CA/S7/26/10/3

Climate Action Committee
Thursday 19 November 2026
10th Meeting, 2026 (Session 7)

Water Industry Commission for Scotland

Introduction

1. The Committee has agreed that it wishes to take evidence from public bodies within its remit on an annual basis. At this meeting, the Committee will hear from the Water Industry Commission for Scotland (WICS) about the work of the Commission and the Final Determination of 2027-33 charges, as well as Scottish Water's Annual Performance 2025-26. At its meeting, the Committee will hear evidence from:

    - David Satti, Chief Executive Officer, Water Industry Commission for Scotland
    - Aidan O'Carroll, Chair, Water Industry Commission for Scotland.

2. The Committee will take evidence from Scottish Water at a future meeting.

Scotland's water industry

3. In Scotland, drinking water and sewerage services are provided by Scottish Water: a publicly owned company operating within a regulatory framework. Business Stream is a subsidiary of Scottish Water and provides non-domestic customers with water and wastewater services. Scottish Water and its subsidiaries are accountable to the Scottish Ministers who are in turn accountable to the Scottish Parliament.

4. The Water Industry Commission for Scotland is the economic regulator for the water industry in Scotland, a public body, independent of the Scottish Government, with statutory powers to monitor Scottish Water's performance. WICS was established by the Water Services etc. (Scotland) Act 2005 with powers to cap the prices Scottish Water can charge customers. It can also, under certain circumstances, place limitations on how much Scottish Water can borrow from the Scottish Government.

5. Background information about the governance of Scotland's water sector can be found in the subject briefing on Scotland's water industry: overview of regulation and key challenges published by the Scottish Parliament Information Centre (SPICe).

Water Industry Commission for Scotland

6. WICS is comprised of a Board, consisting of a Chair, four non-executive members and the Chief Executive Officer. Non-executive members are appointed by Scottish Ministers with the Chief Executive Officer being appointed by the Board.

7. The WICS Corporate Plan 2021-27 summarises its statutory duties as being to:

   - promote the interests of Scottish Water's customers and, in so doing, to have regard to the interests of future customers;
   - ensure that customer charges reflect the lowest reasonable overall cost for Scottish Water to deliver the Scottish Ministers' Objectives;
   - comment on Scottish Water's reporting of its performance, challenging Scottish Water to become more efficient and sustainable;
   - facilitate the entry of retail water and sewerage providers that wish to supply non-household customers in Scotland; and
   - support the Scottish Government's vision of ensuring that Scotland is a Hydro Nation, and to meet our obligations under the Water Resource Act 2013.

8. The period covered by the Corporate Plan 2021-27 aligns with the regulatory control period for Scottish Water. WICS carried out a refresh of its strategic objectives for the final two years of this period, stating that the update "ensures the plan better reflects the organisation we are today and our current priorities". A 2025-26 Work Plan, published in August 2025, set out revised objectives and outcomes.

9. A consultation exercise on a draft Corporate Plan for 2027-33 was carried out during September and October 2026.

Scottish Water's Performance 2025-26

10. WICS's assessment of Scottish Water's performance during 2025-26 was published on 4 November 2026. The overall assessment of Scottish Water's performance was summarised as:

    "In 2025-26, Scottish Water continued to deliver high overall performance and spent broadly in line with the funding available for the current regulatory period. Customer satisfaction remained high across all areas and many aspects of service performance remained strong. However, performance weakened in some areas compared with the previous year and Scottish Water remains behind plan in delivering some of the improvements it has committed to deliver by the end of 2026-27. There are material risks that it will not meet its commitments under its Improving Urban Waters Routemap and Net Zero Emissions Routemap."

11. In a letter to the Committee (Annexe A), the Chief Executive notes that in the final year of the regulatory period, WICS will "continue to monitor performance closely, particularly in areas such as leakage and environmental performance, and engage with Scottish Water on how it is responding to the challenges it faces."

Final Determination of charges 2027-33

12. WICS has recently published its Final Determination for the period 2027-2033. This sets out the maximum amount that Scottish Water is able to charge customers during this period based on the lowest overall reasonable cost of meeting the Ministerial Objectives and Principles of Charging. In a letter to the Committee, attached at Annexe B, the Chief Executive of WICS, states:

    "Central to this determination was a guiding principle that if customers are asked to pay more, there should be strong and transparent evidence to support that request. As such, we have challenged Scottish Water to demonstrate that its proposals are efficient, affordable and deliverable."

13. The letter goes on to set out that the Final Determination:

    - Limits average bill increases to around £16 per year before inflation.
    - Saves customers more than £80 over the 2027-33 period compared with Scottish Water's original proposals.
    - Supports £7.9 billion of investment to maintain and improve water and wastewater services.
    - Delivers improvements in the areas customers told us matter most.
    - Limits annual increases in charges to no more than 2.5% above inflation, with a further 0.3% available from 2029 only if specific uncertain costs arise.

