Consumer Scotland
Luchd-Cleachdaidh Alba

Submitted 1 September 2026

Submitted by email to
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Strategic Review of Charges 2027-33: Draft Determination

About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

Consumer Principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

We have identified access, information, fairness, representation and sustainability as being particularly relevant to the consultation proposal that we are responding to.

Our response

General summary of the consultation response

Key Issues:

- **Keep charges affordable while maintaining strong scrutiny of costs:** Consumer Scotland supports WICS' proposal to limit increases to **CPI+2%** rather than the CPI+3.3% increase proposed in Scottish Water's Final Business Plan. We welcome the use of conditional charge caps, and consider that any future increase in charges should be subject to robust evidence, transparency and independent challenge to protect consumers from paying more than is necessary.
- **Strengthen transparency on investment decisions, delivery and trade-offs:** Consumers should be able to understand what investment was promised, what has been delivered, what has been deferred or reprioritised, and the consequences for service quality, resilience, environmental performance and local communities. Reporting should focus on outcomes, not just expenditure and project delivery.
- **Place consumer outcomes at the centre of performance monitoring:** Performance measures, targets and reporting should focus on the real-world experiences of customers rather than regulatory metrics alone. The success of SRC27 should be judged by improvements in service quality, reliability, resilience and consumer outcomes. This should be provided at a level that allows local scrutiny, where possible.
- **Improve support for vulnerable consumers:** Consumer Scotland is concerned that the ambition for the Priority Services Register may not be matched by investment. Greater assurance is needed that low-income and vulnerable consumers are being identified, supported and protected.
- **Strengthen approach to affordability:** There is recognition across the sector that a revised approach is required in future regulatory periods to assess and ensure the affordability of charges for different groups of consumers.
- **Ensure investment decisions deliver long-term value and intergenerational fairness:** Deferring investment should not simply transfer costs, risks and unresolved service issues to future customers. Decisions such as the use of lower-cost alternatives to major interventions should be supported by clear evidence that they deliver the best long-term outcomes for customers and communities.

Introduction

Consumer Scotland welcomes the opportunity to respond to the Water Industry Commission for Scotland's (WICS) Strategic Review of Charges (SRC) 2027-33 Draft Determination.

The approach adopted by WICS throughout this SRC process has been positive, open and collaborative. It has encouraged constructive and iterative scrutiny of the development of the SRC process and has provided stakeholders with opportunities to engage throughout. Consumer Scotland has particularly valued WICS's willingness to collaborate with us to establish robust consumer scrutiny of Scottish Water's draft and final business plans. This has helped test whether the proposals align with the expectations set out in the Commissioning Letter and facilitate the delivery of a Final Determination that commands consumer confidence and support.

Engagement with WICS has taken place through both formal and informal channels, enabling issues to be explored constructively and in greater depth. This approach has improved transparency, strengthened mutual understanding and supported effective stakeholder participation as the Strategic Review of Charges process has evolved. We acknowledge that this has been facilitated by Scottish Water's detailed, accessible and transparent Final Business Plan, which has provided stakeholders with a strong basis for constructive challenge and engagement throughout the SRC process.

Consumer Scotland considers that the combination of improved transparency, stronger stakeholder engagement and greater accessibility has contributed to a more mature and collaborative approach to the development of the SRC27 process and outputs and the scrutiny of outcomes, investment priorities and customer charges.

Importantly, Consumer Scotland welcomes the Draft Determination's strong emphasis on strengthening the role of customers and communities throughout the 2027-33 delivery period. We support WICS' continued commitment to placing consumer interests at the centre of decision-making, including through enhanced consumer scrutiny of Scottish Water's plans, broader stakeholder engagement, and a greater focus on outcomes that matter to customers and communities.

Consumer Scotland is committed to working constructively with WICS, Scottish Water and other stakeholders throughout the 2027-33 period to help translate these ambitions into practical and meaningful measures. Customer and community outcomes should be identified, measured and reported more transparently and consistently throughout the delivery period. This will ensure that engagement, performance monitoring and investment decisions remain firmly focused on delivering tangible benefits for consumers. An outcomes-focused framework is required to strengthen accountability, build public confidence and ensure customer and community voices influence decision-making.

Q1. To what extent do you agree that the Draft Determination strikes the right balance between outcomes, investment and charges?

Overview section

Consumer Scotland agrees that it is important to highlight where Scottish Water performs well and where progress has been made during the current and previous regulatory periods. This Overview summary sets this out clearly. However, the Overview section should also acknowledge the areas where investment, outcomes and affordability challenges remain.

This includes areas such as water quality compliance, wastewater treatment performance, environmental outcomes and affordability pressures facing some consumers. Recognising what still needs to be considered alongside achievements would provide a balanced overview of current performance and a clearer rationale for the investment and improvement programme proposed within the Draft Determination for 2027-33. Where ongoing challenges are not sufficiently acknowledged then this risks limiting stakeholders' and consumers' understanding of the level of investment being proposed.

Balancing Investment, Outcomes and Customer Charges

While Consumer Scotland recognises the rationale for a CPI+2% charge path, including the need to fund long-term investment and avoid steeper increases in future regulatory periods, consumers will ultimately judge the acceptability of these charges by the outcomes they receive in return. It is therefore important that through the determination process WICS and Scottish Water can clearly demonstrate why above-inflation charge increases are necessary, the alternatives considered and the implications of these, and how additional revenue will translate into tangible improvements for consumers in reliability, resilience, environmental performance, affordability support and customer service. It will be equally important to demonstrate the value of the investment to consumers on an ongoing basis, after the Final Determination is concluded and throughout the regulatory period. Transparent, outcome-based reporting over the next six years will be essential to maintaining consumer confidence that the charges represent good value for money.

Consumer Scotland's deliberative research found that consumers were generally willing to accept above-inflation charge increases where there was a clear and credible link to investment and improved outcomes, but that support was conditional rather than unconditional. Participants recognised the need for investment to address ageing assets, climate resilience and service quality, but consistently emphasised the importance of transparency, accountability and value for money. Support for higher charges was strongest where customers could clearly understand the benefits being delivered, whether through improved water quality, service reliability, environmental performance or protection from sewerage flooding.

Consumers also highlighted the need for Scottish Water and WICS to demonstrate that expenditure is efficient, justified and delivering meaningful outcomes. While many accepted that under-investment today could create greater costs and risks in the future, support for higher charges remained closely linked to confidence that commitments would be delivered and that robust regulatory scrutiny would ensure customers receive the benefits they have been asked to fund.

While many consumers accepted the need for investment and recognised the risks associated with under-investment, concerns remained about the cumulative impact of rising household and business bills.

Consumer Scotland continues to emphasise the importance of protecting low-income and financially vulnerable households from the impact of higher charges through targeted affordability support and ongoing monitoring of affordability impacts throughout the regulatory period.

Measuring What Matters to Consumers

Consumer Scotland welcomes the Draft Determination's emphasis on measurable outcomes and clear accountability for delivery. Given the significant level of investment proposed for SRC27, it is important that customers can clearly understand the benefits they are expected to receive in return for higher charges.

While measures relating to investment delivery, asset performance and operational efficiency are important, there is a risk that they focus principally on organisational outputs rather than the outcomes that matter most to consumers. The success of the regulatory framework should ultimately be assessed by the difference it makes to customer experiences and consumer wellbeing.

Consumer Scotland would therefore encourage WICS and Scottish Water to continue developing measures that reflect outcomes valued by consumers, such as:

- the reliability and resilience of services,
- affordability,
- trust and confidence in the sector,
- ease of resolving problems,
- environmental quality, and
- the extent to which consumers feel informed and able to influence decisions.

As investment programmes are largely funded through customer charges, there should be a clear and transparent line of sight between expenditure, operational outputs and the tangible benefits experienced by consumers.

It is also important that these outcomes are measured and reported, where feasible, at an appropriate local or regional level rather than solely through national averages.

Aggregate Scotland-wide measures can mask significant variations in customer experiences between communities. Greater transparency on local or regional performance would enable consumers and stakeholders to understand whether investment is delivering equitable outcomes across different parts of the country, identify areas where service improvements may be lagging, and strengthen accountability to the consumers that fund and rely upon these services.

This is particularly important given the long-term nature of many investments within the water sector. While customers may understand the need for investment in assets and infrastructure, they should also be able to assess whether that investment is delivering meaningful improvements in the quality, accessibility, affordability and resilience of the services upon which they rely. Regular reporting against consumer-focused outcomes, including where possible at a local level, would strengthen accountability and help demonstrate that investment is delivering value for money.

What consumers pay

Consumer Scotland welcomes the level of scrutiny WICS has applied throughout the draft determination process in reviewing customer charges for the 2027-33 regulatory period. This scrutiny has helped protect consumers from paying more than is necessary by applying rigorous challenge and analysis to Scottish Water's costs and funding requirements.

