

**SCOTTISH WATER  
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2015-16

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	N/A	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with Solutions 2	34,532,651	34,561,801	99.92%
1.1.2	Wholesale	Scottish Water Solutions 2 Ltd	29,150	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS2 formation, and internal benchmarking.	29,150	34,561,801	0.08%
1.3.1	Wholesale	Scottish Water Horizons	82,205	8 months	Shawfair Infrastructure	Framework from previous formal competitive tendering	82,205	15,563,804	0.53%
1.3.2	Wholesale	Scottish Water Horizons	1,800	4 weeks	Portavadie Marina Flow and Pressure Test	Framework from previous formal competitive tendering	1,800	15,563,804	0.01%
1.3.3	Wholesale	Scottish Water Horizons	22,500	2 Years	Munymusk Pumping Station Aberdeen Replacement of Pumps and Pumping Main	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.	22,500	15,563,804	0.14%
1.3.4	Wholesale	Scottish Water Horizons	11,800	2Months	Margaret Drive Alexandria	Framework from previous formal competitive tendering	11,800	15,563,804	0.08%
1.3.5	Wholesale	Scottish Water Horizons	542,146	1 Year	Sale of Renewable Energy Assets	All sales of assets were at cost.	542,146	15,563,804	3.48%

**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 and business support costs, incurred on 'allocated' capital projects	3,725,946	34,561,801	10.78%

**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) %
<b>Scottish Water Solutions 2 Ltd</b>		<b>Wholesale</b>			
1.5.1	Delivery of the capital programme		34,532,651	34,561,801	99.92%
1.5.2	Request for Additional Services. Design and construction work		29,150	34,561,801	0.08%
			<b>34,561,801</b>	<b>34,561,801</b>	<b>100.00%</b>
<b>Scottish Water Horizons</b>					
1.7.1	Sale of Renewable Energy Assets		542,146	15,563,804	3.48%
1.7.2	Developer Support Work carried out		118,305	15,563,804	0.76%
			<b>660,451</b>	<b>15,563,804</b>	<b>4.24%</b>

**SCOTTISH WATER  
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2015-16

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) %
	<b>Wholesale</b>	<b>Scottish Water Solutions 2 Ltd</b>			
2.1.1		- secondment of staff from SW to SWS2	253,179	34,561,801	0.73%
2.1.2		- support services IT	204,687	34,561,801	0.59%
2.1.3		- support services Property	101,473	34,561,801	0.29%
2.1.4		- support services Fleet	18,974	34,561,801	0.05%
2.1.5		- Financial Services	17,572	34,561,801	0.05%
2.1.6		- Travel	52,238	34,561,801	0.15%
2.1.7		- sundry	484	34,561,801	0.00%
			<b>648,607</b>	<b>34,561,801</b>	<b>1.88%</b>
	<b>Wholesale</b>	<b>Scottish Water Business Stream Ltd</b>			
2.2.1		- support services IT Service Charge	8,750	281,586,814	0.00%
2.2.2		- support services Legal	11,138	281,586,814	0.00%
2.2.3		- support services HR	11,193	281,586,814	0.00%
2.2.4		- support services Treasury, Tax & Insurance	55,785	281,586,814	0.02%
2.2.5		- support services Internal Audit	78,920	281,586,814	0.03%
2.2.6		- support services miscellaneous Costs Billed to SWBS	258	281,586,814	0.00%
			<b>166,044</b>	<b>281,586,814</b>	<b>0.06%</b>
	<b>Wholesale</b>	<b>Scottish Water Business Stream Ltd</b>			
2.3.1		- Wholesale Water & Wastewater Charge	223,598,706	281,586,814	79.41%
2.3.2		- Non Primary Meter Services	82,611	281,586,814	0.03%
2.3.3		- Non Primary Supply Shut Off and Disconnections	327,825	281,586,814	0.12%
2.3.4		- Non Primary Building Water Supplies	221,510	281,586,814	0.08%
2.3.5		- Non Primary Inspections	121,620	281,586,814	0.04%
2.3.6		- Non Primary Connections	1,135,131	281,586,814	0.40%
2.3.7		- Verification Of Services	130,746	281,586,814	0.05%
			<b>225,618,148</b>	<b>281,586,814</b>	<b>80.12%</b>
	<b>Wholesale</b>	<b>Scottish Water Horizons</b>			
2.4.1		Management & Support Recharge	11,982	15,563,804	0.08%
2.4.2		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	1,115,791	15,563,804	7.17%
2.4.3		Support Services Aquatrine	225,530	15,563,804	1.45%
2.4.4		Support Services Shipping Water	427,379	15,563,804	2.75%
2.4.5		Support Services Asset Management	145,666	15,563,804	0.94%
2.4.6		Support Services Contact Centre	23,148	15,563,804	0.15%
2.4.7		ABM & Support Charge For Horizons	443,019	15,563,804	2.85%
2.4.8		Support Services Property	23,275	15,563,804	0.15%
2.4.9		Internal Audit Recharge	10,830	15,563,804	0.07%
2.4.10		Sampling Recharges	6,393	15,563,804	0.04%
2.4.11		IT Service Charge	103,572	15,563,804	0.67%
2.4.12		Insurance Re-Charge	19,953	15,563,804	0.13%
2.4.13		Legal Re-Charge	38,426	15,563,804	0.25%
2.4.14		Payroll & Timesheet Recharges	17,927	15,563,804	0.12%
			<b>2,612,891</b>	<b>15,563,804</b>	<b>16.79%</b>
	<b>Wholesale</b>	<b>Scottish Water International</b>			
2.5.1		Management & Support Recharge	56,445	1,758,310	3.21%
2.5.2		Support Services Asset Management	76,941	1,758,310	4.38%
2.5.3		Support Services Customer Service	16,685	1,758,310	0.95%
2.5.4		Insurance Recharge	12,379	1,758,310	0.70%
2.5.5		IT Service Charge	21,508	1,758,310	1.22%
			<b>183,957</b>	<b>1,758,310</b>	<b>10.46%</b>

