CONSUMER DUTY IMPACT ASSESSMENT: FINAL DETERMINATION OF 2027-33 CHARGES

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WICS Economic regulation for Scotland's water

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REVISION HISTORY

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1.0	June 2026	All	Draft Assessment
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Commission	June 2026	All.	All.
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1. Introduction

1.1. Introduction to assessment

1.1.1 The Water Industry Commission for Scotland (WICS) has completed a Consumer Duty Impact Assessment for the Final Determination of 2027-33 Charges.

1.1.2 We have used Consumer Scotland's proposed template for completing a Consumer Duty Impact Assessment, as referred to in Annex F of How to meet the consumer duty: guidance for public authorities (draft).

2. Impact Assessment

2.1 Stage 1: Planning

Stage	Tasks	Outcome
Planning (1)	Decide if this is a strategic decision or not. If not, then proceed to **stage 5**	**Yes.** The Strategic Review of Charges 2027–33 (SRC27) Draft and Final Determinations are strategic decisions within the meaning of the Consumer Scotland Act 2020. They set the overall level of water and wastewater charges and investment for the six-year regulatory period 2027–33 and have longer-term implications for the sustainability, resilience and performance of Scotland's water industry. This is therefore a high-impact strategic decision affecting all water and wastewater consumers in Scotland.

Stage	Tasks	Outcome
	Decide if the strategic decision will impact on consumers. If not, then proceed to **stage 5**	**Yes.** The decisions taken through SRC27 directly affect: • The charges paid by household and non-household customers • The quality and resilience of water and wastewater services • The timing and scale of investment in essential infrastructure • Intergenerational fairness in how costs are shared As a monopoly provider, Scottish Water customers do not have a choice of supplier. The regulatory process is therefore the primary mechanism by which customer interests are protected.
	If this is a strategic decision, that will have an impact on consumers, then develop a plan for how to complete **stages 2-5**, including required consumer engagement	As this is a strategic decision with clear consumer impact, WICS has embedded consideration of the Consumer Duty throughout the SRC27 process. **<u>Customer engagement framework</u>** We require Scottish Water to undertake a meaningful programme of customer research and engagement on service levels, investment priorities and proposed charges as part of its 2027-33 Business Plan submission. This

Stage	Tasks	Outcome
		programme was developed in collaboration with Scottish Water's Independent Customer Group and Consumer Scotland. As part of our SRC27 Price Review Methodology, a Memorandum of Understanding on customer engagement and research was agreed between Scottish Water, Consumer Scotland and WICS. This set out three pillars of work: • Evidence: to establish customers views on issues relating to the Business Plan through a co-ordinated programme of customer research and analysis. This evidence base will be core to the development of Scottish Water's Business Plan. • Independent Challenge: independent, evidence-based challenge should be carried out by the Independent Customer Group who are tasked with understanding customer interests and representing these. • Confirmation: a significant innovation for SRC27, introducing a direct customer input on whether Scottish Water's Final Business Plan commands their support. This will help demonstrate to Ministers that the Draft and

Stage	Tasks	Outcome
		Final Determination commands customers' support. The full Memorandum of Understanding can be found WICS' website: Customer Engagement MOU **WICS' regulatory role** WICS' statutory role is to determine the lowest overall reasonable cost of Scottish Water delivering the Scottish Ministers' Objectives for the industry. We have carefully analysed Scottish Water's business plan for the period 2027 to 2033. We have tested its proposals, challenged assumptions and costs, and set demanding expectations for efficiency, performance and customer service. Our aim has been to establish the necessary investment levels and charge profile that achieves the best possible value for customers.
	Understand the aims and outcomes of the proposal and identify alternative options	Scottish Water tested a range of investment and charge scenarios with customers to explore trade-offs between: • Bill increases • Service maintenance and improvement • Environmental protection

Stage	Tasks	Outcome
		• Long-term resilience In our feedback on Scottish Water's draft business plan, we recommended that additional scenarios be tested to ensure that a sufficiently wide range of options had been explored. Scottish Water incorporated this feedback in its final submission and supporting research. Our Draft and Final Determinations of charges has been informed by: • The full body of customer research • The independent challenge from the Independent Customer Group • Our own independent analysis of costs and efficiency This ensures that alternative approaches were considered and that the final decision on charges and investment reflects a balanced assessment of consumer priorities, affordability and long-term outcomes.