We welcome the proposed charging profile across 2027-33, and the measured approach to increasing charges beyond the CPI+2% price cap only where there is clear and compelling evidence that additional funding is required. The principle underpinning this position is important. It provides greater assurance that any increase in customer charges will be subject to robust scrutiny and justified by demonstrated need, helping to strengthen consumer confidence that Scottish Water is being held appropriately to account.

We welcome recognition within the Draft Determination of ongoing cost of living pressures consumers face in addition to inflation uncertainty. Consumer focused research, including the deliberative research programme undertaken by Consumer Scotland, for SRC27, found that affordability concerns remain significant in addition to concerns about future inflation levels and the cumulative impact of price increases over time.

We welcome WICS' level of scrutiny and challenge therefore, particularly the 1% efficiency challenge, and its review of several Scottish Water's cost assumptions. This includes Scottish Water's assumptions relating to above inflation labour cost growth, real price effects and the scope for efficiency improvements to offset cost pressures. We support WICS' focus on ensuring that opportunities to improve efficiency are fully explored before additional costs are passed to customers through higher charges.

Continued transparency will be important to ensure consumers understand how inflation assumptions are reflected in charges, investment decisions and future affordability assessments, particularly for low-income and financially vulnerable households.

Continuous improvement

Consumer Scotland is particularly interested in understanding how the Final Determination will position and drive continuous improvement. The focus should include maintaining existing performance but also opportunities to better understand and therefore improve outcomes for customers and communities over the longer term.

Customer satisfaction measures alone are insufficient to assess consumers' experience of Scottish Water's performance across different aspects of service delivery. There are opportunities for performance reporting to be clearer and more accessible, to improve consumer understanding of service performance and challenges.

To that end, Consumer Scotland would be pleased to work further with both WICS and Scottish Water to support developments in how performance is assessed and challenged over the SRC27 period. While it is important for the sector to recognise and build on its achievements, it is equally important that there is an ongoing willingness to challenge existing approaches, learn from sectors demonstrating stronger performance, including parts of the English and Welsh water industry as highlighted within the Draft Determination, and embrace innovation where it can deliver benefit for consumers.

As the economic regulator, WICS has an important role in fostering a culture of constructive challenge, continuous improvement and openness, ensuring that performance is optimised and better outcomes are delivered for customers, communities and the environment throughout the SRC27 period.

Testing Assumptions, Evidence and Regulatory Assurance

Consumer Scotland welcomes the rigorous scrutiny applied by WICS to Scottish Water's Final Business Plan and the transparency with which this assessment has been reflected in the Draft Determination. WICS identified several areas where evidence supporting proposed costs, efficiencies and value for money was insufficient, and where the link between expenditure and consumer outcomes was not clearly demonstrated. The application of efficiency challenges and cost reductions where expenditure was not adequately justified provides important assurance that customer charges are subject to robust independent scrutiny.

At the same time, the Draft Determination highlights a degree of divergence between Scottish Water and WICS in relation to assumptions, evidence and cost assessments. While robust challenge is an essential part of the regulatory process, further analysis

and explanation for the reasons for these differences and how they have been resolved would help strengthen stakeholder and consumer understanding and confidence in the Final Determination.

Looking ahead, Consumer Scotland considers there may be opportunities for Scottish Water and WICS to achieve greater alignment earlier in the process on methodologies, evidence requirements, affordability assessments and outcome measures. While independent challenge is a core part of WICS' role, exploration of opportunities for further engagement on the assumptions and evidence underpinning key decisions could help reduce avoidable differences in assessment and provide greater clarity on the reasons for any remaining divergence. This may support a more efficient review process while safeguarding WICS' ability to hold Scottish Water to account on behalf of consumers.

Such an approach could help to improve transparency and confidence in regulatory decision-making, while providing greater assurance that investment proposals are supported by a robust evidence base and a clear focus on delivering outcomes that matter to consumers. Ultimately, consumers benefit when there is a clear and credible link between evidence, assumptions, investment decisions and the outcomes that are expected to be delivered.

Deferral of Investment and Intergenerational Fairness

Where investment is deferred, Scottish Water and WICS should clearly demonstrate the rationale, impacts and consumer consequences. Where the underlying need for investment remains, deferral does not remove the requirement for future intervention and may delay the benefits expected by customers and communities during the period for which they are paying.

We would welcome further detail on the extent to which investment planned for 2021-27 has been deferred into 2027-33, the reasons for these decisions, and the implications for service outcomes. Consumers should be able to understand what benefits have been delayed, how long delays are expected to last, and the impact on service quality, resilience and environmental performance. Equally important is assurance that customers are not effectively being asked to pay twice for improvements that have yet to be delivered.

Consumer Scotland is also concerned that, where investment is deferred rather than resolved, costs may simply be transferred into future regulatory periods. This creates a risk that future consumers are required to fund investment needs that have already been identified but not progressed, raising important questions about long-term value and intergenerational fairness.

For example, the proposed approach to UIDs (prioritising the resolution of more medium-priority UIDs versus resolving complex high-priority UIDs) may risk postponing rather than resolving underlying issues unless supported by clear evidence of long-

term effectiveness. While lower-cost interventions can reduce expenditure in the short term, it is not yet clear whether they address the underlying drivers of risk or simply postpone the need for more substantial investment. Greater clarity is needed on the evidence supporting these decisions, the expected long-term outcomes for consumers, and the arrangements in place to monitor whether the chosen approach continues to represent the best whole-life solution.

Consumer Scotland therefore welcomes WICS' emphasis on performance reporting and improved transparency during 2027-33. We would welcome clear public reporting of where investment has been deferred, reprioritised or reduced, together with an assessment of the resulting impacts on customers, communities and future investment requirements. This will help ensure that consumers and stakeholders can understand the trade-offs being made and whether decisions taken today are delivering sustainable outcomes for both current and future generations.

Transparent and strategic benefits realisation

Consumer Scotland welcomes the positive changes that Ethical Business Regulation and Ethical Business Practice have brought to the sector. We also welcome the strong emphasis on strengthening the consumer voice to better understand customer needs, preferences and priorities, and to ensure these insights inform investment prioritisation.

Consumer Scotland would welcome continued engagement by WICS with key sector stakeholders throughout SRC27 to reinforce the principles of Ethical Business Regulation and the responsibilities that the framework places on organisations operating within the sector. This will promote a shared understanding of consumer expectations, support transparency and accountability, and ensure that consumer interests remain central to decision making across the regulatory period.

Consumers need a clear demonstration of how investment translates into tangible outcomes, such as improved reliability, resilience, environmental performance and customer service. Scottish Water should be able to clearly demonstrate how improvements in asset health contribute to better outcomes for customers and communities, and how investment decisions are delivering value for the charges that customers pay. WICS has a key role in holding Scottish Water to account for these commitments, ensuring there is a clear line of sight between investment, asset performance and consumer outcomes, and providing independent assurance that consumers are receiving value from their levied charges.

To that end, we recommend that a strategic framework for benefits realisation is developed to improve transparency of performance and the benefits being delivered to customers and communities, accountability and outcome reporting. Such a framework would help ensure that investment decisions and service delivery are consistently focused on achieving the best possible outcomes for customers and

communities and that links between investment and outcomes are set out clearly and tangibly. This would provide greater transparency of the benefits of asset investment, strengthen accountability for expenditure, and help build consumer confidence that resources are being directed to activities that deliver meaningful service improvements.

Council Tax Reform

The Scottish Government's ongoing review of Council Tax has the potential to result in significant changes to the way local taxation is assessed and charged. Proposals under consideration include property revaluation, revised banding structures, more progressive charging mechanisms, and enhanced affordability protections. Such reforms could have consequential implications for the current linkage between Council Tax bands and household water and wastewater charges, potentially altering the distribution of charges and the allocation of full cost recovery across households.

Given the scale of potential change, it is important that the water sector proactively considers the implications of Council Tax reform and assesses the impact that any revised charging framework may have on the assumptions, revenues, and consumer impacts underpinning the Final Determination.

Q2. To what extent do you agree that our proposals provide sufficient customer protection in SRC27?

Affordability

Affordability should mean that consumers are able to pay for essential water and sewerage services without experiencing financial hardship or compromising their ability to meet other essential living costs. Throughout the SRC27 process Consumer Scotland has consistently highlighted the affordability of water charges as a key issue of risk for consumers during the 2027-33 regulatory period.

When considering Scottish Water’s draft and final business plans, participants in our Confirmation Pillar deliberative research expressed concerns about the affordability of water and sewerage charges for low-income households. They highlighted the cumulative impact of above inflation price increases and emphasised the importance of providing additional protections for those least able to pay, beyond what is provided as standard.

