

Strategic Review of Charges 2027-33

Draft Determination:
ensuring value in every drop



Foreword

On behalf of the Commission, I am pleased to introduce our Draft Determination on water and wastewater charges for 2027 to 2033.

This is an important moment for Scotland's water industry. Scottish Water's services are essential to our daily lives, our environment and our economy. The assets we rely on today have been built over generations, and the decisions we take now will shape how reliable, resilient and affordable those services remain in the years ahead.

Scottish Water is publicly owned, commercially run and independently regulated. That distinctive model gives WICS the opportunity to understand the company in depth, while maintaining our independence to enable us to challenge, make judgements on behalf of customers and hold the company to account.

In the last Strategic Review of Charges, we set indicative charges for 2027 to 2033 so Scotland could move gradually towards delivering the long term vision for the industry. By making steady and predictable progress, Scotland has avoided sudden charge increases for customers, and this continues to be recognised as a strength.

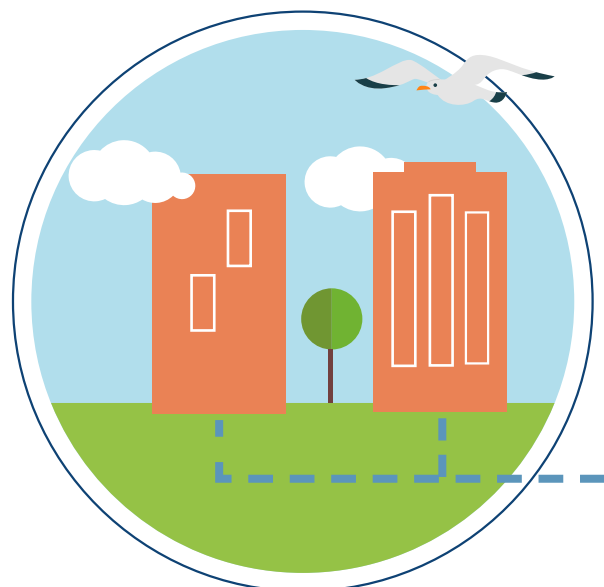
At the heart of this Draft Determination is a clear principle. If customers are asked to contribute more, there must be strong and transparent evidence to support that request. We have challenged Scottish Water to demonstrate that every investment is necessary, efficient and deliverable, and that it has done everything possible to manage costs before asking customers to pay more.



Customer views have been central throughout this process. Working with Scottish Water and Consumer Scotland, we have strengthened how customers can inform and influence decisions. It is encouraging to see how engaged customers become when they understand the service and the costs involved. We are also grateful for the engagement and insights provided by the quality regulators, SEPA and DWQR.

The Commission recognises the quality of Scottish Water's Business Plan, the depth of customer engagement and the detailed analysis carried out by the WICS team. Together, this has enabled a Draft Determination that supports essential investment, strengthens protections for customers and enables WICS to hold Scottish Water to account for delivery.

**David Satti,
Chief Executive**



Who we are

The Water Industry Commission for Scotland (WICS) is the independent economic regulator for water and wastewater services in Scotland. We protect customers by making sure Scottish Water delivers the services people rely on every day at the lowest reasonable cost, and that customers pay no more than is necessary—now and in the future.

We do this by setting stretching performance targets and capping how much Scottish Water can charge. This helps keep bills fair by ensuring customers pay only for the investment necessary to deliver safe, reliable and improving services.

What is the Strategic Review of Charges?

The Strategic Review of Charges is the process that sets water and wastewater charges in Scotland every six years. As part of each review, WICS asks Scottish Water to produce a detailed business plan for the next regulatory period, setting out what it plans to deliver and how much it expects to spend.

During the review process, Scottish Water carries out extensive, meaningful engagement with customers on its plans. This includes close engagement with environmental and water quality regulators to ensure the plan enables Scottish Water to meet legal requirements.







We protect customers by making sure Scottish Water delivers the services people rely on every day

Where we are now

Scottish Water provides services that people rely on every day: clean water flowing from taps, treating wastewater, and protecting rivers and coasts. This is becoming more challenging. Infrastructure requires regular maintenance while climate change is increasing the risk of flooding, pollution and disruption.

