SCOTTISH WATER

Water Industry Commission for Scotland (WICS) Annual Return 2025

OVERVIEW

Note: *Minor discrepancies between figures contained in this document and AR25 Tables and Commentary are due to rounding.*

Scottish Water
Trusted to serve Scotland

Overview

1 Executive Summary of Performance

Our strategic plan, Our Future Together, outlines our three strategic ambitions: Service Excellence; Going Beyond Net Zero Emissions; and Delivering Great Value and Financial Sustainability. This overview reports on our performance and activities in 2024/25, the fourth year of the 2021 - 2027 regulatory period. We continue to deliver high quality services to customers and our key performance measures are at similar levels to the previous year.

1.1 Service Excellence

Water quality continues to maintain world class standards of 99.93% (Line B10.15b) which is an increase of 0.01% from AR24 and a continued increase from pre COVID-19 performance in 2019 (99.917%) (see Table B10 commentary).

Our wastewater compliance rate has risen to 96.7% this year, with 18 failing works reported, compared to 96.2% and 22 failures in 2023/24 (Line B11b.29). The Total Population Equivalent served by these sites was reported as 696,092 for AR25, an increase from AR24, 569,856 (Line B11b.30). The increase in the population equivalent is related to 3 large failing wastewater treatment works (WwTWs), Daldowie, East Calder and Nigg (Line B11b.32).

In recent years there has been increasing public and stakeholder interest and scrutiny relating to overflows and overflow data. In December 2021 we published our Improving Urban Waters (IUW) routemap which set out our commitments to improve water quality to support Scotland's River Basin Management Planning (RBMP) objectives, install monitoring from all Combined Sewer Overflows (CSOs) that discharge to the highest priority waters, publication of overflow data to improve transparency, significantly reduce sewer related debris in the environment, and reduce overflows from the sewer network. As the data is now published, WICS requested that overflow data is included in the Annual Return (AR) from 2025.

By the end of December 2024, we installed 1,002 new Event Duration Monitors (EDMs) to meet our IUW commitments. There are ongoing commitments to increase the number of overflows monitored in future.

AR25 has seen overall pollution incidents remain stable, however there has been a positive change in numbers of wastewater Category 1 and 2 events with fewer than half the numbers we have seen over the previous 3 years. In AR25 there were a total of 203 Environmental Pollution Incidents (EPIs), an increase of 7 from last year. This year we have recorded our fewest serious Category 1 and 2 EPIs, 4, in comparison to 11 in AR24 (all wastewater). This reduction is part of the long-term trend which has seen EPIs fall 75% since 2010 (2024/25 Annual Report and Accounts Performance and Prospects). No water related Category 1 and 2 events occurred in AR25 (Line B11a9-12). We are seeing an increase in EPIs caused by the deteriorating quality of ageing assets, which require increased investment to find lasting solutions. In the water network, there has been an increase in EPIs linked to burst water mains, which cause a discharge to

nearby watercourses. In wastewater, we have seen more incidents due to burst rising mains and sewer collapses. Most incidents result from sewer blockages, but we are reacting to blockages quicker and earlier, aided by enhanced monitoring and improved processes.

Despite these challenges, the Overall Performance Measure (OPA) score, which scores our performance across a range of activities, has continued to increase. This year we have seen an increase of 14 points which is the highest OPA level since Scottish Water was formed. This record achievement has been a result of the reduction in Category 1 and 2 EPIs (B11a commentary). We have achieved this through early escalation and intervention, improved response times to incidents, improved intelligence including real time monitoring to enable proactive and targeted intervention and less disruptive weather conditions than in previous years.

Water and wastewater supply systems are impacted by weather, notably from extremes of rainfall or drought conditions. The generally milder and wetter weather this year contributed to the decrease in interruptions to supply events specifically due to burst mains, often caused during prolonged freezes or freeze-thaw events. However, over the last 12 months we have faced a series of challenges affecting the delivery of water and wastewater services to our customers. These have included prolonged hot and dry periods of weather in Spring, which followed on from a particularly dry Autumn and Winter interrupted by several extreme storm events from October 2024. The unpredictable climate puts additional pressure on water treatment works (WTWs), reservoir levels, and leakage levels.

The UK encountered four named storms between October 2024 and February 2025, the most disruptive of which was January's Storm Eowyn in which we experienced winds up to 90mph. The MET Office called it "the UK's most powerful windstorm for over a decade". We received over 30,000 alarms. On the worst day of the storm there was a 234% increase in the alarms received across our network, managed by 34 team members in the Information Control Centre (ICC) to keep our assets and our people safe.146 treatment staff and 65 Network Service Operators (NSO's) and Team Leaders were on hand to maintain our assets, electrical/mechanical, and field automation engineers completed 225 jobs to maintain or restore operations – more than 12 times the typical number. The effect of an unpredictable climate continues to cause major disruption across the country. We are working hard to improve the resilience of our assets and continue to deliver service during extreme weather conditions due to our changing climate. Water and wastewater assets require further capital investment, and the increasing frequency of extreme weather events highlights the importance of prioritising our investment to improve systems resilience.

The Scottish Environment Protection Agency (SEPA) has issued warnings for potential water scarcity in the summer of 2025, citing below-average rainfall in recent months. Parts of Southern Scotland, Angus, and Fife have faced significant water scarcity due to below-average rainfall, with some regions receiving less than a third of normal levels. This prolonged dry period, spanning up to 10 months, has heightened concerns over water availability and ecosystem strain. Prolonged dry conditions not only threaten the reliability of water supplies but also negatively impacts water quality. Reduced water levels can disrupt ecosystems, making it critical to address these vulnerabilities with urgency. Enhanced monitoring efforts are being implemented to prepare for water shortages, but the unpredictability of weather patterns complicates long-term planning.

1.2 Going Beyond Net Zero Emissions

Scottish Water is one of the largest electricity consumers in Scotland. Our total electricity consumption in AR25 was 481 Gigawatt Hours (GWh) (Line C3.1a), achieving savings of 1,415 tCO_2e through energy efficiency projects (2024/25 Annual Report and Accounts Performance and Prospects).

