

SCOTTISH WATER

Water Industry Commission for Scotland (WICS) Annual Return and Regulatory Accounts 2026

OVERVIEW

Note: Minor discrepancies between figures contained in this document and 2025/26
Tables and Commentary are due to rounding.

1	Executive Summary of Performance	3
1.1	Service Excellence	3
1.2	Going Beyond Net Zero Emissions	7
1.3	Capital Investment	7
1.4	Financial Sustainability	8
1.5	Transforming How We Work	10
1.6	Progress to date in meeting the Ministerial Objectives for 2021-27	10
1.7	Conclusion	14
2	Customer Experience - Levels of Service and Compliance	16
2.1	UK Customer Satisfaction Index (UKCSI)	16
2.2	Customer Experience Measures (CEM)	16
2.3	Overall Performance Assessment	18
2.4	Drinking Water Quality	20
2.5	Interruptions to Supply	22
2.6	Leakage	23
2.7	Wastewater Treatment Works Compliance	24
2.8	Environmental Pollution Incidents	25
2.9	Sewer Flooding	26
3	Beyond Net Zero Emissions	28
3.1	Energy Efficiency and Carbon Emissions	28
3.2	Renewables	30
4	Tier 1 Operating Expenditure (before LTNC items)	32
5	Capital Investment Expenditure	33
5.1	SR15 Completion Programme	34

Overview

1 Executive Summary of Performance

Our Long-Term Strategy outlines our three strategic ambitions: Service Excellence; Going Beyond Net Zero Emissions; and Delivering Great Value and Financial Sustainability. This overview reports on our performance and activities in 2025/26, the fifth year of the 2021 - 2027 regulatory period. We continue to deliver high quality services to customers and our key performance measures are at similar levels to the previous year.

1.1 Service Excellence

Total water quality compliance remained consistently high at approximately 99.91% (Line B10.15a) throughout 2025. However this represents a slight decrease from 2024 (99.93%) driven by reduced performance at storage points, consumer taps and *Cryptosporidium* compliance.

Consumer tap compliance decreased from 99.92% to 99.88% (Line B10.14), driven primarily by increased failures in chlorate and lead. In contrast, haloacetic acids (HAA) performance improved markedly, with failures reducing from 12 to 3, supported by treatment optimisation and favourable raw water conditions. Water treatment works (WTW) performance remained broadly stable, with incremental improvements (e.g. turbidity) (Line B10.1-14) while storage point compliance showed a slight decline (99.94% to 99.93% in 2025) (Line B10.14) due to increased coliform and *E. coli* detections. *Cryptosporidium* performance remains broadly stable, 15 detections occurred during 2025/26, which is an improvement from 2024/25. Overall, 2025/26 demonstrates stable high compliance with emerging insights from enhanced monitoring, targeted improvements in key risk areas, and continued investment in asset capability to strengthen long-term resilience. See section 2.4 Drinking Water Quality for further details.

Wastewater treatment works (WwTWs) performance under the OPA Total Compliance measure shows a clear deterioration, with the number of failing works increasing from 18 to 26 (Line B11b.29), reducing compliance to 95.5% across the 580 assets on the Annual Monitoring Plan. This increase is accompanied by a notable shift in the profile of failures, with upper tier failures rising to 69% of all parameters—an increase from 56% in 2024/25—indicating more severe or sustained non-compliance events. The Total Population Equivalent (TPE) associated with failing sites is reported as 356,184 in 2025/26 (Line B11b.30), compared with 696,092 in 2024/25, indicating a shift toward failures at smaller population centres. Alongside these performance changes, significant investment continues, with £112.1m allocated to live projects (including

£60.4m already committed), targeted at addressing River Basin Management Plan third cycle (RBMP3) pressures and achieving compliance by December 2027. 2025/26 reflects increased non-compliance in terms of assets and severity, but with a more targeted impact and a strong programme of investment and intervention in place to drive future improvements (Lines B11b.29–B11b.30).

In recent years there has been increasing public and stakeholder interest and scrutiny relating to overflows and overflow data. In December 2021 we published our Improving Urban Waters (IUW) routemap which set out our commitments to improve water quality to support Scotland's River Basin Management Planning (RBMP) objectives, install monitoring from all Combined Sewer Overflows (CSOs) that discharge to the highest priority waters, publication of overflow data to improve transparency, significantly reduce sewer related debris in the environment, and reduce overflows from the sewer network. As the data is now published, WICS requested that overflow data is included in the Annual Return (AR) from 2025. We invested £26 million through the Improving Urban Waters Routemap, our largest annual investment in this programme to date.¹ In 2025/26 the total number of new Event Duration Monitors (EDMs) (including Reported and Non-Reported and Other) was 2,124 (Line B8.10).

By the end of August 2026, we will publish verified 2025 annual overflow event data for approximately 1,000 locations that appeared on our Overflow Map during the year. We continue to install additional monitors, with new locations added to the live Overflow Map as they become operational. In March 2027, we plan to publish 2026 annual overflow event data for all locations included on the map (see section B8.6-10 of the AR26 Commentary for further details).

The number of Environmental Pollution Incidents (EPIs) decreased by 10 in 2025/26, totaling 193 (Line B11a.15) with 2 classified as serious Category 1 and 2 events, both related to wastewater which is a reduction of 2 from 2024/25. There were 191 Category 3 incidents (Line B11a.13), 185 of which were wastewater-related and 6 water-related. Only three of these incidents were linked to monitored sewer overflows—highlighting the effectiveness of early intervention. Notably, no serious Category 1 and 2 water-related incidents were recorded during 2025/26 (Line B11a9-12), same as 2024/25. See section 2.3 OPA and 2.8 EPIs for further detail.

The Overall Performance Assessment (OPA), performance has reduced by 2.99 points in 2025/26 to 413.81, however the performance continues to exceed the target range of 397 to 412 points. This result is testament to the hard work and dedication of our people, and our ongoing efforts to boost the resilience of our operations. The reduction in OPA score was primarily driven by a

¹ See *Water Sector Stakeholders AR26 Overview Supporting Documents folder Footnote 1 for further details*

reduction in drinking water quality due to extreme weather conditions and pressures on wastewater compliance from prolonged dry periods and delayed investment. Although the score has fallen by 2.99 points in 2025/26, improvements driven by the reduction in Category 1 and 2 EPIs have offset overall performance this year.

During 2025/26, prolonged periods of unusually warm, dry weather placed significant pressure on water resources from spring until late summer, requiring operational interventions to maintain secure supplies and reinforcing the urgency to strengthen resilience planning.

Extreme weather remains a major challenge, with some areas of Scotland receiving less than half their average rainfall in 2025 and parts of the south less than one third, while locations in Angus and Fife experienced up to ten consecutive months of below-average rainfall. These conditions heighten risks to water availability, quality, and ecosystems. In response, monitoring and operational readiness have been enhanced, although increasing weather volatility continues to present challenges. Recognising these risks are shared, collaboration has also been strengthened through initiatives such as the Climate Ready Infrastructure Scotland Forum, established with partners including Network Rail to support more coordinated, cross-sector approaches to resilience (2025/26 Annual Performance and Accounts Performance and Prospects).

2025/26 encountered a series of severe weather events and named storms, Floris (August), Amy (October), Bram (December), Chandra (January). Scotland faced extremes in weather from the exceptionally warm temperatures, significant intense rainfall events and flooding events, and prolonged freezing conditions and heavy snow. Storm Floris placed substantial pressure on operational resilience across water and wastewater assets. The storm caused widespread power outages, impacting over 75 water treatment works, more than 90 pumping stations (water and wastewater), and resulting in extensive generator deployment, tanker operations, and increased operational workload (>400% for Electrical and Mechanical teams). Despite these challenges, customer impact was minimal, with limited supply interruptions and targeted bottled water provision.

In January 2026, a sustained period of snow and ice followed by a rapid thaw led to the significant increase in demand of our water and wastewater networks. Distribution Input increased from 1857MI/d to 1999 MI/d in 3 days. Extreme weather conditions led to multiple asset access issues, alongside a surge in bursts and leakage. This required the mobilisation of repair teams and the deployment of 33 tankers across the country to support over 70 sites due to WTW failures, burst mains and stress on service reservoir levels due to increased leakage due to the thaw. Wastewater systems were similarly affected, with over 190 EPIs raised. Prolonged heavy rainfall in the north-east caused flooding of several wastewater treatment works and pumping stations, along with raw

water quality challenges at key treatment works. The North-East of Scotland received a month's worth of rain in roughly a week following Storm Chandra. January 2026 is among the top five wettest on record for the North-East of Scotland. Commendably, there were no significant customer impacts during the entire period of severe weather as a result of the coordinated planning and response, and sustained efforts of our operational teams throughout the severe winter weather and subsequent thaw.

