



Environment Agency water resources charge proposals from April 2022

August 2021

We are the Environment Agency. We protect and improve the environment.

We help people and wildlife adapt to climate change and reduce its impacts, including flooding, drought, sea level rise and coastal erosion.

We improve the quality of our water, land, and air by tackling pollution. We work with businesses to help them comply with environmental regulations. A healthy and diverse environment enhances people's lives and contributes to economic growth.

We can't do this alone. We work as part of the Defra group (Department for Environment, Food & Rural Affairs), with the rest of government, local councils, businesses, civil society groups and local communities to create a better place for people and wildlife.

Published by:

Environment Agency
Horizon House, Deanery Road,
Bristol BS1 5AH

www.gov.uk/environment-agency

© Environment Agency 2021

All rights reserved. This document may be reproduced with prior permission of the Environment Agency.

Further copies of this report are available from our publications catalogue:

<http://www.gov.uk/government/publications>

or our National Customer Contact Centre:
03708 506 506

Email: enquiries@environment-agency.gov.uk

Foreword

The Environment Agency carries out a wide range of regulatory activities that are fundamental to how we protect the environment. These include flood and coastal erosion risk management, regulation of water quality and abstraction, waste, pollution prevention and navigation.

We know it works – England is a much cleaner, greener place as a result of our activities.

We charge the businesses we regulate for this work. We are proposing a change to our water resource charges. This is to make sure we recover the cost of our activities, through a cost reflective charging scheme, and we continue to protect the environment.

We are committed to making sure our charges are fair and transparent. We want them to reflect the full cost of the provision of our chargeable services.

Contents

1. Introduction	5
1.1. About this consultation	6
1.2. Principles	6
1.3. Why we are consulting	6
1.4. Customer impacts	9
Charge framework consultation questions	9
1.5. Cross border	10
1.6. Regulatory change	10
1.7. The water resources service	10
2. Application charge proposals	12
2.1. Time and materials charge	13
2.2. Multiple activities	13
2.3. Applications to renew time limited abstraction licences	15
2.4. Variations	16
Application charge consultation questions	17
3. Annual charge proposals	18
3.1. Revised supported sources schedule	20
3.2. Compensation charge	21
3.3. Time and materials charge	21
3.4. Special charges	21
3.5. Complex and aggregate licences	23
Annual charge consultation questions	26
4. List of additional questions	28
5. Responding to this consultation	29
5.1. How to respond	29
5.2. Publishing our consultation response	30
5.3. How we will use your information	30
5.4. Privacy notice	30
5.5. Consultation principles	30

1. Introduction

Water is life. Water is essential. As a society, we expect water to flow when we turn on a tap. We require a reliable supply of water as the backbone of the economy to enable businesses, industry, and agriculture to thrive. Water gives life to the nation's rich and diverse environment – from babbling chalk streams to slower, major rivers such as the Thames.

We use 15,000 million litres of water a day in England. The nation's water supply faces significant challenges from population growth, climate change and increasing demand from business and agriculture. By 2050, an extra 4,000 million litres will need to be available every day to secure water supplies. That's 24% more than today's supplies. Without action, demand will out-strip supply and as a country we will face severe water shortages.

The National Infrastructure Committee predicted the cost to society of relying on emergency options to close the gap between supply and demand could reach £40bn over the next 30 years. This is significantly more expensive than investing in water planning and management.

The Environment Agency is responsible for managing water resources in England. Funding for this work comes from the charges paid by abstraction licence holders. Current charges do not fully recover costs to meet existing demands and future pressures. As the climate changes and the population grows, the way that we manage water as a valuable resource must change to ensure that the nation does not run out of water and rivers do not dry up. This will require investment to ensure the economy can continue to grow, while at the same time we protect and enhance England's precious water environment.

We have a clear understanding of the current and future pressures water resources faces and a clear plan to address them. The Environment Agency and Defra joint [Water Abstraction Plan](#) published in 2017 sets out the reforms for water abstraction management over the coming years. The Abstraction Plan shows how we will get to sustainable levels of abstraction, making full use of existing regulatory powers and approaches; how it will develop a stronger catchment focus and how it will modernise the abstraction service.

