

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2014-15

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) %
1.1.1	Wholesale	Scottish Water Solutions 2 Ltd	426,560,666	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with Solutions 2	73,607,127	73,246,405	100.49%
1.1.2	Wholesale	Scottish Water Solutions 2 Ltd	154,913	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS2 formation, and internal benchmarking.	154,913	73,246,405	0.21%
1.2.1	Wholesale	Scottish Water Business Stream Ltd	66,943		Purchase of Microstrainer unit for Rosewell WWTW	Equipment originally hired from SWBS as it was required urgently to keep the site in compliance, the equipment worked so well that a request was made to SWBS to purchase the equipment as it was already in place.	50,074	320,092,443	0.02%
1.3.1	Wholesale	Scottish Water Horizons	233,754	6 Months	Dalmuir New Water Supply	Framework from previous formal competitive tendering	233,754	17,678,252	1.32%
1.3.2	Wholesale	Scottish Water Horizons	19,660	6 Months	Shieldhall WWTW Project	Framework from previous formal competitive tendering	19,660	17,678,252	0.11%
1.3.3	Wholesale	Scottish Water Horizons	51,095	2 Years	Munymusk Pumping Station Aberdeen	Completion of project linked to Stewart Milne Development funded through Infrastructure Charge. SW Horizons appointed due to competitive price and quick turnaround on project. SW Horizons worked with framework consultant on design work this work was tendered to 3 framework designers.	51,095	17,678,252	0.29%
1.3.4	Wholesale	Scottish Water Horizons	14,000	1 Year	Aberdeen Strategic Model	Framework from previous formal competitive tendering	14,000	17,678,252	0.08%
1.3.5	Wholesale	Scottish Water Horizons	9,017,560	1 Year	Sale of Renewable Energy Assets	All sales of assets were at cost.	9,017,560	17,678,252	51.01%

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) %
1.4.1	Wholesale	Scottish Water Solutions 2 Ltd - project costs, secondee and business support costs, incurred on 'allocated' capital projects	4,233,361	73,246,405	5.78%

Block C: Cost Allocation. Recharges to Core from Associate

Line Ref	Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
	Scottish Water Solutions 2 Ltd	Wholesale			
1.5.1	Delivery of the capital programme		73,607,127	73,246,405	100.49%
1.5.2	Request for Additional Services. Design and construction work		154,913	73,246,405	0.21%
			73,762,040	73,246,405	100.70%
	Scottish Water Business Stream Ltd	Wholesale			
1.6.1	Purchase of machinery		50,074	320,092,443	0.02%
			50,074	320,092,443	0.02%
	Scottish Water Horizons				
1.7.1	Sale of Renewable Energy Assets		9,017,560	17,678,252	51.01%
1.7.2	Developer Support Work carried out		318,510	17,678,252	1.80%
			9,336,070	17,678,252	52.81%