The main challenges include:

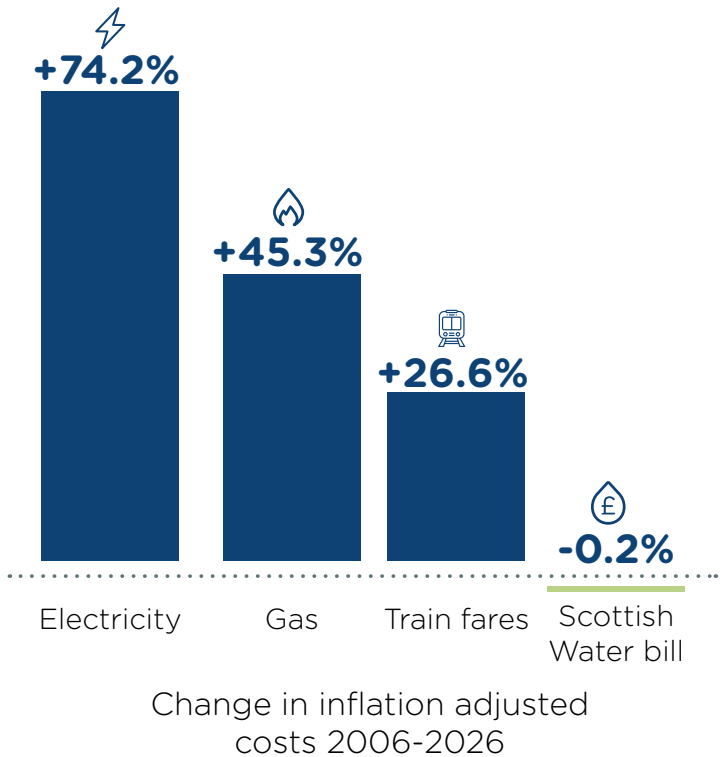
-  **Infrastructure and resilience** – Much of Scotland’s water and wastewater network was built decades ago and now needs to be replaced or upgraded
-  **Climate change** – More frequent extreme weather increases the risk of flooding, pollution and service disruption
-  **Cost pressures** – Scottish Water has to manage cost pressures such as additional energy costs in the same way as other companies
-  **Population change** – Changing patterns of where people live and work place new demands on existing systems

Addressing these challenges means investing more in Scotland’s water system and an increase in customer charges. No one welcomes higher bills. That is why our role as Scotland’s independent economic regulator is to make sure any increase is clearly justified and delivers real benefits for customers.

How this compares to others

We make sure customers pay no more than is necessary. Water bills have remained lower and more stable than other household costs such as energy and train fares. Our approach is to continue keeping bills fair and stable for customers throughout 2027-33.

How household costs have changed between 2006 and 2026



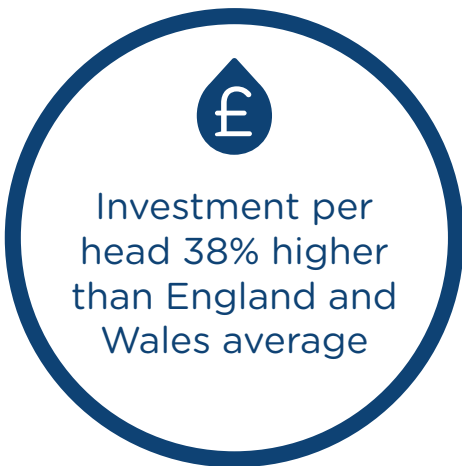
£↓
Bills £100 lower than the average in England and Wales

How we got here


Since 2002, Scottish Water has invested heavily in Scotland's water and wastewater services. Economic regulation in Scotland has delivered average household bills that are around £120 lower than would otherwise be the case without the efficiencies that we have required. Scottish customers pay some of the lowest water bills in the UK, and because Scottish Water is publicly owned, every pound collected is reinvested in the system.


Over time, bills in Scotland have remained broadly stable compared with elsewhere in Great Britain, while levels of investment have increased and service performance has improved.


In our last review of charges six years ago, we recognised that higher investment would be needed. We therefore set a steady, long-term path for charges to rise gradually avoiding sharp increases in bills. We are entering the next phase of investment from a stronger starting point.



