

**SCOTTISH WATER  
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing  
Table N1 : Transfer Pricing Summary (Capex)**

Report Year 2013-14

1 2 3 4 5 6 7 8 9 10 11

**Block A: Market Testing**

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover (Col 9) %
	Wholesale	Scottish Water Solutions 2 Ltd	412,581,610	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with solutions 2	74,143,144	74,269,144	99.83%
	Wholesale	Scottish Water Solutions 2 Ltd	92,272	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS2 formation, and internal benchmarking.	92,272	74,269,144	0.12%
	Wholesale	Scottish Water Horizons	63,460		Nielston Waste Water Upgrade	Benchmarking exercise undertaken using framework partners	63,460	14,742,418	0.43%
	Wholesale	Scottish Water Horizons	4,915		Alice Bank Pumping Station	Framework contractor used who has previous experience of working with Scottish Water. Due to the low value no further tendering was undertaken	4,915	14,742,418	0.03%
	Wholesale	Scottish Water Horizons	35,699		Dalmuir Water Supply	Framework from previous formal competitive tendering	35,699	14,742,418	0.24%
	Wholesale	Scottish Water Horizons	19,484		Dundonald Camp Survey	Framework from previous formal competitive tendering	19,484	14,742,418	0.13%

**Block B: Cost Allocation. Recharges to Associate from Core**

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
	Wholesale	Scottish Water Solutions 2 Ltd			
		- project costs, including overhead, incurred on 'allocated' capital projects	7,743,163	74,269,144	10.43%

**Block C: Cost Allocation. Recharges to Core from Associate**

Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
<b>Scottish Water Solutions 2 Ltd</b>	<b>Wholesale</b>			
Delivery of the capital programme		74,143,144	74,269,144	99.83%
Request for Additional Services. Design and construction work		92,272	74,269,144	0.12%
		<b>74,235,415</b>	<b>74,269,144</b>	<b>99.95%</b>
<b>Scottish Water Horizons</b>				
Developer Support Work carried out		123,557	14,742,418	0.84%
		<b>123,557</b>	<b>14,742,418</b>	<b>0.84%</b>

**SCOTTISH WATER  
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing  
Table N.2: Transfer Pricing Summary (P&L)**