We are embarking on a step-change which will result in all current and new abstractors, as well as the environment benefiting from a strategic approach to managing water. We are seeking a new and consistent regulatory regime, a modern service, with better local engagement. We will capture shared planning solutions in Abstraction Licensing Strategies. We will improve more surface water and groundwater bodies to meet the required environmental standards.

With pressure on water resources set to continue, we need strong and effective water management to secure future water supplies, protect users' access and manage drought. It will require greater co-ordinated effort between regulators and the businesses that use water.

As a society, we need to make changes now to invest in our nation's future.

1.1. About this consultation

This consultation seeks your views on the proposed charging approach for water resources abstraction and impounding licensing.

The consultation is made up of:

- this consultation document which sets the scene and lays out the proposals for a new charging scheme
- the draft Economic Impact Assessment
- the 'Draft of the Environment Agency (Environmental Permitting and Abstraction Licensing) (England) Charging Scheme 2022' which is referred to as the draft legal charging scheme in this document, includes tables of application and annual charges
- the draft Water resources charging guidance which explains the proposals in more detail. A final version will be published online once a revised charging scheme is implemented
- a presentation which explains the current abstraction charges scheme, the proposed new approach and sector specific worked examples of how to calculate your charge
- maps – to help you identify if the additional cost factors apply to your abstraction (water availability, supported sources and specialised groundwater model areas)
- a charge indicator tool – to help you identify your abstraction charge under the new proposals

1.2. Principles

The aim is to reform the water resources charging scheme, so it is fairer, works better for business, the environment, and is financially sustainable.

This review of the charging scheme for water resources is part of modernising the abstraction service. It will introduce consistency for charging across all the permitting regimes. In developing the proposed new charging approach, we have applied the following principles:

- promote in others, actions that will develop an even better environment for people, wildlife, and growth
- we deliver the most effective and targeted regulatory service we can
- promote value for money, fairness, transparency, and simplicity under a single national charge account
- ensure the charging regime aligns with Treasury's Managing Public Money requirements
- seek cost recovery for legitimate costs of water resource management and regulation

1.3. Why we are consulting

We oversee management of water resources in England. This involves planning and controlling how much water can be taken from rivers, lakes, and groundwater. It also includes operating infrastructure to supply water and reduce drought, and monitoring and modelling of surface water and groundwater resources. An efficient water resources service is vital in supporting and protecting the economy to safeguard businesses' ability to operate.

Abstraction licences are issued to allocate and enable the management of water. Funding for this work comes from charges paid by those who hold an abstraction or impounding licence. Charges have not increased for the last 10 years, except for one change to the application fee. Within this period the work and costs required to manage water resources have increased.

The proposed changes to the charging scheme and the increased income will change what we can deliver for the environment and society.

We are not fully recovering costs for the water resources service we need to provide, which is described in section 1.7. Without the additional money, our ability to deliver these main outcomes will be severely compromised:

- meeting Defra's 25 Year Environment Plan to deliver clean and plentiful water
- ensuring the Environment Agency's actions contribute to the long-term goals in meeting the nation's future demands for water
- developing the Environment Agency's service at the same rate as customer expectations so it can provide the service that customers expect to the benefit of the environment
- supporting water resource abstractors to operate in an effective way, which results in an even better environment for people and wildlife. We want to support and enable development and help businesses to take their environmental performance to the next level

Through increased investment, we can improve the service to customers and deliver more outcomes for the public, business, and the environment:

- access to water and water security for the public and business
- a level playing field for our customers
- future certainty to the public, business and the environment on water being available. We will be investing in infrastructure, to make sure assets are safe to operate, cost efficient, effective, and resilient, allowing water to be monitored and made available for our customers
- a clear efficient service through modernising the regulatory regime and fully embedding Digital services in the business, changing the way abstraction licensing is managed
- protection and enhancement of the environment through a more sustainable approach to water abstraction with increased emphasis on rare and sensitive habitats
- better prepared to protect businesses and the public during periods of prolonged dry weather

1.3.1. Current charging scheme

Our current scheme of abstraction charges has been in place since 1993. The scheme was created based on charging abstractors relative to the potential effect of their licences on the water environment, rather than in relation to the services we provide. The current annual charge (referred to as subsistence charge in the 'Draft of the Environment Agency (Environmental Permitting and Abstraction Licensing) (England) Charging Scheme 2022') is calculated using the volume authorised, multiplied by a number of factors including source of supply; season; loss of water to the environment; and a regional standard unit charge.