Our draft decision

 **Saves customers over £140** in total before inflation by the end of 2027-33

 Average bills would rise by around **£12 per year before inflation, around £7 less than Scottish Water proposed**

 Limits the annual change in charges to **no more than 2% above inflation, with a further 0.3% available from 2030 only if uncertain and uncontrollable costs arise**

More ambitious performance targets resulting in:

- Saving 67 million litres of water currently lost through leaks each day by 2032-33, equivalent to 26 Olympic-sized swimming pools
- A 50% reduction in serious pollution incidents from Scottish Water's forecast of 8 in 2026-27 to 4 in 2032-33
- Reducing sewer flooding in homes from Scottish Water's forecast of 421 houses in 2026-27 to 342 in 2032-33, an 18.8% reduction

What Scottish Water proposed

Charges increasing by CPI+21.5% by 2033

£8.1 billion of investment

Higher operating costs

Performance targets in key measures

Major project costs still uncertain

Reducing leakage by 9.9%

99.95% drinking water compliance by the end of SRC27

24 fewer homes experiencing sewer flooding incidents compared to Scottish Water's forecast position in 2026-27 (around 420 homes)

143,600 tCO₂e of emissions from capital investment and 198,100 tCO₂e of total net emissions annually

Our draft decision

Set lower charge path of up to CPI+13.6% by 2033

Allowed £7.9 billion after challenge

A £216 million cost challenge over the period

Enhanced targets for 16 measures, particularly where customers told us it matters most

Added conditions before customers pay

Tackling leakage with an increased reduction of 15.7%

Enhanced drinking water quality with 99.97% compliance

80 fewer homes experiencing sewer flooding incidents compared to Scottish Water's forecast position in 2026-27

More progress towards net zero emissions, if West Central Bioresources proceeds

A decision that commands customers' support

Our draft decision reflects extensive engagement with customers and stakeholders. These views have directly shaped both the level of investment we have allowed, and the protections built into this draft decision.

Scottish Water tested its business plan through a collaborative programme of customer research, overseen by WICS and industry stakeholders. We have carefully reviewed this evidence to make sure investment plans and performance targets reflect customer priorities.

The research found support for, and acceptance of, Scottish Water's Final Business Plan, which was broadly considered to be balanced and sensible by participant household and non-household consumers.

Based on this research, Scottish Water has demonstrated its business plan has broad support from customers. This includes an annual change in charges of CPI+3.3% and an investment programme of £8,093 million.

As our draft decision delivers better outcomes for lower charges, we consider such a package consistent with the basis on which customers supported the business plan, and we are testing this through consultation.

The performance measures we have set focus on what matters most to customers, including strengthening targets for the four priority areas identified in customer research:

- 1 Drinking water quality
- 2 Reliable water supply
- 3 Reducing leakage
- 4 Internal sewer flooding

This customer research has also informed our views on introducing further customer protections:

- Conditional charge cap so that charges will only reflect costs that are certain and evidenced
- Stronger monitoring of Scottish Water's performance and investment programme

We expect Scottish Water to continue learning from customer insights as it plans and prioritises investment over time and ensure the voice of customers and communities is embedded in its decision-making.

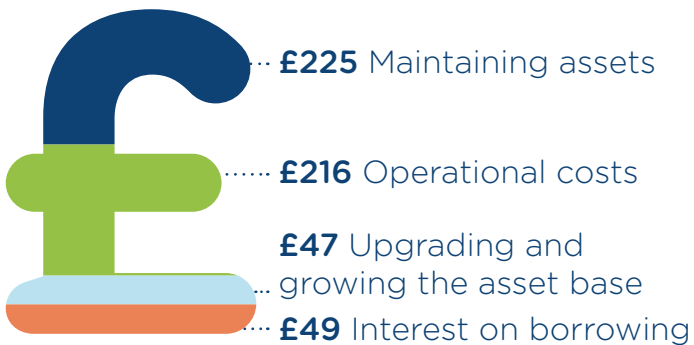


What this draft decision delivers

Our draft decision enables Scottish Water to deliver services customers rely on every day, while making measurable improvements where they matter most.

Fair bills for customers

Charges are capped and based on what can be delivered efficiently. Customers pay no more than is necessary for high-quality services. Today's average bill of £537 covers the following costs:



Improvements for our environment

£1,284 million of investment to reduce pollution, improve wastewater treatment, and protect rivers, coasts and the wider natural environment.

Protects our water and wastewater system




£4,926 million investment would support the renewal of pipes, mains and treatment works, helping to reduce leaks, prevent sewer flooding in homes and keep services reliable.

Challenges Scottish Water to deliver better performance

We have set challenging, yet achievable, service level measures and efficiency targets for Scottish Water that will improve the organisation's day to day performance where it matters most to customers.

