



03 March 2023

Pete Wishart MP
Chair
Scottish Affairs Committee
House of Commons
London
SW1A 0AA

Scottish Water
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Sent via email

Dear Chair,

Re: Scottish Affairs Committee evidence - Storm Arwen follow-up session 2023

Following the recent Scottish Affairs Committee meeting to review Storm Arwen one year on, I wanted to provide further written information to you in relation to our customer charges and how this relates to our investment programme.

In our published [Strategic Plan](#) which was developed in conjunction with customers and industry stakeholders, we outlined how over the next 25 years we will transform how services are delivered to deal with the climatic threats to our services, replace our ageing assets, and play our full part in reducing emissions to net zero.

In our current regulatory period 2021-27, the investment plan as agreed with The Water Industry Commission for Scotland (our independent economic regulator) highlights that significantly more investment is required to meet these objectives and in particular the replacement of our ageing asset base. Delivering this investment will require moderate above inflation increases in charges each year (2% real). Alongside these charge increases, we committed to achieving industry-leading levels of efficiency.

Of course, since these plans were formed, inflation has increased very significantly, and our customers are facing a cost of living crisis. For these reasons our Board has taken the decision, following discussion with the Scottish Government, to limit charge increases to 4.2% in 2022/23 (at the level of CPI) and 5% in 23/24 (6% below CPI). The impact of this change is that our investment over the six-year regulatory period will be less than we set out in our plans at the start of the period, and we are now working with sector stakeholders about how we reprofile our investment.

This funding gap would increase further if we are not able to increase charges above inflation in future years. Notwithstanding the current financial circumstances, we still remain focussed

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on delivering a large investment programme across Scotland, whilst at the same time working through how we prioritise the remaining capital investment to best meet our strategic priorities and the needs of the customers and communities we serve.

Yours sincerely

Alan R Thomson
Head of Corporate Relations