The current application charge has two tiers: 1) a lower application charge (£135); and 2) a higher application charge (£1500)¹. For the majority of those who pay the lower application charge, the cost of the work we do around the application is mainly recovered through the annual charge.

The current scheme also includes a compensation charge for the recovery of costs associated with the revocation or variation of abstraction licences under section 52 of the Water Resources Act 1991. We propose to retain this mechanism in the new charging scheme. In recent years we have not raised a compensation charge, and this will continue to be held in abeyance. We would consult again if we proposed to levy a compensation charge (environmental improvement unit charge).

1.3.2. Proposed charging scheme

In reviewing the work that we need to do now, and in the future, we have assessed the cost of regulating and managing water resources. This has enabled us to develop a charging scheme to reflect those costs. We propose to move to a new cost recovery charging scheme that includes charges based on the service we provide. For example, those who abstract more water, abstract in a catchment of restricted water availability or whose abstractions need to be covered by additional significant modelling activity will pay more.

The proposed application framework is the same for all application types. We propose the application charge is made up of 2 parts:

- an application charge using the activity type, volume applied for and the water availability to determine the charge
- additional charge factors for those applications that require us to carry out extra work

The proposed annual charge framework is based on cost recovery for the water resource management activities we carry out to protect the environment and the rights of those who have an abstraction licence. The breadth and diversity of activities requiring licences means that there is significant tailoring of the regulatory activity to different licensable activities.

The proposed annual charge is made up of 2 parts:

- a base charge that covers the costs for activities we carry out for all licence holders
- additional charge factors for those licence holders where we have to do extra work

We have developed the proposals in this consultation in line with other charging schemes that we administer, where customers' charges relate to the service they receive.

We want to hear your views. Sections 2 and 3 of this document set out the proposed charging approach and include consultation questions to provide you with the opportunity to shape the approach. Section 4 includes some additional standard consultation questions and section 5 sets out how to respond to this consultation.

¹ The higher application charge is payable for any application for, or for an application to vary, a licence to impound water; a transfer licence to abstract water, or a full licence to abstract water for direct use in the production of electricity or any other form of power by generating station or apparatus of a capacity of not more than five megawatts.

The lower application charge is payable for all applications not covered in the above.

1.4. Customer impacts

We have undertaken an economic impact analysis of the proposals set out in this consultation. The draft report is available. We have examined publicly available accounting information to compare any increase in charges to the turnover of the abstractors affected. It is difficult for us to assess the impact of our proposed changes where licences are held by individuals or small and medium-sized enterprise (SME) operators, as the financial accounts of these operators are not publicly available. We would welcome any further evidence that could be shared with us. We do not want adverse impacts to fall disproportionately on SME operators.

2. Charge framework consultation questions

1. Do you support investment in water resources management to increase future security of water supply and increase resilience to drought?

Yes

No

Do not know

Not applicable

2. Do you agree with the proposal to introduce a cost reflective charging scheme where an abstractor's charge relates to the service received?

Yes

No

Do not know

Not applicable

3. Is there any further evidence that you can supply now, or has already been published, that you think will inform the impact assessment, particularly in relation to small and medium-sized enterprises?

Yes

No

Do not know

Not applicable

Additional comments - charge framework

Please provide further explanation to support your responses to any of the charge framework questions, if you think it would be helpful.

2.1. Cross border

The Environment Agency and Natural Resources Wales have operated separate abstraction charging schemes since 2014. There are existing customers who have water resources licences that straddle the England and Wales borders. These customers are currently billed based on the regional charge areas in which they are located, that is defined by river catchment boundaries and the political boundary.

These proposals will change the way customers in England who pay their abstraction charges to the Environment Agency are charged. Customers in Wales who pay their abstraction charges to Natural Resources Wales will see no change.