Incentivises great customer service

Sets clear expectations for customer service and holds Scottish Water to account for delivering services customers can depend on every day including:

-  Fewer interruptions to water supplies
-  Fewer sewer flooding incidents than forecast in Scottish Water's business plan
-  Cleaner rivers and beaches

A greener, net zero Scotland

Increased investment to reduce emissions, improve energy efficiency and support the transition to net zero.

Supports Scotland's economy

Reliable water services are not only essential for homes and businesses, but they also underpin economic growth across Scotland.

Our Draft Determination allows Scottish Water funding to deliver growth and resilient services for households and businesses, ensuring services can meet Scotland's future needs.



How investment will be delivered

In SRC27 we continue the transition to an increased level of investment compared to previous periods. We have adopted a smooth transition, avoiding sudden material changes in charges.



£1,118 million to deliver excellent water quality and ensure resilient water supplies



£1,284 million to protect our natural environment and manage flooding



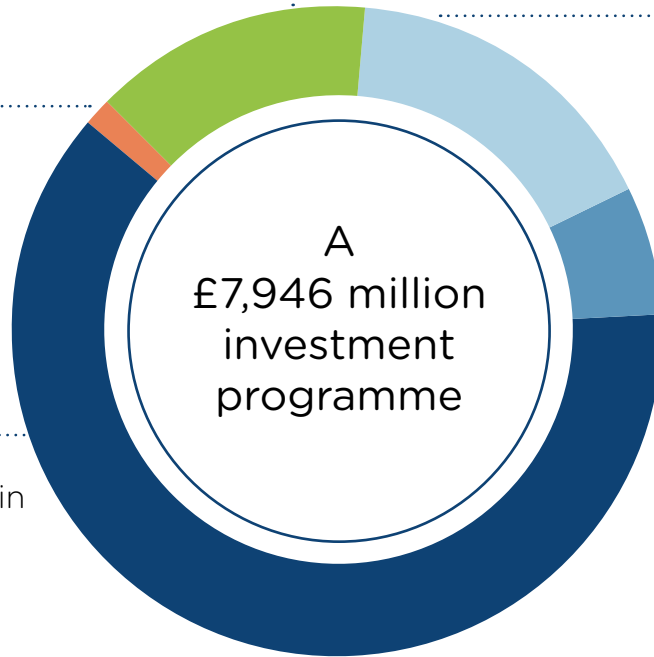
£510 million to adapt to a growing and moving population



£123 million to support services, adapt and mitigate against climate change, and other areas

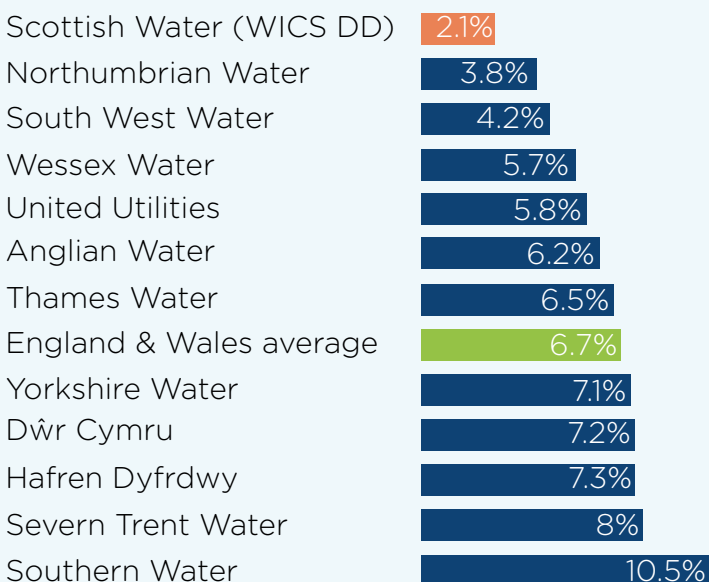


£4,911 million to maintain and renew our sewers, water mains and treatment works (net of the labour cost adjustment)