Reducing our carbon emissions remains a key priority. Our net operational Carbon Footprint (CFP) for water and wastewater services in AR25 was 220,434 tCO_2e, decreasing from 224,978 tCO_2e for AR24 (Line C1.29). This significant reduction was achieved due to energy efficiency measures and increased on-site renewable energy production reducing our use of grid electricity and transport emission reductions. Changes to the emission factors for grid electricity reduced the impact of our activities by 202 tCO_2e.

A total of 45GWh renewable power was generated on-site in the AR25 period (C3.2a) this is an increase from 43GWh in AR24 and is the highest quantity we have achieved so far. Renewable energy initiatives resulted in a net increase of 6.425GWh, stemming from sixteen new renewable projects: fifteen photovoltaic (PV) installations and one hydro turbine. These projects were executed by Scottish Water Horizons and will benefit Scottish Water regulated assets (Line C3.3).

1.3 Capital Investment

We have undertaken a significant investment program to enhance water and wastewater services across Scotland, with total Capital Investment in SR21 amounting to £6,158.3 million at outturn prices including SR15 Completion Programme. This is based on IPS25.1. The total excluding SR15 Completion in 17/18 prices is £4,536.0m. As of Q4 2024-2025, £844 million was invested in Tier 2 projects and sub-programmes, including £182 million for enhancement (including flooding), £15 million for SR15 completion, £63 million for growth, and £584 million for asset replacement, planned repair, refurbishment, and inspections. Responsive repair, refurbishment, and inspections expenditure was £277m, which takes the total investment to £1,122m (G Table 1.58).

Investment performance exceeded expectations, with a Progress to Committed List (PCL) score of 111.6%, indicating that we are developing sufficient volumes of investment across the programme to achieve planned investment in future years. (G Table Executive Summary Section 2.1 provides further details).

The Indicator of Progress of Overall Delivery (IPOD) measure achieved a score of 1,160 points against a baseline of 1,148 points, marking an improvement from 2023-24 (Line G8a.96). This improvement is attributed to diligent focus on project milestone delivery, with the cumulative score increasing from 11 milestones ahead in 2023-24 to 12 milestones ahead currently (Table G8b).

In the SR15 Completion Programme, 7 delayed projects were delivered compared to the previous year's forecast of 14, with significant risks and issues in the delivery of the remaining 15 projects. Proactive stakeholder engagement with SEPA and DWQR continues to be held, and mitigation measures are in place to address risks and sustain progress. (Further details can be found in Table G7 and Section G Commentary

7.1). OBJ

1.4 Financial Sustainability

To ensure we have the resources required to continue delivering high-quality water and wastewater services to our customers, the Scottish Water Board has agreed to increase customer charges by 9.9% in April 2025. This translates to an average of 85p per week (£44 per year). Although increasing charges is never an easy decision, we recognise that any increase can be challenging for many households. It is noteworthy that over 50% of Scottish households receive assistance with their water bills, which helps mitigate the impact for many customers.

These increases are necessary to avoid placing future generations at risk of lower service standards and potentially significant increases in bills due to insufficient investment today. Even with this increase, charges will remain approximately 3.2% below the charge path outlined in the Final Determination (FD). Currently, Scottish Water's investment plan of £4.45 billion assumes that charges over the 2021-27 regulatory period will align with the FD level of CPI + 12.6%. To maintain alignment with this level, future charges will need to increase above the Consumer Price Index (CPI) inflation rate for the 2026/27 period.

1.5 Transforming How We Work

We have made considerable progress in transforming our investment and community services, focusing on maximising efficiency. Our initiatives are reshaping investment and service delivery, keeping our people at the core of this transformation. Over the past year, we have strengthened our digital infrastructure to enhance customer service and innovation. We have developed the Customer and Community Insights App (CuIPD) with dashboards or real-time water service updates across Scotland. The upgraded Emergency Sensitive Customer Application (ESCA) tool prioritises support for vulnerable customers during incidents. The expansion of digital tools has improved medium and long-term planning, using data-driven evidence for investment decisions and climate change forecasting. We are implementing new systems like the Quality Remote Assurance Platform to enhance investment planning and asset management. With 80% of our digital systems cloud-based, we are more efficient and lowering our carbon footprint. The next step is migrating remaining legacy systems to the cloud.

1.6 Progress to date in meeting the Ministerial Objectives for 2021-27

All of the work and investment we undertake in Scottish Water contributes to the delivery of the Ministerial Objectives. Reporting progress against the Ministerial Objectives is in the process of being developed with a commitment to develop an ‘outputs performance report’ with the Water Industry Investment Group (WIIG) from August 2025. This report will demonstrate progress towards the Ministerial Objectives for the 2021-27 period by providing information on the amount of investment and number of outputs delivered under each

Ministerial Objective. This reporting will continue to develop with input from the WIIG members and will also be part of the scope for the WIIG Task and Finish Group to review the reporting requirements for the WIIG in SR27. While the initial reporting will focus on the amount of investment and outputs that support the delivery of Ministerial Objectives, these are not the only indicator of progress towards Ministerial Objectives and the reporting will need to develop to consider wider indicators.

In advance of the more detailed reporting being provided to WIIG from August, and to meet WICS' request to provide an overview of progress to date in meeting the Ministerial Objectives for the 2021-27 period we have provided a summary table in this overview document. This table shows the progress that has been made against each of the Ministerial Objectives between April 2021 and March 2025. We are making reasonable progress towards the delivery of the Ministerial Objectives. It is well understood that we face a number of risks such as climate change and an ability to access full regulatory financing, these and other risks are comprehensively discussed in our Performance and Prospects report .

