

# **Yorkshire Water Wholesale Large User Tariff Policy**

**April 2019**

# Version Control

Date	Version	Changes	Withdrawn
01/04/2019	1.0	There is a new application methodology for the Large User Tariff from the 1 <sup>st</sup> April 2019. Moved from annualised to monthly, reducing the front loading of the charges giving a benefit to the retailer.	

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# 1. Purpose

- The purpose of this policy is to provide clarity to Retailers regarding the application of the Large User Tariff (previously known as Falling Block Tariff) for the charging year 2019/20 and onwards.
- Prior to April 2019 the application methodology of the Large User Tariff has been included in the Yorkshire Water Wholesale Charges scheme, but after consulting with Retailers we have taken the decision to publish a policy to provide more detail and worked examples.
- This document is intended to be used by retailers with a Water Supply and/or Sewerage Licence (WSSL).

# 2. Scope

- The scope of this policy is limited to Non-Household charges only.
- The Large User Tariff charging methodology has changed from the 1<sup>st</sup> April 2019.
- This policy will provide clarity on how the application of the Large User Tariff has changed in 2019/20 compared to previous charging years.
- Provide examples for how the Large User Tariff was applied prior to April 2019.
- The Large User Tariff only applies to Supply Points and Discharge Points that use above 50,000m<sup>3</sup> per annum.

# 3. Assurance

- This policy has been verified and reviewed using a two-level assurance process.
- For level one assurance in business operations, this document was prepared by the Market Operations Client Relationship Manager and the Manager of Market Operations who carried out a review and approval.
- For level two assurance, the document has been reviewed by the Director of Regulation.

# 4. Approach

This policy has been prepared in conjunction with the following documents:

- Wholesale Retail Market Codes  
[www.mosl.co.uk/market-codes/codes](http://www.mosl.co.uk/market-codes/codes)
- Ofwat Wholesale Charging Rules guidance  
[www.ofwat.gov.uk/wp-content/uploads/2019/01/18-12-20-Wholesale-charging-Rules.pdf](http://www.ofwat.gov.uk/wp-content/uploads/2019/01/18-12-20-Wholesale-charging-Rules.pdf)

## 5. What has changed?

- The application methodology of the Wholesale Large User Tariff between April 2017 and March 2019 was included in the charging scheme for those respective years. However, following feedback from Retailers we have provided a number of worked examples to provide more clarity. These can be found in the *Appendix: Large User Tariff Application 01/04/2017 to 31/03/2019*.
- A new application methodology for the Large User Tariff has been adopted from 1st April 2019. The change has been driven following the feedback we received from retailers during a consultation conducted in September 2018. This new way of charging will remove the front loading of the tariff providing a benefit to Retailers.

## 6. Introduction to Large User Tariff

- A Large User Tariff is a tariff whereby the unit rate charged for consumption decreases as the volume consumed at a Supply Point level increases. The reduced unit rate applies from a point where a consumption exceeds a specific threshold.
- Where a threshold is exceeded, the volume consumed below the threshold remains chargeable at the higher rate, and the marginal consumption is chargeable at the new lower rate.

## 7. Responsibilities

### 7.1 Wholesaler responsibility (water and/or waste water company)

It is Yorkshire Water's responsibility to:

- Conduct within year tariff adjustments for Supply Points which exceed the bands as set out in the Wholesale Charges Scheme.
- Validate Large User Tariff contiguous premises where Supply Points have been granted volumetric adjustments
- Perform end of year tariff adjustments for those Supply Points who have met or failed to meet individual thresholds.
- Ensure that each customer has the correct tariff applied and Yorkshire Water reserve the right to amend a Supply Point tariff if they deem an error has been made.

### 7.2 Retailer responsibility

It is the Retailer's responsibility to:

- Supply actual readings within market defined timescales (see section 8.4 Damaged and Inaccessible Meters for those meters which are unavailable).
- Submit a query if they believe the Supply Point is on the wrong tariff. This can be done via SWIM-Pool using the H5 form. If you require help with SWIM-Pool please contact your admin super user or contact the Yorkshire Water Wholesale Service Desk.

- Raise appropriate bilateral forms if meter(s) are damaged or inaccessible due to H&S. A bilateral form guide can be found on our website – [link](#). Please refer to this if you are unsure which form to use.
- Supply calculated discharge volumes for Discharge Points as required by the Wholesale Retail Code, including within set timescales.