2.2 Stage 2: Evidence gathering

Stage	Tasks	Outcome
	Sufficient evidence gathered to answer:	**Purpose**

Evidence gathering (2)	• What is the proposal trying to achieve? • What are the impacts on consumers, if any? • What are the impacts, if any, on consumers in vulnerable circumstances? • Is it likely that harm will be experienced by consumers as a result of this proposal? • What alternative proposals are there that can improve outcomes for consumers and/or reduce harm to consumers? • How do these alternative proposals compare to the original proposal? Has your engagement with consumers established any themes you hadn't previously considered?	WICS protects customers by independently challenging Scottish Water, setting targets for continuous improvement and holding the company to account for delivery. We provide clear, independent scrutiny so customers can see what they are paying for and have confidence they are paying no more than is necessary. We carefully test the case for any increase in charges. This includes challenging costs and assumptions, assessing risks and deliverability, and weighing short-term affordability against long-term value. The Strategic Review of Charges is the process that sets water and wastewater charges in Scotland every six years. Its purpose is simple, to make sure customers pay no more than necessary for safe, reliable and improving services. Every six years, WICS asks Scottish Water to produce a detailed business plan for the next regulatory period. This plan sets out: • what Scottish Water plans to deliver • how much it expects to spend • how services will be maintained and improved • how this will affect customer bills

As part of this process, we expect Scottish Water to carry out extensive, meaningful engagement on its plans with customers. This includes close engagement with environmental and water quality regulators to ensure the plan enables Scottish Water to meet legal requirements.

WICS then reviews the plan carefully. Our role is to check that proposed spending is necessary, efficient and deliverable. We determine the lowest reasonable overall cost of meeting Scottish Ministers' objectives. We set a cap on how much Scottish Water can charge customers and set performance targets. We then monitor progress and hold Scottish Water to account.

This process protects customers by making sure:

- bills reflect only what is required to provide services
- investment is justified
- Scottish Water delivers on its commitments

The public consultation on our draft decision was an important part of this process. Customer views and priorities have helped shape both the level of investment allowed and the protections built into this draft decision. Customers and stakeholders will have a further chance to share their views before we make a final decision.

Impact

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

The Scottish Government's Principles of Charging sets out how charges are collected or how support schemes operate. WICS' role is to minimise the overall level of charges collected from customers. By challenging costs and reducing the funding Scottish Water is allowed to collect, we help keep bills lower for everyone.

Likelihood of harm

Potential harms considered include:

- affordability pressure from bill increases
- under-investment leading to service deterioration
- over-investment leading to unnecessarily high charges

Our assessment balances these risks. The Final Determination mitigates harm by:

- reducing proposed charges compared to Scottish Water's submission
- maintaining essential investment to protect service standards

- embedding performance commitments and monitoring

Key themes from research

Overall customer research showed broad support for / acceptance of Scottish Water's Final Business Plan.

Support for Scottish Water's final business plan was based on:

- Investments aligned with customer priorities (on the whole)
- Commitment to water quality being maintained
- Transparency in the process and Scottish Water's responsiveness to feedback (e.g. efficiency, reducing charges, customer engagement focus, investing less in some carbon reduction measures).
- CPI+3.3% feeling more affordable.
- Assumption that outcomes will be met and WICS will hold Scottish Water to account on this.

Concerns about the final business plan were based on:

- Risks associated with postponing investments and reducing charges (e.g 16 high priority UIDs, asset failure, higher costs later, lack of contingency).

- Uncertainty of charges due to inflation, and cumulative impact of rising household and business bills.
- Some disappointment with lower investment in carbon reduction and maintaining water supply performance.
- Doubts around accountability (concerns remaining about executive pay / bonuses among household customers).
- Missed opportunities? (more ambitious investment, alternative income generation, public engagement, rainwater collection).