Table 1: Summary of SR21 Progress Against Ministerial Objectives

Ministerial Ob"ective	
Long term water sector vision	Long Term Strategy Published in May 2025. We continue to support the Hydro Nation Chair and have been a successful partner on £72m of projects funded under the OFWAT Innovation Programme.
Standards of service	The Overall Performance Assessment (OPA) has increased from 398 In AR22 to 416 in AR25 the highest ever recorded. Household Customer Experience Measure (hCEM) improved from 86.09% In AR22 to 87.3% In AR25. Non-Household Customer Experience Measure (nhCEM) improved from 87.26% in AR22 to 89.35% in AR25. Stakeholder Customer Experience Measure (sCEM) has increased from 76.77% in AR22 to 78% in AR25. Interruptions to Supply (for OPA (>6 hours) has decreased from 9504 in AR22 to 5047 in AR25. Leakage has decreased slightly from 459 m/1/d in AR22 to 454 m/1/d in AR25.
Asset maintenance	Forecast to meet our expected levels of investment within SR21 noting that this is a step change in the levels of asset maintenance in comparison to SR15 Our asset maintenance is driven by our Management Approaches which have been updated in the period The focus within this period is on short-life assets and roll out of inspection programme for longer life assets, building our understanding ahead of SR27
Flooding and surface water management	The number of properties on the internal 'At Risk' Register has increased from 290 in AR22 to 314 in AR25 We forecast removal of 190 properties from the internal ARR and 170 locations from the external ARR, of which, 78 are currently forecasted to deliver by July 2027. Since 2021, 573 properties have had flood mitigation measures installed which have potentially reduced the number of customers experiencing and reporting flooding We have 3 drainage partnerships in place covering Glasgow, Edinburgh and the Lothians and Dundee.
Drinking Water	Drinking water quality has increased from 99.29 % in 2022 to 99.93% in 2024. Water treatment works, storage point and consumer tap performance improved in 2024 compared with 2023, while Cryptosporidium compliance was maintained. Improvements in consumer taps compliance were made despite the increase In risk-based regulatory samples and chlorate failures have reduced significantly, haloacetic acid risks remain significant. New water treatment works have been delivered at Craighead WTW, Herricks WTW and work is undeiway at Elea WTW and Torra WTW. We are on track to deliver 2 water resilience schemes for Ayrshire and South Edinburgh within the period.
Environment	The total number of WwTW that failed the Total Compliance measure in has decreased from 20 in AR22 to 18 in AR25. The total number of EPIs has decreased from 282 in AR22 to 202 in AR25 This reduction is part of the long-term trend which has seen EPIs fall 75% since 2010 (2024125 Annual Report and Accounts Pertormance and Prospects) Scottish Water is actively involved in the River Basin Management Plan, improving water quality by installing chemical dosing units at 36 WwTWs to remove phosphorus. By the end of December 2024, we installed 1,002 new Event Duration Monitors (EDMs) to meet our IUW commitments, and we are on track to have 2000 monitors on our dashboard by the 2026 bathing season. 48 Unsatisfactory Intermittent Discharges have been upgraded to date within SR21.
Supporting sustainable Economic **Growth**	Developer Customer Experience Measure (dCEM) decreased from 86.92 in AR22 to 82.91 in AR25 there have been changes to the way this score has been calculated during the period, while the score has dropped it is steadily improving. Since the start of SR21 we have completed 75,176 water connections and 67,152 waste and surface water connections (information from Annual P&P Reports). The number of connections per year had decreased over the period as a result the development market slowing down.
Circular Economy	We remain committed to supporting the circular economy in Scotland, for example in SR21 we have the planned Lighthouse Projects for surface water management at Craigleith, river water monitoring at Almond Valley and a Resource Recovery Factory Demonstrator at Alloa **WWTW.**
Security and resilience	We remain on track to deliver the outcomes under the Cyber Security Investment programme and NIS Directive for SR21 We have received positive feedback from DWQR and their independent assurer Arcanum who said "SW are applauded for a great many positive findings during the audit, not least for their 'defence-in-depth' approach to layering security controls; their keen awareness of applicable emergent threats, their investment in physical security; their understanding and management of security risks, their considerable improvements in asset recording and management; and for their open and honest culture that permeates through all staff present", also the National Cyber Secunty Centre who assessed our Cyber Resilience maturity as ***"very good,"*** with no concerns.
Climate change, adaption and mitigation	Since introducing our Net Zero Routemap, we have achieved cumulative emission reductions of 38,615 tCO2e since 2021 Following our Climate Change Adaptation Plan, we have integrated resilience into our operations and investment plans. However, with increasing climate impacts, we must accelerate adaptation efforts, including developing resilient water catchments with partners.
Private finance initiative funded projects	During SR21 1 PFIs have returned to Scoltish Water ownership, and we are preparing for the transfer of Dalmulr and Daldowle PFI's In 2026 which are maJor elements of the Greater Glasgow service. Following the transfers, four of the remaining five PFI contracts are due to expire in our next regulatory period with future service plans and operational cost estimates prepared to ensure the best value from contract expiry

1.7 Conclusion

The AR25 reporting year stands as a testament to Scottish Water's steadfast commitment to its strategic ambitions of Service Excellence, Going Beyond Net Zero Emissions, and Delivering Great Value and Financial Sustainability. We have continued to deliver world-class water quality and improved wastewater compliance, even as operational environments grow ever more complex in the face of climate uncertainty and rising demand.

The achievements this year are significant: water quality has reached a new high of 99.93%, and wastewater compliance has improved to 96.7%, despite the challenges posed by aged assets and extreme weather events, including the unprecedented Storm Eowyn. Our rapid response, enhanced intelligence systems, and proactive interventions have elevated our Overall Performance Assessment (OPA) score to a record level since Scottish Water's inception, underscoring our ability to adapt, respond, and deliver under pressure. Investment in resilience and sustainability remains foundational to our success. We have delivered an ambitious capital investment programme, enhancing Scotland's water and wastewater systems. Investment, coupled with industry-leading customer sentiment scores, demonstrates our capacity to plan effectively, deliver on promises, and safeguard future service standards. Our continued focus on renewable energy and energy efficiency has led to our highest ever on-site renewable generation of 45GWh, contributing to a tangible reduction in our carbon footprint and validating our position as a leader in the journey Beyond Net Zero. Financial sustainability is central to our long-term vision. The decision to increase customer charges by 9.9% was not made lightly, and it is a necessary measure to ensure that today's investments do not become tomorrow's burdens. Importantly, more than half of Scottish households receive support to help manage costs, and our charges remain below the path set out in the Final Determination, reflecting prudent stewardship and a commitment to affordability. Transformation continues apace, with digital innovations reshaping our operations and enhancing our responsiveness, efficiency, and support for vulnerable customers. The roll-out of advanced tools such as real-time dashboards, cloud-based systems, and data-driven planning platforms marks a fundamental shift in how we work, enabling us to face the challenges of climate change and customer expectations with agility and insight.