## 8. Large User Tariff Application

### 8.1 Background

- Prior to April 2019 Yorkshire Water has applied the Large User Tariff (also referred to as Falling Block Tariff) on an annualised basis which is consistent with the pre-market Charges Scheme.
- The Central Market Operating System (CMOS) does not have the capability of applying the annualised Large User Tariff automatically as designed in our charging scheme.
- The Settlement engine within CMOS has a settlement quantum of one day, so it does not aggregate consumption from the start of the financial year to current month and is therefore unable to apply the falling block tariff automatically.
- To ensure charges are applied in compliance with the Wholesale Charges Scheme, the appropriate tariff at Supply Point level is applied manually in CMOS by Yorkshire Water.

### 8.2 How the tariff bandings are applied

- With effect from 1 April 2019, a new methodology has been adopted to streamline the calculation of Large User Tariff settlement charges in CMOS. During the charging year Yorkshire Water will utilise the functionality in CMOS so that Large User Tariff charges will be calculated on a monthly rather than annualised basis, subject to a later annualised reconciliation.
- During and at the end of the year Yorkshire Water will reconcile this monthly based charge in arrears to the annualised methodology and will amend the tariff data where required so that the final charge is based on annualised consumption.
- Yorkshire Water have completed a detailed analysis and can confirm that no customer will either benefit or be adversely affected by this change.
- For the avoidance of doubt during the year, measured water Supply Points will receive the monthly application by having tariff code MW1YWS applied.
- For measured sewerage Supply Points, the tariff code MS1YWS will be applied.
- For Trade Effluent Discharge Points which are eligible for Falling Block, the TE1YWS tariff code will be applied.
- For those customers within the York Waterworks supply area, the MW1YOR tariff will be applied. These transactions will be submitted in retrospect in the week commencing 1 April 2019.
- Yorkshire Water will amend the tariff applied in retrospect once actual meter reads have been supplied for each Meter associated to the supply point. This will be done using the FW1YWS/FW2YWS/FW3YWS tariffs for Water Supply Points, the FS1YWS/FS2YWS/FS3YWS tariffs for Sewerage Supply Points and finally the TF1YWS/TF2YWS/TF3YWS tariff codes for Trade Effluent Discharge Points.

- All Supply Points and Discharge Points will be periodically reviewed by the Yorkshire Water Settlements Team to ensure the most appropriate tariff is applied.
- If a Retailer fails to provide evidence through meter reads that the Supply Point has met the threshold for eligibility, then Yorkshire Water reserve the right to not apply the Large User Tariff.

## 8.3 Examples of Large User Tariff application

The following examples should be used in conjunction with the Wholesale Charges Scheme.

<https://www.yorkshirewater.com/business/wholesale-charges/>

**Table 1: Wholesale Large User Tariff Charge for 2019/20**

Bandings	Measured Water MW1YWS (p/m <sup>3</sup> )	Measured Sewerage MS1YWS (p/m <sup>3</sup> )
Banded Tariff: <50 MI/a	134.53	164.96
Banded Tariff: >50 to 250 MI/a	85.22	133.05
Banded Tariff: >250 MI/a	72.46	121.42

### Example 1. Monthly basis consumption of Water on a Supply Point with single meter

A Supply Point is configured on Tariff code MW1YWS with effect from first day of the charging year.

Meter 1		
Read Date	Read Value	Read Type
01/04/2019	0	Visual
31/05/2019	25000	Visual
31/07/2019	55000	Visual

- In this instance, CMOS would apply the tariff automatically based upon a pro-rata of the volumetric bands associated with the tariff. As band one of the MW1YWS tariff is for the first 50,000m<sup>3</sup> per year, this would mean that the 50,000m<sup>3</sup> would be split by the number of days within the year.
- For 2019, this would give 50,000/365 so 136.99m<sup>3</sup> per day.
- Band two of the MW1YWS tariff is between 50,000m<sup>3</sup> and 250,000m<sup>3</sup> per year. This would equate to 200,000m<sup>3</sup>/365 so 547.94m<sup>3</sup> per day in 2019.
- 25,000m<sup>3</sup> used between 1 April and 31 May. This gives an average consumption of 409.84m<sup>3</sup> per day (25,000m<sup>3</sup>/61 [Number of Days between 01/04/2019 to 31/05/2019]).
- April would be charged on 30 days worth of 409.84m<sup>3</sup> so a total volume of 12,295.20m<sup>3</sup>.
- 30 days worth of 136.99m<sup>3</sup>/day would give a total volume of 4,109.70m<sup>3</sup> charged at the rate for band 1. The next 8,185.50m<sup>3</sup> would be charged at the rate for band 2.