Overall, these events demonstrate the increasing frequency and intensity of severe weather and the significant operational response required, while also highlighting the effectiveness of contingency measures and resilience planning in maintaining customer service continuity.²

² See *Water Sector Stakeholders AR26 Overview Supporting Documents folder Footnote 2 for further details*

1.2 Going Beyond Net Zero Emissions

Scottish Water delivered 4.51GWh of energy efficiency improvements in 2025/26 and has achieved ~49,000 tCO₂e cumulative reductions since 2021, with the operational carbon footprint falling to 207,243 tCO₂e in 2025/26 from 223,214 tCO₂e in 2024/25 (-7%), (Line C1.29), driven by lower grid emission intensity despite higher electricity use. Electricity consumption increased 4% to 499.939 GWh (Line C3.1a), with grid usage rising to 450.990 GWh (Line C3.1b) due to drought-related demand.

Scope 1 emissions reduced to 38,140 tCO₂e from 41,764 tCO₂e (Lines C1.4), supported by Hydrotreated Vegetable Oil (HVO) adoption, saving >500 tCO₂e (Line C1.1) while Scope 2 emissions decreased to 81,424 tCO₂e (Line C1.12). In 2025/26 Scope 3 emissions were reported to have decreased to 91,244 tCO₂e from the 93,829 tCO₂e originally reported in 2024/25.(Line C1.22) (not including water and wastewater chemicals). In 2025/26 the total Gross operational emissions (scope 1, 2 and 3) has reduced from 227,635 in 2024/25 to 210,808 (Line C1.27) mainly due to the the decrease in scope 2 emissions.

During 2025/26, Scottish Water also increased renewable generation capacity by 3.935 GWh, largely delivered by Scottish Water Horizons, but overall capacity fell by 7.375 GWh (Line C3.3) due to asset changes, including the sale of Deerdykes (-8.200GWh), decommissioning of Allanfearn Combined Heat and Power (CHP) (-2.280GWh), Saline hydro (-0.670GWh), and a small correction (-0.160GWh).

Despite this, total on-site renewable generation reached a record 64.939 GWh (Line C3.2a), with a further 25.825 GWh generated by PFI assets (Line C3.2a).

Investment continues to prioritise reducing grid reliance through energy efficiency (MA027) and a hierarchical renewables strategy (MA101), supported by projects such as solar installations and broader delivery via Scottish Water Horizons. See section 3 Beyond Net Zero Emissions for further details.

1.3 Capital Investment

Scottish Water continues to deliver one of the largest infrastructure investment programmes in Scotland, with a total planned investment of £6,135.3m, in outturn prices (IPS26.1), including SR15 Completion, and £4,502.9m, in 2017/18 prices, excluding SR15 Completion (Lines G1 and G10).

For 2026/27, a £9m outturn price adjustment (£6.3m in 17/18 prices) has been applied to align with available funding, reflecting agreed rephasing and additional targeted investment. In 2025/26, total

investment reached £1,153m (Line G1.58), including £896m on Tier 2 projects (Lines G1.77 + G1.78) comprising £246m Enhancement (Line G1.56), £62m Growth (Line G1.55), £14m SR15 Completion (Line G1.57), and £574m in asset replacement, planned repair and refurbishment (G6a filters), alongside £257m of responsive repair and refurbishment (Line G1.76), with a final outturn of £1,152.8m.

In 2025/26 we invested £1,152.8m increasing the cumulative SR21 investment to £4,951.3m, leaving £1,184m remaining to invest. Year-on-year, investment has decreased by £26.2m in Asset Repair, Refurbish, Replacement (AR3) activities, Inspection and Testing was down £4.3m. Completion and Growth remained broadly stable, and investment in Enhancement increased by £60.3m, with delivery tightly managed against a £1,155m plan through rephasing and approval controls.

Retrospective adjustments to 2024/25 investment actuals (Table G6a) reflect ongoing project gateway reviews to confirm funding split and project classification (Section G1.1.2).

Delivery performance remains strong, with Progress towards the Committed List (PCL) at 107.4% (Section 2.1) indicating a robust future pipeline, and IPOD at 1,421 points versus a target range of 1,340–1,464, exceeding the central baseline by 16 points and improving from +12 to +16 milestones ahead (Table G8b). However, delivery of the SR15 Completion programme remains challenging, with 10 delayed projects delivered versus 11 forecast, the South Edinburgh Service Resilience project delayed but now expected to complete in Q2 2026/27, and 5 projects remaining (including 1 pre-Gate 90 – Rockcliffe Bathing Water, Table G7; Section 1.21). Overall, investment delivery remains strong, well-controlled, and aligned to funding, with continued focus required to manage risks within the remaining SR15 portfolio. See section 5 Capital Investment Delivery for further details.

1.4 Financial Sustainability

Scottish Water delivered a strong cost performance in 2025/26. Revenue for 2025/26 was £1,754 million, £66 million below the Final Determination (FD), reflecting the fact that cumulative charges over the first five years of the regulatory period remain 3.2% below the FD charge path, despite being 7.2% above CPI inflation. As a result, cumulative revenue since the start of the period is £386 million lower than anticipated in the FD. To continue realigning charges with the FD trajectory of CPI + 12.6% over the 2021–27 period, charges increased by 9.9% in 2025/26, significantly above October 2024 CPI inflation of 2.3%.

During 2025/26, we have continued to demonstrate efficiency against regulatory expectations despite emerging cost pressures. Operating costs before items subject to Long-Term Normative Charge (LTNC) were £872 million, representing an underspend of £13 million against FD assumptions and a cumulative underspend of £195 million since the start of the 2021–27 regulatory period.

Compared with the 2025/26 Interim Performance and Prospects plan, costs were £4 million higher than expected. This variance was primarily driven by increased electricity costs, higher cloud computing expenditure, and additional pension-related costs. These pressures were partially offset by lower weather-related impacts, reduced PFI costs, and lower interest charges, reflecting improved borrowing rates.

Looking forward, Scottish Water remains focused on delivering the Long Term Strategy, with a clear emphasis on increased investment in ageing assets, progress towards net zero ambitions, and ongoing efficiency improvements. This includes a target of achieving at least a 1% real annual reduction in operating costs (CPI -1%). Customer charges are set to increase by 8.7%, enabling Scottish Water to, support sustained and future investment requirements, address ongoing inflationary pressures including National Insurance and electricity costs and recover revenue foregone earlier in the regulatory period due to constrained charge increases during Covid-19 and the cost-of-living crisis.

Financial forecasts indicate continued strong cost performance, with costs before LTNC items expected to outperform the FD by £15 million in 2026/27 and by approximately £211 million cumulatively over 2021–27. (M Tables Commentary). The funding strategy remains aligned to these ambitions, with net new borrowing of £170 million from the Scottish Government and total investment, repairs, and refurbishment costs are forecast at approximately £1,150 million in 2026/27. The expected cash balance at the end of 2026/27 is within a range of £50 million to £100 million (2025/26 Annual Performance and Accounts Performance and Prospects). See section 4 Tier 1 Operating Expenditure before LTNC for further details.

Overall, the 2025/26 outturn reflects strong financial discipline and resilience, positioning Scottish Water to balance affordability, investment, and long-term sustainability while responding to increasing cost and operational pressures. Looking forward, we remain focused on delivering our Long-Term Strategy, with a clear emphasis on increased investment in ageing assets, progress towards net zero ambitions, and ongoing efficiency improvements. This includes a target of achieving at least a 1% real annual reduction (CPI -1%) in operating costs in line with the

challenging target set in the FD (2025/26 Annual Performance and Accounts Performance and Prospects). See section 4 Tier 1 Operating Expenditure (before LTNC items) for further details.

1.5 Transforming How We Work

We continue to create value for Scotland's communities. During 2025/26 digital technology and data continued to play an increasingly central role to enhancing operational performance, customer experience, and delivery of the organisation's investment programme. During the year, significant progress was made in modernising legacy systems, expanding real-time operational insight, and deploying tools that enable faster, more informed decision-making. This is driving a shift towards proactive, data-led operations, improving resilience, reducing risk, and delivering better outcomes for customers and the environment.