The SRC process sits within the context of the wider cost of living challenges facing consumers across Scotland. Although inflation has fallen from its peak in 2022-23, prices of many essentials remain higher in real terms than a few years ago. For example, whilst household incomes increased by around 30% between May 2021 and May 2026, food and energy prices increased by 40% and 44% respectively over the same period. These are equivalent to real terms increases of 8% and 11% and are likely

to accentuate what were already challenging cost of living conditions – almost one third of people in Scotland were living in households whose income was below the Minimum Income Standard in 2023/24.

Previous modelling[i] undertaken by Consumer Scotland in March 2026 showed that under Scottish Water's Final Business Plan proposal to increase charges by CPI+3.3% per annum, this would have led to a substantial increase in water poverty, with 16% of households being in water poverty by 2033. This is compared to 9.5% of households in 2023-24 based on the latest available data[ii].

Consumer Scotland therefore welcomes the Draft Determination's proposal to limit charge increases to **CPI+2% during 2027-33 (or 2.3% based on materialisation of certain costs)** compared with Scottish Water's proposal of **CPI+3.3%** in its Final Business Plan. Our analysis[iii] shows that holding to the CPI+2% charging profile will see a **slower increase** in water poverty, to 12% by 2030. As WICS notes, the Draft Determination will result in consumer charges that are £360 million lower across the regulatory period compared to Scottish Water's proposal.

In this context, Consumer Scotland considers that the proposed charges set out in the Draft Determination represent a positive outcome for consumers in terms of balancing charging levels and investment requirements. The proposal demonstrates the value of independent regulatory scrutiny in balancing investment needs with consumers' ability to pay, informed by independent, in-depth consumer research and representation.

The Draft Determination also set out WICS' assessment that Scottish Water did not fully evidence that its plan was affordable and noted several important gaps in the affordability analysis in Scottish Water's Final Business Plan. From a Consumer Duty perspective, this creates a risk of foreseeable consumer harm, particularly for low-income households.

It is essential that the Final Determination applies a similarly rigorous process to ensuring that the final, agreed charges for 2027-33 are affordable for consumers. As noted above, the proposed charges of CPI+2% set out in Draft Determination will still result in an increase in water poverty in Scotland during the next six years. Therefore, any further proposal to increase charges above this rate must be subject to robust, independent scrutiny and must be as minimal as possible. ny increase in customer charges that is not accompanied by additional support through the Water Charges Reduction Scheme (WCRS) is likely to increase levels of water poverty among low-income households in Scotland.

While it is not a matter for the Determination, Consumer Scotland has separately proposed a range of improvements to affordability support for water consumers, including an increase the level of discount provided through the Water Charges Reduction Scheme, improving consumer awareness and take-up of the discounts

available, and developing a new charging model in the longer-term that better reflects consumers' circumstances and ability to pay.

We welcome the commitment made by the Scottish Government to reviewing charging arrangements during 2027-33 set out during the prior consultation on the Ministerial Objectives. One of the objectives for this work should be to support the development of an agreed, sector-wide definition of affordability and a framework for assessing whether affordability objectives are being achieved.

While customer research explored views on charging trajectories, this does not provide the same assurance as an empirical assessment of affordability impacts across different income groups and household types. Consumer Scotland will therefore work with WICS, the Scottish Government, Scottish Water and other key stakeholders during 2027-33 to review how consumers are charged for water and sewerage services. This should include developing a clearer definition of affordability, stronger evidence of affordability impacts, and greater transparency regarding how affordability is assessed and monitored throughout the regulatory period. This work will be critical to informing how the question of affordability is assessed and determined in subsequent regulatory periods. This represents an opportunity to improve the robustness of these assessments, to ensure that proposed charges are affordable across different household circumstances, particularly for financially vulnerable consumers.

Supporting Consumers in Vulnerable Circumstances

Consumers in vulnerable circumstances often require additional support, or more inclusive interventions, beyond standard service delivery arrangements. Tailored support is therefore necessary to ensure that these consumers can access services, receive assistance and achieve outcomes comparable to those experienced by the wider customer base.

Across a range of essential service sectors, Priority Services Registers (PSRs) provide an established mechanism for identifying customers who may require additional support and ensuring that services are delivered in a way that best meets their needs. Such arrangements can reduce the risk of consumer harm, improve accessibility and resilience, and ensure customers receive appropriate assistance during service interruptions, incidents or emergency situations.

Consumer Scotland therefore considers that the effective identification, registration and support of consumers in vulnerable circumstances should be viewed as a core component of Scottish Water's service delivery, rather than an ancillary activity. Success should be measured not only by the number of customers registered and the quality of contact data on the register, but also by the extent to which additional support improves outcomes for those who need it most.

Consumer Scotland is currently engaging with Scottish Water to identify opportunities to strengthen its focus on improving support for consumers in vulnerable circumstances through the expansion of its PSR. Our engagement with Scottish Water has confirmed that approximately 28,000 customers are currently registered on its PSR. Registration provides access to a range of protections and support beyond normal service delivery, including emergency assistance, tailored communications, enhanced safety provisions, accessible information and additional support during planned service interruptions.

Scottish Water's Final Business Plan[iv] includes £4 million of investment to improve its priority services register and this is reflected in the draft determination This investment has the potential to deliver important benefits for customers who require additional support and to strengthen resilience for those most likely to be adversely affected by service interruptions.

Scottish Water's Business Plan also notes that it has developed a Priority Services Strategy. Whilst the strategy is a welcome development, it is not yet publicly available. Within other utility sectors, there is an expectation that strategies supporting consumers in vulnerable circumstances are published. For example, Ofwat states[v]:

A key benefit of companies developing publicly available strategies is that it allows stakeholders, including Ofwat, CCW, customers and customer groups, to hold them to account against their commitments and their performance. Even the strongest strategies are only as good as their implementation, and we want to see all companies make good on their commitments.

More broadly, the Draft Determination provides limited detail on the scale of ambition, such as the expected growth rate in PSR registrations and /or the enhanced level of service provision, and subsequent consumer outcomes that will be attained through the proposed investment in this area.

Improving services for those already identified is important, but there is less clarity on Scottish Water's ambition to identify, engage and register customers who may be eligible for additional support but are not currently known to the organisation. Consumer Scotland is concerned that the Final Business Plan does not contain a clear commitment to significantly increase Priority Services Register (PSR) participation. As a result, there is a risk that the enhanced services funded through this investment will not reach a substantially larger proportion of consumers who may require additional support. In this context, Consumer Scotland would welcome greater clarity on how the proposed £4 million investment will be allocated, the outcomes it is expected to deliver, and how success will be measured. Consumer Scotland is particularly interested in understanding the extent to which this funding will support growth in PSR coverage, alongside improvements in service provision, to ensure that a greater proportion of vulnerable consumers can benefit from the protections and assistance available.

Consumer Scotland is currently undertaking work to learn from the experience of PSRs across other utilities in the UK, some of which have a significantly higher number of registered consumers. Outputs from this work may provide options to enhance the provision of support for vulnerable water consumers in Scotland. It will be important that a sufficient level of investment is available through the determination process to enable Scottish Water to act on these opportunities.

The Draft Determination also indicates that overall investment in customers and communities remains broadly consistent with previous funding levels, with £21 million allocated. While Consumer Scotland welcomes the continued focus on supporting consumers in vulnerable circumstances, this raises questions about whether sufficient resource is available to expand PSR support and support a potentially significantly larger cohort of eligible consumers. There is a risk that vulnerable customers remain unidentified and unsupported, and that opportunities to enhance consumer protection are not fully realised.

From a Consumer Duty perspective, this creates a risk of foreseeable consumer harm, as unregistered consumers who require additional support now may be less likely to receive timely assistance during service interruptions and other circumstances where they may be particularly vulnerable.

Reflecting this, Consumer Scotland would welcome further analysis by WICS of how the proposed investment to customers and communities is expected to be spent, to ensure alignment with Scottish Water's ambition to improve outcomes for consumers in vulnerable circumstances. This analysis should scrutinise whether this funding could support a more ambitious approach to PSR growth alongside improvements in service provision. Ensuring sufficient investment is available to both expand PSR coverage and enhance the support provided to registered customers would help reduce the risk of vulnerable consumers remaining unidentified and unsupported, while strengthening consumer protection and resilience across Scotland. More fundamentally, there remains a need for a comprehensive and publicly accountable vulnerability strategy setting out clear objectives, governance arrangements, delivery plans, and performance measures and reporting.