Settlement charge for April using the MW1YWS 2019/20 rates above;

Band 1 =  $4,109.70\text{m}^3 * 134.53 \text{ p/m}^3$  = £5,528.78  
Band 2 =  $8,185.50\text{m}^3 * 85.22 \text{ p/m}^3$  = £6,975.68  
Total Charge = £12,504.46

CSD0207 details the full logic used to derive banded tariff applications if further clarification is required.

**Example 2. Annualised basis consumption of Water on a SPID with single meter where the monthly threshold is reached but not the annual threshold.**

A Supply Point is configured on Tariff code MW1YWS with effect from 1st day of the charging year.

Meter 1		
Read Date	Read Value	Read Type
01/04/2019	0	Visual
31/05/2019	25000	Visual
31/03/2020	40000	Visual

In this instance, the Tariff application date would be calculated as:

- MW1YWS tariff applied with effect from 1 April. CMOS calculates charges as per example 1.
- Consumption for the whole year is  $40,000\text{m}^3$
- As the annual threshold of  $50,000\text{m}^3$  has not been reached it is not eligible for the band two.
- In order to ensure charges at this Supply Point are correct, we would therefore apply the FW1YWS tariff from 01/04/2019 until the end of the charging year.

## 8.4 Damaged and inaccessible meters

- Where a meter is damaged or inaccessible for Health and Safety reasons, an agreed volumetric adjustment will be applied to allow for a Supply Point to be moved between volumetric thresholds once the volume requirements have been met. All adjustments need to be made ahead of the R3 settlement run publication dates for the periods of supply.
- The application for a volumetric adjustment is requested via a H1 - Application for an allowance and/or volumetric adjustment or Wholesaler notice of review and/or change of allowance form.
- An agreed volume will be submitted to CMOS via a T138.W message and will be derived using previous meter history or Metered Volume estimates based upon YVE / ILE / Meter Size where insufficient history is available.

## 8.5 Disagreements

- If a Retailer has a disagreement with a Large User Tariff application, then the Yorkshire Water escalation matrix should be followed.
- Please refer to the Financial section of the escalation matrix which can be found on the Yorkshire Water website [www.yorkshirewater.com/business/policies](http://www.yorkshirewater.com/business/policies)

## 9. Appendix

### 9.1 Large User Tariff Application 01/04/2017 to 31/03/2019

#### Introduction

- When the NHH retailer market first opened in April 2017 Yorkshire Water applied the Large User Tariff (also referred to as Falling Block Tariff) on an annualised basis which is consistent with the pre-market Charges Scheme. Following a consultation with Retailers it was discovered that the application of the Large User Tariff was difficult to understand so in response to that we have added some worked examples in this section.
- For the avoidance of doubt the rules that applied between 01/04/2017 and 31/03/2019 will continue to be applied for settlement months within that period.

#### How the Tariff bandings are applied

- Yorkshire Water had previously created individual tariff bands for each of the Large User Tariff bands within the Central Market Operating System (please see Table 2: Wholesale Large User Tariff 2017/18 & 2018/19). Historically, Yorkshire Water manually adjusted the applicable tariff band for each impacted Supply Point and Discharge Point by identifying the exact date where aggregated Supply Point or Discharge Point consumption has reached the threshold for the next consumption band.
- This was done by analysing “Actual” meter reads with the type of “Visual” or “Customer” for every meter linked to a Supply Point and creating an aggregate view of consumption for the Supply Point from the start of the charging year, including checks for vacant premise dates, and then retrospectively applying the appropriate tariff so that CMOS will accurately calculate charges. Please note that there are some exceptions to this application as set out in section 7.4 (Damaged and Inaccessible Meters).
- If a retailer fails to provide evidence through actual meter reads that the Supply Point has met the threshold for eligibility, then Yorkshire Water reserve the right to not apply the Large User Tariff.