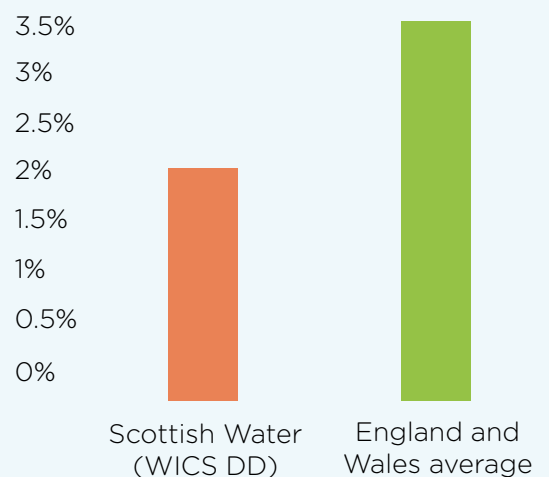


How this compares to others

Average annual real price increase comparison: PR24 versus SRC27



Average annual real price increase comparison between 2027-28 to 2029-30



What you will pay

The vast majority, over 99%, of household customers pay their water and wastewater charges based on their council tax band, with annual charges ranging from £435 for a Band A customer to £1,305 for a Band H customer in 2026-27. Under our draft decision, this will increase to £494 for a Band A customer and £1,482 for a Band H customer by 2032-33 before inflation (excluding discounts for those eligible).

We know households and businesses are under financial pressure. Keeping water charges fair and no higher than necessary is central to our role as Scotland's independent economic regulator. We only allow increases where they are clearly justified and supported by strong evidence.

Holding Scottish Water to account for its performance

Our draft decision sets out clearly what Scottish Water must deliver in return for the charges customers pay. We will closely monitor Scottish Water's performance on an ongoing basis to ensure it delivers on its commitments.

Throughout the 2027-33 period, we will:

- Track delivery against clear service, environmental and customer service targets
- Publish information on how Scottish Water is performing
- Use regulatory tools where commitments are not met

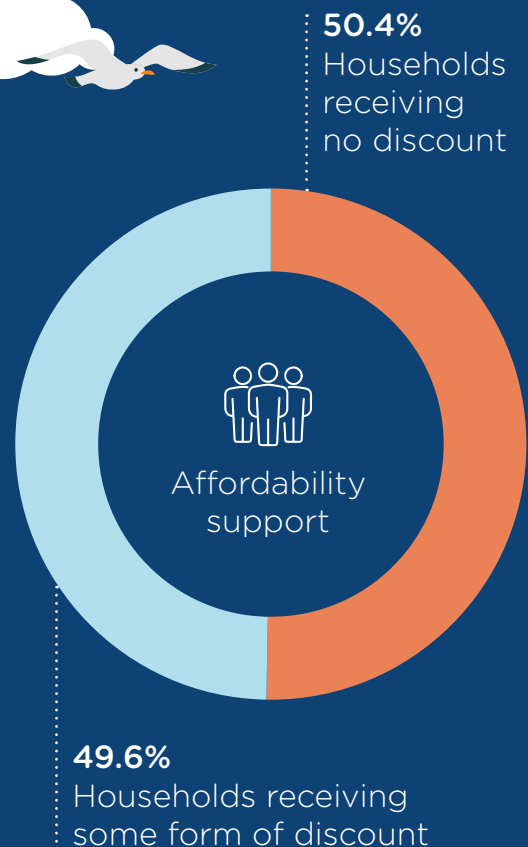
These checks and safeguards are designed to make sure that investment delivers real improvements and best value for customers, rather than simply higher spending.

Support for those who need it

We recognise that any increase in bills will be difficult for some households. In Scotland, there are protections in place to support customers who need help, including discounts and reductions set through the Scottish Government's Principles of Charging.

Around half of Scottish Water's household customers qualify for a discount or exemption, such as the single-person discount and the Water Charges Reduction Scheme (WCRS).

These discounts are worth a combined total of over £200 million, with the average discount for an eligible household reducing their bill by a third, or around £160 per year.



Next steps on the journey to our final decision

We are now inviting customers and stakeholders to respond to our draft decision.

The consultation is open from 30 June until 1 September 2026. We welcome your views on what we should consider in our final decision and anything else you would like to raise about Scottish Water's business plan.

Please respond via our website. We will publish a summary of responses alongside our final decision.

After considering responses to the consultation, we will publish our final decision on 29 October 2026. This will take effect from 1 April 2027 and be reflected in customer bills.

If Scottish Water does not wish to accept our final decision, it may ask us to refer the decision to the Competition and Markets Authority (CMA) for reconsideration.

Figures for investment and expenditure in this document are given in 2024-25 prices unless otherwise stated. Figures for bills and customer savings are given in 2026-27 prices unless otherwise stated.



**Share your views by
1 September 2026**

Visit
www.wics.scot/SRC27Consultation

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