Report Year 2013-14

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**Block A: Market Testing**

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover(Col 9) %

**Block B: Cost Allocation. Recharges to Associate from Core**

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
	<b>Wholesale</b>	<b>Scottish Water Solutions 2 Ltd</b>			
		- secondment of staff from SW to SWS2	576,852	74,269,144	0.78%
		- support services IT	250,172	74,269,144	0.34%
		- support services Property	249,594	74,269,144	0.34%
		- support services Fleet	64,982	74,269,144	0.09%
		- support services Customer Service Contact Centre	18,000	74,269,144	0.02%
		- Financial Services	80,536	74,269,144	0.11%
		- Travel	41,522	74,269,144	0.06%
		- Facilities	5,248	74,269,144	0.01%
		- Employee Benefits	850	74,269,144	0.00%
			<b>1,287,756</b>	<b>74,269,144</b>	<b>1.73%</b>
	<b>Wholesale</b>	<b>Scottish Water Business Stream Ltd</b>			
		- support services IT Service Charge	138,799	364,242,732	0.04%
		- support services Treasury, Tax & Insurance	58,962	364,242,732	0.02%
		- support services Internal Audit	83,707	364,242,732	0.02%
			<b>281,469</b>	<b>364,242,732</b>	<b>0.08%</b>
	<b>Wholesale</b>	<b>Scottish Water Business Stream Ltd</b>			
		- Wholesale Water & Wastewater Charge	277,854,950	364,242,732	76.28%
		- Non Primary Meter Services	53,372	364,242,732	0.01%
		- Non Primary Supply Shut Off and Disconnections	875,490	364,242,732	0.24%
		- Non Primary Building Water Supplies	231,491	364,242,732	0.06%
		- Non Primary Inspections	99,139	364,242,732	0.03%
		- Non Primary Connections	861,412	364,242,732	0.24%
		- Verification Of Services	121,463	364,242,732	0.03%
			<b>280,097,316</b>	<b>364,242,732</b>	<b>76.90%</b>
	<b>Wholesale</b>	<b>Scottish Water Horizons</b>			
		Management & Support Recharge	15,731	14,742,418	0.11%
		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	780,757	14,742,418	5.30%
		Support Services Energy Efficiency Team	3,453	14,742,418	0.02%
		Support Services Aquatrine	183,000	14,742,418	1.24%
		Support Services Shipping Water	430,480	14,742,418	2.92%
		Support Services Asset Management	100,991	14,742,418	0.69%
		Support Services Contact Centre	22,000	14,742,418	0.15%
		ABM & Support Charge For Horizons	378,139	14,742,418	2.56%
		Support Services Property	48,892	14,742,418	0.33%
		IT Service Charge	103,548	14,742,418	0.70%
		Insurance Re-Charge	11,002	14,742,418	0.07%
		Legal Re-Charge	103,137	14,742,418	0.70%
		Payroll & Timesheet Recharges	56,910	14,742,418	0.39%
		Trade Effluent	13,249	14,742,418	0.09%
			<b>2,251,289</b>	<b>14,742,418</b>	<b>15.27%</b>
	<b>Wholesale</b>	<b>Scottish Water International</b>			
		Management & Support Recharge	59,231	1,240,283	4.78%
		Support Services Asset Management	3,032	1,240,283	0.24%
		Support Services Customer Service	2,365	1,240,283	0.19%
		Support Services Property	3,119	1,240,283	0.25%
		Finance Recharge	5,226	1,240,283	0.42%
		Insurance Recharge	11,454	1,240,283	0.92%
		Legal Re-Charge	9,948	1,240,283	0.80%
			<b>94,375</b>	<b>1,240,283</b>	<b>7.61%</b>
	<b>Wholesale</b>	<b>Non Core</b>			
	SW Wholesale	ABM Support Charge for Customer Operations	397,040	2,610,183	15.21%
			<b>397,040</b>	<b>2,610,183</b>	<b>15.21%</b>
	SW Wholesale	Recharged Support Activities for Aquatrine	32,512	2,610,183	1.25%
		Recharged Support Activities for Customer Ops & Retail	51,031	2,610,183	1.96%
			<b>83,543</b>	<b>2,610,183</b>	<b>3.20%</b>
	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	195,656	2,610,183	7.50%
	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	562,320	2,610,183	21.54%
	SW Wholesale	Test & Sample processing charge for Scientific Services	916,530	2,610,183	35.11%
	SW Wholesale	Material & Contractor Charge for Legal & Estates	8,400	2,610,183	0.32%
	SW Wholesale	Lab Plant & Veh Cross Charge for Rechargeable Works	94,666	2,610,183	3.63%
	SW Wholesale	Material & Contractor Charge for Rechargeable Works	71,922	2,610,183	2.76%
			<b>1,849,493</b>	<b>2,610,183</b>	<b>70.86%</b>
	<b>Total SW (Regulated)</b>	<b>Total SW (Non Regulated)</b>	<b>2,330,076</b>	<b>2,610,183</b>	<b>89.27%</b>

**Block C: Cost Allocation. Recharges to Core from Associate**

Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
<b>Scottish Water Business Stream Ltd</b>	<b>Wholesale</b>			
Interest Paid to SWBS		204,405	364,242,732	0.06%
GSS Payment		96,171	364,242,732	0.03%
Gap Incentive - SWBS		1,236,662	364,242,732	0.34%
Vacancy Incentive - SWBS		813,250	364,242,732	0.22%
		<b>2,350,488</b>	<b>364,242,732</b>	<b>0.65%</b>
<b>Scottish Water Horizons</b>	<b>Wholesale</b>			
Customer Connections Services		73,524	14,742,418	0.50%
Food Truck Recharge		822	14,742,418	0.01%
Plan Provision Recharge		30,000	14,742,418	0.20%
		<b>104,346</b>	<b>14,742,418</b>	<b>0.71%</b>
<b>Scottish Water International</b>	<b>Wholesale</b>			
Payroll & Timesheet Recharges		15,971	1,240,283	1.29%
		<b>15,971</b>	<b>1,240,283</b>	<b>1.29%</b>