Finally, Scottish Water should be able to demonstrate a clear line of sight between investment and improved outcomes for priority customers. This should include evidence that support is reaching those who need it most, improving customer experiences during incidents, reducing the risk of consumer harm, and strengthening resilience among vulnerable households. Clear, ongoing reporting against these outcomes would provide greater accountability and assurance that investment in vulnerability support is delivering meaningful benefits for consumers. This reporting should include clear objectives, measurable outcomes and transparent reporting of progress, providing confidence that vulnerability is being treated as a current and ongoing priority and that those most in need are receiving the support and protections intended.

Deviation from agreed annual charge increases

Consumer research[vi] consistently highlights the importance of stable and predictable charges across the regulatory period.

In general, Consumer Scotland supports the principle that any deviation from agreed charge increases should be subject to robust evidence, transparent decision-making and appropriate scrutiny. Consumers should have confidence that they will not be asked to pay more than anticipated unless there is a clear and demonstrable need to do so. Where additional charges are proposed, Scottish Water should clearly explain the reasons, the consumer benefits expected, the alternatives considered, and the consequences for consumers of not proceeding.

We welcome WICS' use of safeguards and conditional charge caps. We recognise that the Interim Determination mechanism is intended to address major unforeseen circumstances or material cost changes that fall outside normal governance and regulatory processes. However, its use should be limited to exceptional circumstances and considered a measure of last resort, given the likelihood that any resulting financial impacts could place additional burdens on customers.

Greater reliance on the Interim Determination mechanism could also undermine one of the key benefits of the Strategic Review of Charges (SRC) process: providing customers with a stable and predictable path for charges. Frequent use of this mechanism may reduce certainty and weaken consumer confidence in the long-term affordability and transparency of charges. It is therefore important that WICS retain the high materiality threshold outlined in the Draft Determination.

Furthermore, in the process laid out in the Draft Determination, only Scottish Water can initiate such a change (i.e. WICS cannot initiate a change if Scottish Water's cost base is much lower than anticipated) and thus there is likely to only be a financial downside to customers.

Although we note that the timescales laid out for the Interim Determination (IDoK) are constrained and there will be practical reasons for doing so, Consumer Scotland recommends that WICS further considers how consumer support is tested for any price rises that may be proposed through an Interim Determination. As the statutory independent consumer body for the sector, we anticipate that Consumer Scotland should have a formal role in any such process and we would be pleased to work with WICS and Scottish Water to determine the nature of this, building on the successful tripartite Memorandum of Understanding that has underpinned the SRC27 process.

We agree there may be exceptional circumstances, such as a cost-of-living crisis, where adjustments to annual customer charges, within the overall regulatory funding envelope for 2027-33, should be considered. However, as highlighted within the previous section of this response, reducing or deferring charge increases in the short term may simply result in higher-than-CPI increases later in the investment period to

ensure Scottish Water has sufficient funding to deliver its commitments. This occurred during SRC21. Lower charges levied during the cost-of-living crisis were followed by annual increases in the latter part of the regulatory cycle that were significantly above the CPI+2% average. While such an approach may provide short-term relief, it can create additional affordability challenges in future years and reduce the predictability of charges for households.

Experience during SRC21 also demonstrated that delaying charge increases can reduce the overall funding available for discretionary investment, leading to the postponement or deferral of service improvements, such as measures to address sewer flooding, into subsequent regulatory periods. This can delay benefits for consumers and potentially increase long-term costs and risks.

Given the difficult consumer trade-offs involved, any decision to reduce or defer customer charges within the regulatory period should be supported by a robust and transparent review process. Customers and stakeholders should be able to understand the rationale for such decisions, the associated trade-offs, and the implications for investment, service delivery and future charges. Consumer Scotland would also welcome greater clarity on the circumstances that would trigger this approach, the mechanisms through which any resulting revenue shortfalls for Scottish Water would be recovered, and the potential impact on customer bills over time. It would be helpful to understand the effect of recovering missed income through higher charges in subsequent years and how consumer affordability considerations would be assessed and managed. Clear information on how intergenerational fairness, affordability and long-term funding requirements would be balanced in any future cost recovery decisions would provide greater confidence in the approach.

Future charges

Consumer Scotland welcomes the clarity provided by WICS' analysis of future customer bills and the income needed from the existing charging model to finance Scottish Water's commitments.

Consumer Scotland recognises that Scotland's charging system, which is linked to Council Tax bands, reflects a deliberate policy choice to redistribute costs. However, as charges continue to rise, the long-term acceptability to higher Council Tax banded households of the current level of cross-subsidisation warrants further consideration. Unlike metered customers elsewhere, Scottish customers have limited ability to reduce their bills through lower water consumption.

Consumer Scotland considers that there is an important role for WICS, alongside the Scottish Government and other stakeholders, in continuing to assess the fairness, distributional impacts and long-term sustainability of the existing charging framework. Given the potential for future charge increases, Consumer Scotland would welcome the Final Determination signposting to further work during 2027-33 to explore the

future of household charging structures and build the evidence base for any future reform.

Consumer Scotland will continue to work with WICS, the Scottish Government and other key stakeholders to inform policy development and decision-making on future consumer charges. In doing so, we will seek to ensure that any future charging framework reflects consumer priorities and expectations, while balancing affordability, fairness, transparency and the long-term sustainability of water and wastewater services.

Additional funding to address sewer flooding

Consumer Scotland welcomes the additional £50 million of funding allocated in the draft determination to address sewer flooding, an issue that consumers taking part in the Consumer Scotland's deliberative research consistently identified as a priority for the 2027-33 period. We are pleased that WICS has responded to this feedback and recognised the importance of increasing investment in this area.

Sewer flooding can have significant impacts on households, businesses and communities, affecting property, wellbeing and confidence in essential services – as well as fear of recurrence. The additional funding provides greater assurance that more will be done over the next six years to reduce the risk and consequences of sewer flooding and to improve resilience where communities are currently at greatest risk.

Consumer Scotland considers this to be a positive example of consumer priorities being reflected in regulatory decision-making and welcomes the increased focus on delivering outcomes that matter most to consumers. As investment is taken forward, it will be important that the benefits achieved are clearly measured and communicated so that consumers can see how additional funding is contributing to improved protection for homes and businesses.

Strengthening Investment Decisions Through Targeted Consumer Evidence

Consumer Scotland welcomes the emphasis that WICS has placed on customer engagement and consumer evidence throughout SRC27. However, as the sector continues to develop its approach to evidence-based investment planning, there may be value in considering how different forms of consumer evidence are weighted within decision-making. If outcomes and consumer evidence are to play a greater role in future, then the sector also needs to ensure it is hearing sufficiently from those who experience the service failures that investment is intended to address.

Population level survey research plays an important role in understanding public priorities, outcomes and willingness to pay. However, where consumers have limited direct experience of a particular issue, views may be shaped by general perceptions of value for money rather than an informed understanding of the risks and

consequences, including personal impact, associated with service failure. This creates a risk that the experiences of those most directly affected problems such as sewer flooding, repeated supply interruptions, poor water pressure, affordability pressures or environmental impacts are underrepresented when customer evidence informs investment prioritisation.

Consumer Scotland therefore considers that future investment planning should place greater emphasis on targeted engagement with customers and communities who have direct experience of the issues under consideration. Such an approach would complement broader consumer research, operational evidence, and regulatory analysis, providing a better understanding of the consumer impacts associated with different investment choices.

During 2027-33, WICS has an important and ongoing role in encouraging and scrutinising the use of consumer evidence within investment decision-making. As part of the evolution of the SRC process, Consumer Scotland would welcome further consideration of how lived experience can be systematically incorporated alongside wider customer research, helping to ensure that future investment decisions are informed by both public priorities and the experiences of those consumers most affected by service challenges. This would strengthen confidence that investment is being targeted where it can deliver the greatest benefit for customers and communities.

Q3. To what extent do you consider that our proposed targets for outcomes are appropriate?

Customer Experience Measures, Reporting and Consumer Insight

Consumer Scotland welcomes WICS' invitation to inform the future development of the Annual Return with a view to making performance reporting more accessible, transparent and meaningful to consumers and stakeholders. Consumers who participated in Consumer Scotland's deliberative research placed significant value on accountability and scrutiny of Scottish Water's delivery of its business plan commitments. Participants expressed a clear expectation that Scottish Water should be held accountable for delivering the outcomes customers have been asked to fund, and that progress should be reported transparently. Improved performance reporting, particularly where it demonstrates outcomes for consumers and communities, is therefore an important means of meeting this expectation and strengthening public confidence in the SRC process. We look forward to working with WICS to identify opportunities to strengthen public reporting and improve understanding of Scottish Water's performance and delivery.

Customer experience measures should be clearer, more accessible and more meaningful to consumers. At present, it can be difficult for consumers and stakeholders to understand what performance scores represent, how they are

calculated, and what changes in performance mean in practice. Measures should be accessible to the public, presented clearly, be meaningful and easily understood, using plain language, to enable consumers to assess whether services are improving and whether commitments are being delivered.