Key system upgrades include the replacement of ageing asset management platforms with a modern enterprise system, improving asset visibility and enabling more preventative, risk-based maintenance to reduce failures and outages. In wastewater operations, a new digital waste management system is optimising the planning of approximately 3.3 million tanker miles annually, reducing fuel use, costs, and emissions.

Alongside operational improvements, the organisation continues to strengthen its approach to measuring and reporting social value. We commissioned an independent Economic Impact Report to assess wider social value created through our investment and operations. It brings together evidence on jobs supported, economic activity generated and community benefits, improving transparency and strengthening how we demonstrate value for Scotland (2025/26 Annual Performance and Accounts Performance and Prospects).

1.6 Progress to date in meeting the Ministerial Objectives for 2021-27

All of the work and investment we undertake in Scottish Water contributes to the delivery of the Ministerial Objectives. The process for reporting of progress against the Ministerial Objectives continues to develop with input from the Water Industry Investment Group (WIIG) members and is part of the scope for the WIIG Task and Finish Group reviewing the reporting requirements for the WIIG in SR27.

During 2025/26 we met our commitment to develop an 'outputs performance report' for the WIIG from August 2025. This report demonstrates progress towards the Ministerial Objectives for the 2021-27 period by providing information on the investment and number of outputs being delivered in SR21 against our SR21 baseline, which was set as AR24 G Tables.

While the initial reporting focuses on the amount of investment and outputs that support the delivery of Ministerial Objectives, these are not the only indicator of progress towards Ministerial Objectives and the reporting needs to develop to consider wider indicators, including the introduction of Outcomes built into the SR27 Final Business Plan.

To meet WICS' request for an overview of progress to date in meeting the Ministerial Objectives for the 2021-27 period we have provided an updated summary table in this Overview document (Table 1). This table shows the progress that has been made against each of the Ministerial Objectives between April 2021 and March 2026 and that we continue to make good progress towards the delivery of the Ministerial Objectives.

Table 1: Summary of SR21 Progress Against Ministerial Objectives

Ministerial Objective	Progress
Long term water sector vision	Long Term Strategy published in May 2025, which sets out how Scottish Water will contribute to delivering the water sector vision, and we have now submitted our Final Business Plan for SR27 detailing our plans for 2027 to 2033. We continue to support Hydro Nation chair and have supported 25 projects funded under the Hydro Nation programme.
Standards of service	Overall Performance Assessment (OPA) has increased from 398 in AR22 to 413.81 in AR26 and continues to exceed our target range of 397 to 412 points. Household Customer Experience Measure (hCEM) improved from 86.09% in AR22 to 87.52% in AR26. Non-Household Customer Experience Measure (nHCEM) improved from 87.26% to 87.83% in AR26 and Stakeholder Customer Experience Measure (sCEM) decreased from 76.77% to 76.5% in AR26. Interruptions to Supply for OPA (>6 hours) has decreased from 9,504 in AR22 to 5,169 in AR26. Leakage has improved from 459 MI/d in AR22 to 453 MI/d in AR26, with a 0.90 MI/d improvement in 2025/26.
Asset maintenance	Forecast to exceed our expected levels of investment within SR21 making a step change in the levels of asset maintenance from SR16. We have updated our Management Approaches which continue to drive asset maintenance policy providing a focus in SR21 on short-life assets and undertaking inspection programmes for longer life assets ahead of SR27.
Flooding and surface water management	The number of properties on the internal 'At Risk' register has increased from 290 in AR22 to 322 in AR26. We are forecasting removal of 168 properties from the internal At Risk Register (ARR) and 86 locations from the external ARR, within SR21. During SR21 702 properties have had flood mitigation measures installed reducing the number of customers impacted by flooding.
Drinking Water	We continue to develop our water quality risk assessment process and systems to improve the identification of risks and planning and delivery of risk controls, and this year commenced Significant Risk reporting to the DWQR. Following amendments to 'The Public Water Supply Regulations in January 2023, which added 7 new regulatory parameters, we have focused management of risks from Chlorate and HAA principally through operational measures, with plans in place for asset improvements where significant risks remain. We continue to invest heavily in the management and maintenance of treated water storage tanks to reduce risks from microbiology and have set out substantial investment plans into SR27 to reduce risks across the network to an acceptable level. We continue to improve the resilience of supplies through improved drought management, power resilience and operational response as well as completing the Glasgow and Ayrshire resilience scheme and capacity improvements in Aberdeen. We have set out the risk to the supply demand balance out to 2050 and our proposals to begin reducing the deficit during the SR27 period. We continue to remove lead pipes from the public network on customer request, when found opportunistically and if lead levels of 5µg/l or higher is detected in samples. In addition, we have supported private landlord requests for lead testing and are continuing pilot trials to remove lead pipes in Kyle. Our SR27 plan sets out an increase in lead pipe removal rates to ensure the public network is lead free by 2045, and we are likely to be the first water company in the UK in that position.

Environment	WWTW Total Compliance measure has increased from 20 in AR22 to 26 in AR26, with compliance now at 95.5%, although the total population equivalent (TPE) at failing sites has reduced from 686k to 356k during 2025/26. The total number of Environmental Pollution Incidents (EPI) has decreased from 282 in 2022 to 193 in AR26, of which 2 were serious Category 1 or 2 events, which is a reduction of 10 in 2025/26. We continue to make progress against our River Basin Management Plan requirements, improving water quality by installing chemical dosing units at 36 WWTWs to remove phosphorus, with 9 projects now on site. By the end of December 2025, we had installed 2,124 Event Duration Monitors (EDMs) to meet our UWW commitments, and we are continuing to install further EDMs through 2026/27 and into the SR27 period. 24 Unsatisfactory Intermittent Discharges have been upgraded to date within SR21, with a total 61 UIDs forecast to be addressed by the end of SR21 and a total of 97 UIDs upgraded by December 2027.
Supporting Sustainable Economic Growth	Developer Customer Experience Measure (DCEM) decreased from 86.92 in AR22 to 84.79 in AR26 but has improved by 2.27% in 2025/26. There has also been changes to the way this score has been calculated during the period and while the score has dropped, it is steadily improving. Since the start of SR21 we have connected c. £899k water connections and £813k sewer connections. The number of connections per year had decreased over the period as a result of the development market slowing down.
Circular Economy	We remain committed to supporting the circular economy in Scotland. In SR21 we have the planned Lighthouse Projects for surface water management at Craighall, river water monitoring at Almond Valley and a resource recovery Factory Demonstrator at Alloa WWTW.
Security and Resilience	We remain on track to deliver the outcomes under the Cyber Security Investment programme and NIS Directive for SR21 and have received good feedback from the external NIS assurance assessor.
Climate change, adaptation and mitigation	Positive progress towards our Net Zero ambitions continues with cumulative emission reductions of 49,012 tCO₂e achieved in SR21, and 4.51GWh of energy efficiency improvements in 2025/26. We outperformed our 2025/26 targets through a significant increase in renewable generation, restoration of higher than planned hectareage of peatland at Loch Katrine and delivered woodland creation targets at the Talla and Katrine sites. Our Climate Change Adaptation Plans have integrated resilience into our operations and investment plans. During 2025-26 we integrated the outcomes of our climate change risk assessment into the long-term strategy and SR27 business plan, embedding climate change adaptation into key service areas.
Private Finance Initiative funded projects	During SR21 3 PFIs are returning to Scottish Water ownership, including Dalmuir and Daldowie PFIs which are major elements of the Greater Glasgow service. Following the transfers, four of the remaining five PFI contracts are due to expire in our next regulatory period with future service plans and operational cost estimates prepared to ensure the best value from contract expiry.

1.7 Conclusion

Scottish Water operates within a complex and continually evolving environment, managing extensive infrastructure, delivering critical services to millions of customers, and operating under a rigorous regulatory framework. We continue to respond to emerging issues with agility while maintaining a clear focus on anticipating and preparing for future challenges.

The 2025/26 reporting year stands as a testament to Scottish Water's steadfast commitment to its strategic ambitions of Service Excellence, Going Beyond Net Zero Emissions, and Delivering Great Value and Financial Sustainability. We have continued to deliver world-class water quality, 99.91% and improved performance in HAAs and *Cryptosporidium* detections whilst performance at our WTWs showed incremental improvements, notably in parameters such as turbidity. As operational environments grow ever more complex in the face of climate uncertainty and rising demand on our assets, our overall environmental performance improved, with a reduction in environmental pollution incidents and fewer serious incidents (all wastewater). The year was marked by significant weather-related challenges, including drought conditions and multiple severe storms, placing pressure on water resources and infrastructure. These conditions exposed vulnerabilities across our network and placed considerable strain on operational teams and monitoring systems. Despite this, we continue to reduce the number of EPIs, which is a reflection of targeted investment in areas such as our Improving Urban Waters Routemap, and improved operational responses and effectiveness of operational interventions across our network.