**Table 2: Wholesale Large User Tariff 2017/18 & 2018/19**

Tariff Name	Band	Volume band, Ml	Unit rate, £ (2017/18)	Unit Rate, £ (2018/19)
Measured Water Falling Block 1	FW1YWS	0-50	1.2496	1.3165
Measured Water Falling Block 2	FW2YWS	50-250	0.7916	0.8340
Measured Water Falling Block 3	FW3YWS	>250	0.6731	0.7090
Measured Sewerage Falling Block 1	FS1YWS	0-50	1.5258	1.5925
Measured Sewerage Falling Block 2	FS2YWS	50-250	1.2306	1.2844
Measured Sewerage Falling Block 3	FS3YWS	>250	1.1230	1.1722
Measured Water Falling Block 1	FW1YOR	0-50	0.6920	0.7290
Measured Water Falling Block 2	FW2YOR	50-250	0.6078	0.6403

Tariff Name	Band	Volume band, Ml	Unit rate, £ (2017/18)	Unit Rate, £ (2018/19)
Measured Water Falling Block 3	FW3YOR	>250	0.6078	0.6403
Trade Effluent Falling Block 1	TF1YWS (Reception Only)	0-50	0.4455	0.4658
Trade Effluent Falling Block 2	TF2YWS (Reception Only)	50-250	0.2514	0.2629
Trade Effluent Falling Block 3	TF3YWS (Reception Only)	>250	0.1680	0.1756

## 9.2 Examples of Large User Tariff application

The following examples should be used in conjunction with the Wholesale Charges Scheme.

<https://www.yorkshirewater.com/business/wholesale-charges/>

### Example 1. Water Supply Point with single meter

A Supply Point is configured on Tariff code FW1YWS with effect from the first day of the charging year.

Meter 1		
Read Date	Read Value	Read Type
01/04	0	Visual
31/05	25000	Visual
30/07	55000	Visual

In this instance, the Tariff application date would be calculated as:

- 121 days between last read prior to charging year and first read to have crossed volumetric threshold.
- 55,000m<sup>3</sup> recorded across 121 days of charging year = 55,000 / 121 = 454.55 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 454.55m<sup>3</sup> daily consumption = 110 days
- Tariff application date would therefore be 20/07 as this is the day where the 50,000m<sup>3</sup> threshold was met.

### Example 2. Water Supply Point with multiple meters

A Supply Point is configured on Tariff code FW1YWS with effect from the first of the charging year.

Meter 1			Meter 2		
Read Date	Read Value	Read Type	Read Date	Read Value	Read Type
01/04	0	Visual	01/04	0	Visual
31/05	25000	Visual	31/05	12000	Visual
30/07	55000	Visual	30/07	22000	Visual

In this instance, the Tariff application date would be calculated as:

- 121 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Aggregate consumption of 77,000m<sup>3</sup> recorded across the two meters across 121 days of charging year = 77,000m<sup>3</sup> /121 days = 636.36 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 636.36m<sup>3</sup>daily consumption = 79 days
- Tariff application date would therefore be 18/06 as this is the day where the 50,000m<sup>3</sup> threshold was met.

### Example 3. Water Supply Point & Sewerage Supply Point with multiple meters and a Return to Sewer Value of 95%

A water Supply Point is configured on Tariff code FWIYWS with effect from the first day of the charging year.

Meter 1			Meter 2		
Read Date	Read Value	Read Type	Read Date	Read Value	Read Type
01/04	0	Visual	01/04	0	Visual
31/05	25000	Visual	31/05	12000	Visual
30/07	55000	Visual	30/07	22000	Visual

In this instance, the Tariff application date would be calculated as:

- 121 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Aggregate consumption of 77,000m<sup>3</sup> recorded across the two meters across 121 days of charging year = 77,000m<sup>3</sup> /121 days = 636.36 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 636.36m<sup>3</sup>daily consumption = 79 days
- Tariff application date would therefore be 18/06 as this is the day where the 50,000m<sup>3</sup> threshold was met.

For the paired Sewerage Supply Point, Tariff FS1YWS is applied from the start of the charging year. In this instance, the Tariff application date would be calculated as:

- 121 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Aggregate consumption of 77,000m<sup>3</sup> recorded across the two meters across 121 days of charging year then multiplied by 95% to show the volume of Water discharged back to sewer = 77,000m<sup>3</sup> \* 95% = 73,150m<sup>3</sup>
- 73,150m<sup>3</sup> /121 days = 604.55m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 604.55m<sup>3</sup> daily discharged volume = 83 days
- The tariff application date for the Sewerage Supply Point would therefore be 22/06 as this is the day where the 50,000m<sup>3</sup> threshold was met.

