

Online consultation responses

21 March 2025

About You

1 Are you responding as an individual or on behalf of an organisation?

Organisation

Organisation Details

1 Name of organisation

Water Industry Commission for Scotland (WICS)

2 Is the water industry your primary area of focus?

Yes

3 What best defines the core activity of your organisation?

Non-departmental public body

Our Strategic Ambitions

1 Do you understand our Strategic Ambitions?

Yes

Our Challenges

1 Do you understand the challenges Scottish Water will be focussing on over the next 25 years?

Yes

2 To what extent do you agree with the challenges Scottish Water will be focussing on over the next 25 years?

Agree

Please consider the following comments together with WICS response in the letter dated 21 March 2025 (Response to Scottish Water Draft Long-term Strategy).

Scottish Water's identified challenges are broadly in line with those we listed in our Final Methodology; however, a few points need to be highlighted. In relation to Scottish Water's

assets, the draft Long-term Strategy highlights that existing assets were not designed for the weather patterns, service levels and customer demand we see today. Though these points may exacerbate the issue, we note that, even without these additional pressures, forecasts suggest a need to increase levels of asset replacement in the long term. This is in line with the analysis in the 'Asset replacement' decision paper, published in 2019 in advance of the SRC21 determination, which was fundamental to the long-term approach adopted during the 2021-27 Strategic Review of Charges. We understand that work to update this analysis is ongoing and look forward to reviewing it in Scottish Water's detailed Investment Strategy.

During the current regulatory period, the COVID-19 pandemic and cost-of-living crisis have significantly impacted the finances of Scottish Water and its customers. The lasting effects of this, and the expected upward price trends across utilities and other services going forward, are likely to be important considerations for customer affordability as well as Scottish Water's finances. WICS expects Scottish Water to explain how it will manage these and other potential economic pressures while delivering an appropriate level of investment.

Our Long-Term Outcomes

1 To what extent do you agree with the outcomes Scottish Water has identified?

Neither agree or disagree

Please consider the following comments together with WICS response in the letter dated 21 March 2025 (Response to Scottish Water Draft Long-term Strategy).

We welcome the move towards making the outcomes that customers can expect Scottish Water to deliver over the long-term clearer. We note that significant focus has been placed on outcomes and outputs in the work to develop the Business Plan tables for the 2027-33 Strategic Review of Charges which is set in the context of the long-term. Whilst WICS does not have a specific role in determining the long-term industry priorities and water industry policy choices, stakeholders and customers must understand what progress is being made in each regulatory period against the long-term objectives.

We note the draft Long-term Strategy states that Scottish Water has "considered how much this will cost, to understand how we [Scottish Water] can deliver the best value". While WICS recognises that the cost analysis will be of varying degrees of maturity, we look forward to reviewing Scottish Water's more detailed Investment Strategy as well as the investment requirements Scottish Water sets out in its Business Plan submission in June. WICS wants to understand the key underlying assumptions behind the cost analysis to allow us to assess the lowest reasonable overall cost for Scottish Water to deliver on Ministers' Objectives.

Our Long-Term Steps

1 To what extent do you agree with the steps Scottish Water has identified?

Agree

Please consider the following comments together with WICS response in the letter dated 21 March 2025 (Response to Scottish Water Draft Long-term Strategy).

WICS agrees that Scottish Water must ensure best value for money for its customers including through improvements in efficiency and productivity. As part of our work for SRC27, we will be assessing Scottish Water's scope for these efficiency improvements, as well as the cost, value

for money, and deliverability of the measures laid out in its Business Plan and the more detailed investment strategies.

2 If you are responding as an individual water user, do you understand the part you can play in supporting these steps? (if you are responding on behalf of an organisation, please go to Question 3)

Not Answered

3 If you are responding on behalf of an organisation, do you understand your role in helping us achieve these steps?

Yes

Please consider the following comments together with WICS response in the letter dated 21 March 2025 (Response to Scottish Water Draft Long-term Strategy).

Our methodology sets out how we will set charges for the 6 year period in the context of the long-term. We will assess the scope for efficiency and work with industry stakeholders to enable Scottish Water to deliver its contribution to the long-term sector vision, while providing the best value for money for current and future customers.

Supporting a Flourishing Scotland

1 Do you feel our Long-Term Strategy is easy to understand?

Yes

2 Overall, are you supportive of our Long-Term Strategy?

Don't know

3 Please provide further detail to support your answers to Question 1 and 2 and any other feedback you wish to share

WICS has selected 'Don't know' at this stage given that we do not have the full information available to form a view on whether we support the Long-Term Strategy. WICS will await the detailed investment strategies and business plan submissions before forming a view.

Please consider the following comments together with WICS response in the letter dated 21 March 2025 (Response to Scottish Water Draft Long-term Strategy).

Our draft and final Methodology documents set out that our approach for SRC27 places greater emphasis on evidence and analysis. This will be a key theme when we review submissions from Scottish Water going forward. While we welcome the draft Long-term Strategy, given the high-level nature of the document we do not yet have the evidence required to comment further at this stage. We look forward to reviewing Scottish Water's more detailed investment strategies and upcoming Business Plan.

A primary focus will be on the costs Scottish Water projects for the short-, medium- and long-term. Furthermore, we note that page 60 of the draft Long-term Strategy discusses the projected need to double investment over the next 25 years. WICS will consider whether Scottish Water and its supply chain can deliver such an increase in investment efficiently, and will consider the impact such an increase in investment will have on the affordability of customer charges, particularly in a world where there is an expected future upward price trend across utilities and other services. WICS looks forward to continuing to engage with Scottish Water in a mutually open and constructive way to address these issues as we work towards SRC27 and beyond.