Future challenges include climate unpredictability, aging assets, and the need for sustainable growth, requiring constant vigilance and adaptation. The warnings from SEPA regarding water scarcity, alongside the lessons of recent extreme weather, call for continued investment in asset resilience and sustainable management of water resources. Our commitment to early intervention, enhanced monitoring, and collaborative stakeholder engagement positions us to meet these challenges.

Ultimately, this year's progress is a collective achievement, the result of dedication, innovation, and the enduring trust our customers place in us. As we move into the next phase of the regulatory period, we remain resolutely focused on delivering excellence in service, advancing our environmental ambitions, and securing value and sustainability for generations to come.

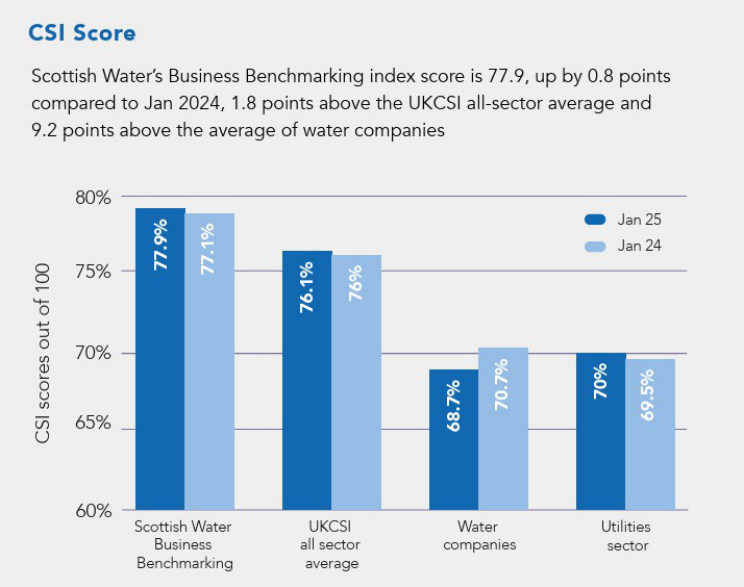
2 Customer Experience - Levels of Service and Compliance

2.1 UK Customer Satisfaction Index (UKCSI)

The UK Customer Satisfaction Index (UKCSI) is independently conducted by the Institute of Customer Service, benchmarked against customer satisfaction through surveys of over 10,000 customers who rate their experiences with more than 200 organisations across 13 sectors. The water sector has been in decline since July 2022, currently at its lowest ever levels of satisfaction (68.7). This has been driven by significant decreases in overall satisfaction with water companies in the South. Questions related to 'emotions and ethics' are at the lowest ever levels for the water sector, including reputation, doing the right thing in business practices, being open and transparent, and trust.

Scottish Water continues to lead the overall Water Sector. We are currently ranked third in the broader Utilities Sector in the overall Satisfaction Index, first in the water and are joint first for trust, meaning we are truly trusted to serve Scotland. Across all sectors and organisations, we rank fifth among Scottish respondents for the overall Satisfaction Index. Both Scottish Water's national score 76.1, (+0.5) (Line B5.43c) and business benchmark score 77.9, (+0.9) (Line B5.43d) have also shown an increase in January 2025's wave. Our most recent customer experience survey, which represented the views of 65,000 customers across the country, was 94% positive which is a significant achievement, and due to the exceptional work of our people across the business.

Figure 1: CSI Customer Service Index scores
(Source: 2024/25 Annual Performance and Accounts Performance and Prospects)



2.2 Customer Experience Measures (CEM)

Household Customer Experience Measure (hCEM) improved from 86.6% in 2023/24 to 87.3% in AR25 (Line B5.1). This improvement is due to reductions in Service Issue Contacts, Escalations, and Formal Complaints. The Customer Experience Survey reached 94.15% (Line B5.2), its highest score, while 'No Experience No Contact' (Line B5.3), improved from 88.39% to 89.96%.

Our improvement campaigns have helped to reinforce our commitment to delivering customer service excellence. One notable example is the 'Summer of Excellence' from July 2024, which played a key role in maintaining high levels of customer satisfaction over the summer period. No Experience No Contact (Line B5.3) has increased satisfaction scores which aligns with wider improvement activities, including the new 'Piped by Us, Owned by You' advertising campaigns – which has increased overall awareness of public ownership. However, an increase in Regulator Upheld Complaints slightly offset these gains.

The Non-household Customer Experience Measure (nhCEM) decreased slightly from 89.79 in AR24 to 89.35 in AR25, (Line B6.1), though still higher than 86.7 in 2022/23. Service Issue Contacts rose to 30,209 in AR25, (Line B6.4) while Formal Complaints dropped from 138 to 127 (Line B6.5), and Escalations decreased from 67 to 44 (Line B6.6). Licenced Provider Satisfaction dipped from 99.34% to 99.30%, (Line B6.2), and Business End User Satisfaction declined from 90.99% to 89.62% (Line B6.3). Despite the overall decrease, the quantitative side of the measure improved, driven by reductions in escalations and formal complaints. Overall, the nhCEM maintains steady performance, closely comparable to 2023/24.

The Developer Customer Experience Measure (dCEM) underwent a change in methodology. Details of which were supplied separately prior to AR25 submission. Performance against several quantitative and qualitative indicators are combined to produce an annual dCEM score (out of 100) and this year's score was 82.91 (Line B6.53), an increase from AR24's score of 75.92. Key improvements were noted in Survey Satisfaction results, attributed to the dCEM recovery and improvement mission, which has enhanced developer customers' experiences. This highlights the main improvement has been in the Qualitative side which is not impacted by the change in methodology, and we have shown what the score would be in AR24 using the new methodology to demonstrate the improvement, regardless of the changes. Further details of the measures are covered in the commentary for Tables B5 (hCEM) and B6 (nhCEM).