#### Example 4. Sewerage Supply Point with single meter linked to a Discharge Point (MDVol 100%)

A Sewerage Supply Point is configured on Tariff code MS1YWS with effect from the first day of the charging year. A Discharge Point is associated to Tariff code TF1YWS with effect from the first day of the charging year.

Trade Effluent Meter 1		
Read Date	Read Value	Read Type
01/04	0	Visual
31/05	25000	Visual
30/07	55000	Visual

In this instance, the Tariff application date would be calculated as:

- 121 days between last read prior to charging year and first read to have crossed volumetric threshold.
- 55,000m<sup>3</sup> recorded across 121 days of charging year = 55,000 /121 = 454.55 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 454.55m<sup>3</sup>/day discharged volume = 110 days
- TF2YWS Tariff application date would therefore be 20/07 as this is the day where the 50,000m<sup>3</sup> threshold for discharged volumes was met.

#### Example 5. Water Supply Point with a single meter and no Actual reads provided.

A Supply Point is configured on Tariff code FW1YWS with effect from the first day of the charging year.

Meter 1		
Read Date	Read Value	Read Type
01/04	0	Visual
31/05	25000	Visual
31/03	55000	Estimated

In this instance, the Tariff application date would not be calculated as the requirements for providing actual reads have not been met within the charging year.

#### Example 6. Water Supply Point with single meter and a mixture of Actual and Estimate meter readings are provided.

A Supply Point is configured on Tariff code FW1YWS with effect from the first day of the charging year.

Meter 1		
Read Date	Read Value	Read Type
01/04	0	Visual

31/12	65000	Estimated
31/03	55000	Visual

In this instance, the Tariff application date would only be calculated once an actual read is provided showing that the volumetric threshold has been met.

- 365 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Consumption of 55,000m<sup>3</sup> recorded across the 365 days of charging year = 55,000m<sup>3</sup> /365 days = 150.68 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 150.68m<sup>3</sup>daily consumption = 332 days
- Tariff application date would therefore be 26/02 as this is the day where the 50,000m<sup>3</sup> threshold was met.
- Should the Estimated read have been considered, the calculation would have looked like this:
- 274 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Consumption of 65,000m<sup>3</sup> recorded across the 274 days of charging year = 65,000m<sup>3</sup> /274 days = 237.23 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 237.23m<sup>3</sup>daily consumption = 211 days
- The tariff application date would therefore be 28/10 as this is the day where the 50,000m<sup>3</sup> threshold was met however this would lead to future settlement charges being incorrectly calculated as the tariff would have been applied before the true volumetric threshold had been met.

**Example 7. Water Supply Point with two meters – One damaged, one working and a mixture of Actual and Estimate meter readings provided.**

A water Supply Point is configured on Tariff code FW1YWS with effect from the first day of the charging year.

Meter 1			Meter 2 (damaged)		
Read Date	Read Value	Read Type	Read Date	Read Value	Read Type
01/04	0	Visual	01/04	0	Visual
31/05	25000	Visual	31/05	12000	Estimated
30/07	55000	Visual	30/07	22000	Estimated
			01/08	0	Final Visual

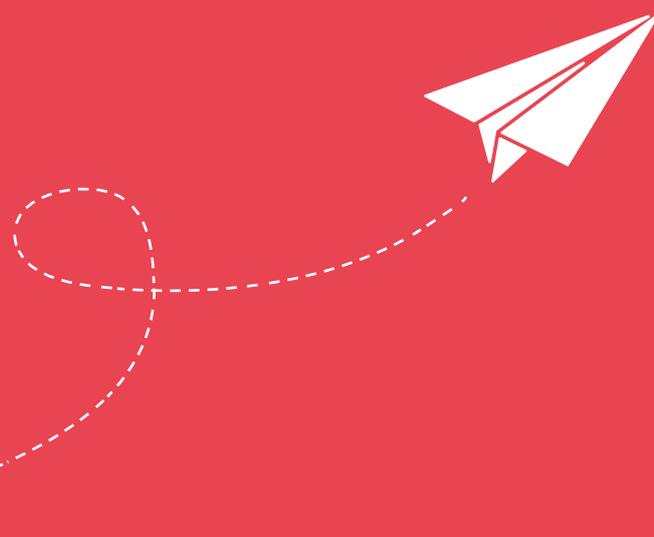
A T138.W Volumetric Adjustment has been applied to the Supply Point to account for the under-recording Meter. This is for 30,000m<sup>3</sup>. In this instance, the Tariff application date would be calculated as:

- 121 days between the start of the charging year and the latest reads showing to have crossed volumetric threshold.
- Aggregate consumption of 85,000m<sup>3</sup> recorded across the two meters across 121 days of charging year = 85,000m<sup>3</sup> /121 days = 702.48 m<sup>3</sup> per day
- 50,000m<sup>3</sup> threshold divided by 702.48m<sup>3</sup>daily consumption = 71 days

- Tariff application date would therefore be 11/06 as this is the day where the 50,000m<sup>3</sup> threshold was met once the volumetric adjustment was accounted for in the total Supply Point consumption.
- The inaccurate “damaged” readings on 31/05 & 30/07 would also be removed

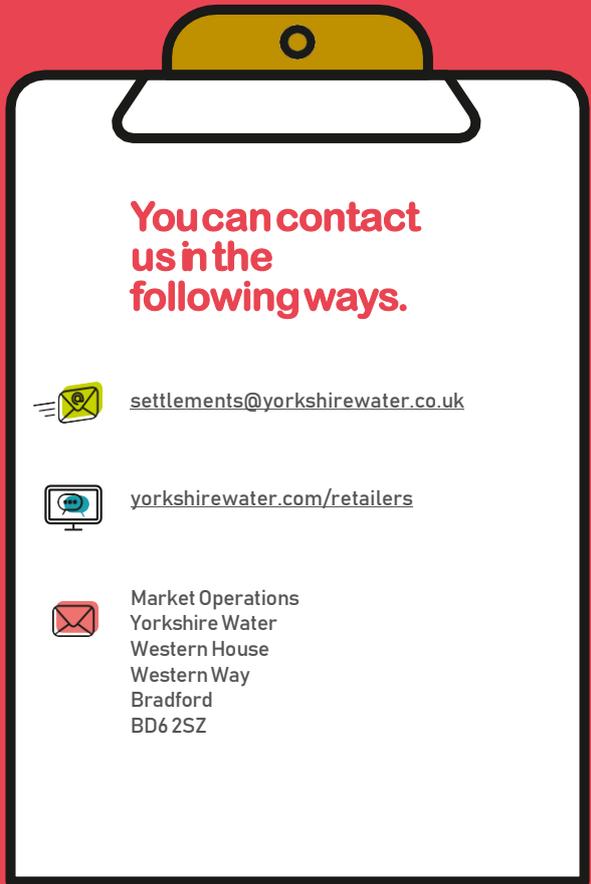
**Table 3: Wholesale Large User Tariff CMOS Codes**

Description	CMOS Tariff Code	CMOS TARIFF NAME
Banded Tariff: <50 ML/a	FS1YWS	Measured Sewerage Falling Block 1
Banded Tariff: >50 to 250 ML/a	FS2YWS	Measured Sewerage Falling Block 2
Banded Tariff: >250 ML/a	FS3YWS	Measured Sewerage Falling Block 3
Banded Tariff: <50 ML/a	FW1YOR	Measured Water (York) Falling Block 1
Banded Tariff: >50 to 250 ML/a	FW2YOR	Measured Water (York) Falling Block 2
Banded Tariff: >250 ML/a	FW3YOR	Measured Water (York) Falling Block 3
Banded Tariff: <50 ML/a	FW1YWS	Measured Water Falling Block 1
Banded Tariff: >50 to 250 ML/a	FW2YWS	Measured Water Falling Block 2
Banded Tariff: >250 ML/a	FW3YWS	Measured Water Falling Block 3
Banded Tariff: <50 ML/a	TF1YWS	Trade Effluent Falling Block 1
Banded Tariff: >50 to 250 ML/a	TF2YWS	Trade Effluent Falling Block 2
Banded Tariff: >250 ML/a	TF3YWS	Trade Effluent Falling Block 3
Banded Tariff: 0 to >250 ML/a	MW1YWS	Measured Water



## Questions about this policy

If you have any questions about this policy you can use the contact details provided on this page.



### You can contact us in the following ways.



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