



## **SEPA – A Consultation on the hydro abstraction scheme charges - proposed changes for the subsistence fees**

### **Guidance notes for members**

These guidance notes have been prepared by the BHA to assist members when they respond to the questions in the SEPA consultation on hydro abstraction charges published on the 17<sup>th</sup> of December 2020, with a response deadline of the 10<sup>th</sup> of February 2021.

<https://consultation.sepa.org.uk/charging-team/hydro-abstraction-scheme-charges/>

It is important to remind members that this is not actually a new consultation, but an extension from the debacle of the 2016/2107 consultation, where SEPA introduced charges to sub 5MW hydro for the first time. The data provided by SEPA to calculate the charges was shown to be highly inaccurate and the charges levied were vastly out of line with those that had been intimated during the initial consultation as “a couple of hundred pounds”.

The BHA have been in lengthy and frustrating discussions with SEPA since that time. As an interim measure, charges for sub 500kW hydro had the environmental element removed limiting them to £207.27 (after the initial reductions for phased implementation). However, schemes from 500kW to 2MW had unjustified and unexplainable charges of many thousands of pounds. It should be noted that the sub 500kW exemption from environmental charges is classed as temporary and could be removed by SEPA in the future.

This consultation is relevant to all scheme owners with an installed capacity over 100kW regardless of their current bills.

The BHA has been lobbying SEPA for the best part of four years seeking to address three key elements:

- Transparency in methodology and invoicing
- Parity between schemes of similar size
- Affordability

The discussions with SEPA have been very difficult. The data provided by SEPA, which provides the basis for any charging proposal, has been constantly fluctuating and it is not until very recently that we have had a relatively stable and agreed set of figures to assess the proposal against. Even now we believe there is a serious flaw in SEPA's methodology for assessing the affected reach of a hydro scheme. Throughout our discussions, SEPA's responses have generally been slow and they have backtracked at times when we believed we had a workable solution.

However, the new charging regime proposed in the consultation is relatively easy to understand compared to previous efforts and we believe it is a positive step in the right direction. For the sub 2MW sector it includes a measure of Environmental Impact previously unused and probably not known to most operators. SEPA have undertaken to confirm to all operators details of their individual Environmental Impact category at the commencement of the consultation.

Importantly, where we continue to disagree with SEPA is in respect to the distribution of charges within the overall hydro sector as we believe that it remains unfairly beneficial to the >5MW sector despite the increase in their charges from the current position.

On balance we think that the best outcome at this stage is for SEPA's proposed changes to be accepted which will be an improvement in the allocation of charging and a better, or at least similar, outcome for most members. The BHA will continue to press for further changes to reduce the charging burden for its members.

We encourage all members to respond to this consultation, even if the changes may not affect you.

**Consultation responses - below are notes based on the BHA position which may assist members in compiling consultation responses**

## **7.1 Impact Bands**

**Q1 Do you agree that charges should vary dependant on the environmental impact arising from the scheme?**

- SEPA maintain that the charges must be based on environmental impact.

**Q2 Do you agree with the criteria used to define minor, moderate and large impacts?**

- Whilst not commonly known to hydro operators, the assessment methodology is an established practice within SEPA.

- There is vast disparity in schemes which fall into the large impact category from single abstractions to licences covering 191 abstractions.
- We believe that in the large impact categories there should be further subdivision through the adoption of an additional category or categories for very large impact schemes.

## **7.2 Power Bands**

### **Q3 Do you agree with the proposal to subdivide the small hydropower schemes into four bands based on power output?**

- Parity of charging based on scheme capacity is one of the key requirements of the BHA

### **Q4 Do you agree with the power bandings chosen?**

- The BHA proposed a charge on the basis of Installed Capacity at £1 per kW. This is SEPA's interpretation, which goes some way towards ensure parity of schemes across differing sizes.

## **7.3 Charging Proposals**

### **Q5 Do you think that in general, smaller schemes should bear a lower burden of charges and a greater burden should fall on the very large schemes with greater environmental impact?**

- Yes

### **Q6 Do you agree with the proposal to set fixed charging bands for smaller hydropower schemes?**

- Yes

### **Q7 Do you think the distribution of charges across the power and impact bands is appropriate?**

- No.
- In relation to the split between bands the overall scale of charges is disproportionately adversely weighted against schemes <5MW versus those over that capacity. This is especially the case for schemes in the 2-5MW band. >5MW schemes account for 87% of abstracted volume (Table 9) and 89% of installed capacity (Table 2) but are only responsible for 73% of the total charging.
- The length affected comparisons are totally invalid as SEPA's methodology only accounts for the affected reach below the primary intake and caps this figure at 5km. Some licences (and therefore

single charges) cover in excess of 150 abstractions and on some of the larger schemes, secondary intakes divert water to different catchments thereby affecting the whole reach between the intake and the sea. It cannot be equitable to utilise the total length affected as a comparative measure between different size bands of hydro scheme if the scope of assessment is both incomplete and artificially limited for the majority of larger installations.

- 89% of sub 2MW schemes have been commissioned since 2000, predominantly under the CAR regulations and with appropriate mitigation measures built into their licences. By contrast the vast majority of the >5MW schemes were commissioned before 1970 without the equivalent environmental mitigation assessment.
- By way of illustration, a 500kW single intake scheme returning water to the same watercourse with an affected reach of under 5km which was consented under the CARS regime and has all appropriate mitigation measures in place could be assessed as having the same “large” environmental impact as a far larger, older scheme, devoid of any CARS mitigation measures, with over 150 abstractions, some of which divert the abstracted water to entirely different catchment systems, and a cumulative true total of length affected of 100s of kilometres. For clarity the charges will not be the same, but the impact category could be.
- Overall, the split of charges between the sub and over 5MW sectors should be 15/85, approximately proportionate to the abstracted volumes and installed capacity.
- However, the changes proposed in the consultation should be implemented as an improvement to the current inappropriate system, but the imbalance in charging between sub and over 5MW hydro should be further reviewed.

**Q8 Do you have any further comments?**

- You may wish in your response, to provide SEPA with details of any other issues you have experienced with the current charging regime, such as lack of clarity in invoicing, or poor response times to enquiries.