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2014-15

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) %

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			
2.1.1		- secondment of staff from SW to SWS2	492,430	73,246,405	0.67%
2.1.2		- support services IT	231,112	73,246,405	0.32%
2.1.3		- support services Property	199,134	73,246,405	0.27%
2.1.4		- support services Fleet	47,090	73,246,405	0.06%
2.1.5		- Financial Services	64,143	73,246,405	0.09%
2.1.6		- Travel	36,534	73,246,405	0.05%
2.1.7		- sundry	3,130	73,246,405	0.00%
			1,073,573	73,246,405	1.47%
	Wholesale	Scottish Water Business Stream Ltd			
2.2.1		- support services IT Service Charge	105,000	320,092,443	0.03%
2.2.2		- support services Legal	6,846	320,092,443	0.00%
2.2.3		- support services Treasury, Tax & Insurance	53,946	320,092,443	0.02%
2.2.4		- support services Internal Audit	85,021	320,092,443	0.03%
			250,812	320,092,443	0.08%
	Wholesale	Scottish Water Business Stream Ltd			
2.3.1		- Wholesale Water & Wastewater Charge	249,191,932	320,092,443	77.85%
2.3.2		- Non Primary Meter Services	60,733	320,092,443	0.02%
2.3.3		- Non Primary Supply Shut Off and Disconnections	608,345	320,092,443	0.19%
2.3.4		- Non Primary Building Water Supplies	388,590	320,092,443	0.12%
2.3.5		- Non Primary Inspections	93,771	320,092,443	0.03%
2.3.6		- Non Primary Connections	734,800	320,092,443	0.23%
2.3.7		- Verification Of Services	76,791	320,092,443	0.02%
			251,154,961	320,092,443	78.46%
	Wholesale	Scottish Water Horizons			
2.4.1		Management & Support Recharge	9,996	17,678,252	0.06%
2.4.2		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	2,288,855	17,678,252	12.83%
2.4.3		Support Services Aquatrine	183,816	17,678,252	1.04%
2.4.4		Support Services Shipping Water	435,874	17,678,252	2.47%
2.4.5		Support Services Asset Management	50,752	17,678,252	0.29%
2.4.6		Support Services Contact Centre	22,548	17,678,252	0.13%
2.4.7		ABM & Support Charge For Horizons	386,062	17,678,252	2.18%
2.4.8		Support Services Property	46,654	17,678,252	0.26%
2.4.9		Internal Audit Recharge	11,668	17,678,252	0.07%
2.4.10		Sampling Recharges	11,806	17,678,252	0.07%
2.4.11		IT Service Charge	103,548	17,678,252	0.59%
2.4.12		Insurance Re-Charge	12,906	17,678,252	0.07%
2.4.13		Legal Re-Charge	63,030	17,678,252	0.36%
2.4.14		Payroll & Timesheet Recharges	34,212	17,678,252	0.19%
2.4.15		Trade Effluent	13,722	17,678,252	0.08%
			3,655,250	17,678,252	20.68%
	Wholesale	Scottish Water International			
2.5.1		Management & Support Recharge	120,493	2,441,540	4.94%
2.5.2		Support Services Asset Management	50,616	2,441,540	2.07%
2.5.3		Support Services Customer Service	29,005	2,441,540	1.19%
2.5.4		Internal Audit Recharge	3,713	2,441,540	0.15%
2.5.5		Insurance Recharge	11,125	2,441,540	0.46%
2.5.6		IT Service Charge	77,730	2,441,540	3.18%
2.5.7		Legal Re-Charge	4,355	2,441,540	0.18%
2.5.8		Provision of documentation recharge	348,132	2,441,540	14.26%
			645,169	2,441,540	26.42%
	Wholesale	Non Core			
2.6.1	SW Wholesale	ABM Support Charge for Customer Operations	356,700	2,604,108	13.70%
			356,700	2,604,108	13.70%
2.6.2	SW Wholesale	Recharged Support Activities for Aquatrine	45,911	2,604,108	1.76%
2.6.3	SW Wholesale	Recharged Support Activities for Customer Ops & Retail	18,323	2,604,108	0.70%
			64,234	2,604,108	2.47%
2.6.4	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	190,499	2,604,108	7.32%
2.6.5	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	610,675	2,604,108	23.45%
2.6.6	SW Wholesale	Material & Contractor Charge for Legal & Estates	6,000	2,604,108	0.23%
2.6.7	SW Wholesale	Test & Sample processing charge for Scientific Services	923,943	2,604,108	35.48%
2.6.8	SW Wholesale	Material & Contractor Charge for Shared Service	29,197	2,604,108	1.12%
2.6.10	SW Wholesale	Material & Contractor Charge for Rechargeable Works	2,381	2,604,108	0.09%
			1,762,695	2,604,108	67.69%
	Total SW (Regulated)	Total SW (Non Regulated)	2,183,629	2,604,108	83.85%

Block C: Cost Allocation. Recharges to Core from Associate

Line Ref	Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
	Scottish Water Business Stream Ltd	Wholesale			
2.7.1	Interest Paid to SWBS		109,786	320,092,443	0.03%
2.7.2	GSS Payment		68,264	320,092,443	0.02%
2.7.3	Gap Incentive - SWBS		1,238,932	320,092,443	0.39%
2.7.4	Vacancy Incentive - SWBS		563,863	320,092,443	0.18%
2.7.5	Hire of Plant and Machinery from SWBS		16,869	320,092,443	0.01%
			1,997,715	320,092,443	0.62%
	Scottish Water Horizons	Wholesale			
2.8.1	Customer Connections Services		308,868	17,678,252	1.75%
2.8.2	Food Truck Recharge		1,560	17,678,252	0.01%
2.8.3	Plan Provision Recharge		29,614	17,678,252	0.17%
2.8.4	Research & Innovation Recharge		3,800	17,678,252	0.02%
			343,842	17,678,252	1.95%
	Non Core	Wholesale			
2.9.1	Lab Plant & Veh Cross Charge for Deerdykes		66,817	2,604,108	2.57%
2.9.2	Lab Plant & Veh Cross Charge for Rechargeable Works		30,636	2,604,108	1.18%
			97,453	2,604,108	3.74%