2.3 Overall Performance Assessment

The Overall Performance Assessment (OPA), is a points-based measure that scores our performance across a range of activities essential to maintaining levels of customer service and environmental protection. Our OPA performance for the AR25 period was 416, the highest ever recorded. This result is testament to the hard work and dedication of our people, our ongoing efforts to boost the resilience of our operations. This improvement was mainly driven by the reduction in Category 1 and 2 EPIs. The number of EPIs increased by 7 in AR25, totaling 203, with 4 classified as serious Category 1 and 2 events, all related to wastewater. Additionally, there were 199 Category 3 incidents, 188 of which were wastewater-related and 15 water-related (Line B11a9-12). Notably, no serious Category 1 and 2 water-related incidents were recorded during AR25. As water-related incidents cost more OPA points, this improvement contributed to a higher OPA score in this category, providing 47.62 points compared to 40.44 points in AR24. These OPA figures are extracts from 2024/25 Annual Performance and Accounts Performance and Prospects and

contained in SR21 OPA Reporter's Report.

2.4 Drinking Water Quality

We have maintained performance in many of our key performance metrics at or around the same level as AR24. Our water quality compliance remains high at 99.93%, comparable with previous years (line B10.15b), and we are committed to building on this solid foundation to increase the reliability and resilience of our water service.

Water quality compliance at customer's taps remained high and increased to 99.92% in AR25 compared to 99.91% for AR24 (Line B10.14). In 2023, seven new water quality parameters were excluded from OPA score calculations due to regulatory changes. Further adjustments in 2024 introduced a risk-based sampling approach, splitting tests into baseline and risk-based categories, with only baseline tests affecting OPA scores for consistency.

WTWs, storage point, and customer's tap performance improved in 2024 compared with 2023 (calendar year reporting), while cryptosporidium compliance was maintained. Improvements in customer taps compliance were achieved despite the increase in risk-based regulatory samples, and chlorate failures have decreased significantly, however Halo-Acetic acid risks remain significant (Line B10.1-12). WTWs performance and performance at Service Reservoirs (SR) increased in 2024, 99.96% and 99.94% respectively (Line B10.14). WTWs showed improved coliform bacteria performance in 2024, despite challenges linked to higher rainfall in specific months. Failures at certain sites, including Muirdykes, Greenock, Rosebery, and Turriff, were addressed through measures targeting ingress issues and filtration problems. Efforts to stabilise performance were successful, with ongoing projects aiming to tackle remaining concerns (Line B10.12.3).

Microbiological levels at WTWs and service reservoirs finished close to our target levels and improved on AR24 results. Our customer tap samples performed well, with ten fewer fails than in last year, even after taking five times more samples for the recently introduced (2023) disinfection byproduct parameters of Chlorate and Halo-Acetic acids (HAA). Chlorate levels at customer taps showed significant improvement this year, with only 11 failures compared to 23 last year. This positive outcome can be attributed to the action plan we implemented to enhance the management of disinfection chemicals, as well as the limited solar heating of these chemicals due to reduced sunlight during the summer period. We remain committed to further risk reduction initiatives (Line B10.12.3).

Despite these advancements, performance related to HAA remains a challenge. In 2024, there were 12 customer tap failures and 108 results from 27 supply systems reaching 80% of the regulatory standard. We have established a Letter of Commitment with the Drinking Water Quality Regulator for Scotland (DWQR) to address HAA performance issues. Our plans include removing two high-risk systems from supply in 2025/26, along with other system enhancements to improve overall performance (Line B10.12.3)

Cryptosporidium compliance was maintained in 2024 relative to 2023, with both years reporting eight samples containing viable oocysts (Line B10.12.4). There were 12 detections at Turriff and one at Portree, where UV treatment is utilised to render the oocysts harmless. Efforts are underway to design and cost a

new water treatment facility at Turriff to minimize Cryptosporidium risks. Additionally, UV treatment has been installed at Mannofield following a detection in 2023, and no regulatory failures were noted at Mannofield in 2024. Both Turriff and Mannofield are subject to ongoing Enforcement Notices aimed at developing and implementing medium and long-term water quality improvements. Rosebery experienced two detections, and front-end coagulation enhancements, as well as media top-up projects, have been initiated in response. Several sites, including Alexandria, Marchbank, Camphill, Stoneybridge, Uig, and Waternish, experienced Cryptosporidium detections. Alexandria addressed tank integrity and filter enhancements, while Marchbank implemented filter backwash and media upgrades. Camphill repaired valve failures impacting filtration, and Waternish fixed a split membrane seal. At Stoneybridge and Uig, Dynasand technology was found insufficient to prevent Cryptosporidium contamination (Line B10.12.4).

We continue to invest in several WTWs to improve capabilities and maintain the high levels of water quality compliance and treated water storage points (service reservoirs and clear water tanks) carrying out maintenance identified through current inspection and cleaning programme as well as the known backlog of essential maintenance requirements.

2.5 Interruptions to Supply

In AR25, the number of unplanned supply interruptions to properties lasting more than six hours decreased significantly to 5,047. This represents an over 22% reduction compared to 6,481 in 2023/24. These figures, which also include planned overruns, are based on the total weighted properties for OPA purposes (Line B2.29).

Milder, wetter weather led to fewer Interruption to Supply (ITS) events due to burst mains from freeze-thaw cycles. The use of digital tools for operational teams and network contingency plans for booster station resets also contributed to improved supply maintenance. During AR25, there was an increased emphasis on mitigating and effectively planning interruptions to supply events. The ITS aggregate per month remained well below the trend from April through August, where there was a notable rise in 12-hour events. Two occurrences in Hamilton and Shetland significantly impacted on the high ITS figure in August. Operational teams have prioritised resilience planning and quicker burst repairs to maintain supply during adverse weather conditions. Efforts include enhanced digital tools, network contingency plans, a pilot project to address high-risk areas, and improved awareness of available resources to minimize supply interruptions.

The strong performance observed at the start of the 12-month period persisted into the winter months, during which there was a notable reduction in named storms (12 in 2023/24 compared to 5 in 2024/25). Enhanced resilience planning within the business mitigated the impacts of these weather events by installing generators at critical assets such as booster stations and WTWs. Despite focusing on reducing the impacts of ITS, the second and third most common causes of ITS events breaching the six-hour window were due to the complexity of repairs and delays in implementing alternative supplies, respectively. Addressing these issues will be a primary focus in 2025/26. The number of properties affected by unplanned interruptions to supply is provided below, comparing AR24 to AR25. (Lines B2.10-14). Further details on interruptions to supply are contained in the commentary on Table B2.