Our OPA score has decreased in 2025/26 due to the reduction in drinking water quality compliance, and pressures on wastewater compliance, but our investment in digital capabilities are transforming how we manage our environmental risks. We continue to roll out EDMs at overflows, these are providing dedicated teams with earlier visibility of emerging issues, and enabling quicker intervention, preventing environmental pollution incidents.

We faced significant challenges across wastewater compliance, and our water quality compliance in 2025/26. There was a marginal decline in water quality compliance driven by pressures at consumer taps and storage points, reflecting emerging risks in specific parameters such as chlorate, lead, and microbiological parameters influenced by more sunshine hours in 2025 and increased sampling under the risk-based programme. Wastewater treatment performance also deteriorated, with an increase in failing works and a higher proportion of more severe non-compliance events, highlighting ongoing regulatory and operational risks that require targeted investment and early intervention through increased monitoring and a stronger operational focus.

Positive progress towards Net Zero ambitions has continued, with a 7% reduction in operational carbon emissions and delivery of energy efficiency improvements. Renewable generation reached record levels despite some reductions in overall capacity due to asset changes.

Our capital investment programme remained strong, with over £1.15bn delivered and performance exceeding key milestones, underpinning long-term resilience and supporting regulatory outcomes. Financial performance continued to demonstrate robust efficiency and disciplined cost control, maintaining affordability while enabling future investment as we prepare for the next strategic review period (2027–33). Financial sustainability remains central to our long-term vision, with customer charges set to increase by 8.7% in 2026/27 to support rising investment requirements, address inflationary pressures, including National Insurance and electricity costs, and recover revenue deferred during the Covid-19 pandemic and cost-of-living crisis.

Looking ahead, we face increasing challenges from climate variability, ageing infrastructure, and the need to support sustainable growth, requiring ongoing vigilance and adaption. We continue to work closely with regulators and partner organisations to anticipate and mitigate environmental risks, strengthen responses to water scarcity, and enhance preparedness for severe weather events to safeguard Scotland's communities and environment. Recent extreme weather has reinforced the need for sustained investment in asset resilience and the sustainable management of water resources, with a continued focus on early intervention, enhanced monitoring, and collaborative stakeholder engagement.

Overall, progress in 2025/26 reflects the collective effort of our people and partners, driven by innovation, collaboration, and the trust our customers place in us. As we enter the next regulatory period, we remain focused on delivering excellent service, advancing environmental performance, and ensuring long-term value and sustainability for future generations.

2 Customer Experience - Levels of Service and Compliance

2.1 UK Customer Satisfaction Index (UKCSI)

The UK Customer Satisfaction Index (UKCSI) is independently conducted by the Institute of Customer Service, benchmarked against customer satisfaction through surveys of over 10,000 customers who rate their experiences with more than 200 organisations across 13 sectors. The water sector has been in decline since July 2022, currently at its lowest ever levels of satisfaction (68.7). This has been driven by significant decreases in overall satisfaction with water companies in the England and Wales. Questions related to 'emotions and ethics' are at the lowest ever levels for the water sector, including reputation, doing the right thing in business practices, being open and transparent, and trust. However, due to recent changes to the national survey, Scottish Water now have a higher, more robust base size. Business Benchmarking activity will be reviewed, with a focus on the national results instead. This will enabling more streamlined and aligned reporting, including alignment with O approach to UKCSI reporting.

Scottish Water's national score 79.2, (Line B5.43c) showed an increase of 1.7 points which is an increase in January 2026's wave compared to July 2025 (77.50).³

Scottish Water currently rank:

- 4th in Utilities Sector – UK Power Networks once again are at the top.
- 2nd in Water Sector – Bristol Water, who provide water-only services, rank 1st. This means Scottish Water rank 1st out of all water and waste water companies.
- 7th in Scotland, across all sectors – Amazon are once again ranked 1st.⁴

The business benchmark score 76.9, (+0.9) (Line B5.43d) has slightly decreased in 2025/26, however the most recent customer experience survey, which represented the views of 65,000 customers across the country, was 94% positive which is a significant achievement, and due to the exceptional work of our people across the business (2025/26 Annual Performance and Accounts Performance and Prospects).

2.2 Customer Experience Measures (CEM)

The purpose of the Household Customer Experience Measure (hCEM) is to capture the service levels delivered to household customers and provide a robust means of measuring the quality of, and tracking changes in, the service experience provided to household customers. Performances

³ See Water Sector Stakeholders AR26 Overview Supporting Documents folder Footnote 3 for further details

⁴ See Water Sector Stakeholders AR26 Overview Supporting Documents folder Footnote 4 for further details

against a number of quantitative and qualitative indicators are combined to produce an Annual hCEM Score out of 100.

hCEM increased from 87.37 in 2024/25 to 87.52 in 2025/26, an increase of 0.15 (Line B5.1). In the Quantitative side we have seen a drop in score from 2024/25, increases in Service Issue Contacts, Escalations and Formal Complaints had a negative impact and lowered the overall quantitative component. This was slightly offset by a decrease in Regulatory Upheld Complaints. The Customer Experience Survey reached 93.65% (Line B5.2), which is a decrease from 94.15% in 2024/25, a decrease of 0.5% (Line B5.2- Table 20). The number of surveys returned decreased from 18,293 in 2024/25, to 15,139 in 2025/26 (Line B5.25). This reduction was due to the launch of a new digital Septic Tanks system in 2025/26 which experienced technical challenges including limiting the number of surveys being sent. The other factor was a cyber incident impacting our survey provider, "Rant and Rave" which resulted in a switch to a new survey provider.

'No Experience No Contact' (Line B5.3), improved from 89.96% to 91.49% in 2025/26 an increase of 1.53%. The increase in satisfaction aligns with wider improvement activities, including 'Piped by Us, Owned by You' advertising campaigns – which continues to increase overall awareness of public ownership. Customers who know we are publicly owned continue to report increased levels of satisfaction.

The Non-household Customer Experience Measure (nhCEM) decreased slightly from 89.35 in 2024/25 to 87.83 in 2025/26, (Line B6.1), a decrease of 1.70%. Service Issue Contacts rose to 31,150 in 2025/26, from 30,209 in 2024/25 (Line B6.4) while Formal Complaints increased from 127 to 147 an increase of 15.75% (Line B6.5). Complaints relating to Water Supply constituted 53.74% of all complaints received (see section B6.5 of the Commentary for further details). Escalations increased from 44 to 77 (Line B6.6) predominantly due to escalations relating to Deregistration and Shared Supply, and a reduction in Meter Verification received by the Wholesale Service Desk. The Customer Engagement Centre reported an increase of 236.36% in 2025/26 escalations relating to Choke/Blockage and No Water. Licenced Provider Satisfaction decreased from 99.30% to 98.20%, (Line B6.2), and with that the number of returned surveys also decreased by 8.67%. Business End User (BEU) Satisfaction declined from 89.62% to 89.48% (Line B6.3). BEU volumes were impacted by the cyber incident in November and transition to Qualtrics as our survey platform from December (see Lines B5.25-B5.30 Commentary for further details). The downward trend in performance has established the nhCEM improvement mission in January 2026 to rectify customer dissatisfaction. This is focused on delivering improvements through AR27 and into the next Strategic Review period (SR27).

The Developer Customer Experience Measure (dCEM) underwent a change in methodology details of which were supplied separately prior to 2025/26 submission. Performance against several quantitative and qualitative indicators are combined to produce an annual dCEM score (out of 100) and this year's score was 84.79 (Line B6.53), an increase of 2.27% from 2024/25's score of 82.91. The improvements seen over the last 12 months are a result of the continued targeted programme of improvement, maintained by the Business Improvement team who regularly review performance. One of the key improvements has been the desire to ensure the survey results are as representative of the whole development community as they can be. Listening post links are continuing to be used by all Development team advisers and this has led to an increase in the number of survey returns providing invaluable feedback to inform continuous improvement (See B5 (hCEM) and B6 (nhCEM) AR26 Commentary for further details).

