

SCOTTISH WATER

ANNUAL RETURN INFORMATION REQUIREMENTS

Revised following Query Process
Updated 24Aug18

Section N : Transfer Pricing

Table N1 : Transfer Pricing Summary (Capex)

Report Year 2017-18

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	1,356,033	1,356,033	100.00%
1.1.2	Wholesale	Scottish Water Horizons	4,892	10 Weeks	Whitehill Rd Rosewell	SWH Framework Contractors repaired existing collapsed Sewer whilst carrying out work to support building development	4,892	16,476,969	0.03%
1.1.3	Wholesale	Scottish Water Horizons	11,120	6 Months	Barrochan Cottage	Competitively priced using Framework Suppliers	11,120	16,476,969	0.07%

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) %

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) %
1.5.1	Scottish Water Solutions 2 Ltd Delivery of the capital programme	Wholesale	1,356,033	1,356,033	100.00%
			1,356,033	1,356,033	100.00%
1.7.1	Scottish Water Horizons Developer Support Work carried out		16,012	16,476,969	0.10%
			16,012	16,476,969	0.10%

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2017-18

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	43,875	1,356,033	3.24%
2.1.2		- support services IT	7,037	1,356,033	0.52%
2.1.3		- support services Property	4,853	1,356,033	0.36%
2.1.4		- Financial Services	4,458	1,356,033	0.33%
2.1.5		- Travel	3,510	1,356,033	0.26%
			63,733	1,356,033	4.70%
	Wholesale	Scottish Water Business Stream Ltd			
2.2.1		- support services Treasury, Tax & Insurance	97,604	356,155,204	0.03%
2.2.2		- support services Internal Audit	90,036	356,155,204	0.03%
			187,640	356,155,204	0.05%
	Wholesale	Scottish Water Business Stream Ltd			
2.3.1		- Wholesale Water & Wastewater Charge	143,435,007	356,155,204	40.27%
2.3.2		- Non Primary Meter Services	46,357	356,155,204	0.01%
2.3.3		- Non Primary Supply Shut Off and Disconnections	221,437	356,155,204	0.06%
2.3.4		- Non Primary Building Water Supplies	1,200	356,155,204	0.00%
2.3.5		- Non Primary Inspections	89,781	356,155,204	0.03%
2.3.6		- Non Primary Connections	421,259	356,155,204	0.12%
2.3.7		- Verification Of Services	46,265	356,155,204	0.01%
			144,261,306	356,155,204	40.51%
	Wholesale	Scottish Water Horizons			
2.4.1		Management & Support Recharge	11,902	16,476,969	0.07%
2.4.2		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	626,541	16,476,969	3.80%
2.4.3		Support Services Aquatrine	189,342	16,476,969	1.15%
2.4.4		Support Services Shipping Water	363,022	16,476,969	2.20%
2.4.5		Support Services Asset Management	424,542	16,476,969	2.58%
2.4.6		Support Services Contact Centre	23,724	16,476,969	0.14%
2.4.7		ABM & Support Charge For Horizons	384,600	16,476,969	2.33%
2.4.8		Support Services Property	16,379	16,476,969	0.10%
2.4.9		Internal Audit Recharge	16,248	16,476,969	0.10%
2.4.10		Sampling Recharges	11,034	16,476,969	0.07%
2.4.11		IT Service Charge	150,156	16,476,969	0.91%
2.4.12		Legal Re-Charge	6,646	16,476,969	0.04%
2.4.13		Payroll & Timesheet Recharges	62,439	16,476,969	0.38%
			2,286,574	16,476,969	13.88%
	Wholesale	Scottish Water International			
2.5.1		Management & Support Recharge	127,805	1,483,643	8.61%
2.5.2		Support Services Asset Management	45,847	1,483,643	3.09%
2.5.3		Support Services Customer Service	22,583	1,483,643	1.52%
2.5.4		Support Services Property	2,010	1,483,643	0.14%
2.5.6		IT Service Charge	61,951	1,483,643	4.18%
			260,197	1,483,643	17.54%
	Wholesale	Non Core			
2.6.1	SW Wholesale	ABM Support Charge for Customer Operations	238,627	2,074,617	11.50%
			238,627	2,074,617	11.50%
2.6.4	SW Wholesale	Support Lab Plant & Veh Cross Charge for Aquatrine	209,665	2,074,617	10.11%
2.6.7	SW Wholesale	Support Lab Plant & Veh Cross Charge for Deerdykes	1,037	2,074,617	0.00%
2.6.8	SW Wholesale	Material & Contractor Charge for Legal & Estates	6,000	2,074,617	0.29%
2.6.9	SW Wholesale	Test & Sample processing charge for Scientific Services	824,943	2,074,617	39.76%
2.6.10	SW Wholesale	Material & Contractor Charge for Customer Ops	39,421	2,074,617	1.90%
2.6.10	SW Wholesale	Material & Contractor Charge for Rechargeable Works	357,922	2,074,617	17.25%
			1,438,989	2,074,617	69.36%
	Total SW (Regulated)	Total SW (Non Regulated)	1,677,615	2,074,617	80.86%

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		1,176,489	356,155,204	0.33%
2.7.2	GSS Payment		27,686	356,155,204	0.01%
2.7.3	Gap Incentive - SWBS		589,440	356,155,204	0.17%
2.7.4	Vacancy Incentive - SWBS		23,383	356,155,204	0.01%
2.7.5	Hire & Maintenance of SAF Units		28,631	356,155,204	0.01%
			1,845,628	356,155,204	0.52%
	Scottish Water Horizons	Wholesale			
2.8.1	Impact Assessment Charges		71,631	16,476,969	0.43%
2.8.2	Agregates Recharge		17,957	16,476,969	0.11%
2.8.3	Plan Provision Recharge		32,354	16,476,969	0.20%
2.8.4	Timesheet Recharge		114,000	16,476,969	0.69%
2.8.5	Renewable Energy		191,336	16,476,969	1.16%
2.8.6	Test Centre recharge		31,952	16,476,969	0.19%
			459,230	16,476,969	2.79%