Table 1: Interruptions to Supply- Properties affected by unplanned interruptions in AR24 and AR25

Line Ref		2023-2024	2024-2025	Variance	% change
B2.10	Less than 3 hours unplanned	203311	191253	-12058	-5.93%
B2.11	More than 3 hours unplanned	94899	77015	-17884	-18.85%
B2.12	More than 6 hours unplanned	5662	4374	-1288	-22.75%
B2.13	More than 12 hours unplanned	566	532	-34	-6.01%
B2.14	More than 24 hours unplanned	112	33	-79	-70.54%

2.6 Leakage

This year, we reported leakage of 454 Ml/d, a reduction of 8 Ml/d, returning to our long-term downward trend (Line B8.18). This improved performance in 2024/25 was delivered by locating and repairing more leaks than in any previous year. We located and repaired over 8,700 leaks, around 30% more than the previous year (2024/25 Annual Report and Accounts Performance and Prospects), though most were smaller in volume. The reduction was achieved by increased focus on tracing leakage on customer supply pipes and assisting customers with repairs, deployment of new digital tools to assess the "whole leakage journey," improving data consumption for real-time decisions and reporting accuracy and upskilling teams in leakage detection and repairs. By using new digital tools, we improved data consumption and reporting accuracy. We have also upskilled our leakage detection teams but need more skilled technicians to maintain progress. Climate change and our ageing water network present challenges, however Scottish Water is committed to reducing leakage and this will continue to be a focus for this regulatory period and into the next.

Like recent years, we experienced warm and dry conditions at the start of the year creating a spike of leakage breakouts in late spring (May). This was not to the same extent as the 2023/24 Spring and Summer period, but we had to react to recover from it. As we moved into Winter, we experienced a cold but not exceptional period, bringing an increase in leakage over a short period in December and January. This brought an 84Ml/d increase in DI over the Winter period due to an increase in leakage (Line A2.21). Through both periods we could see the impact across hundreds of our district metered areas, all needing individual assessment and recovery.

Our increased activity across the entire network helped us deliver the lowest recorded leakage volume in these measured district metered areas, going below 400ML/d (396.6ML/d) for the first time. To manage resources and focus on clear action throughout the year, we worked under an incident team structure. A huge effort from resources across all key functions reporting through short interval control helped to coordinate and prioritise all our activities. Further details on leakage performance can be found in the commentary on Tables B8 and A2.

2.7 Wastewater Treatment Works (WwTW) Compliance

The number of WwTWs that failed the Total Compliance measure in AR25 was 18 (Line B11b.29). A decrease from AR24 figures which had 22 out of 581 assets listed on the Annual Monitoring Plan (AMP) and sampled under Operator Self-Monitoring (OSM) (Line B11b.29). This equates to a 96.9% compliance rate from the 580 assets listed on the Annual Monitoring Plan (AMP) and sampled under Operator Self-Monitoring (OSM). The Total Population Equivalent (TPE) served by these sites was reported as 696,092 for AR25 and increased from AR24 reporting year of 569,856 (Line B11b.30), of which 3 large failing WwTWs have contributed to this increase for AR25 (Line B11b.32).

At three wastewater sites, advanced analytics now provide forecasts for ammonia levels and sample quantities, enabling more effective planning and risk management. A major development this year is the new WwTW in Winchburgh, West Lothian, which incorporates innovative Nereda technology to reduce energy consumption by up to 50%, minimize chemical use, and lower carbon emissions during construction and operation. The facility emphasises sustainable practices, including the use of low-carbon stainless steel, solar panels, and off-site fabrication. Additionally, Scottish Water is actively involved in the River Basin Management Plan, improving water quality by installing chemical dosing units at 36 WwTWs to remove phosphorus. These initiatives collectively aim to enhance efficiency, sustainability, and environmental protection while significantly reducing carbon emissions and promoting economic growth. Further details on WwTWs compliance are contained in the commentary to Table B11b and B11c.

2.8 Environmental Pollution Incidents

There has been a positive change in the number of Category 1 and 2 events this year with fewer than half the numbers we have seen over the previous 3 years. In AR25 there were a total of 203 Environmental Pollution Incidents (EPIs), an increase of 7 from last year, 4 of which were classed serious Category 1 and 2 events (all wastewater) and 199 Category 3 (Line B11a.13). This reduction is part of the long-term trend which has seen EPI's fall 75% since 2010 (2024/25 Annual Report and Accounts Performance and Prospects). No water related Category 1 and 2 events occurred in AR25 (Line B11a9-12).

188 EPIs were wastewater related (Line B11a.15 minus B11a.9 minus B11a.10) and 15 were water related Category 3 (Lines B11a.9 minus B11a.10). No serious water related Category 1 and 2 incidents have been recorded for AR25.

We have seen an increase in EPIs caused by the deteriorating quality of ageing assets, which require increased investment to find lasting solutions. In the water network, there has been an increase in EPIs linked to burst water mains, which cause a discharge to nearby watercourses. In wastewater, we have seen more incidents due to burst rising mains and sewer collapses. Most incidents result from sewer blockages, but we are reacting to blockages quicker and earlier, aided by enhanced monitoring and improved processes.

There has been a slight increase in the number of incidents associated with water assets, but the majority of EPIs, typically 94% or above, are linked to wastewater assets. Initially, when EPI reporting began, issues related to wastewater non-infrastructure assets (such as WwTWs and sewage pumping stations) comprised

up to 40% of incidents. With focused efforts on the performance of these assets and corresponding investments, this percentage has decreased to around half this level (24% in AR24). This indicates that the main area for improvement in reducing EPI numbers pertains to incidents connected to wastewater infrastructure assets. Many sewer network events are related to blockages caused by debris such as wipes and sanitary products. These blockages are more likely to occur during extreme weather events like prolonged heavy rainfall, which are becoming more frequent.

As we progress through the Strategic Review of Charges 2021 (SR21), our priority will be to mitigate the significant proportion of incidents occurring within our wastewater network by utilising enhanced intelligence, real-time monitoring and implementing targeted planned maintenance. Over 1,000 CSO monitors have been installed, with a spill data portal launched in January 2025, resulting in only three Category 3 incidents which triggered alarms. A dedicated response team addresses alarms, investigates EPIs, and supports initiatives like targeted CSO maintenance and installation of depth monitors. Localised Nature Calls campaigns in regions with high blockage rates, such as the Borders and North areas, aim to raise awareness, complemented by pavement stencils and collaborations with ECAS to tackle grease- related chokes in food service establishments (See section B11a.13.1 of the Commentary for further details).