2.3 Overall Performance Assessment

The Overall Performance Assessment (OPA), is a points-based measure that scores our performance across a range of activities essential to maintaining levels of customer service and environmental protection. Our OPA performance for the 2025/26 period was 413.81, exceeding the performance target range of 397 to 412 points. This result is testament to the hard work and dedication of our people, our ongoing efforts to boost the resilience of our operations. Although the score has fallen by 2.99 points in 2025/26 from 416 in 2024/25, improvements driven by the reduction in Category 1 and 2 EPIs have offset overall performance this year. The reduction in OPA score this year can be attributed to the deterioration in drinking water quality compliance, (see section 2.4 Drinking Water Quality) and pressures on wastewater compliance from prolonged drought and dry periods and delayed investment (see section 2.7 Wastewater Treatment Works Compliance), partially offset by improved environmental performance with record low serious pollution incidents (see section 2.8 Environmental Pollution Incidents).

An adjustment has been applied to the Total Drinking Water Quality (TDWQ) compliance score, to allow it to be used as a continuity metric within the OPA. This is following changes to the Water Quality Regulations in January 2023, which introduced seven new parameters, and the introduction of risk-based sampling in 2024. The adjustment for risk-based sampling only applies at consumer tap samples, it splits them into a) Regulatory baseline samples and b) Risk samples. Regulatory baseline samples will be at a consistent frequency based upon the current regulations and as such would be comparable year on year. The DWQR will use this regulatory baseline for their year-on-year comparative purposes.

The OPA score for Total Drinking Water Quality is calculated using the regulatory baseline, along with the exclusion of the seven parameters introduced in 2023 (See section 2.4 Drinking Water Quality for further details).

For clarity there are now 3 reportable figures for TDWQ in the Annual Return tables, they are:

- Total compliance including Cryptosporidium compliance: 99.913% (B10.15a)
- Total compliance including Cryptosporidium compliance (for OPA) : 99.926% (B10.15b)
- Total compliance including Cryptosporidium compliance (regulatory baseline): 99.925% (B10.15c)

(see section B10.15 AR26 Commentary for further details)

The number of EPIs decreased by 10 in 2025/26, totaling 193, with 2 classified as serious Category 1 and 2 events, all related to wastewater which is a reduction of 2 from 2024/25 (Line B11a.9-11 Water and B11a.1-7- Wastewater). There were 191 Category 3 incidents, 185 of which were wastewater-related (Line B11a.15 minus B11a.9 minus B11a.10 minus B11a.13) and 6 water-related (Line B11a.9 plus B11a.12). Notably, no serious Category 1 and 2 water-related incidents were recorded during 2025/26, same as 2024/25. As water-related incidents cost more OPA points, the consistency from 2024/25 and 2025/26 contributed to a higher OPA score in this category, providing 49.66 points compared to 47.62 points in 2024/25, an overall improvement of 2.04 points. Category 3 EPIs also increased overall scores by 0.57 points, attributed by the decrease in Category 3 (water) incidents reducing from 15 in 2024/25 to 6 in 2025/26 whilst incidents for waste increased slightly from 184 in 2024/25 to 185 in 2025/26.

2.4 Drinking Water Quality

In 2023, seven new water quality parameters were excluded from OPA score calculations due to regulatory changes. The seven parameters being excluded are chlorate, chlorite, bisphenol-a, haloacetic acids, microcystin-LR, sum of Poly Fluoro-alkyl Substances (PFAS) and uranium. Further adjustments in 2024 introduced a risk-based sampling approach for customer taps, splitting tests into baseline and risk-based categories, with only baseline tests affecting OPA scores for consistency.

Our total water quality compliance remains high at 99.91% (Line B10.15a), comparable with previous years, and we are committed to building on this solid foundation to increase the reliability and resilience of our water service. However this represents a slight decrease from 2024 (99.93%) driven by reduced performance at storage points, consumer taps and *Cryptosporidium* compliance.

Water quality compliance at consumer taps declined significantly to 99.88% in 2025/26 compared to 99.92% for 2024/25 (Line B10.14 and B10 Commentary- Table 62). This was due to an increase in consumer tap sample failures for lead (16) and chlorate (45) taken under the risk-based programme. Chlorate failures rose sharply in 2025, influenced by more sunshine hours in 2025 and increased sampling, despite mitigation efforts; further controls are being introduced such as the use of lower concentration sodium hypochlorite solution. The increase in lead failures was driven by a large rise in sampling, from 1,046 in 2024 to 4,150 in 2025. The overall percentage compliance actually slightly improved overall. Two trihalomethane failures occurred (first in three years), linked to Picketlaw supply zone; Picketlaw WTW has since been decommissioned.

Performance related to Haloacetic acids (HAA) has remained a challenge since 2023. In 2024, there were 12 consumer tap failures and 108 results from 27 supply systems reaching 80% of the regulatory standard. This resulted in Scottish Water establishing a Letter of Commitment with the Drinking Water Quality Regulator for Scotland (DWQR) to address HAA performance issues. Despite ongoing challenges, compliance has improved significantly with 3 failures in 2025 compared to 12 in 2024. Two of the 3 failures occurred in December within days of each other at sites with a known risk of non-compliance. The improvement in HAA performance was supported by the lower rainfall at the start of the year (reducing average Dissolved Organic Carbon (DOC) and improved treatment optimisation (Zeta-sizers to optimise coagulant dose). (See Table B10, section 12.4 Commentary for further details). To continue the commitments with DWQR to address HAA concerns, two high-risk systems, Picketlaw and Burncrooks, were removed from supply in

2025/26 (Line B10.12.3). In 2026 all Letters of Commitment will be discontinued with the exception of those that cover raw water supplies.

Water Treatment Works (WTWs) performance remained stable for coliform bacteria, reporting the same detections as 2024, with the additional improvement in Turbidity . A rare nitrite standard failure occurred for the first time in many years, though later attributed to an unrepresentative sample. April saw the highest number of coliform detections (4) despite dry conditions, with overall microbiological performance improving later in the year, aside from 3 October failures. Multiple coliform failures were recorded at Broadford, Sandy Loch (Lerwick), and Turret. Isolated issues included, Nitrite failure at Tiree (July) – sample not representative and a Turbidity failure at Glenelg (October) – linked to flow disturbances in sample pipework. (Lines B10.1-14).

However coliforms performance at storage points reported the highest number of detections since 2020 (with the exception of 2023). Compliance at storage points decreased in 2025 from 99.94% (2024) to 99.93% (2025)(Line B10.14) the result of increased coliform failures (62) compared to 2024 (56) and an increased positive detection for *E.coli* in 2025 (3) compared to 2 in 2024 (See B10.12.2 Overview for further details).

Cryptosporidium compliance at WTW has been broadly stable over the past few years, with 15 detections and 9 viable oocysts (those not irradiated with UV) compared with 8 viable oocysts in 2024. The number of detections, regardless of viability, has fallen significantly over the past few years, suggesting that the efficacy of physical barrier processes is improving. Of the 15 detections which occurred in 2025, across 12 sites 4 detections were recorded at Turriff and all other sites recorded a single *Cryptosporidium* detection (Line B10.15 see Table 65 of AR26 B10 commentary).

We continue to invest in several WTWs to improve capabilities and maintain the high levels of water quality compliance and treated water storage points (service reservoirs and clear water tanks) carrying out maintenance identified through current inspection and cleaning programme as well as the known backlog of essential maintenance requirements. This includes various projects including a new water treatment facility at Turriff to minimize *Cryptosporidium* risks which is estimated to be completed by 2030 and Eela Water which is due for completion in 2027. Winterhope, Londornoch and Torra WTWs are all receiving investment into improving asset capability.

2.5 Interruptions to Supply

2025/26 recorded an increase in unplanned interruptions to water supply (ITS) across most duration categories compared with 2024/25, with the exception of unplanned interruptions lasting more than 3 hours which reduced by 6.74% in 2025/26. The most notable rises were in interruptions lasting under 3 hours which increased by 18.87% (Line B2.10), over 12 hours increased by 3.7% (Line B2.13), and over 24 hours with the most significant rise, 93.94% (Line B2.14) (Table 2: Interruptions to Supply- Properties affected by unplanned interruptions in 2024/25 and 2025/26). Despite these increases, overall performance at year end was considered strong within the more than 6 hours unplanned, marginal increase of 81 properties (1.85%) from 2024/25 (Line B2.12) considering the two major incidents in August 2025.

