

Licensed Provider Information Note Regarding Dual-Use and Part Residential Premises

This guidance document should be read in conjunction with relevant market documents.

Background

Instigated by issues that arose during the Full Business Metering programme, Scottish Water has developed, with the Commission, a policy on how the wholesale market should deal with individual premises that are both dwellings and businesses. For ease of reference these premises are termed **dual-use premises**.

This paper explains:

1. the responsibilities of LPs and Scottish Water in relation to who raises bills for water and sewerage charges at dual-use premises;
2. for a sub-set of dual-use premises (around 2,700 premises) revisions to the Rateable Value used for charging; and
3. the circumstances under which customers can revert to unmeasured (household) or assessed charges.

This guide will allow Scottish Water and LPs to provide consistent advice to customers and answers to customers' queries. It is not intended for the guide to be generally issued beyond LPs.

The flow chart on page 6 depicts the appropriate charging arrangements explained throughout this document.

Identification of dual-use premises

Many situations of dual-use are self-evident. Hotels, pubs or shops or nursing/care homes with accommodation for staff are examples of dual-use premises where the business premises also functions as a dwelling. Examples of a dwelling being partially used for business purposes would be a guest-house, a private consulting room within a house or a garage used as a workshop. There are instances, such as running a business from a spare-bedroom where dual-use is less clear.

To make identification of dual-use premises easier, the existence of a Rateable Value and a Council Tax banding on the Local Council Regional Assessor's (**LCRA**) property record is generally used to signify that a premise is dual-use. Where the premises only has a Council Tax banding, it is a dwelling, and where it only has a Rateable Value it is a business.

There are some special circumstances that apply to this general rule.

- a. Premises such as farms, which are not subject to rates but which are obviously a dwelling and a business, are also treated as being dual-use.
- b. Nursing and care homes are generally considered to be business premises and therefore eligible premises for the purposes of the competitive retail market. However, as discussed above, premises such as these may be considered dual-use if for example, there is staff accommodation for wardens.

Dual-use premises with Apportionment Notes

The agreed position is that where the LCRA property record for a dual-use premises contains an **Apportionment Note** the property should be fully registered in the competitive retail market. A property record with an Apportionment Note will show the Council Tax banding and two Rateable Values – one being the value assigned to the existing business activity and a higher figure being the rateable value if none of the property was used as a dwelling.

This sub-group of dual-use premises is termed **Part Residential Premises**.

As a result of being completely in the competitive retail market household (council tax based) water and sewerage charges will not apply.

Being entirely in the competitive retail market, all Part Residential Premises should be metered wherever economical and practical. Accordingly, the water use at the premises, whether used in the accommodation or the business elements, will be recorded on the meter and will be reflected in charges.

The Rateable Value to be used for charging property and roads drainage (and assessed charges if the premises is not metered) is to be the full RV for the property rather than the lower “business only” RV. Please note, as prescribed in the Wholesale Charges Scheme, should the relevant Rateable Value not be available the Rateable Value currently assigned by the LRCA will be used.

The revised approach to charging at Part Residential Premises (i.e. dual-use premises with Apportionment Notes) is effective from 1 April 2011.

Scottish Water will work with LPs to ensure appropriate and co-ordinated communications with householders and business customers in Part Residential Premises.

Dual-use premises with no Apportionment Note

Dual-use premises with no Apportionment Note are to be treated as two entities: a dwelling and a business property. Household charges will apply to the dwelling and business charges to the business element. This is the current situation and therefore no revisions are required to existing arrangements.

If the property has been metered (recording all water use in the property), metered charges will be based on the recordings on the meter and applied to the business and both Council Tax and RV based property and roads drainage charges will apply to the dwelling and business respectively.

To clarify the application of the metered charges, the water meter recording consumption in both the dwelling and the business will be considered as being on the supply to the business and therefore in the competitive retail market. Bills for metered related and Rateable Value charges will therefore be raised by LPs. The occupier of the business can opt to counter charge the householder for metered related water and sewerage charges, subject to the Resale conditions (appended) contained in Scottish Water’s Charges Scheme.

Bills for Council Tax banding based Property and Roads drainage charges will be raised by Scottish Water.

Metering Dual-use and Part Residential Premises

Meter Installation

In addition to being able to install meters at business premises, Scottish Water can also install meters on common supplies to dual-use premises, including Part Residential Premises. Meter installation is always subject to being economical and practical.

All Part Residential Premises should be metered.

In general dual-use premises which have both a Council Tax Banding and a Rateable Value (the basic definition), are considered to be associated and therefore appropriate for being supplied through a single metered supply if any of the following are true:

- a) The premises are covered by an Apportionment Note i.e. they are Part Residential Premises.
- b) The owner or occupier of the dwelling is also the owner or occupier of the business.
- c) The dwelling cannot be sold separately from the business without modification.
- d) Access to either the dwelling or the business is subject to shared access arrangements (e.g. through buildings or across land).

