Scottish Environment Protection Agency
Buidheann Dìon Àrainneachd na h-Alba

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31 August 2026

Dear David,

SEPA FEEDBACK ON WICS DRAFT DETERMINATION OF CHARGES 2027/2033

Thank you for your letter of 29th June 2026 seeking SEPA's views on the Water Industry Commission's draft Determination of Charges for 2027 - 2033

SEPA recognises the significant challenge of balancing investment in Scotland's water infrastructure with the need to maintain affordability for customers and support the responsible stewardship of public finances.

In responding to the Draft Determination, SEPA has considered whether the proposed funding and investment framework is sufficient to enable the water sector to meet current and future environmental obligations, and move Scotland towards the shared water sector vision; Scotland's water sector will be admired for excellence, secure a sustainable future and ensure Scotland's water resources deliver lasting value.
The sector is operating in an increasingly complex environment, shaped by the accelerating impacts of climate change, ageing assets, growing pressures on water resources, evolving

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legislative requirements, and rising public expectations for environmental protection and service resilience. These factors demand sustained, timely and targeted investment to protect and improve Scotland's water environment while ensuring the long-term resilience of public water and wastewater services.

While SEPA welcomes several positive aspects of the Draft Determination, including support for continued investment and improvement, we remain concerned that the proposed level of funding may not reflect the scale of investment required to address these challenges, and achieve the current statutory environmental outcomes. Although we recognise the difficulties and uncertainties in quantifying future investment needs, given the scale of the challenges we know the sector faces we think it is inevitable that additional funding will be required during the investment period, and/or there will have to be a substantial reprioritisation of the agreed investment programme to deliver the environmental improvements expected by current and future generations.

Whilst we recognise that there is a mechanism to dynamically adapt the investment plan during the strategic review period, the experience of SR21 has highlighted a number of challenges in openly managing this change; particularly the absence of a formally agreed technical baseline for the investment programme, a formal change process and the complexity created by differing Strategic Review of Charges and River Basin Management Plan delivery timescales.

We understand that WICS will be reviewing the overall governance and control mechanisms applied in SR27 and welcome any measures which further increase openness and transparency, in the spirit of ethical business regulation.

The SR21 lessons are informing SEPA's approach to SR27, where we are strengthening governance, transparency, and reporting arrangements, with clearly defined milestones to support a shared understanding of commitments and progress. This will support SEPA in its role as regulator by providing greater visibility of delivery, strengthening accountability, and enabling effective oversight of compliance, therefore ensuring environmental outcomes are achieved.

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We will continue to engage as we review how effective regulation can continue to enable openness and clarity, through mechanisms such as our permitting regime and compliance assessments.

Managing future investment and compliance risk

We fully support the principle of "study first, invest later" and recognise that it is not yet possible to define with certainty the investment requirements that arise from individual studies or specific Scottish Water assets.

However, our understanding of the draft determination is that SR27 currently provides limited recognition of the investment needs likely to emerge from this work, particularly in relation to pass forward flow non-compliance. While the precise requirements remain uncertain, it would be reasonable to expect Scottish Water to estimate the proportion of studies that are likely to lead to investment and develop indicative cost ranges for those interventions. Although such estimates would carry wide confidence intervals, incorporating a minimum-likely expenditure assumption into financial planning would provide greater assurance that future investment needs are being recognised. This would minimise the risk of underestimating the scale of future requirements and investment needs, and the consequent issue of inter-generational unfairness.

We note the rolling investment programme should allow Scottish Water to reprioritise investment as required, however without clearer recognition of the likely investment arising from the current programme of studies, there is an ongoing level of risk that statutory environmental obligations will not be delivered in a timely manner.

We also recognise the challenges of planning for future requirements associated with legislative and policy developments, including emerging concerns such as per and polyfluoroalkyl substances (PFAS) and microplastics, the recast Urban Waste Water Treatment Directive and climate-related policy measures. While Scottish Government will ultimately determine future ambition levels and any associated funding through interim determinations, early recognition of these likely requirements, even where uncertainty remains high, would provide greater confidence that potential statutory obligations can be delivered effectively and on time. Failure

to prepare adequately for these future investment needs risks delaying compliance and undermining the environmental outcomes and regulatory objectives expected by Ministers and the public.

Scottish Water performance forecasts

SEPA notes that as these are WICS performance metrics, any resolution of misalignment or agreement on final positions is ultimately a matter for WICS to determine.

Pollution Incidents:

As Scotland's environmental regulator, one of SEPA's key objectives is the prevention of pollution incidents and the protection of Scotland's water environment.