Major contributors to the increase in ITS durations included the Balmichael Water Operational Area (WOA) and Rawburn WOA incidents in August 2025 during Storm Amy. The length of disruption for some customers was significant, experiencing low pressure and intermittent supply for several days, this affected households, farms and businesses. Despite commendable efforts across Scottish Water customer support and response teams, restoring supplies across a dispersed rural network proved challenging. As water was reintroduced, issues such as discolouration and intermittent supply reoccurred in some areas, requiring repeated flushing and monitoring (2025/26 Annual Performance and Accounts Performance and Prospects).

The incident at Rawburn has been one of the largest customer support responses Scottish Water has delivered and provided critical learning. 4,000 customer contacts were received during the incident (2025/26 Annual Performance and Accounts Performance and Prospects). A positive year-end position was attributed to a strong collaborative response to incidents, including the continued use of the Network Intervention Teams Chat, which enabled early escalation, rapid coordination, and informed decision-making between the Customer Experience Centre, Intelligent Control Centre, and Operations teams during unplanned interruption events.

The severe weather experienced during Storm Amy in October 2025 caused prolonged outages in Cairndow and Fort Augustus due to power loss at booster stations. This has also been a significant contributor of ITS incidents during 2025.

For OPA reporting purposes the number of unplanned supply interruptions to properties lasting more than six hours increased by 122 from 2024/25 to 5,169 an overall increase of 2.42% (Line B2.29 Commentary Table 8 for further details). These figures, which also include planned overruns, are based on the total weighted properties for OPA purposes (Line B2.29).

Table 2: Interruptions to Supply- Properties affected by unplanned interruptions in 2024/25 and 2025/26

Line Ref		2024-2025	2025-2026	Variance	% change
B2.10	Less than 3 hours unplanned	191253	227343	36090	18.87%
B2.11	More than 3 hours unplanned	77015	71822	-5193	-6.74%
B2.12	More than 6 hours unplanned	4374	4455	81	1.85%
B2.13	More than 12 hours unplanned	532	552	20	3.76%
B2.14	More than 24 hours unplanned	33	64	31	93.94%

2.6 Leakage

This year, we reported leakage of 452.637 MI/d, 0.90 MI/d lower than 2024/25 (Line B8.18 and B8.21). Although leakage reduced slightly by 1 MI/d in 2025/26, performance fell outside the target range of 441–451 MI/d. This was despite the team repairing more leaks and a greater leak volume than at any point in the last six years, with 14,517 leaks repaired and our highest cumulative leakage savings of more than 230 MI/d, which is 20 MI/d more than the previous year and over 40 MI/d higher than the average achieved over the past six years. The weather conditions, extended dry conditions through spring and summer followed by periods of sub-zero temperatures during winter, placed additional stress on assets during the year, contributing to higher levels of background leakage and bursts (2025/26 Annual Performance and Accounts Performance and Prospects).

Performance was supported by continued use of an incident team structure and short interval control, which helped coordinate resources and prioritise action across key functions. Further optimisation and trialling of new approaches are planned to return leakage to the target range in AR27. Despite ongoing pressures, ageing assets and changing weather patterns, there was a sustained and consistent focus on leakage reduction during 2025/26, supported by continued investment in active leakage control, pressure management, and targeted network interventions.

Enhanced monitoring and improved data analysis enabled more effective prioritisation of repairs in high-risk areas, while strengthened collaboration between operational, planning, and investment teams improved the identification of persistent leakage issues and enabled faster, more coordinated responses. A huge effort from resources across all key functions reporting through short interval control helped to coordinate and prioritise all our activities during 2025/26. (See Tables B8.18-21 and A2.21 Commentary for further details).

2.7 Wastewater Treatment Works Compliance

The number of Wastewater Treatment Works (WwTWs) that failed the OPA criteria Total Compliance measure in 2025/26 was 26 (Line B11b.29) which has increased from the 18 reported in 2024/25. This equates to a 95.5% compliance rate from the 580 assets listed on the Annual Monitoring Plan (AMP) and sampled under Operator Self-Monitoring (OSM) (Line B11b.29). The decrease in WwTW compliance is due extreme weather events including the prolonged dry weather conditions which resulted in drought conditions at the start of the year and the four named storms that hit the UK during 2025/26. These conditions have resulted in hydraulic shock at the failing works due to the sudden intense increases in treatment flows.

Of the 26 WwTWs that failed, East Calder (PFI), Kirknewton (Ritchie Camp), and Penicuik were repeat failures, having also been reported in 2024/25. Additionally, 69% of the parameters contributing to failures across WwTWs were classified as upper-tier failures. Biological Oxygen Demand (BOD), Suspended Solids and Ammonia are the most significant parameter contributors of WwTWs failing during 2025/26. The Total Population Equivalent (TPE) served by these sites were reported as 356,184 for 2025/26 which is a significant reduction from 2024/25 reporting year of 696,092 (Line B11b.30). (Further detail is provided in 2025/26 Tables B11b and B11c commentary.

The Management Approach (MA) MA084 WwTW Improvements programme has an IPS 2026 allocation of £118.3m, a £28m reduction from 2024/25, reflecting refined investment demand.

Current live projects have a latest best estimate of £112.1m to the end of SR21, with £60.4m already committed, and the remaining investment expected to be fully committed in advance of the December 2027 regulatory deadline.

Delivery of MA084 will enable improved water quality across all remaining River Basin Management Plan 3 (RBMP3) programme wastewater pressures, while also delivering wider benefits, including enhanced bathing water quality at Lower Largo within SR21 and further improvements at Ayr South and Seafeld early in SR27.

The programme is heavily driven by RBMP3 requirements, which account for over 75% of MA084 costs, and is progressing well, with 9 projects now in construction and most remaining schemes at pre-Gate 90. These interventions are primarily focused on Reactive Phosphorus (RP) compliance, typically delivered through chemical treatment.

Delivery risks remain in specific areas. These include 3 PFI sites (East Calder, Whitburn and Blackburn WwTWs), where SEPA has issued licence variations to Stirling Water (PFI operators) which require improvements by December 2027. The Scottish Water project team has developed solutions to Gate 50 status, which will provide a cost benchmark once Stirling Water provide a detailed design later in 2026.

Innovation is also being applied, notably at Winchburgh WwTW, where Nereda treatment and ferric dosing are being used to meet tightening RP standards (0.55 mg/l 95%ile reducing to 0.38 mg/l). Overall, the programme is progressing in line with regulatory requirements, with a strong delivery pipeline and clear focus on compliance, optimisation and future performance improvements. Further detail is provided in 2025/26 Tables B11c Investment Commentary.

2.8 Environmental Pollution Incidents

The number of EPIs decreased by 10 in 2025/26, totaling 193, (Line B11a.15) with 2 classified as serious Category 1 and 2 events, all related to wastewater, which is a reduction of 2 from 2024/25 (Line B11a.13). There were 191 Category 3 water and waste water incidents occurred (Line B11a.13), 185 of which were wastewater-related (Line B11a.15 minus B11a.9 minus B11a.10 minus B11a.13) and 6 were water-related (Line B11a.9 plus B11a.10). Only 3 of these incidents were linked to monitored sewer overflows, demonstrating the value of early intervention. Notably, no serious Category 1 and 2 water-related incidents were recorded during 2025/26 (Line B11a.9-12), same as 2024/25.

All incidents are investigated in detail, with close collaboration with SEPA to confirm categorisation. Understanding incident causes is critical. Around 60% of Category 1–3 EPIs originate in the sewer network, and more than two-thirds are linked to blockages, often driven by the wrong things being disposed of into the sewer including wet wipes and other unflushables. (2025/26 Annual Performance and Accounts Performance and Prospects). See section B11a.13.1 of the Commentary for further details.

Proactive measures, including targeted investigations, risk-based maintenance, and the physical inspection of a watercourse for visible signs of sewage related pollution “burn walking”, have strengthened operational response to EPIs. We are making good progress in delivering investment to upgrade and improve overflows that we have prioritised with SEPA. From the original list of 108 high priority overflows, we have delivered 12 projects and we expect a further 28 projects will be

delivered by the end of 2027. We have also addressed 21 projects by better information and operational solutions. Beyond the original list of 108 high priority overflows, investment will be delivered to a further 39 overflows by the end of 2027 (see section B11a Pollution Incidents of AR26 Commentary for further details). Scottish Water remains focused on achieving zero serious incidents as a key priority for the newly formed Wastewater Directorate (2025/26 Annual Performance and Accounts Performance and Prospects).