Improving outcomes for consumers

We have challenged the business plan in the following areas:

- Charges
- Expenditure
- Outcomes delivered

We require Scottish Water to deliver improved outcomes in several areas that customers have told us matter most to them including:

- Leakage;
- Water quality;
- Interruptions to supply; and
- Sewer flooding to homes.

As a result, our final decision saves customers £80 (in 2026-27 prices) in total over 2027-33

		while still allowing £7.9 billion of investment to maintain and improve services over the 2027–33 period. To support this level of investment, we are proposing that customer charges increase by no more than 2.5% per cent above inflation, potentially rising to 2.8% over 2029-30 to 2032-33 if uncertain costs arise. This would mean average bills rising by around £16 per year, which is approximately £4 less per year than Scottish Water's business plan proposal (in 2026-27 prices). This approach balances the need to invest to protect water and wastewater systems with the need to keep bills fair and clearly justified.
	Identify and fill any gaps in evidence to answer questions above	Scottish Water has indicated in its final business plan that it was not possible to quantitatively test the affordability of the Final Business Plan due to time constraints. The business plan has since been tested through deliberative research with customers, which found support for and acceptance of Scottish Water's final business plan, which was broadly considered balanced and sensible by participant household and non-household consumers.

2.3 Stage 3: Evidence gathering

Stage	Tasks	Outcome
Assessment and improvement of proposal (3)	Consider answers to **stage 2** to assess the impact of the strategic decision on consumers	We have challenged Scottish Water's assumptions to ensure greater efficiencies and cost reductions which bring overall customer charges down further. Rather than increasing by CPI + 3.3% as proposed in the business plan, under our Final Determination bills would rise each year by inflation plus an additional 2.5% over 2027-28 to 2028-29, potentially increasing to 2.8% in the final four years of the period. Over the whole period, this is a total rise of 16.0% above inflation or 17.3% above inflation if uncertain and uncontrollable costs arise. This is below the total rise in Scottish Water's business plan of 21.5% above inflation over 2027-33. These changes materially reduce the impact on customer bills while maintaining essential investment.
	Consider if any improvements need to be made to the initial proposal in light of findings of impact on consumers	Our Final Determination confirms the targets in the areas that customers identified as priorities, including several outcomes, such as water quality and sewer flooding.

		We sought to balance the additional funding requested by Scottish Water in its consultation response with concerns raised by some customers about affordability. On this basis, we robustly challenged Scottish Water's additional evidence in order to mitigate the potential full impact on customer charges.
	Consider if any further consumer engagement is necessary.	We expect Scottish Water to continue learning from customer insights as it plans and prioritises investment over time and ensure the voice of customers and communities is embedded in its decision making.

2.4 Stage 4: Decision

Stage	Tasks	Outcome
Decision (4)	Consider the findings of previous stages and agree any changes to the proposal	The Final Determination sets out a lower level of charges than Scottish Water proposed in its Business Plan, recognising the scope for further efficiencies.
	Document clearly how you have met the consumer duty: • The impact of the strategic decision on consumers and the desirability of reducing harm to consumers have been considered throughout the process • That an outcomes-based approach has been taken to achieve the best outcomes for consumers.	Findings from consumer research carried out by Scottish Water, Consumer Scotland and independent challenge from the Independent Customer Group have directly informed WICS' decision in the draft determination. We also include responses to the Draft Determination consultation into our Final Determination.

2.5 Stage 5: Publication

Stage	Tasks	Outcome
Publication (5)	The Consumer Scotland 2020 Act requires public authorities to publish information about the steps which they have taken to meet the duty.	This Consumer Duty Impact Assessment will be published alongside the Draft and Final Determinations. This assessment should be read alongside: • Scottish Water's customer engagement documentation • the Independent Customer Group reports • the SRC27 Price Review Methodology • the Draft and Final Determination documents Together, these documents demonstrate how consumer interest have been identified, assessment and prioritised through SRC27.

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