We note, and are encouraged by, WICS's recognition of the need to further reduce the number of serious pollution incidents, with a proposed reduction from eight incidents to four by 2032-33. However, we would like to highlight that any serious pollution incident is unacceptable, given the potential consequences for the environment and the communities affected.

In relation to pollution incidents, SEPA considers that greater ambition is both achievable and necessary to support continued improvement in environmental performance. We strongly support Scottish Water's continued deployment of network sensors and other intelligent network technologies to enable earlier detection of issues, more proactive asset management, and a reduction in the number and impact of pollution incidents.

Wastewater treatment works compliance

As the body responsible for regulating compliance with Scotland's environmental legislation, SEPA's minimum expectation is for operators to achieve and maintain full compliance with environmental regulations and licence conditions, although we note that the draft determination reflects the Ministerial Objective is for Scottish Water to "maintain and improve" compliance.

In considering performance measures and our response, we are mindful that the current metrics may evolve during the regulatory period as the Environmental Performance Assessment Scheme (EPAS) is implemented. In this context, we would encourage a broader

focus on overall wastewater treatment works compliance rather than reliance on a measure based solely on final effluent performance. Such an approach would provide a more comprehensive assessment of environmental performance, better reflect the outcomes delivered across the wastewater asset base, and enable the full benefits of investment to be more effectively recognised and demonstrated.

River Water Quality metrics

As robust Water Framework Directive measures already exist to assess water quality performance, SEPA considers that the creation of a separate metric would add limited value and duplicate existing monitoring and reporting arrangements.

SEPA will continue to assess, measure and report Scottish Water's environmental compliance through our established Environmental Performance Assessment Scheme (EPAS).

Protected Areas - Bathing Waters and Shellfish water

SEPA has worked closely with Scottish Water to agree the identified known investment requirements for Bathing Waters and Shellfish Waters and is satisfied that funding has been allocated to these sites within the SR27 investment programme. Notwithstanding this progress, we remain concerned about the application of the ‘study first, invest later’ principle, which risks delaying the delivery of statutory objectives.

Urban Wastewater Treatment Directive (current legislation)

SEPA recognises that Scottish Water is working towards its long-term commitment to eliminate all Unsatisfactory Intermittent Discharges (UIDs) by 2050. As a minimum, SEPA's expectation is that at least 25% of the remaining UIDs are resolved during each investment cycle to maintain progress towards that objective. While we acknowledge the financial and delivery challenges associated with this long-term commitment, we also consider it important to provide greater transparency regarding SEPA's regulatory expectations. To support this, we will continue to review and clarify our regulatory position in relation to the remaining UIDs.

SEPA is encouraged by the draft determinations alignment with SEPA’s expectation that, within the SR27 investment cycle, the greater of either 25% of the remaining UIDs or 150 UIDs will be

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resolved. Through ongoing discussions with Scottish Water, we understand that Scottish Water is consequently committing to deliver 168 UIDs in the SR27 period.

We are committed to open and transparent regulation and will consider an appropriate regulatory position on the ~75% of UIDs which remain on the register.

Urban Wastewater Treatment Directive (recast)

As development of Integrated Urban Wastewater Management Plans is specified within Ministerial Objectives, SEPA would expect a clearly identifiable allocation to support delivery within SR27.

Water Environment and Water Services (Scotland) Act 2003 – Water Resources

SEPA welcomes the inclusion of leakage reduction investment and targets, particularly in areas facing supply-demand deficits, and encourages these areas to be prioritised. However, there is a need for a stronger focus on demand reduction. Domestic water consumption in Scotland remains among the highest in Europe, and reducing demand is essential to adapt to climate change, protect the environment, improve climate resilience, reduce future infrastructure requirements, and ensure sustainable water availability for economic growth.

SEPA considers demand reduction and leakage reduction to be complementary priorities and believes that, particularly in water-stressed areas, water efficiency measures should be maximised before additional resources or abstractions are pursued.

SEPA would welcome the explicit recognition of drought and water scarcity as key climate change challenges, and a commitment to developing an ambitious target to reduce *per capita* water demand.

Future water resource infrastructure planning, covering both new and existing assets, should support greater long-term resilience and reduce reliance on emergency water abstraction applications during periods of water scarcity.

Climate Change (Scotland) obligations

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While climate resilience is appropriately recognised as a major investment driver within the Draft Determination, SEPA remains concerned that the level of investment proposed will not be sufficient to support the pace and scale of emissions reductions required to meet net-zero ambitions.

I hope these comments are helpful to WICS in reaching its final determination. Please do not hesitate to contact me should you wish to discuss any aspect of SEPA's feedback in more detail.

Yours sincerely,



Nicole Paterson
Chief Executive