

January 7, 2021

Dear Alba member

SEPA charges: the new consultation

I am writing on behalf of the chair and board of Alba Energy to encourage you to respond to this consultation prior to the deadline of February 10th.

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

Negotiations with SEPA have been a joint effort, headed up by Simon Hamlyn, CEO of the British Hydropower Association (BHA), Luke Milner of Glen Hydro, and Alba director John Lithgow. This has been a long, hard and often unrewarding process, with SEPA making it difficult to gather accurate information and to correct an unsuitable charging scheme. The results of the negotiation have fallen short of its goal: to establish fair, transparent and justifiable charges. However, thanks to the persistence of the negotiating team, the charges now being proposed by SEPA represent, for most sub-2MW operators, a significant improvement from the previous scheme.

There has been a rebalancing of charges, so that some schemes of 100kW-500kW will see *increases* from the minor fees previously charged. But charges for this band will remain, at most, a matter of a few hundred pounds – proportionate to direct SEPA administration costs. Alba has always argued that charges at this level were acceptable.

The major concerns over SEPA charges have related to schemes in the range of 0.5MW – 2MW. Depending on the capacity of the scheme and SEPA's internal measure of "environmental impact", schemes within this range will now see reductions in their charges of between 38%-92%, representing an overall reduction of 50%. The resulting proposal for the new charging scheme is as follows.

Power Band	Environmental Impact Category			
	Minor	Moderate	Unknown	Large
>0.1MW and <=0.5MW	£200	£220	£220	£600
>0.5MW and <=1MW	£500	£1,000	£1,000	£2,100
>1MW and <=1.5MW	£1,000	£1,500	£1,500	£3,200
>1.5MW and <=2MW	£1,500	£2,200	£2,200	£4,500

Both Alba and the BHA continue to have arguments with these charges. Amongst these disagreements are: they do not relate directly to SEPA costs; they do not reflect value in terms of the services provided by SEPA; the categories of environmental impact are questionable; schemes between 2MW-5MW have seen unjustified increases in charges; Small Hydro has already covered the environmental cost of construction with CAR licenses; the data that SEPA holds on individual schemes is often inaccurate. Most problematic of all, Big Hydro – ie greater than 5MW – uses 87% of the water abstracted by all hydropower schemes in Scotland but, even in the revised scheme, will pay just 73% of the overall charges being levied by SEPA.

The question has been put to us whether a more fundamental challenge should now be raised against SEPA. Based on legal advice taken, the view of the Alba board is that such a challenge would be inadvisable at the present time and that we should, rather, participate in the consultation and argue the Small Hydro case with SEPA on the basis of negotiation.

We have a far more serious problem to face. Alba is currently mounting a legal challenge to Scottish Assessors over the valuation of hydro schemes for the purposes of raising business rates. This is a fundamental battle over the economics of our sector and we do not yet wish to divert attention and resources into another protracted challenge.

We also want to avoid irreversible hostilities with SEPA. We may disagree over this matter, but SEPA has nevertheless acknowledged problems and made improvements. Should we reject the terms of consultation, they will simply revert to the previous scheme. More importantly, SEPA and Small Hydro remain active partners in the project of developing renewable energy and a sustainable environment.

The BHA-Alba negotiating team is to be congratulated for winning significant concessions and reducing bills for the 0.5MW – 2MW band by 50%. We are looking for this negotiation

to continue, both with SEPA directly and through lobbying of Scottish Government. The most effective means of doing so is for all members to complete the consultation, robustly and honestly. We would ask you to do so, whether or not you are being adversely affected by the new charging scheme.

We do not wish to instruct members precisely how to respond to individual questions; however the BHA has prepared an advisory note, which is attached alongside this memo and which we recommend.

It is worth noting that there is currently no right of appeal to individual charges or means of questioning whether SEPA has correctly classified the environmental impact of a scheme. This may be a point you would wish to raise in the comments for the consultation.

If you feel able to do so, please also share your responses with us, so that we can ensure that SEPA acknowledges the full extent of commentaries from the sector. (At the end of the questions in the consultation there is the option to create a PDF of your answers; if you choose to forward this to us, we will ensure it remains confidential.)

Copied below is the table from the consultation which sets out proposed reductions to existing charges. You might also wish to confirm whether this applies in your case.

Thank you for your participation and support.

Kind Regards

Alex

Alexander Linklater
On behalf of Alba Energy Ltd
Tel: 07956 303 580

Difference between the previous scheme and the new proposed charges

	Impact class	No of Licences	Total Abstraction Charges (current)	Proposed Abstraction Charges	% Change
>0.1MW and <=0.5MW	Large	30	£6,218	£18,000	189%
	Moderate	106	£21,971	£23,320	6%
	Minor	18	£3,731	£3,600	-4%
>0.5MW and <=1MW	Large	34	£150,949	£71,400	-53%
	Moderate	33	£121,224	£33,000	-73%
	Minor	7	£43,558	£3,500	-92%
>1MW and <=1.5MW	Large	22	£117,926	£70,400	-40%
	Moderate	7	£29,918	£10,500	-65%
	Minor	6	£19,990	£6,000	-70%
>1.5MW and <=2MW	Large	19	£137,999	£85,500	-38%
	Moderate	4	£25,357	£8,800	-65%
	Minor	4	£22,469	£6,000	-73%
>2MW and <=5MW	Large	16	£151,565	£193,705	28%
	Moderate	1	£7,076	£7,076	0%
>5MW	Large	21	£1,119,841	£1,428,465	28%
Total		328	£1,979,792	£1,969,266	-1%