2.9 Sewer Flooding

Sewer flooding is most commonly triggered by short-duration, high-intensity rainfall, which generates rapid inflows that can exceed sewer capacity, whereas longer, lower-intensity rainfall tends to produce higher total volumes but allows systems to cope more effectively. In 2025/26, an increase in internal sewer flooding incidents and affected properties compared to 2024/25 was largely driven by a series of short-duration, intense rainfall events during July, August and September, which caused pipe surcharge and backflow into properties. This impact was worsened by generally dry conditions throughout the year, reducing ground permeability and increasing runoff. By comparison, in 2024/25, rainfall events were generally lower in intensity, allowing the sewer network to operate within capacity and drain more effectively. The prevalence of longer-duration, lower-intensity rainfall also meant that ground conditions were more saturated and permeable, reducing the rate of runoff entering the sewer system which resulted in fewer flooding incidents caused by sewer overloading (Line B3.1 Overview).

The total number of properties impacted by internal sewer flooding in the 2025/26 period was 290 (Line B3.2 - B3.4a + B3.7). This excludes the number of properties who experienced internal flooding due to severe weather (13) (Line B3.4a). Including severe weather, in 2025/26 there were 49 properties affected by internal flooding due to overloaded sewers (Line B3.2), 13 of these were due to severe weather (over a 10 year return period). This is significantly higher than the 18 properties flooded in 2024/25, of which 3 were due to severe weather. Predominantly dry conditions throughout the year (with the exception of intense rainfall events in July, August and September) meant that ground conditions were less permeable resulting in higher sewer flooding incidents when rainfall was experienced.

Flooding, due to "other causes" is experienced due to blockages, equipment failure and collapses in the sewer network and is not influenced by weather conditions. 254 properties were affected by internal flooding due to other causes in 2025/26 (B3.7) in comparison to 265 properties in 2024/25. In 2025/26, there was a continued focus on improving the accuracy of repeat internal sewer flooding data and stronger individual case management. This builds on work initiated in 2024/25,

where a cross-directorate group was established to improve first-time resolution for customers. Together, these efforts may have contributed to improved data accuracy for both incident volumes and the number of affected properties.

In 2025/26, Scottish Water completed 5 capital investment projects valued at £963K, which reduced the risk of internal sewer flooding for 12 properties on the at-risk register (with greater than a 10% chance of occurrence per annum) (Line B3.20). Scottish Water aims to provide long-term solutions for customers at the highest risk of sewer flooding and implement interim measures where possible. This was the fifth year of delivering an enhanced mitigation service, where feasible, to customers in all risk categories of internal flooding to ensure better protection from sewer flooding during high intensity rainfall events. Examples of mitigation measures include flood doors, smart air bricks and non-return valves and we invested £1.63m installing such mitigation measures at 146 properties in the last year.

Customer engagement campaigns target the reduction of blockages by encouraging a reduction in customer behaviours which cause internal flooding. In addition, in 2025/26 there has been a focus on accuracy of data for repeat internal sewer flooding as well as a focus on individual case management. A collaborative, cross directorate working group, has been established and is beginning to improve first time resolution for our customers with a view to reducing repeat internal sewer flooding (See section B3 of the commentary for further details).

3 Beyond Net Zero Emissions

3.1 Energy Efficiency and Carbon Emissions

Scottish Water delivered 4.51GWh of energy efficiency improvements across 40 projects, primarily focused on wastewater assets during 2025/26. Around half of this benefit came from upgrades to heating and lighting systems at major sites, with the remainder delivered through improvements to pumping and treatment processes (2025/26 Annual Report and Accounts Performance and Prospects).

Since introducing our Net Zero Routemap, we have achieved cumulative emission reductions of around 49,000 tCO₂e since 2021. Our net operational Carbon Footprint (CFP) for water and wastewater services in 2025/26 was 207,243 tCO₂e which is a reduction from the 2024/25 figure of 223,214 tCO₂e (Line C1.29), a decrease of 7%. This reduction was driven by a reduction in greenhouse gas intensity of grid electricity compared with 2024/25, which masked an increase in the overall grid electricity consumption. (see section C1.29 and C1 Overview for further details).

Electricity consumption increased by 4% to 499.939 GWh (Line C3.1a) in 2025/26, driven predominantly by higher demand of pumping water assets due to additional raw water abstraction because of drought conditions across some parts of the country until early autumn. The predominant source of electricity consumed remains as the grid (450.990 GWh) which was 14.723 GWh higher than 2024/25 (Line C3.1b). The weather conditions during 2025 resulted in significant water resource impacts across the country through late spring and into summer, with drought conditions persisting across many parts of eastern Scotland into autumn, particularly in the Tayside area.

Scope 1 emissions are emissions arising directly from the burning of fossil fuels or other direct release of greenhouse gases (GHG). 2025/26 scope 1 emissions reduced from 4,937 tCO₂e in 2024/25 to 2,786 tCO₂e (Line C1.1) due to lower demand of diesel for emergencies and power outages, an increase in the use of lower-carbon Hydrotreated Vegetable Oil (HVO) as an alternative to diesel, and an improvement in efficiency in usage of fuel for bioresource treatment (see section C2 Investment for further details). The increased use of HVO has delivered a saving of over 500 tCO₂e (Line C1.1) in 2025/26. The total scope 1 emission has decreased to 38,140 tCO₂e for 2025/26 from 41,764 tCO₂e for 2024/25 (Line C1.1-3). Total Scope 2 emissions decreased in 2025/26 to 81,424 tCO₂e from 92,042 tCO₂e in 2024/25 principally attributed to a reduction in the emission factor for UK grid purchased electricity, as the total consumption of grid electricity has increased (Line C1.12).

Scottish Water has expanded the scope of reported operational emissions to include those associated with the chemicals used in water and wastewater treatment processes. These emissions fall under Scope 3, covering indirect impacts from our supply chain, including the production and transportation of purchased chemicals. This change aligns with updated Scottish Government statutory guidance, which now requires public bodies to report a wider range of indirect emissions alongside those generated directly from their own operations. In 2025/26 the total scope 3 emissions were reported to be 91,244 tCO₂e a decrease from the 93,829 tCO₂e originally reported in 2024/25 (Line C1.22) this figure for 2025/26 does not include water and wastewater chemicals as there is no reporting line covering this detail in the Annual Return, but does align with 2024/25 reporting. Total Gross operational emissions (scope 1, 2 and 3) has reduced from 227,635 in 2024/25 to 210,808 in 2025/26. The decrease in scope 2 emissions from reduced grid electricity carbon intensity has been the main contributor to this fall in 2025/26.

Capital investment emissions from infrastructure design and delivery, particularly from materials such as concrete and steel and construction activity, are comparable in scale to operational emissions, with around £1,192.5m of capital investment in 2025/26 estimated to have generated around 111,000 tCO₂e of embodied emissions (Line C2.2). In 2025/26 carbon emissions from the capital programme has increased from 2024/25 reporting year (105,395 tCO₂e) as a result of the intensity figure and investment expenditure increasing (Line C2.3). Addressing this requires action across the full asset lifecycle, and progress has been made through maintaining PAS 2080 accreditation and increasing collaboration with the supply chain to adopt lower-carbon materials and practices.

Scottish Water has taken a leading role by committing to an Advance Market Commitment for low-carbon concrete (20,000 cubic meters over five years, roughly 30% of annual use), alongside introducing low-emission steel, expanding recycled aggregates, and trialling battery-powered plant and generators, which could reduce emissions by at least 13% over ten years with significant cost savings. Innovation in delivery methods is also contributing, with timber modular kiosks reducing embodied carbon by over 74% while supporting circular economy principles through the use of locally sourced timber (2025/26 Annual Performance and Accounts Performance and Prospects).

Capital carbon intensity measure indicates that there has been an increase in carbon from 90.2 tCO₂e/£m to 93.2 tCO₂e/£m during the year. This increase is considered to be related to an over-estimate by our tools, rather than worsening of the actual position (Line C2.1). Scottish Water expects to see a marked improvement in data quality and more importantly a better understanding of what the true drivers of carbon are in the construction side of the business, once the new Benchmark Estimating Software (BES) tool becomes live.

Looking ahead, Scottish Water will focus on reducing emissions across our operations and fleet, strengthening the measurement and management of methane and nitrous oxide, and expanding the use of low-carbon materials and design approaches. We will also increase carbon capture through land management and enhance cross-sector partnerships to deliver shared solutions (2025/26 Annual Performance and Accounts Performance and Prospects).