2.9 Sewer Flooding

In AR25, conditions were similar to those seen two years ago in AR23. The level of rainfall experienced in most events allowed our sewer network to drain effectively, resulting in less flooding due to overloaded sewers and fewer higher intensity, short duration storms. Longer duration, lower intensity rainfall events led to more permeable ground conditions because of the relatively high levels of saturation (Line B3.1). This change in weather conditions resulted in a significant reduction in both the number of sewer flooding incidents due to sewer overloading and the number of properties affected.

In AR25, we completed 15 capital investment projects valued at £25m, which reduced the risk of internal sewer flooding for 48 properties on the at-risk register (with greater than a 10% chance of occurrence per annum) (Line B3.20). We aim to provide long-term solutions for customers at the highest risk of sewer flooding and implement interim measures where possible. This was the fourth year of delivering an enhanced mitigation service, where feasible, to customers in all risk categories of internal flooding to ensure better protection from sewer flooding during high intensity rainfall events. Examples of mitigation measures include installing flood doors, smart air bricks, and non-return valves to protect customers while longer-term flood alleviation schemes are developed and delivered. We invested £2.05m in installing such mitigation measures at 229 properties in the last year.

The total number of properties impacted by internal sewer flooding in the AR25 period was 280 (Line B3.2 - B3.4a + B3.7). This excludes the number of properties who experienced Internal Flooding due to severe weather (3) (Line B3.4a). Including severe weather, in AR25 there were 18 properties affected by internal flooding due to overloaded sewers (B3.2) which is significantly lower than the 93 properties flooded in AR24. The reduction in internal sewer flooding due to sewer overloading, can be attributed to fewer high-intensity storms over the AR25 period.

Flooding due to other causes is experienced due to blockages, equipment failure and collapses in the sewer network and is not influenced by weather conditions. 265 properties were affected by internal flooding due to other causes in AR25 (B3.7) in comparison to 326 properties in AR24.

Customer engagement campaigns target the reduction of blockages by encouraging a reduction in customer behaviours which cause internal flooding. In addition, in AR25 there has been a focus on accuracy of data for repeat internal sewer flooding as well as a focus on individual case management. A collaborative, cross directorate working group, has been established and is beginning to improve first time resolution for our customers with a view to reducing repeat internal sewer flooding (See section B3 of the commentary for further details).

3 Beyond Net Zero Emissions

3.1 Energy Efficiency and Carbon Emissions

Since introducing our Net Zero Routemap, we have achieved cumulative emission reductions of 38,615 tCO2e since 2021, aligning with forecasts. In 2024/25, we delivered 10,892 tCO2e of reduction activities, as we continue to stive towards our commitment to net zero by 2040 (2024/25 Annual Report and Accounts Performance and Prospects).

Our net operational Carbon Footprint (CFP) for water and wastewater services in AR25 was 220,434 tCO_2e (Line C1.29), a reduction from 224,978 tCO_2e from AR24, which is a 2.02% decrease. This reduction is primarily driven by a decrease in Scope 2 emissions, particularly from purchased electricity, which saw a reduction of 5.92% (Table C1.9), as well as increased renewable energy production (Line C1.28).

Following our Climate Change Adaptation Plan, we have integrated resilience into our operations and investment plans. However, with increasing climate impacts, we must accelerate adaptation efforts, including developing resilient water catchments with partners. We continue to update our forecast for achieving operational net zero, which involves progressing wind farms on our land, investing in new technology, and reducing process emissions. The James Hutton Institute assessed our carbon capture woodland and peatland activities, leading to about 10,000 tCO_2e being removed from the annual carbon capture inventory. Despite this, there has been a significant improvement in the emissions associated with peatland because of improved field surveys and peatland restoration activities. Our Streamlined Energy and Carbon Reporting (SECR) details our energy and carbon emissions and other efficiency measures.

Electricity remains our largest source of emissions, and we continue to look at ways to reduce the amount we use. Total consumption for regulated operations was 481.406GWh (grid and self-supplied) for AR25 showing a reduction of 21.664GWh compared to AR24. The predominant source of electricity consumed remains as the grid (436.267GWh) which was 28.086GWh lower than the year before (Line C3.1b). This is in conjunction with a slight increase in on-site renewable energy used of 5.172GWh (Line C3.2b) (See 2.11 Renewables below for further detail). During AR25, the consumption of electricity was the lowest, coinciding with a drop in the average annual rainfall in Scotland, but without significant drought issues (C3, 4.2 Performance Trends). A key change for AR25 is the move to reporting actual carbon intensity figures. These are sourced from our capital carbon dashboard, a suite of corporate and management reports (Line C2.1).

Investment emissions encompass the materials and activities involved in asset construction and are crucial to our net zero goal. Scottish Water earned PAS2080 certification for carbon management in buildings and infrastructure, being the first public organisation in Scotland and one of the first Scottish businesses to achieve this distinction. This standard will help us reduce emissions more effectively across our investment programme. We have also collaborated with supply partners to reduce steel procurement emissions and develop a green steel framework and our Low Carbon Concrete Collective is reducing high-carbon cement usage whilst conducting low carbon concrete trials. Additionally, we have partnered with United Utilities on 3D printing of concrete and plastics through an OFWAT-funded project, and we are implementing low carbon kiosk frameworks using sustainable materials.

Our Net Zero Heroes network gathers about 100 participants from Scottish Water and supply chain partners to share best practices. As a partner of the Sustainable Supply Chain School, we have developed learning pathways on sustainability topics. We have also improved net zero reporting by collaborating with Circular Ecology to update carbon factors in our tools. Further details on energy efficiency and carbon emissions are contained in the commentary for Section C Tables.