The relationships above are termed an “association” and must be or have been true at the time of meter installation.

Meter Removal and Reverting to Unmetered Charges

In recognition that there may be challenges to dual-use supplies being metered, the following guidelines outline the circumstances which may result in the meter being removed or the dwelling being able to revert to the unmetered charges.

A metered supply to a dual-use, Part Residential Premise (i.e. with an Apportionment Note) cannot be removed because it is a single entity entirely in the market.

A meter on a supply to a number of dual-use premises one of which is a Part Residential Premise (i.e. with an Apportionment Note) may be relocated to measure the Part Residential Premise only, where it can be proven that the above associations between the dual-use premises and the Part Residential Premise were not applicable at the time the original meter was installed. However the request must come from the owners/occupiers of the premise not associated to the Part Residential Premise. Scottish Water would separately review the association for the remaining dual-use premises and the suitability of metering those.

In dual-use premises where it can be proven that none of the associations above were true at the time of meter installation the household and the business each have the option to continue with the metered service or request an unmetered service^{1,2}, depending on whether or not they wish to continue with water re-sale.

¹ Requests for an unmeasured service will need to be supported with evidence that the dwelling and business have never been associated.

² The option of reverting to unmeasured is not available to households or businesses that create a dual-use scenario by dividing a property into two or more units without providing a new supply to the additional units.

Where the household and business wish to continue with water re-sale they will remain on their measured dual-use supply with the business re-selling water to the household.

In these dual-use situations with no association, if the householder does not want to continue with water re-sale they may request a review to change these arrangements and/or ask to revert to an unmeasured supply². If the householder opts for an unmeasured supply, Scottish Water will seek to relocate the meter onto the supply to the business premise alone or by exception, remove the meter. If the meter is removed, Scottish Water will then need to consider whether or not it is appropriate for the business to have an unmeasured supply with water use calculated through assessment³. If Scottish Water considers assessment is not appropriate Scottish Water will need to find an alternative approach. If Scottish Water considers assessment is most appropriate but the business insists on keeping a metered supply, the business will need to pay to separate the supply. The householder will normally revert to unmeasured charges based on their Council Tax band, unless the householder wishes to pay to separate the supply and receive metered charges.

In these dual-use situations with no association, if the business does not want to continue with their water re-sale arrangements they may request a review to change these arrangements². Scottish Water will seek to relocate the meter onto the supply to the business premise alone or by exception, remove the meter. If the meter is removed, Scottish Water will then need to consider whether or not it is appropriate for the business to have an unmeasured supply with water use calculated through assessment. If Scottish Water considers assessment is not appropriate Scottish Water will need to find an alternative approach. If Scottish Water considers assessment is most appropriate but the business insists on keeping a metered supply, the business will need to pay to separate the supply. The householder will normally revert to unmeasured charges based on their Council Tax band, unless the householder wishes to pay to separate the supply and receive metered charges.

In dual-use premises associated only by any of factors b, c or d (i.e. excluding Part Residential Premises), the business or the householder may pay to separate the business and domestic supplies². The business or the householder may also pay to separate the supply if a premises that was previously associated has since become disassociated.

Where supplies are to be separated, approval must be sought from Scottish Water. Scottish Water will require a distinct new connection to a Scottish Water main at the expense of the applicant. Scottish Water will meter all separate business supplies where practicable and economical.

The revised approach to charging at Dual-use Premises is effective from 1 April 2011.

³ Re-assessment is appropriate if it accurately reflects the business water use.