3.2 Renewables

During 2025/26 we increased our renewable capacity by 3.935GWh of which 3.88GWh were projects delivered by Scottish Water Horizons. The majority of these projects will benefit Scottish Water operational assets. Despite these new projects we have seen a net reduction of 7.375GWh in our renewable capacity at end of year (Line C3.3) mainly due to the sale of the Deerdykes facility (-8.200 GWh) and the decommissioning of Allanfearn Combined Heat and Power (CHP) (-2.280 GWh) and Saline hydro (-0.670 GWh). The CHP at Allanfearn came back to Scottish Water ownership at the end of its life and considerable investment was required for repairs, making the CHP commercially unviable to operate. Saline hydro lost significant water resource after a permanent rezoning of water supply and became commercially unviable to run. Additionally, there was a small reduction (-0.160 GWh) to correct a historic misreporting.

One of the flagship renewable projects delivered is the first phase of a major solar development at our main office in Stepps, near Glasgow. The site has an annual consumption of 1.3 GWh and the solar car port being fitted will produce 0.87GWh - representing a significant step forward in onsite renewable generation (2025/26 Annual Report and Accounts Performance and Prospects).

A total of 64.939 GWh on site renewable energy was generated from Scottish Water during 2025/26 (Line C3.2a) which is our highest ever level with our PFI partners producing a further 25.825GWh in 2025/26 (Line C3.2a).

Across our operational estate, targeted investments are delivering measurable benefits. At Robertson Water Treatment Works in the Scottish Borders, 450 solar panels will generate around 0.21GWh of renewable electricity each year, with c.65% used on site. On the Isle of Bute, solar installations at Loch Ascog and Rothesay will generate approximately 0.37GWh annually, reducing reliance on grid electricity and cutting emissions by around 73 tCO₂e (2025/26 Annual Report and Accounts Performance and Prospects).

To reduce emissions from electricity consumption, Scottish Water is investing in improved energy efficiency and increased on-site renewable generation, aligned with the Energy Efficiency Management Approach (MA027). This approach prioritises projects based on positive net present value (NPV), focusing on the replacement of existing electrical equipment with more modern, energy-efficient systems, including variable speed drives, blowers, aerators, lighting, and real-time control technologies.

Under MA101, Renewable Energy Enhancement, Scottish Water has adopted a strategic, hierarchical approach to renewable investment over the 2021–2027 period. This prioritises options that deliver the greatest cost and carbon benefits, such as displacing grid electricity through to lower-value options, including exporting surplus generation to the grid (see section C3- Investment Commentary for further information).

In addition to Tier 2 investment, Scottish Water Horizons is also progressing renewable energy projects. The renewables investment hierarchy provides clear guidance on whether schemes should be funded through Tier 2 or by Scottish Water Horizons.

4 Tier 1 Operating Expenditure (before LTNC items)

Operating costs before items subject to Long Term Normative Charge (LTNC) were £872 million, which was £13 million lower than FD assumptions and £195 million lower cumulatively since the start of the regulatory period. Compared with the 2025/26 Interim Performance and Prospects plan, costs were £4 million higher than expected, mainly due to higher electricity costs, increased cloud computing costs, and additional pension-related costs. These pressures were partly offset by lower weather-related impacts, slightly reduced PFI costs, and lower interest charges due to improved borrowing rates.

Looking ahead, the organisation remains focused on delivering its Long-Term Strategy, increasing investment to address ageing assets, advancing net zero ambitions, and improving efficiency, with a target of at least a 1% real annual reduction in costs (CPI -1%). For 2026/27, customer charges will rise by 8.7% to support current and future investment needs, address inflationary pressures such as National Insurance and electricity costs, and recover revenue foregone earlier in the period due to lower charge increases during Covid-19 and the cost-of-living crisis. Costs before LTNC items are forecast to outperform the FD by £15 million in 2026/27 and by around £211 million cumulatively over 2021–27. Net new borrowing from the Scottish Government is planned at £170 million, with total regulatory investment, repairs, and refurbishment forecast at approximately £1,150 million (excluding cloud costs and underspend from 2025/26) (2025/26 Annual Performance and Accounts Performance and Prospects) (see M Table Commentary for further details).

5 Capital Investment Expenditure

The Scottish Water investment programme is among the largest infrastructure programmes in Scotland. It delivers essential assets that enable us to maintain and enhance water and wastewater services, supporting growth and development to ensure community prosperity. Every community in Scotland, whether a town, city, or village, relies on our pipes and treatment facilities to provide crucial services.

Total investment is based on IPS26.1 and totals £6,135.3m in outturn prices including SR15 Completion. The total excluding SR15 Completion in 17/18 prices is £4,502.9m (Line G1 and G10). In these figures, for 2026-27, we have applied an adjustment of £9m in outturn prices (£6.3m in 17/18 prices) to align with the available funding in the IPS26.1. This reflects additional planned rephasing and an allowance for additional investment in certain areas. This approach was previously agreed with WICS in 2023-24, as per AR24 commentary.

At the end of Q4 2025-26, we have invested £896m on Tier 2 projects and sub-programmes (Line G1.77+G1.78). This investment includes:

- £246m of enhancement – including flooding (Line G1.56)
- £14m of SR15 Completion (Line G1.57)
- £62m of growth (Line G1.55)
- £574m in asset replacement, planned repair, refurbishment and inspections (Line G6a Filter TIER (column 148) <> Tier1a or RCC; Primary Investment Category (Column 7) <> Enhancement, Growth, or Completion).

Responsive repair, refurbishment and inspections expenditure was £257m (Line G1.76) which takes the total investment in 2025-26 to £1,153m (Line G1.58).

In 2025-26 we invested £1,152.8m increasing the total investment to date in SR21 to £4,951.3m. Therefore, £1,184m of the £6,135.3m remains to invest (Line G1.79) in 2025-26, investment in Inspections and testing was down £4.3m year-on-year, while Asset Repair, Refurbishment and Replacement (AR3) decreased by £26.2m from 2024-25; Completion and Growth have remained broadly stable; and investment in Enhancement increased by £60.3m.

We had previously planned to invest £1,155m in 2025-26. The out-turn value of £1,152.8m was managed through investment controls, including phasing of investment into future years, and a temporary pause on delivery approvals.

Investment comparison for 2024/25 and 2025/26 has seen retrospective changes to the 2024/25 previously reported actuals (Table G6a). Projects continue to be assessed at gates to determine

the correct funding split (need code), the type of work and its impact on the assets (see section G1.1.2 of the G Table Commentary for further details).

Our investment performance measures, which we introduced for this regulatory period, focus on ensuring the pace of investment is maintained and commitments met on project delivery. These include - Progress to Committed List (PCL) and Indicator of Progress of Delivery (IPOD). PCL allows us to focus on the initiation of work in the system and promotion rates, ensuring there is sufficient volumes of investment flowing through to deliver (Section 2.1 G Table Executive Summary for further details).

At the end of 2025/26, the sustained higher level of investment has had a positive impact on PCL which is ahead of target, PCL cumulatively out-turned at 107.4%, indicating that we are developing sufficient volumes of investment across the programme, to achieve planned investment in future years. (G Table Section 2.1-provides further details).

The IPOD measure allows us to focus on delivery once an investment project is in delivery and maintain a focus on the commitments made to customers and stakeholders. By the end of 2025/26 we have achieved a score of 1,421 points against a target range of 1,340 to 1,464, 16 points above the central Committed Baseline target (1,405). This performance has improved since 2024/25 and is a result of a continued focus on the delivery of project milestones. At the end of 2024-25 we were 12 milestones ahead; we are now 16 milestones ahead (Table G8b).

Table 3: Capital Investment Delivery Performance Measures

Measure	Performance for year	Target Range
Progress to the Committed List (PCL)	107.4%	>100%
Indicator of Progress of Overall Delivery (IPOD)	+0.8 months (1,421 points)	+/- 3 months (1,340 to 1,464)
Indicator of Forecast Accuracy at Commitment (IFAC)	99.2%	95% to 105%

5.1 SR15 Completion Programme

During 2025/26, 10 delayed SR15 completion projects were delivered, compared to the forecast of 11. We delivered 10 Delayed SR15 Completion projects in 2025-26. This was against the previous year's forecast of 11. South Edinburgh Service Resilience was forecast in 2025/26, but

following a legal issue was temporarily stopped. The project is now back on site and expected to gain Acceptance in the second quarter of 2026/27 (Table G7).

This portfolio of projects remains challenging in its development and delivery. We have some significant risks and issues in the delivery of the remaining 5 projects, and 1 of these is pre Gate 90 (MS2) – Rockcliffe Bathing Water (see Table G7 and G Table Commentary section 1.21 for further details).

End of 2025/26 Overview