
Hydro scheme charging scheme consultation – Summary of responses and SEPA's views

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1 Introduction

This is a summary of the responses to SEPA's consultation on charges for hydro scheme licences that ran from 17 Dec 2020 until the 30 April 2021. The publication of the consultation took longer due to COVID-19 and ongoing discussions. The consultation duration was lengthened due to the cyber-attack that SEPA suffered on the 24 December 2020. Industry representatives were keen for SEPA to extend the consultation period since some operators had incomplete information and SEPA, for a few months, was not able to provide this information.

The key objectives of the consultation were to:

1. Simplify the scheme, particularly for the operators of the small scale hydro operators.
2. Improve how hydro schemes between 0.1 - 2MW were risk assessed (the majority of these schemes were assessed with measures put in to reduce the overall impact). This has allowed SEPA to categorise them based on the [Scottish Government's Directions](#) and relevant flow standards (see extract below) and split up these sites further in a consistent way. Note as the scale of scheme increases, they are much more likely to be causing more impact. For older schemes they would tend to be considered as being a heavily modified water body.

2 Extract of consultation on impact

The following identifies how we classify the minor, moderate and large impact categories:

- a. Minor impact: The abstraction(s) has/have not impacted the flow sufficiently to lead to a deterioration of the relevant environmental flow standards as set out in tables B1.1 to B1.7 in the Scottish Directions.
- b. Moderate impact: The abstraction(s) has/have impacted the flow sufficiently to lead to a failure of the relevant environmental flow standards, but this impact is either on a small river with a catchment area of less than 10km² or the impact is not across a significant proportion of the river water body as set out in tables 1.1 and 1.2 of Schedule 4 of the Scottish Directions.
- c. Major impact: The abstraction(s) has/have impacted the flow sufficiently to lead to a deterioration of the relevant environmental flow across a significant proportion of a river water body with a catchment area greater than 10 km² as set out in tables 1.1 and 1.2 of Schedule 4 of the Scottish Directions.

The consultation had seven main questions. The following sections will go through each in turn. The table below summarises the responses. Where operators have put in multiple responses (e.g. for clarification or due to an operator having several schemes and submitting the same response for each) we have removed these to reduce double counting.

It should also be noted that we have split operators of small schemes from those of large schemes, to ensure both groups are heard, since they all have valid points to raise.

2.1 General themes

Overall, there was general support for simplifying the scheme and, to a lesser extent, that charges should vary depending on the environmental impact. There was disagreement on:

1. how to measure the environmental impact, with many smaller operators suggesting there was no / little environmental impact;
2. the level of charges, with many small operators stating they were still getting charged too much and the larger operators believing they are being targeted unfairly given the significant rise in new schemes.

	Question	Yes	No	Not Sure
Q4	Do you agree that charges should vary dependent on the environmental impact arising from the scheme?	65%	30%	4%
Q5	Do you agree with the criteria used to define minor, moderate and large impacts?	27%	50%	23%
Q6	Do you agree with the proposal to subdivide the small hydropower schemes into four bands based on power output?	59%	18%	23%
Q7	Do you agree with the power bandings chosen?	64%	27%	9%
Q8	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?	81%	14%	5%
Q9	Do you agree with the proposal to set fixed charging bands for smaller hydropower schemes?	80%	10%	10%
Q10	Do you think the distribution of charges across the power and impact bands is appropriate?	19%	81%	0%
Q11	Do you have any further comments?	71%	29%	0%

3 Q.4: Do you agree that charges should vary dependent on the environmental impact arising from the scheme?

Overall, 65% of operators agreed that charges should reflect the environmental impact.

Some operators flagged that for their particular site they did not consider that there was an environmental impact. In addition, for those that did not agree with the question, they considered that any impacts were considered at the application stage and did not believe that SEPA should be doing further work.

Another view was that the current scheme does have a good measure of environmental impact and therefore the current assessment should not be changed.

Responses	No.	%	Small operator	Large operator	Small operator	Large operator
Yes	15	65%	13	2	65%	67%
No	7	30%	6	1	30%	33%
Not Sure	1	4%	1	0	5%	0%

3.1 SEPA response

We agree the general principle of charges related to the environmental impact is a sound one and this is borne out by the consultation.

4 Q.5: Do you agree with the criteria used to define minor, moderate and large impacts?

Overall, 50% of operators did not agree with the criteria for the different levels of impact. A number of different reasons were cited:

- Small scheme operators were paying too much.
- The criteria used to define environmental impact were not appropriate (primarily the Scottish Government Directions).
- That instead of the proposal we use the 5-tier system to assess environmental impacts.
- From their perspective there is no impact from their scheme.
- Need more information on the process.
- That larger schemes were more complex and needed more work.

