

**DRAFT**



Sujata Sinha  
Defra  
Area 2C, Ergon House,  
Horseferry Road  
London, SW1P 2AL

12 Riverside Park, Station Road  
Wimborne, Dorset, BH21 1QU  
Tel: 01202 880333  
Fax: 01202 886609  
Email: [info@british-hydro.org](mailto:info@british-hydro.org)  
[www.british-hydro.org](http://www.british-hydro.org)

e-mail: [consultation.tll@defra.gsi.gov.uk](mailto:consultation.tll@defra.gsi.gov.uk)

3<sup>rd</sup> August 2009

Dear Sujata Sinha,

## **CONSULTATION ON PROPOSALS FOR TIME LIMITING OF WATER ABSTRACTION LICENCES**

I am responding on behalf of the British Hydropower Association (BHA) to the Consultation on proposals for time limiting of water abstraction licences.

The BHA is the trade association for the UK hydropower industry. With around 150 members, the Association represents a wide range of interests: consulting engineering, design, manufacture, investment and operation, and specialist service providers. The BHA represents generators from small owner-operators to large UK and international companies.

The Association's responses to the consultation questions are as follows:

### **Question 1: Do you agree with our assessment of the pressures on water resources and the rationale for time limiting? We would welcome your comments on these issues.**

We do not believe that widening the use of time-limited licences will significantly contribute to the efficient and economic allocation of resources. In the case of hydropower abstractions are non consumptive and water is returned after use. The development of hydropower, a long-lived power technology, involves considerable infrastructural investment and it is vital to have access to secure and predictable water supply to ensure commercial development and operation, and to maintain confidence in future electricity supply from these assets. The existing licensing system provides sufficient confidence for the planning of long-life infrastructure such as hydropower. Once the plant has reached the end of its productive life, time limited licenses would discourage investment in the replacement of plant to utilise the original infrastructural investment. Once granted a time-limited licence any other constraints applying to the water use should be known for the licence period.

We do not believe that 12 years is a satisfactory timescale for time-limiting of licences for hydropower. The commercial and design life of such projects is considerably longer than 12 years and, for small projects in particular, the development and initial costs mean that the payback period may well be longer.

**The British Hydropower Association is a Company Limited By Guarantee**  
**Registered Office: Jonsen House, 43 Commercial Road, Poole, Dorset, BH14 0HU**  
**Company registration number: 5689982. VAT registration number: 727102365**

We find it hard to believe that Defra and the EA do not feel that they have the necessary powers to manage damaging abstractions under existing regulations.

The Association notes that the consultation document does not make clear what the status of a 'converted' time-limited licence would be. We urge Defra to clarify the process of 'adding' or 'introducing' a time limit to an existing non-time-limited licence.

We appreciate the recognition of the importance of providing a period for transition arrangements in the case that an existing time-limited licence is to be re-issued with substantive change. Although a 6-year time-frame fits well with the Catchment Abstraction Management Strategy (CAMS) and Water Framework Directive (WFD), we do not believe that it would be sufficient for hydropower plant with their long-lived infrastructure assets.

The BHA would regard a requirement for the holder of a long-duration licence offering secure access to water (20-30 years) to demonstrate a continuing need for, and efficient use of, water at intervals of 6 years or 12 years, linking with CAMS, WFD and Environmental Permit (EP) review cycles. We do not believe that the proposals demonstrate that the introduction of universal time-limited licences will result in the optimal efficiency in water usage. We believe that for hydropower a licence period covering the life-time of the plant (30 years) would be more appropriate if Defra proceeds with universal time-limited abstraction licences. The consultation document makes reference to priority of water use without defining it. Defra needs to indicate its how priority should be determined.

We are uncertain how time-limited abstraction licensing will promote freer trading of abstraction rights in our sector.

**Question 2: Do you agree with the limitations? Are there other consequences of the "Do Nothing" option?**

The BHA supports the objective of economical, efficient resource allocation but we are not convinced that the introduction of more widespread use of time-limited licensing will make a significant contribute to meeting this objective. For hydropower, a long-lived, water-dependent technology, infrastructure, it is vital to have reliable, secure and predictable access to water.