This strategic review of charges for water resources is not seeking to make any changes to jurisdictions or financial agreements between the Environment Agency and Natural Resources Wales. Natural Resources Wales is currently pursuing its own strategic review of charges.

2.2. Regulatory change

2.2.1. Isles of Scilly

To meet environmental obligations and secure investment in water resources infrastructure, the government has decided to apply the Water Resources abstraction and impounding licensing regime for England to the Isles of Scilly. The Isles of Scilly will come into regulation on 1 October 2021. From this date, those wanting to abstract more than 20 cubic metres per day of water from a surface water or groundwater source, must apply for a licence from the Environment Agency. For those wishing to obstruct or impede the flow of a watercourse, an impounding licence will be required. The abstraction charges scheme will apply following the legislation coming into force from 1 October 2021 and so we expect the proposals set out in this consultation will apply to the Isles of Scilly.

2.2.2. Water resources licensing move into the Environmental Permitting Regulations

Since 2017, Defra and the Environment Agency have been working towards moving abstraction and impounding licensing into the Environmental Permitting (England and Wales) Regulations (EPR). We have been engaging with stakeholders throughout the process. Defra currently plan to consult in autumn 2021 with a view to implement the move to the EPR in 2023.

Whilst we cannot yet consult on the charging implications of future legislation, we have looked ahead to align the proposals and approaches in this charging consultation as far as possible to fit with the move into the EPR. We will consult again if there are any changes to charges required upon implementing the EPR.

2.3. The water resources service

Abstraction and impounding licensing is regulated through the Water Resources Act 1991 and associated Regulations, and the Water Act 2003. Under this legislation any person who abstracts more than 20 cubic metres per day of water from a 'source of supply' (which includes groundwater and surface water) or impounds water may need a licence. The Environment Agency is the regulator in England. We carry out a wide range of activities to manage water resources, ensure sustainable abstraction and to protect the environment and abstractors' water rights.

The water resources charge proposals are based on the cost of the activities we carry out to protect and enhance the environment, whilst protecting the rights of abstractors. To deliver water resource management the following key activities are required, and we will continue to fund and deliver this service. We will look to make further investment in maintaining and operating ageing infrastructure, modernising the licensing system through digital transformation, and protecting and enhancing the environment through a more sustainable approach to water abstraction with increased emphasis on rare and sensitive habitats.

Asset management and operation – we create, manage, and operate assets for water level and flow monitoring, such as structures to manage flow, gauging stations, and groundwater boreholes. This also includes operating and managing assets used to support or augment surface water and groundwater to protect and facilitate more resilient abstractions.

Monitoring and assessment – we collect, monitor, record, assess and analyse monitoring data on groundwater levels, surface water level and flow, ecology, fish, and water chemistry. All of which help us understand how the environment is responding to current levels of abstraction, climate change and increased demand and will respond to likely future pressures from these.

Modelling – we use the surface water, groundwater, fish and ecology modelling and monitoring data together with information about existing abstractions to understand and assess the water available for use by abstractors and environmental requirements. This information helps us balance the needs of abstractors for water, with those of the water environment.

Planning – water resource planning and management activities allow us to understand and implement actions to address short term, seasonal and longer-term imbalances in water availability at a local, regional, and national level. At a local level we publish Abstraction Licensing Strategies which state the current condition of the catchments and our approach to licensing abstractions. We use this information to engage with communities and encourage local participation with the Water Abstraction Plan objectives. We advise Defra on the adequacy of water company water resources management plans which set out how water companies intend to provide a secure supply of water to people and businesses over a 25-year period, whilst also protecting the water environment.

Permitting and licensing – this includes all of our activities to assess applications to abstract or impound water, and to vary, revoke, apportion, vest (end a licence on death or bankruptcy of the holder or insolvency of a company) and transfer existing licences. We issue abstraction or impounding licences that make sure the use of water resources is appropriate and that the licences continue to protect the environment. We also identify, investigate and, where needed, change licences which pose environmental risks or cause problems from unsustainable abstraction.

We review time limited licences as they approach their expiry date. These licences were established on the basis that they would be periodically reviewed to ensure that abstractions they authorise continue to be environmentally sustainable. The opportunity to review these licences enables us to better manage water resources in response to a changing environment.

