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I write in response to your invitation to comment on the issues raised in the References from Ofwat and the Main Party Submissions.

We are aware that the price review process in Scotland and associated publications are referred to in several of the Main Party Submissions and hence write to provide some high level background detail of these.

As you are no doubt aware, in Scotland water and sewerage services are provided by Scottish Water. Scottish Water is a public corporation, established by statute, and accountable to the Scottish Ministers. We are subject to independent economic regulation by the Water Industry Commission for Scotland (WICS). We serve 2.6 million household properties and are the wholesale provider to retailers who serve the 150,000 non-domestic properties connected to our networks.

Our equivalent of PR19 is the Strategic Review of Charges 2021 (SRC21).

In their methodology for SRC21¹ and their subsequent refinements² WICS took an approach based on the principles of 'ethical based regulation' as set out by Professor Chris Hodges.

This approach fostered collaborative working across industry members and a focus on the long term. Through this four key products to date have been developed: a long term industry vision, the long term investment requirements of the industry, Scottish Water's Strategic Plan and 'Prospects for Prices'.

The long term vision was co-created by industry members, welcomed by Scottish Ministers and included in their consultation on final draft Principles of Charges and Ministerial Objectives. The consultation can be found at the reference in the footnote³.

Taking a long term (to the middle of century) view, as an industry, we identified that rising long term investment needs, particularly to replacing ageing assets, will be the key long term determinant of prices and have therefore undertaken extensive work to examine these. The conclusions of this work are set out in the WICS 2019 Decision Paper 'Asset Replacement'⁴.

¹https://www.watercommission.co.uk/UserFiles/Documents/SRC21_Innovation%20and%20Collaboration_Methodology_WICS_amended.pdf

²https://www.watercommission.co.uk/UserFiles/Documents/VB2140%20WICS%20Methodology%20update_8.1.pdf

³ <https://www.gov.scot/publications/investing-paying-water-services-2021-final-consultation/pages/1/>

⁴ https://www.watercommission.co.uk/UserFiles/Documents/2019%20Asset%20Replacement_Final.pdf

Building on this long term thinking, we co-created our Strategic Plan with industry stakeholders. This Plan was published in early February⁵ and sets out how we will meet our customers current and future expectations.

Following the publication of our Strategic Plan in February, WICS then published their Final Decision Paper 'Prospects for Prices'⁶.

I trust the above provides useful high level background to the price review process in Scotland and the associated publications. We would of course be happy to provide any further details that would be helpful to the CMA's considerations.

Yours faithfully



Simon Parsons
Director of Strategic Customer Service Planning

⁵ <https://www.scottishwater.co.uk/help-and-resources/document-hub/key-publications/strategic-plan>

⁶ <https://www.watercommission.co.uk/UserFiles/Documents/2021-27%20FDP%20Prospects%20for%20Prices.pdf>