Measures should provide a clear account of:

- What Scottish Water committed to deliver
- What has been delivered
- Where delivery has fallen short and why
- What further action is required and by when

We also support a stronger focus on consumer insight and lived experience alongside performance metrics. Deeper engagement with consumers can provide a richer understanding of the issues that matter most to them, helping to identify where services are performing well, where improvements are required, and where the experiences of smaller consumer groups may reveal significant harm or disadvantage that is not evident from high-level performance data alone, such as sewer flooding, recurring supply interruptions or low water pressure.

Consumer Scotland would welcome greater clarity on whether Scottish Water has undertaken a structured assessment of the direct and indirect outcomes arising from its investments and activities. Through the reporting framework, WICS should require Scottish Water to demonstrate the relationship between investment, service improvements and consumer outcomes to support more compelling value for money narrative and provide greater assurance that expenditure is delivering tangible benefits for consumers, particularly where investment is intended to address longstanding or recurring service issues.

A greater focus on consumer outcomes would help demonstrate the real-world impact of investment and service improvements, particularly for consumers experiencing known service challenges. This would strengthen transparency, accountability and public confidence by providing a clearer line of sight between investment decisions, service performance and the outcomes experienced by customers and communities. Ultimately, reporting should help customers understand whether planned investments are being delivered, and what difference those investments are making in practice.

<u>Communities experience measure</u>

Consumer Scotland welcomes the strong commitment from both WICS and Scottish Water to develop a Communities Engagement Measure. This presents an important opportunity to build on existing engagement activity by developing measures that

focus on the outcomes delivered for communities, rather than solely the volume of engagement undertaken.

The measure should capture an understanding of community priorities, shared values and collective aspirations, while providing a clear line of sight between community engagement, the influence communities have on decision-making, the changes made as a result, and the outcomes ultimately delivered. This would help demonstrate the value of engagement and its contribution to better decision-making.

Consumer Scotland considers that the measure should support Scottish Water's ambition to work in meaningful partnership with consumers and communities throughout investment planning and delivery. It should move beyond the number of engagement events, communications or participants, and instead reflect the extent to which communities have influenced decisions, shaped investment choices and experienced improved outcomes as a result. It should also capture how engagement has strengthened relationships between Scottish Water and the communities it serves. Importantly, communities should be able to see that their views have been heard and taken into account.

We would welcome the development of outcome-focused measures that provide evidence of how community feedback has influenced projects, the extent to which communities are satisfied with their involvement in decision-making, and whether engagement takes place early enough to shape investment choices and delivery approaches.

The measure should also capture longer-term benefits which will support climate change and investment targets, including improved understanding of local water and wastewater issues, sustained behavioural change in how consumers engage with water and wastewater services, and increased trust and confidence in Scottish Water. Indicators such as perceptions of transparency, confidence that community views are acted upon, and willingness to participate in future engagement will provide a more meaningful assessment of success than activity-based measures alone.

Ultimately, Consumer Scotland considers that the Communities Engagement Measure should provide assurance that engagement is delivering tangible value for communities and contributing to better outcomes for customers, projects and places.

<u>Per Capita Consumption Targets</u>

Consumer Scotland welcomes WICS' support for increased targets for per capita consumption. However, we remain concerned that the proposed targets are not sufficiently ambitious to address Scotland's long-term water resource challenges, which present a range of risks for consumers. Given the increasing impacts of climate change on water availability, and projections that Scotland could face water deficits by 2050, it is important that the actions planned for 2027-33 place Scotland on a credible pathway towards long-term water security.

While reducing consumption is only one part of a wider water resource strategy, the evidence presented does not demonstrate that the proposed targets are sufficient to address the scale of the challenge beyond the current regulatory period. There is a risk that insufficient action during 2027-33 could increase the need for more significant and costly interventions in future periods.

Consumer Scotland considers that greater emphasis should be placed on public awareness and education to encourage water-efficient behaviours throughout the year, rather than primarily during periods of water scarcity. Building consumer understanding of the need to use water more efficiently will be critical to achieving sustained behavioural change.

For SRC27, there should be a clear line of sight between engagement activity, behavioural change and reductions in water use. Success should be measured beyond the number of campaigns, events or communications delivered, to the outcomes they achieve.

WICS should require Scottish Water, when delivering its investment programme, to demonstrate how engagement is increasing awareness of water scarcity, encouraging water-efficient behaviours and contributing to measurable reductions in per capita consumption and household demand. A stronger focus on outcomes would provide greater assurance that consumer engagement is delivering meaningful change and supporting Scotland's long-term water resilience goals, for the benefit of consumers.

Leakage reduction

Consumer Scotland notes that it is unclear whether the proposed leakage reduction targets, while welcome, will be sufficient to address Scotland's longer-term water resource challenges. Reducing leakage can play an important role in improving efficiency and resilience, but there is limited evidence on the extent to which the planned reductions will contribute to avoiding the projected water deficits anticipated by 2050.

We would welcome WICS requiring Scottish Water to provide further detail from Scottish Water on the role that leakage reduction is expected to play within Scotland's longer term water security challenges, including how the anticipated benefits compare with those expected from demand reduction and other resilience measures. Clear measures and how they contribute to wider targets would provide consumers with assurance that the combined package of interventions is sufficient to address long-term water scarcity risks and that action is being taken at a pace and scale commensurate with the challenge.

Future water demand

Consumer Scotland notes WICS' view that the non-household consumption measure should not be unduly influenced by significant one-off changes such as the reduction in

demand brought about by closure of the Mossmorran plant or increases in consumption driven by significant growth in data centre usage. While Consumer Scotland recognises the importance of maintaining the validity and usefulness of the measure, we encourage WICS and Scottish Water to develop updated non-household consumption projections for SRC27 and future regulatory periods that reflect these changing patterns of demand.

In particular, Scottish Water's business plan notes that Mossmorran accounts for "4% of water volumes". Given the scale of the change its closure represents, we would welcome WICS requiring Scottish Water to provide updated projections on the likely trajectory of future non-household demand and help ensure that planning assumptions remain robust.

These projections should also assess whether the historic decline in non-household consumption, of around 1% per annum, is likely to continue in light of evolving business demand, including potential growth in high water use sectors. Clear projections should demonstrate to customers whether the water network has sufficient capacity to accommodate new developments such as data centres, while continuing to meet the needs of existing users and maintaining resilience over the longer term.

Service Standards and Customer Experience

Consumer Scotland welcomes WICS' challenge where proposed customer service performance targets do not appear sufficiently stretching and considers it important that consumers experiencing existing service issues, for example low water pressure and sewer flooding incidents.

The regulatory framework should remain focused on maintaining and improving service standards and consumer outcomes throughout 2027-33. If service levels are forecast to deteriorate during the period, this should be clearly acknowledged, transparently justified and subject to robust scrutiny.

Drinking Water Aesthetics and Consumer Experience

Consumer Scotland recognises that existing drinking water quality measures are primarily focused on safety and regulatory compliance. However, changes in the taste, colour or odour of drinking water can significantly affect consumer confidence, even where regulatory standards continue to be met.

In this context, WICS has an important role in ensuring that Scottish Water's performance framework reflects outcomes that matter to consumers – particularly those affected by recurring issues - rather than focusing solely on regulatory compliance. While DWQR oversees the safety of drinking water, WICS should continue to challenge Scottish Water on how investment and operational performance translate

into improvements in the day-to-day customer experience, including reductions in complaints relating to taste, odour and discolouration.

WICS should ensure that performance reporting provides transparency on regulatory compliance as well as customer-reported experiences of water quality. This would help demonstrate whether investment is improving not only the safety of drinking water, but also the quality of service experienced by consumers.

Rural Service Standards

Consumer Scotland welcomes WICS strengthening the targets to reduce interruptions to supply. We recognise that Scotland's geography presents operational challenges for service delivery. However, this should not lead to an assumption that rural consumers must accept lower service standards or poorer outcomes as a consequence of where they live.

Consumer Scotland supports that Scottish Water should undertake research and publish evidence of the extent of any rural disadvantage, including whether it has adequately explored rural consumers' understanding of, and willingness to accept, differences in service provision. Where variations in service standards are proposed or expected, there should be a clear evidence base demonstrating both the need for, and impacts of, such an approach.

Locally disaggregated service and performance data is not currently available in a publicly accessible form. Consistent with our comments on open data and transparency, Consumer Scotland would welcome WICS requiring Scottish Water to publish information that sets out differences in service outcomes across different communities and regions of Scotland, rather than relying solely on national-level aggregate data.