Compliance – we take an evidence and risk-based approach when determining the type of compliance activity we will carry out. We target compliance activity to abstractions that carry the highest risk. This ensures that the many licensed activities and processes we regulate cause minimal damage to the environment and that existing users remain protected. Compliance activities involve checking that abstractors have permission to take

water from the environment and licence holders are operating within their licence conditions. We do this through site visits and assessing abstraction returns information provided by licence holders.

Incident management – we plan and prepare for the management of water resources during periods of prolonged dry weather or drought which may impact on the availability of water use by business, society, and the environment. We also provide a warning service to licensed abstractors where there are reported incidents of pollution.

To operate efficiently we share **support services** across the Environment Agency. Without support services we could not operate our permitting and regulatory regimes. This includes:

- staff training
- provision of technical support and guidance
- provision of legal advice to ensure staff operate within the law
- human resources (HR) policies and advice
- finance support, raising invoices and processing payments
- financial planning, performance monitoring, accounting, and auditing
- provision of fully functioning equipment and maintained buildings
- IT systems, communication devices and an IT support service

The support services exist to support the whole of our business. They are not always easily allocated directly back to specific sources of income, but we are expected under Managing Public Money rules to ensure that all charge payers cover the full costs, including overheads. To do this we apportion these indirect costs across all funding streams in proportion to their annual revenue costs.

We are also expected to include a provision for bad debts in our charges, to cover unpaid charges that we cannot recover through our normal debt recovery process. An example of this is where a company has gone into liquidation.

3. Application charge proposals

This section provides a summary of the proposed approach to recovering the application charge and sets out the consultation questions. You can find more detail on proposed approach to charging and how to work out your charge in the 'Draft Water resources charging guidance'.

You will need to pay an application charge when you apply for a new licence or to vary an existing licence. The charge depends on the type of licence or activity applied for. It covers the work we carry out in determining the licence application. An application charge will apply to the following:

- full abstraction licence – for most types of water abstraction over 20 cubic metres a day
- transfer abstraction licence – to move over 20 cubic metres of water a day from one source (or within same source for some activities) to another without intervening use
- temporary abstraction licence – to abstract more than 20 cubic metres of water a day over a period of less than 28 days

- impounding licence – to create or alter an impoundment structure such as a sluice, weir or dam
- an activity for the production of electricity, or any other form of power by a generating system or apparatus
- renewal of a time limited abstraction licence
- renewal of a time limited variation to an existing abstraction licence

We propose one application framework for all application types, made up of 2 parts:

1. An **application charge** that covers the cost of the activities we carry out to assess and determine an application to abstract or impound water. The application charge will use the activity type, volume applied for and the water availability to determine the charge. We will provide basic pre-application advice, for example to signpost to the relevant forms and guidance.

Applications for activities where all water is returned to the same source of supply, for example fish passes and licences for hydro-electric power (HEP) schemes, will not incur the costs associated with work around water availability. This is because the water availability has no material impact on the determination process as the water is not ultimately removed from the environment, that is the activity we carry out is the same whether it is in a water available or restricted water catchment.

2. **Additional charge factors** for applications that require extra work. For more complex applications that require work, such as external consultation, conservation assessment, advertising, relating to Sites of High Public Interest, environmental monitoring schedules and involving competing schemes. This will also cover where an applicant amends their application during the technical determination. Licence holders that are water undertakers (as regulated by Ofwat) will incur an additional charge.

We propose to retain a fixed application charge for a licence to create an impoundment structure such as a sluice, weir, or dam. For further information on this and the proposed charges for revocation and removal of impoundment works see the 'Draft Water resources charging guidance'.

3.1. Time and materials charge

We propose to use time and materials charging to cover the costs of the applicant's request for additional work such as for:

- discretionary services we offer, for example enhanced pre application advice
- applications of high public interest
- applications that are competing with one another for the same water (known as competing schemes)

We will seek full cost recovery and will charge at an hourly rate set out in the draft legal charging scheme.