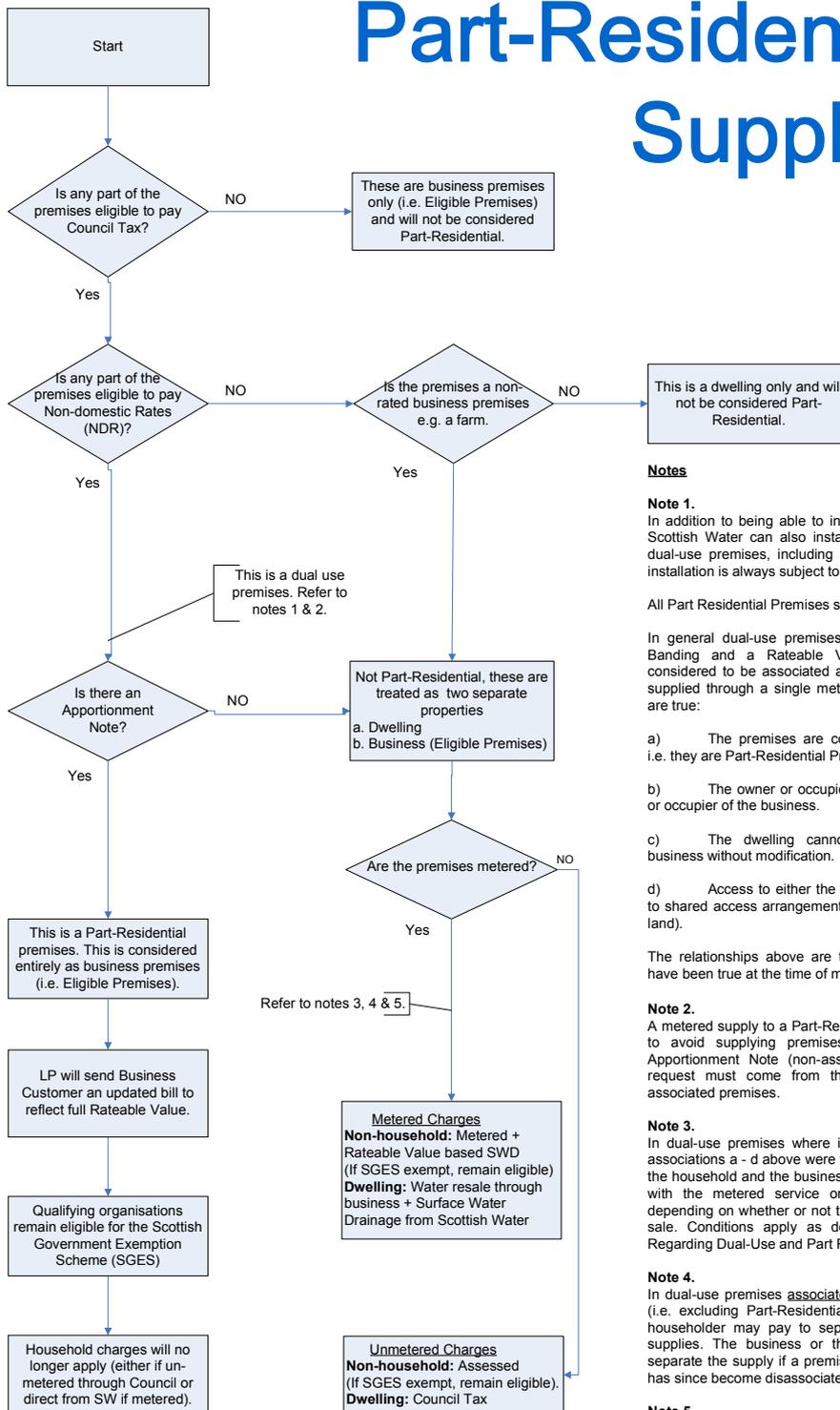
Vacancy

At dual-use premises with metered supplies, should the business element become vacant the responsibility for applying household charges will revert to Scottish Water. If the supply is unmetered, full unmeasured household water and sewerage charges will continue to apply.

At Part Residential Premises, irrespective of whether the supply is metered or not, should the business element become vacant the responsibility for applying household charges will revert to Scottish Water.

Neil Hemings
Economic Regulation Manager
May 2014

Part-Residential Supplies



Notes

Note 1.

In addition to being able to install meters at business premises, Scottish Water can also install meters on common supplies to dual-use premises, including Part-Residential Premises. Meter installation is always subject to being economical and practical.

All Part Residential Premises should be metered.

In general dual-use premises which have both a Council Tax Banding and a Rateable Value (the basic definition), are considered to be associated and therefore appropriate for being supplied through a single metered supply if any of the following are true:

- The premises are covered by an Apportionment Note i.e. they are Part-Residential Premises.
- The owner or occupier of the dwelling is also the owner or occupier of the business.
- The dwelling cannot be sold separately from the business without modification.
- Access to either the dwelling or the business is subject to shared access arrangements (e.g. through buildings or across land).

The relationships above are termed an "association" and must have been true at the time of meter installation.

Note 2.

A metered supply to a Part-Residential Premise may be relocated to avoid supplying premises that are not covered by the Apportionment Note (non-associated premises). However, the request must come from the owners/occupiers of the non-associated premises.

Note 3.

In dual-use premises where it can be proven that none of the associations a - d above were true at the time of meter installation the household and the business each have the option to continue with the metered service or request an unmetered service, depending on whether or not they wish to continue with water resale. Conditions apply as described in the Information Note Regarding Dual-Use and Part Residential Premises.

Note 4.

In dual-use premises associated only by any of factors b, c or d (i.e. excluding Part-Residential Premises), the business or the householder may pay to separate the business and domestic supplies. The business or the householder may also pay to separate the supply if a premises that was previously associated has since become disassociated.

Note 5.

The option of reverting to an unmeasured supply (as mentioned in Notes 3 & 4 above) is not available to households or businesses that create a dual-use scenario by dividing the property into two or more units without providing a new supply to the additional units.