Greater transparency at a local level would enable consumers, communities and stakeholders to better understand how service levels vary across the country and whether specific areas experience disproportionate challenges or poorer outcomes. Publishing more granular data would therefore support greater accountability, improve public trust and help ensure that investment and service decisions are informed by a clear understanding of local circumstances and consumer experiences.

Within the Final Determination, we would welcome WICS requiring Scottish Water to provide greater detail on the challenges faced in delivering service standards, the options considered, the implications for consumers, and the evidence underpinning Scottish Water's decision making. Ultimately, consumers should have confidence that service standards are being shaped by robust evidence and fairness considerations, rather than operational constraints alone.

As Consumer Scotland has recommended in our response to the Scottish Government on Ministerial Objectives, such an approach would also be strengthened by Scottish

Water progressing a specific strategy and set of actions around Open Data. We would welcome WICS including a provision for such an approach within the Final Determination.

Consumer Focus and Performance Targets

Consumer Scotland considers that where possible, performance targets should be firmly focused on the outcomes that matter to consumers rather than simply the metrics that are easiest to measure. Where targets are proposed by Scottish Water, there should be clear evidence that these reflect customer expectations, support improved service outcomes and contribute to the long-term ambitions of the sector.

As the economic regulator, WICS has an important role in ensuring that performance targets are sufficiently stretching, evidence based and aligned with consumer priorities. This includes critically assess whether proposed targets are sufficiently ambitious to drive meaningful improvement, challenging targets where they do not adequately reflect consumer expectations and ensuring that the performance framework is focused on delivering outcomes rather than compliance with measures alone.

Net Zero Targets

Consumer Scotland would welcome WICS requiring Scottish Water to provide further evidence to better understand how and whether the proposed activities and investment place Scottish Water on a credible pathway to net zero by 2040.

Asset Health Tracker

Consumer Scotland recognises WICS' concerns that the Asset Health Tracker is not yet sufficiently mature to provide a robust assessment of overall asset health or a reliable understanding of the relationship between asset condition, maintenance activity and expenditure. However, we support its continued development and refinement during the 2027-33 period.

A more comprehensive and credible asset health measure has the potential to strengthen the evidence base for investment decisions, improve understanding of long-term asset risks, and provide greater assurance that funding is being targeted effectively. Over time, this should help demonstrate a clearer link between investment, asset condition, service resilience and the outcomes experienced by consumers.

Consumer Scotland therefore welcomes continued work by WICS and Scottish Water to develop the Asset Health Tracker and establish a more robust framework for assessing asset health, investment need and long-term value for consumers.

Q4. To what extent do you agree with our proposal for capital investment?

Financial adjustments

Consumer Scotland notes that WICS has provided a lower level of funding in the Draft Determination than that proposed by Scottish Water in its Final Business Plan, while recognising Scottish Water's commitment to delivering the agreed outcomes more efficiently.

While efficiencies should benefit consumers, reduced funding may increase delivery risks. It is therefore important that there is transparency regarding how these risks are assessed and managed, particularly where they could affect the delivery of outcomes that consumers have been promised and have supported.

Consumer Scotland would welcome greater clarity on how this aspect of governance will be managed during the regulatory period. Consumers need assurance that any emerging risks are identified early, actively monitored and addressed before they impact service improvements or investment delivery.

More fundamentally, consumers should have confidence that the balance between affordability, efficiency and deliverability is transparent and subject to ongoing scrutiny throughout the period to ensure that they receive the outcomes they have been asked to support.

Investment for growth

Consumers should be able to understand who ultimately bears the costs of growth and how these are distributed between developers, current customers and future service users. Consumer Scotland would welcome WICS using its role as economic regulator to require greater detail from Scottish Water on the funding of growth-related investment, including the extent to which costs are recovered from developers or existing customers or through Scottish Government borrowing.

While growth-related expenditure may be driven by statutory requirements and economic development objectives, consumers need assurance that investment in future growth does not come at the expense of investment needed to address existing consumer priorities, such as service resilience, sewer flooding, leakage, environmental performance and support for vulnerable consumers.

In Consumer Scotland's deliberative research, the funding of infrastructure to support future growth was initially an area of concern for consumers. However, once participants were provided with greater clarity on the respective roles and distribution of costs between Scottish Water and developers views shifted. This suggests that transparency and clear communication can play an important role in building consumer understanding and confidence in investment decisions.

Consumer Scotland would therefore welcome WICS requiring Scottish Water to provide further details on how investment decisions are prioritised, how the costs and benefits of growth-related expenditure are distributed, and how potential trade-offs between supporting growth and addressing existing consumer needs have been assessed.

Transparent decision-making and a clear rationale for investment choices are essential to ensure that spending decisions are equitable, represent value for money and maintain consumer confidence. This is particularly important where existing consumers may be contributing towards infrastructure from which they may see limited direct benefit, but which is intended to support future generations and Scotland's wider economic development.

Wastewater and Environment: UIDs

As set out previously within this response, Consumer Scotland is concerned that the increased use of lower-cost interventions in place of more comprehensive and expensive UID solutions may create a risk that underlying issues are not fully resolved. While such approaches may offer short-term affordability benefits, there is a need to understand whether they represent the most effective long-term solution for consumers and the environment.

Where lower-cost interventions are proposed, Consumer Scotland would welcome WICS requiring additional detail from Scottish Water on the evidence supporting these decisions, including the extent to which they deliver equivalent outcomes and reduce future risks. There is a potential risk that deferring more substantive investment could result in higher costs being incurred in future regulatory periods, transferring financial burdens to future generations of consumers. Consumers therefore need assurance that short-term cost savings are not being achieved at the expense of long-term value, resilience and environmental outcomes.

Q5. To what extent do you agree with our proposal for operating expenditure?

Financial adjustments

Consumer Scotland recognises the importance of reducing operating expenditure where this can be achieved without compromising service quality or resilience. However, expenditure reduction should not be viewed solely through the lens of operational efficiencies within Scottish Water.

Consumer behaviour has a significant influence on both water and wastewater services. Wasting drinking water and the disposal of inappropriate items into the sewer network contribute to avoidable costs, infrastructure pressures, environmental

impacts and service disruptions. Currently, the total cost of avoidable consumer behaviour, in terms of its impact on customer bills, is not known.

Consumer behaviour change should form a core part of Scottish Water's efficiency strategy. Proactive, sustained and evidence-based consumer education and engagement will encourage more responsible water use and reduce behaviours that contribute to sewer blockages and network failures. In the longer term, this will help lower operating costs while also improving environmental outcomes.

Investment in prevention and behaviour change should therefore be considered alongside traditional operational efficiencies. By helping consumers better understand the impact of their actions on water and wastewater systems, Scottish Water has an opportunity to reduce avoidable expenditure, protect critical infrastructure and the environment, and deliver better value for the charges customers pay.

Within the Final Determination, Consumer Scotland would welcome WICS requiring greater clarity from Scottish Water on the extent to which consumer behaviour change has been considered as part of Scottish Water's operating expenditure strategy, and how the potential benefits of sustained consumer engagement have been reflected in future cost and performance assumptions.

Operating efficiency

Consumer Scotland recognises that Scottish Water's forward energy purchasing strategy helped protect consumers from the sharp increases in wholesale energy prices experienced in recent years. However, this benefit is unlikely to continue indefinitely.

Within the Final Determination, we would welcome WICS requiring greater clarity from Scottish Water, and setting out within the Final Determination, the duration of these arrangements and the extent to which future cost forecasts assume continued protection from energy price volatility. As these contracts unwind, Scottish Water may face increased exposure to higher energy costs, creating potential pressures on operational expenditure, investment programmes and customer charges.

Understanding how Scottish Water plans to manage this transition is important for consumer confidence. Consumers should have assurance that appropriate steps are being taken to mitigate future price shocks, strengthen energy resilience and minimise the impact of rising energy costs on bills and planned investment.

Consumer Scotland welcomes consideration within the Draft Determination of energy market risks and volatility, and how these are to be managed, particularly given the potential implications for affordability and delivery of long-term outcomes for consumers.

Operating expenditure – bad debt

Consumer Scotland would welcome WICS requiring further detail from Scottish Water on the management of bad debt relating to household water and sewerage charges. While Scottish Water is not responsible for billing or debt collection, and we recognise the work underway with local authorities to improve debt data collection, it remains important that Scottish Water understands and monitors the impact of debt levels on its customers, revenues and the long-term affordability of services.

It is currently unclear what the underlying level of bad debt is, how much is written off each year by local authorities, and the extent to which unrecovered charges may ultimately affect paying customers through higher charges or reduced funding available for investment. Scottish Water should be able to demonstrate how it monitors debt trends, assesses associated risks and works with local authorities to promote fair and effective debt management practices. This should include visibility of outstanding debt levels, write-offs, collection performance and emerging affordability concerns.