3.2 Renewables

Scottish Water is one of the largest electricity consumers in Scotland, with a usage of 481GWh compared to 503GWh in 2023/24 (Line C3.1a). We successfully implemented over 50 energy efficiency projects, resulting in a total reduction of 1,415 tCO_2e (2024/25 Annual Report and Accounts Performance and Prospects). At our wastewater treatment facilities, we achieved savings of 4.08GWh, and our wastewater sludge pumping station efficiency program delivered an additional 0.84GWh in savings. Our WTWs contributed with savings of 1.36 GWh (2024/25 Annual Report and Accounts Performance and Prospects). A total of 13.2GWh of renewable energy was generated from Scottish Water's anaerobic digestion bioresources assets (2024/25 Annual Report and Accounts Performance and Prospects), with our PFI partners producing a further 25.58GWh (Line C3.2a).

Furthermore, Scottish Water Horizons generated an additional 5.10GWh from bioresources (Line C3.8). We completed sixteen renewable schemes that collectively generated an additional 6.425GWh of renewable capacity (Line C3.3). This achievement included an innovative 0.82GWh hydro energy generation project at Whiteadder Reservoir in East Lothian, the first of its kind in Europe. This utililised siphon technology to generate energy, while regulating the reservoir level, with no requirement for major civil engineering interventions. Additionally, we established our first solar and battery storage scheme at a water treatment facility in Howden, near Selkirk, which now provides over one-third of the site's power requirements. This year, we also developed an ethical supply chain for solar panels and are actively pursuing new solar projects across Scotland where feasible. Further details on energy efficiency and carbon emissions are contained in the commentary for Tables C3.

4 Tier 1 Operating Expenditure (before LTNC items)

Costs before items subject to Long Term Normative Charge (LTNC) for the year were £822 million, £43 million lower than anticipated, largely due to reduced interest charges of £46 million, slightly offset by higher operating and PFI costs of £3 million. As detailed in the 2024 Interim Report and Accounts, planned costs were expected to be £804 million, adjusted to £836 million after regulatory changes. The actual performance was £822 million, £14 million lower than adjusted expectations. Key factors included reduced winter weather impacts, lower electricity and gas prices, and improved interest rates. Overall cumulative costs since the regulatory period began were £182 million below forecast (2024/25 Annual Report and Accounts Performance and Prospects). Further details can be found in the Commentary and M tables.

5 Capital Investment Expenditure

The Scottish Water investment programme is among the largest infrastructure programmes in Scotland. It

delivers essential assets that enable us to maintain and enhance water and wastewater services, supporting growth and development to ensure community prosperity. Every community in Scotland, whether a town, city, or village, relies on our pipes and treatment facilities to provide crucial services.

Capital Investment Expenditure for SR21 totals £6,158.3 million at outturn prices, derived from total investment on IPS25.1, including SR15 Completion. Excluding SR15 Completion, the total in 17/18 prices amounts to £4,536.0 million. An adjustment of £74.6 million has been applied to align with available funding in IPS25.1, reflecting additional planned rephasing and allowances for further investments in certain areas, as discussed with WICS in 2023-24.

As of the end of Q4 2024-25, we have invested £844 million (Lines G1.77+G1.78) in Tier 2 projects and sub-programmes. This investment includes:

- **£182 million** for Enhancement (including flooding) (Line G1.56)
- **£15 million** for SR15 Completion (Line G1.57)
- **£63 million** for growth (Line G1.55)
- **£584 million** for asset replacement, planned repairs, refurbishment, and inspections (Lines G6a Filter Tier<>Tier1a, Primary Investment Category <>Enhancement, Growth, or Completion).

Expenditure for responsive repair, refurbishment, and inspections was £277 million (Line G1.76), bringing the total investment to £1,122 million (Line G1.58).

In 2024-25, we invested £1,121.6 million, increasing the total investment to date in SR21 to £3,799.4 million. Therefore, we have £2,358.9 million of the £6,158.3 million remaining to invest. Investment has increased for inspections, repair, refurbishment, and replacement (AR3); remained broadly stable with investment for Enhancement; but slightly decreased for growth. Completion investment has reduced as more projects reach on-site construction completion. Initially we planned to invest £1,070 million in 2024-25. The actual out-turn value of £1,121.6 million was driven by higher demand levels, primarily in repair and asset replacement. Both the enhancement and growth sectors invested less than anticipated during the year.

Our investment performance measures, which we introduced for this regulatory period, focus on ensuring the pace of investment is maintained and commitments met on project delivery. These include - Progress to Committed List (PCL) and Indicator of Progress of Delivery (IPOD). PCL allows us to focus on the initiation of work in the system and promotion rates, ensuring there is sufficient volumes of investment flowing through to deliver (Section 2.1 G Table Executive Summary for further details). At the end of 2024-25, PCL cumulatively outturned at 111.6%, indicating that we are developing sufficient volumes of investment across the programme, to achieve planned investment in future years. (G Table Executive Summary Section 2.1 provides further details).

The IPOD measure allows us to focus on delivery once an investment project is in delivery and maintain a focus on the commitments made to customers and stakeholders. By the end of 2024-25 the IPOD score was 1,160 points against a baseline of 1,148 points, marking an improvement from 2023-24 (Line G8a.96).

This advancement is attributed to diligent focus on project milestone delivery, with the cumulative score increasing from 11 milestones ahead in 2023-24 to 12 milestones ahead currently (Table G8b).

Table 2: Capital Investment Delivery Performance Measures

Measure	Performance for year	Target Range
Progress to the Committed List (PCL)	111.6%	>100%
Indicator of Progress of Overall Delivery (IPOD)	+0.6 months (1160 points)	+-3 Months (1079 to 1208)
Indicator of Forecast Accuracy at Commitment (IFAC)	99.5%	95% to 105%

5.1 SR15 Completion Programme

During AR25, 7 delayed SR15 completion projects were delivered, compared to the forecast of 14. The portfolio has significant risks and issues affecting the delivery of the remaining 15 projects. The development and delivery of this project portfolio presents challenges. There are substantial risks and issues in delivering the remaining 15 projects, with one project, Rockcliffe Bathing Water, currently at pre-gate 90 (MS2).

Regular bilateral meetings are held with DWQR and SEPA where projects of specific interest to these stakeholders, including SR15 completion projects, are reviewed to give detailed updates on progress and to answer any queries. Further details can be found in Table G7 and G Table Commentary section 7.1.

End of AR25 Overview