Hydropower stations are subject to the Environmental Permitting (EP) regime, which already allows periodic review of the efficient use of water within an installation and the application of the principles of Best Available Techniques (BAT). We support the periodic review of the need and efficient use of water through the EP system. Time limited licences will introduce the threat that abstraction rights may be terminated within the design life of a plant, creating an additional factor that may act as a barrier to investment.

**Question 3: If you agree that targeted time limiting (using existing legislative powers) is the right option, which of the criteria would you support and why?**

We do not agree that time limiting of abstraction licences is the right option and we do not believe that sector based targeting is appropriate.

**Question 4: Are there any other options that you think should be considered for targeted time limiting?**

**Question 5: What are your views on implementing targeted time limiting of abstraction licences through new legislative powers?**

The BHA would prefer preference that existing power sector, non-time-limited licences are not targeted. Should Defra aim to convert these licences, Defra should clarify that the converted time limited licences remain as existing licences rather than treated as new licences.

**Question 6: How do you think mandatory targeted time limiting would affect an abstractor with a licence which is not time limited, in particular:**

- **those abstractors with Long Duration Licences**
- **small and medium sized business abstractors**

We do not believe that the introduction of time-limited licences is necessary to subject those with non time-limited licences to tests of reasonable need and efficient use as this is already possible through the Environmental Permitting regime.

With long-lived, water-dependent infrastructure in the hydropower sector, it is vital to be able to have reliable, secure and predictable access to water to allow for commercial development and operation of projects.

We would support the periodic review of the need and efficient use of water through the EP system, but we do not believe that there is any benefit in introducing the threat that abstraction rights may be terminated within the design life of a power plant.

**Question 7: Are there any other options that you think should be considered for universal time limiting?**

We do not believe that the introduction of universal time-limited licensing will contribute significantly towards the objective of economical, efficient resource allocation.

**Question 8: How do you think mandatory universal time limiting would affect an abstractor with an abstraction licence which is not time limited, in particular:**

- **those abstractors with Long Duration Licences**
- **small and medium sized business abstractors**

We do not believe that the introduction of time-limited licences is necessary to ensure those with unlimited licences are subject to tests for reasonable need and efficient use of water.

**Question 9: Since there is limited information available to assess the impacts of time limiting on small and medium sized businesses that may be impacted, we are seeking the views of those affected in groups such as agriculture, fish farming and private water supplies, in order to prepare a more complete assessment. Therefore we would welcome case studies to demonstrate how such businesses would be affected by the proposed policy changes in terms of business, financial, administrative and other costs.**

The BHA welcomes this and, having been contacted on this matter will be happy to participate.

**Q10 If there are known unsustainable licences in the Restoring Sustainable Abstractions Programme that have not been dealt with by the time they reach their new expiry date, how do you think we should deal with their applications for a replacement licence?**

We believe there are sufficient regulatory mechanisms existing to cover this issue.

**Question 11: Which method of expiry date selection do you prefer and why?**

It is the view of the BHA that imposing a time-limited licence of less than 6 years is inappropriate for the hydropower sector. For new hydropower plant time-limited licences of 30 years minimum may be more appropriate to provide the security for future operations to enable investment.

**Question 12: How should we deal with licences that have time limited variations?**

The same transitional arrangements should apply if the variation is to be changed at the end of the variation period.

**Question 13: Which is your preferred option for mandatory time limiting, targeted time limiting using existing powers (s52) or universal time limiting through legislative change? Why is this your preferred option?**

The BHA believes that targeted time limiting through existing powers would be the 'least worst' option of those offered. We believe that the proposed universal approach will introduce commercial uncertainty on water-dependent industry.

**Question 14: Which option for time limiting is more likely to enable the environmental impacts of water abstraction to be managed and reduced?**

We are not convinced that the introduction of time-limited licences, is an appropriate or necessary response to meet the challenges of sustainable management of water resource.

Yours sincerely,



Adrian Abbott  
*Policy & Consultations Manager*