Greater transparency in these areas would support a better understanding of affordability pressures across Scotland and the effectiveness of current collection arrangements.

As the economic regulator, WICS has an important role in ensuring that issues are subject to appropriate scrutiny and transparent reporting. Consumer Scotland would welcome WICS requiring Scottish Water to provide regular reporting on bad debt trends, and the effectiveness of debt management arrangements as part of its wider performance and customer protection framework.

As household financial pressures persist and investment requirements increase during 2027-33, improved reporting and oversight of bad debt will be important in understanding the extent of affordability challenges faced by consumers, ensuring appropriate support is available where needed, and providing assurance that debt recovery arrangements are being delivered fairly and proportionately.

Consumer Scotland is currently working with local authorities, frontline debt advice agencies and Scottish Water to better understand debt levels across Scotland's 32 local authorities and identify opportunities to improve debt recovery practices. The findings from this work may help strengthen the evidence base on affordability and debt management within the water sector.

Consumer Scotland would welcome WICS using this evidence to inform its ongoing monitoring of affordability risks, debt trends and customer outcomes during SRC27. This would support a more proactive approach to identifying emerging consumer harm and help ensure that debt management arrangements continue to operate fairly, proportionately and in the interests of customers.

Q6. To what extent do you agree with our proposal to introduce a conditional charge cap?

Consumer Scotland welcomes the application of conditional charge caps and considers this an effective mechanism for protecting consumers from paying more than is necessary and from paying in advance for uncertain costs. This approach provides greater assurance that any future increase in charges will be supported by robust evidence and transparent decision-making.

However, consumers should also have visibility of how these mechanisms operate in practice, including the evidence required to trigger additional charges, the outcomes expected to be delivered, and the opportunities for stakeholder scrutiny before any increase is approved. Transparency will be critical to maintaining confidence that consumers are paying only for costs that are justified and demonstrably in their interests.

Q7. To what extent do you agree with our proposals for monitoring Scottish Water's performance over SRC27?

<u>Consumer Voice and Change Control</u>

Consumer Scotland welcomes WICS' continued focus on placing the customer voice at the heart of SRC27 and its willingness to work with stakeholders to ensure that performance measures, reporting and decision-making processes continue to reflect consumer priorities throughout the 2027-33 period.

Consumer Scotland recognises that changes may be required during the delivery period. However, any amendments to commitments, investment priorities or expected outcomes should be considered within the context of the Final Determination and the package of proposals that consumers were asked to consider and ultimately expressed support for.

Within our response to the Scottish Government's 'Water Services: investing in and paying from 2027' we set out the following proposed approach to address this issue:

To keep consumers at the heart of the investment delivery during the SRC27-33 period, clearer expectations are needed for how consumers' interests should be taken account of if Scottish Water proposes material changes to commitments that consumers had given their support to through the Confirmation Pillar of the SRC process.

There are a range of options for a clearly structured, transparent approach which could help to achieve this. These options may include, but are not limited to:

- ***Formal sector overview:*** *Any proposed change to customer relevant commitments could trigger a requirement for Scottish Water to present the case to the Water Industry Investment Group.*
- ***Consumer impact assessments:*** *Before altering discretionary spending, Scottish Water could be required to publish a short assessment of the customer impacts and how these relate to what consumers originally supported.*
- ***Targeted consumer engagement:*** *For more significant shifts—e.g. in relation to service improvements that were strongly supported by consumers—Scottish Water could be expected to undertake rapid, proportionate engagement with affected consumer groups or representative panels.*
- ***Regulatory transparency:*** *Options for this could include WICS requiring visible reporting within the Annual Return where changes to the plan materially diverge from commitments previously tested through the Confirmation Pillar. In addition, or alternatively, such changes could be reported and discussed at WIIG.*

Mechanisms such as these could help to ensure that consumer support for the Final Determination, which has been rigorously sought and tested through the SRC process, is not lost or undermined during the 6-year delivery period.

Any assessment of consumer support for proposed changes should be underpinned by robust, transparent and proportionate engagement methodologies. Such approaches should provide sufficient depth, scrutiny and representativeness to demonstrate that consumer views have been thoroughly tested, accurately understood and appropriately reflected in decision-making. This will be important in maintaining confidence that changes introduced during the regulatory period continue to align with consumer priorities and interests.

<u>Clear line of sight between investment and outcomes</u>

Consumer Scotland supports a fundamental shift in performance reporting towards a stronger and more transparent framework focused on outcomes for customers and communities. Reporting should provide a clear line of sight between strategic decisions, investment choices, risks and the experiences of customers and communities, demonstrating not only what has been delivered, but what has changed as a result.

As the economic regulator, WICS has an important role in ensuring that Scottish Water can demonstrate this link clearly and consistently throughout SRC27. WICS should require reporting that shows how investment, performance and risk decisions translate into measurable improvements in consumer outcomes, and provide assurance that customers are receiving the benefits they have been asked to fund.

Performance reporting must enable consumers to understand the consequences of investment decisions, including where programmes are delayed, reprioritised or reduced. In such cases, WICS should require Scottish Water to clearly articulate the implications for service quality, resilience, environmental performance and consumer wellbeing. Equally, where investment has delivered benefits, these should be transparent evidence that these have resulted in tangible improvements experienced by customers and communities.

Consumer Scotland would also welcome a greater focus on the assessment of trade-offs of investment and associated benefits. WICS should ensure that performance reporting identifies who benefits from investment decisions, who may be adversely affected, and the extent to which known service-related issues are being resolved, deferred or exacerbated. This would strengthen transparency and accountability by demonstrating how investment decisions contribute to improved consumer outcomes, service resilience and long-term value.

Furthermore, Consumer Scotland considers that WICS should be assured that change control, risk management and performance monitoring processes maintain a clear line of sight to tangible consumer outcomes. It is important that Scottish Water is able to demonstrate the consequences for customers and communities, as well as the delivery implications such as costs and timescales, for any of programme change. This should include a clear assessment of how risks, delays, deferrals and changes in scope affect expected consumer benefits, service improvements and outcomes, particularly in areas experiencing known or persistent service issues. WICS should seek assurance that consumer impacts are being actively considered, monitored and managed, and that decision-makers have a clear understanding of the trade-offs being made, the benefits being delayed or forgone, and the implications for current and future consumers. Ultimately, WICS should use its performance framework and reporting requirements to ensure that consumers can see what decisions have been made on their behalf, why those decisions were taken, and what they mean in practice for the services they receive and the communities in which they live. Such an approach would strengthen public confidence and provide assurance that investment is delivering outcomes that matter to consumers.

Q8. To what extent do you agree with our proposals for monitoring delivery of Scottish Water's investment programme?

Management of additional regulatory requirements

Where the need for additional investments to support regulatory requirements not already costed for in the Final Determination are identified during the six-year regulatory period, Consumer Scotland is concerned that this could result in the displacement or non-delivery of essential service-related investment. This raises questions as to what actions may be required to ensure that the proposals set out in

the Final Determination can continue to reflect and uphold the consumer support on which they are based.

It is essential that any proposed amendments to SRC27 commitments that emerge during the period are underpinned by robust evidence of need and subject to rigorous scrutiny. To maintain the integrity of consumer support for the Final Determination, there must be clear demonstration that consumer views have been comprehensively tested, appropriately considered, and meaningfully reflected in decision-making. As the statutory independent consumer body, Consumer Scotland would anticipate playing a role in any such process, building on the successful Memorandum of Understanding between WICS, Scottish Water and Consumer Scotland which has underpinned the consumer role in the SRC process. Only through such an approach can confidence be maintained that any changes remain aligned with consumers' priorities and expectations.

Consumer Scotland would also welcome clarity from WICS on whether the additional £118 million investment allowance could be used to fund emerging regulatory priorities during the 2027-33 period.

While flexibility is important in responding to uncertainty and changing circumstances, any use of unallocated funding should be supported by clear governance, transparency and accountability. Customers should be able to understand how funding decisions are made, the customer and community outcomes they are intended to deliver, and the evidence used to demonstrate value for money.

Where funding is allocated, reporting should clearly explain the benefits expected, the customers and communities affected, and the contribution the investment is expected to make to improved service performance, resilience, environmental outcomes or support for vulnerable customers. This is necessary to provide assurance that additional funds are being directed towards areas of greatest need and are delivering tangible benefits for customers and communities.

<u>Improved performance reporting and safeguards</u>

Consumer Scotland welcomes the approach set out by WICS to apply safeguards throughout the 2027-33 delivery period across price, monitoring and incentives.