Next steps

14. The Committee is invited to consider the evidence it will hear from WICS and any issues it wishes to pursue in a future evidence session with Scottish Water.

Clerks to the Committee
November 2026

Annexe A: Letter from the Chief Executive Officer – Scottish Water's performance 2025-26 (4 November 2026)

Dear Convener,

Scottish Water's performance 2025-26

Ahead of my attendance at the Climate Action Committee, I am writing to share WICS' assessment of Scottish Water's performance in 2025-26, published today.

As Scotland's independent economic regulator of the water industry, WICS monitors Scottish Water's performance against the expenditure, investment and service expectations established through the Strategic Review of Charges process. This report sets out our assessment of progress during the fifth year of the current regulatory period.

Our report shows that Scottish Water continues to deliver some of the highest levels of service in its history, and customer satisfaction remains strong.

While overall investment remains broadly in line with expectations, delivery has slowed in some areas, creating challenges for the year ahead. Maintaining momentum and ensuring that investment translates into improvements for customers will be important as Scottish Water works through these challenges.

The final year of the current regulatory period provides an opportunity to build on the progress made to date and focus on areas where further progress is needed. We will continue to monitor performance closely, particularly in areas such as leakage and environmental performance, and engage with Scottish Water on how it is responding to the challenges it faces.

We will also publish our Final Determination for the 2027-33 regulatory period on 12 November. This will set out charge caps, investment requirements and performance expectations for the next six years, alongside strengthened arrangements that will support effective monitoring of delivery and outcomes and enable earlier identification and challenge of emerging risks.

I hope our reporting on Scottish Water's 2025-26 performance is helpful to the Committee's ongoing scrutiny of the water sector. I would be happy to discuss its findings, as well as our Final Determination of 2027-33 charges at the Committee meeting.

Yours sincerely,

David Satti

Chief Executive Officer

Annexe B: Letter from the Chief Executive Officer – Final Determination of Charges (12 November 2026)

Dear Convener

Final Determination – Strategic Review of Water Charges 2027-33

Ahead of my attendance at the Climate Action Committee on 19th November, I am writing to share WICS' Final Determination of Charges for 2027-33, published today.

Following the publication of Scottish Ministers' final Objectives and Principles of Charging, we have now concluded the Strategic Review and published our Final Determination for the 2027-33 regulatory period. The Final Determination sets out the investment Scottish Water will require to deliver Ministers' objectives and the maximum charges it may recover from customers over the next six years.

As Scotland's independent economic regulator, our role is to ensure customers pay no more than is necessary while enabling Scottish Water to deliver the investment needed to maintain and improve essential water and wastewater services. This role is increasingly important given the significant pressures facing the sector, including ageing infrastructure, climate change and rising environmental expectations. Our responsibility is to scrutinise Scottish Water's proposals carefully and determine which investment should be funded through customer charges.

I have attached a copy of our Final Determination for water and wastewater charges for 2027-33. Central to this determination was a guiding principle that if customers are asked to pay more, there should be strong and transparent evidence to support that request. As such, we have challenged Scottish Water to demonstrate that its proposals are efficient, affordable and deliverable.

Having considered all of the evidence submitted, including responses received through the public consultation on our Draft Determination, we have reached a final decision that balances the need for significant investment with securing the greatest possible value for customers at the lowest reasonable cost.

Our Final Determination:

- Limits average bill increases to around £16 per year before inflation.
- Saves customers more than £80 over the 2027-33 period compared with Scottish Water's original proposals.
- Supports £7.9 billion of investment to maintain and improve water and wastewater services.
- Delivers improvements in the areas customers told us matter most.
- Limits annual increases in charges to no more than 2.5% above inflation, with a further 0.3% available from 2029 only if specific uncertain costs arise.

We have developed this determination through extensive engagement with Scottish Water, customers, Consumer Scotland, SEPA, DWQR and other stakeholders. While our scrutiny of Scottish Water's plans has been robust, the constructive engagement throughout the process has helped secure an outcome that is evidence-based and firmly focused on the interests of Scottish customers.

Independent economic regulation has helped keep average Scottish household bills around £120 lower than would otherwise have been the case were it not for the efficiencies WICS has required of Scottish Water. Scottish customers continue to pay some of the lowest water charges in Great Britain and, because Scottish Water is publicly owned, every pound collected is reinvested in the system.

Water charges have also remained lower and more stable than many other household costs, including energy bills and rail fares. The framework established through the Strategic Review of Charges 2027-33 will help ensure bills remain stable for customers through 2027-33 while allowing for the investment needed to maintain and improve services. It will also enable us to hold Scottish Water to account for its delivery throughout the period.

I hope this is helpful to the Committee’s ongoing scrutiny of the water sector. I would be happy to discuss our Final Determination of 2027-33 charges at the Committee meeting.

Yours sincerely,

David Satti

Chief Executive Officer