run for affected period
- All remaining deferrals automatically unwind in monthly instalments from Mar 22 – Jan 23 via R4 settlement runs
- All R4 runs complete before 2021/22 RF run
- Deemed charges invoice cancelled at issue of R4 invoice

- *May 2021 R4 run issued March 2022 and invoiced May 2022*
- *June 2021 R4 run issued April 2022 and invoice June 2022 etc.*

Full schedule in Annex to guidance document on SW website:

<https://www.scottishwater.co.uk/Business-and-Developers/Licensed-Providers/Whats-New/Coronavirus/New-2021-Wholesale-Charges-Deferral-Scheme>