Consumer Scotland welcomes WICS' intention to highlight both areas of outperformance and underperformance. To support greater transparency and accountability, Consumer Scotland is keen to work with WICS on the Annual Return to improve the visibility of Scottish Water's performance in areas that directly affect consumers' experience of the sector.

Reporting should provide a clear and accessible picture of what consumers receive in return for the charges they pay, including progress on service quality, resilience, environmental performance, affordability and support for vulnerable consumers. This

would help strengthen consumers' understanding of performance and increase confidence that investment is delivering tangible outcomes.

Transparency, Accountability and Outcome Reporting

Consumer Scotland supports the publication of both the Annual Return and the Scottish Water Performance Report in a clear and publicly accessible format. Reporting should provide a transparent account of what was committed to, what has been delivered, where delivery has fallen short, and the actions being taken to address any outstanding issues.

The primary objective should be to strengthen, accountability, understanding and public confidence in the monitoring and regulation of Scottish Water's performance and capital investment programme.

To maximise value for consumers, reporting should focus not only on activities, projects and expenditure, but on the outcomes achieved for customers and communities. This should include whether expected benefits have been realised, the impact of delays or changes to investment plans, and the consequences for consumers where improvements have not been delivered as intended.

Where investment has been deferred, reprioritised or reduced, reporting should clearly explain the decisions taken, the rationale for those decisions, and the resulting impact on customers and communities. This should include any consequences for service improvements, resilience, environmental outcomes and the benefits originally expected to be delivered. Greater transparency in this area would provide assurance that performance monitoring and regulatory oversight remain focused on delivering meaningful outcomes and tangible benefits for customers and communities.

Transparency of Investment Trade-offs and Consequences

Within the Final Determination, Consumer Scotland would welcome WICS requiring clearer measures and reporting from Scottish Water on the consequences of changes to investment priorities. Where investment is deferred, reduced or reprioritised, consumers should be able to understand the implications for service performance, resilience, environmental outcomes and the benefits originally expected to be delivered.

This is particularly important where investment relates to known service issues or longstanding consumer concerns. Consumers should have visibility of which investments have been postponed, the reasons for those decisions, and the resulting impact on planned service improvements and customer outcomes.

Greater transparency in this area would strengthen accountability and provide assurance that investment decisions are being made in the best interests of

consumers. It would also support more effective scrutiny of the trade-offs between affordability, risk, service quality and long-term resilience.

Scottish Water Annual Return and Performance Reporting

In addition to previous comments on accessible reporting, Consumer Scotland would welcome enhancements to Scottish Water's Annual Return and Performance Report to provide a stronger focus on consumer outcomes and the benefits delivered through investment. Reporting should clearly explain what Scottish Water committed to deliver, what was delivered, what was not delivered, and the implications for customers and communities.

We would support the introduction of a clear annual scorecard setting out:

- What Scottish Water committed to deliver
- What was fully delivered
- What was partially delivered
- What was not delivered
- The reasons for any non-delivery
- Whether commitments have been deferred, descoped or cancelled

This information should be presented in plain language and be accessible to consumers, rather than relying primarily on technical or investment-based categories.

Where investment is deferred, reduced or reprioritised, reporting should explain the benefits that have been delayed or lost, identify the customers and communities affected, and set out the implications for service quality, resilience and environmental performance. Scottish Water should also provide greater visibility of the duration of any delays, whether additional risks arise as a result, and when benefits are expected to be realised.

Given that consumers experience services locally, reporting should also highlight the local consequences of investment decisions, including impacts on communities with known service issues, vulnerable customers, and areas where planned improvements have not been delivered.

Alongside financial and operational metrics, reporting should focus on outcomes that matter most to consumers, including reliability of water supplies, sewer flooding, leakage, water quality, response times, complaints handling, and support for vulnerable consumers.

Ultimately, consumers should be able to understand what investment has been prioritised, what has been deferred, why those decisions were made, and what the consequences are. This is necessary to strengthen transparency and accountability, while shifting the focus from projects and expenditure towards the outcomes consumers receive in return for the charges they pay.

In period change process

Consumer Scotland considers that change control and performance monitoring should place greater emphasis on the impact of decisions on customers and communities, rather than focusing primarily on project delivery and expenditure.

Reporting should clearly explain how changes to investment programmes affect expected consumer benefits, including where benefits have been reduced, delayed or no longer expected to be delivered. It should also set out the impact of investment deferrals and reprioritisation on consumers, particularly in areas experiencing known or longstanding service issues.

Where trade-offs are made, there should be greater clarity and detail regarding the rationale for decisions and the consequences for service performance, resilience, environmental outcomes and future customer benefits. This is particularly important where affordability pressures require difficult choices between competing priorities.

A stronger focus on customer outcomes would improve transparency and accountability by helping customers understand not only what decisions have been made, but what those decisions mean for the services they receive and the issues that matter most to their communities.

Q9. Please use this space to share any additional comments on our draft decision

Consumer Duty

Scottish Water should be able to evidence where consumer engagement is embedded as a core component of investment planning and decision-making, rather than being treated as a discretionary or supplementary activity. Effective consumer engagement is essential to ensuring that investment priorities reflect consumers' needs, preferences and willingness to support proposed outcomes.

As the economic regulator, WICS has an important role in ensuring that consumer engagement is meaningful, influential and demonstrably linked to decision-making. WICS should require Scottish Water to provide clear evidence of how consumer insights have informed investment priorities, influenced trade-offs, shaped performance commitments and affected spending decisions throughout the SRC27 period.

There should be a clear and transparent focus on evidencing the value and benefits delivered for consumers, including how consumer engagement has influenced investment decisions, improved outcomes, and contributed to delivering services that align with consumers' priorities and expectations.

Consumer Scotland would welcome WICS incorporating this expectation within its performance monitoring and reporting framework, ensuring that Scottish Water can demonstrate not only that consumers have been listened to, but that their views have a measurable impact on outcomes, service improvements and investment decisions. This would strengthen transparency, accountability and confidence that the principles of Ethical Business Regulation are being delivered in practice.

Interest on wholesale prepayments

Consumer Scotland would welcome greater transparency regarding the treatment of wholesale prepayments and any associated interest earned. In particular, clarity on how interest credits are calculated, who benefits from them, and whether the value generated is ultimately reflected in charges paid by non-household consumers.

As the economic regulator, WICS has an important role in ensuring that these arrangements are transparent, appropriately governed and operate in the interests of consumers. WICS should require clear reporting on the financial benefits arising from wholesale prepayments, including how these benefits are distributed and the extent to which they are shared with customers.

From a consumer perspective, it is important that any financial benefit arising from advance payments is subject to transparent governance and delivers demonstrable value for consumers. Where interest is generated from funds paid in advance of services being provided, Scottish Water should be able to demonstrate how this benefit is allocated and the extent to which consumers share in that value through lower charges, improved services or increased investment.

Consumer Scotland would welcome WICS providing ongoing scrutiny of these arrangements and assurance that consumers are receiving an appropriate share of any financial benefits generated using customer funds. Greater transparency and regulatory oversight would help ensure that prepayment mechanisms operate fairly, that customers are not disadvantaged, and that any benefits arising from these arrangements are distributed in a manner consistent with principles underpinning value for money, accountability and Ethical Business Regulation.

PRP Framework

Consumers highlighted a lack of understanding of Scottish Water's executive pay and bonus arrangements through Consumer Scotland's deliberative research undertaken as part of the Confirmation Pillar process.

Consumer Scotland considers that any outperformance against agreed targets should demonstrably deliver additional benefits for customers and communities, beyond those already expected through the Final Determination. Where incentive payments are linked to outperformance, there should be clear evidence that Scottish Water has delivered measurable improvements in service, resilience, environmental performance or consumer outcomes that exceed agreed commitments. Customers should have confidence that they are only funding incentive payments where there is clear evidence of additional benefit beyond that already funded through charges.

As the economic regulator, WICS has a critical role in designing, scrutinising and overseeing these incentive arrangements. WICS should require Scottish Water to clearly demonstrate what additional benefits have been delivered, how these have been measured, which consumers have benefited, and why the level of outperformance justifies any associated reward. WICS should also provide independent assurance that reported outperformance reflects genuine improvements in outcomes rather than changes in methodology, timing or delivery approaches, and should ensure that any reward is proportionate to the value delivered.

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[i] Scottish Government consultation on Water Services: investing in and paying from 2027 | Consumer Scotland March 2026
[ii] Affordability of water and sewerage charges (HTML) | Consumer Scotland
[iii] Affordability of water and sewerage charges | Consumer Scotland November 2025
[iv] 040327businessplan2027-2033-technicalappendices.pdf
[v] Water company final vulnerability strategies 2025 - Ofwat
[vi] ESRI Working Paper 654 (March 2020) *An experimental study of attitudes to changing water charges in Scotland*