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Mr E. Roberts,
Chief Executive,
Natural Resources Wales,
Ty Cambria,
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Consultation on our Fees and Charges for 2017-18

Dear Mr Roberts,

Many thanks for providing the opportunity to the British Hydropower Association [BHA] to respond to the Natural Resources Wales [NRW] Consultation on Fees and Charges.

The BHA is pleased to note that NRW have decided to retain the current fee structure for hydropower for one more year in 2017-18, though any further increases in fees will significantly jeopardise the future of an already fragile and demotivated industry in Wales.

The BHA response to this consultation focuses on question 8 where we make the following observations:

Question 8 - What are your views on the arrangements for pre-application advisory services and do you believe they are beneficial to the applicant, leading to better quality applications?

The overarching view, is that if it is being proposed by NRW that charges should apply to the pre-application services for hydropower, the pre-application service would not be at all beneficial to the applicant.

The BHA are unsure as to whether this section ['5 Discretionary Charges'], is intended to be applicable to hydropower operators, but for thoroughness we will continue as if it is.

However, to apply it to hydropower would be contrary to the consultation's section 6.3, which deals solely and explicitly with hydropower and states that hydropower charges will not alter at this time, in part because of;

1. "A reduction in the number of hydropower licences."
2. "Our ongoing review of hydropower licensing and other regimes, and;"
3. "A need for clear guidance on charge out rates."

The BHA believes the reference to “our ongoing review of hydropower licensing and other regimes” will in part relate to a parallel exercise being led by Welsh Government through a Ministerial Hydropower Task and Finish Group [which consists of representatives of the British Hydropower Association and NRW], and which has since produced a report for the Cabinet Secretary for Environment and Rural Affairs which identifies a package of specific measures to support the hydropower industry in Wales.

The objective given to the Hydropower Task and Finish Group is to draw up recommendations that will enable the industry to continue to deliver jobs, economic activity and contribute to generating low carbon energy.

Having regard for the above, any suggestion of introducing a charging regime for pre-application advice for hydropower schemes, is clearly contradictory to the purpose of the Hydropower Task and Finish Group and section 6.3 of this consultation.

The introduction of a charging regime for pre-application advice for hydropower schemes, particularly as set out in this consultation, is inappropriate for the following reasons:

1. The pre-application system for hydropower is not a true pre-application process. Instead it brings most of the actions and considerations that were previously part of the formal application process out of the formal application time-frame for the benefit of NRW. As such the very high application fees for formal applications recently introduced by NRW are presumed to cover the time taken by NRW to consider hydropower applications at the 'pre-application' stage and hence no further 'cost-recovery' is necessary in respect of hydropower applications.
2. As alluded to under section 6.3, the rate at which new hydropower projects are coming forward to the application stage has reduced significantly. That fall is likely to continue for the foreseeable future due to the lack of an adequate funding mechanism. It is now extremely difficult to produce a new economically-viable hydropower project in Wales, as the sector simply cannot take on further costs and continue to develop new schemes.
3. The pre-application stage is more beneficial to NRW in taking normal determination procedures out of the statutory time window and away from the prospect of appeal than it is to applicants in 'improving' applications.
4. Any fees payable in respect of work done by NRW before the formal application stage should be payable only on receipt of timely and accurate advice. The current levels of service provided by NRW to hydropower developers falls a very long way short of anything anyone would be willing to pay for.

Hydropower applicants should not be asked to cover NRW's costs whilst NRW's hydro permitting operation remains so inefficient. Cost reductions through efficiency improvements must come before external charging can be seriously contemplated.

5. If NRW could provide a pre-application service that added value for applicants, then the fees NRW might consider charging would need to be proportionate, as £125/hour is not a realistic suggestion and as well, applicants would need to have a measure of control over the expenditure to which they were exposing themselves to.

6. For example, applicants would need to be able to approve of the personnel assigned to their cases; they would need to be frequently kept informed of costs incurred and they should be entitled to receive cost estimates in advance that should be binding [with a reasonable margin for error and where the scope of work did not alter].

These stipulations simply mirror reasonable practice observed in professional services industries in the private sector. It should be noted that in such cases the applicant/client would normally also have the luxury of choice as to which organisation to appoint and often whether to appoint at all. These freedoms add significantly to the applicant/client's willingness to pay.

Yours Sincerely

Simon Hamlyn

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