**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) %
	<b>Scottish Water Business Stream Ltd</b>	<b>Wholesale</b>			
2.7.1		Interest Paid to SWBS	144,645	281,586,814	0.05%
2.7.2		GSS Payment	64,205	281,586,814	0.02%
2.7.3		Gap Incentive - SWBS	911,145	281,586,814	0.32%
2.7.4		Vacancy Incentive - SWBS	696,500	281,586,814	0.25%
2.7.5		Servicing of Microtrainer	1,827	281,586,814	0.00%
			<b>1,818,323</b>	<b>281,586,814</b>	<b>0.65%</b>
	<b>Scottish Water Horizons</b>	<b>Wholesale</b>			
2.8.1		Impact Assessment Charges	84,550	15,563,804	0.54%
2.8.2		Food Truck Recharge	614	15,563,804	0.00%
2.8.3		Plan Provision Recharge	31,560	15,563,804	0.20%
2.8.4		Research & Innovation Recharge	13,058	15,563,804	0.08%
2.8.5		Timesheet Recharge	4,491		
			<b>134,274</b>	<b>15,563,804</b>	<b>0.86%</b>

	Wholesale	Non Core			
2.6.1	SW Wholesale	ABM Support Charge for Customer Operations	301,380	2,724,660	11.06%
			<b>301,380</b>	<b>2,724,660</b>	<b>11.06%</b>
2.6.2	SW Wholesale	Recharged Support Activities for Aquatrine	42,758	2,724,660	1.57%
2.6.3	SW Wholesale	Recharged Support Activities for Condenbeath	333	2,724,660	0.01%
2.6.3	SW Wholesale	Recharged Support Activities forDeerdykes	13,339	2,724,660	0.49%
			<b>56,430</b>	<b>2,724,660</b>	<b>2.07%</b>
2.6.4	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	180,136	2,724,660	6.61%
2.6.5	SW Wholesale	Lab Plant & Veh Cross Charge for Cowdenbeath	73,392	2,724,660	2.69%
2.6.6	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	50,901	2,724,660	1.87%
2.6.7	SW Wholesale	Lab Plant & Veh Cross Charge for Deerdykes	77,810	2,724,660	0.00%
2.6.8	SW Wholesale	Material & Contractor Charge for Legal & Estates	8,004	2,724,660	0.29%
2.6.9	SW Wholesale	Test & Sample processing charge for Scientific Services	825,156	2,724,660	30.28%
2.6.10	SW Wholesale	Material & Contractor Charge for Shared Service	4,716	2,724,660	0.17%
2.6.11	SW Wholesale	Material & Contractor Charge for Rechargeable Works	567,305	2,724,660	20.82%
			<b>1,787,419</b>	<b>2,724,660</b>	<b>65.60%</b>
	<b>Total SW (Regulated)</b>	<b>Total SW (Non Regulated)</b>	<b>2,145,230</b>	<b>2,724,660</b>	<b>78.73%</b>