Responses	Number	%	Small operator	Large operator	Small operator	Large operator
Yes	6	27%	5	1	26%	33%
No	11	50%	9	2	47%	67%
Not Sure	5	23%	5	0	26%	0%

4.1 SEPA response

Scottish Government set out directions which need to apply. We have used these consistently for assessing the environmental impact of these hydro schemes. We do appreciate that individual sites even within specific categories will vary on the level of impact but the aim to provide a more straightforward system which was one of the key areas to develop.

5 Q.6: Do you agree with the proposal to subdivide the small hydropower schemes into four bands based on power output?

The comments ranged widely, many were not specific to the question and were more about whether small schemes should be charged.

The operators that disagreed with this part of the scheme suggested there was insufficient justification for treating the smaller schemes differently.

Those supporting considered it seemed a sensible approach.

Responses	Numbers	%	Small operator	Large operator	Small operator	Large operator
Yes	13	59%	12	1	63%	33%
No	4	18%	3	1	16%	33%
Not Sure	5	23%	4	1	21%	33%

5.1 SEPA response

We believe the approach proposed is a suitable compromise between the types of schemes and the way impacts have been assessed.

6 Q.7: Do you agree with the power bandings chosen?

We again received mixed comments – some were more about the need to charge larger schemes such as using a per generation capacity direct charge (with the idea of missing out the environmental impact aspects).

Others thought aspects of compliance should be considered, costs relating to compliance are currently recovered from across the sector.

Responses	Numbers	%	Small operators	Large operators	Small operators	Large operators
Yes	14	64%	13	1	68%	33%
No	6	27%	4	2	21%	67%
Not Sure	2	9%	2	0	11%	0%

6.1 SEPA response

We consider the bands chosen are representative of the schemes.

We disagree with the comments that charges should vary linearly in line with power generation, since this does not dictate SEPA's work. Whilst larger schemes generally have a larger impact, the impact does not increase in direct proportion to the scheme's generation capacity.

We would want to distribute charges based on compliance, but we have previously consulted with stakeholders on compliance linked to charging and it was concluded a more robust system than our current compliance assessment scheme would be needed.

7 Q.8: 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?

Responses	Numbers	%	Small operators	Large operators	Small operators	Large operators
Yes	17	81%	16	1	89%	33%
No	3	14%	1	2	6%	67%
Not Sure	1	5%	1	0	6%	0%

7.1 SEPA response

Comments received in relation to this question repeated comments from elsewhere in the consultation. We have not provided detail here as we've addresses the comments elsewhere in the consultation.

8 Q.9: Do you agree with the proposal to set fixed charging bands for smaller hydropower schemes?

There was general agreement for fixed charges for smaller schemes, however those operators disagreeing considered that the small schemes should take their share, since they require more regulation.

One respondent considered that charges within bands impact those at the small end of the band.

Responses	Numbers	%	Small operators	Large operators	Small operators	Large operators
Yes	16	80%	15	1	88%	33%
No	2	10%	1	1	6%	33%
Not Sure	2	10%	1	1	6%	33%

8.1 SEPA response

We believe simplifying the charging structure will help operators understand what they are being charged and will provide greater clarity going forward.

9 Q.10: Do you think the distribution of charges across the power and impact bands is appropriate?

In general, small scheme operators still considered that they were paying too much, despite the reduction in charges and the larger operators considered the charges had increased too much.

Responses	Numbers	%	Small operators	Large operators	Small operators	Large operators
Yes	4	19%	3	1	17%	33%
No	17	81%	15	2	83%	67%
Not Sure	0	0%	0	0	0%	0%

9.1 SEPA response

There is a fine balance in the distribution of charges. We consider the proposed approach is the most appropriate but will keep it under review.

10 Q.11: Do you have any further comments?

Some operators put the bulk of their comments here, flagging a request for greater clarity on the following:

- When would changes apply given the delays, cyber-attack and commercial issues in changing budgets?
- There needs to be clearer understanding of whether the work for sub 2MW schemes has reduced or what the reasons are for the change.
- Concern that small hydro are charged when it is considered a green energy.
- Re-iteration that some operators believe they have no / little impact on the environment.

Responses	Numbers	%	Small operator	Large operator	Small operator	Large operator
Yes	12	71%	10	2	71%	67%
No	5	29%	4	1	29%	33%
Not Sure	0	0%	0	0	0%	0%

10.1 SEPA response

SEPA has a clear task to recover the costs for work done and we base this on the environmental impact. We have used the Scottish Government Directions to give this a suitable robust framework. It should be recognised that any system put in place to apportion the costs will have simplifications and we will continue to review as work practices change and more information on environmental impacts emerge.

We do appreciate that COVID-19 then the cyber-attack delayed the process, but we believe we can move forward now with the new charging scheme. The scheme will be submitted to Scottish Ministers for approval.

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<http://contactscotland-bsl.org/>

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