3.2. Multiple activities

Where an application is being made for more than one activity by one applicant, there may be a discount. The discount considers the time we save during the determination period, for example where we can consult once for multiple activities.

A discount will apply when the proposed activities are reasonably considered to be part of the same operation. If the activities are operationally independent, then the full application charge for each activity will apply. If the application includes non-water resources activities as part of the operation we will charge for these separately.

The highest application charge will be charged in full and the following discounts may then apply for any activities reasonably considered to be part of the same operation:

- 90% reduction of the relevant application charge for activities which take water from the same source, which take water from and discharge it back to the same source and can reasonably be considered to be part of the same operation
- 50% reduction of the relevant application charge for those activities which take water from different sources of supply and that can reasonably be considered to be part of the same operation

All charges are set out in the draft legal charging scheme.

Example application charge for multiple activities from the same source of supply

A quarry operator wants to carry out 2 abstractions at the same site and from the same source of supply, each need a licence.

The abstraction activities authorised are:

- transfer abstraction licence: volume category 120.001 megalitres a year (ML/yr) up to and including 1,400ML/yr (water available)
- full abstraction licence from surface water and groundwater: volume category 50.001ML/yr up to and including 120ML/yr (water available)

The application charge will be the sum of:

- 100% of the highest application charge for the transfer licence: volume category 120.001ML/yr up to and including 1,400ML/yr
- 10% of the application charge for the abstraction licence from surface water and groundwater: volume category 50.001ML/yr up to and including 120ML/yr

Example application charge for multiple activities from different source of supply

A farm operator wants to carry out 3 activities at the same site from 2 different surface water sources and a groundwater source. As the sources are different, these are classed as separate activities, and each require a separate licence.

The activities are:

- licence from surface water: volume category 50.001ML/yr up to and including 120ML/yr (restricted water available) from surface water source A
- licence from surface water: volume category 50.001ML/yr up to and including 120ML/yr (restricted water available) from surface water source B
- licence from groundwater: volume category 120.001ML/yr up to and including 1,400ML/yr (water available) from a groundwater source C

The application charge will be the sum of:

- 100% of the highest application charge for the licence from groundwater: volume category 120.001ML/yr up to and including 1,400ML/yr (water available), source C

- 50% of the application charge for the licence from surface water: volume category 50.001ML/yr up to and including 120ML/yr (restricted water available), source B
- 50% of the application charge for the licence from surface water: volume category 50.001ML/yr. up to and including 120ML/yr (restricted water available), source A

Example application charge for hydro-electric power (HEP) application

HEP schemes typically need different types of licences, for example an impounding licence and a transfer abstraction licence. There is an application charge for each licence type.

We assess HEP schemes as a whole, so the time needed to determine additional HEP activities is reduced. We will charge 10% of the application fee for additional activities whether they are abstracting from the same or different sources of supply.

A HEP operator wishes to carry out 2 activities, an abstraction, and an impoundment.

The activities are:

- HEP abstraction activity for the production of electricity: volume category 1,400.001 ML/yr and above
- HEP impoundment activity for the production of electricity: volume category 1,400.001 ML/yr and above.

The application charge will be the sum of:

- 100% of the HEP application charge plus 10% charge for the second licence application

Example application charge for heat pump applications

Ground and surface heating and cooling schemes typically need licences and permits from different regimes. For heat pump applications involving surface water or groundwater discharge activities and abstraction activities there is a reduced application fee. The charges are:

- 100% of the relevant application charge in the draft legal charging scheme for the highest application charge
- 10% of the relevant application charge for other activities which take water from or discharge it back to the same source and can reasonably be considered to be part of the same operation

3.3. Applications to renew time limited abstraction licences

Currently all new abstraction licences are issued with a time limit, such licences are referred to as time limited licences. Approximately 5,000 of the 17,500 abstraction licences are time limited. The time limits on these licences are normally tied to a catchment common end date for the catchment the licence is located in, these dates move forward on a 6-year cycle.

When we first grant a licence, it will normally be time limited for between 6 and 18 years depending on the proximity of the catchment common end date at the time of grant. Licences renewed at catchment common end dates have usually been time-limited for 12 years to the next end date. Under certain circumstances, we may grant longer duration licences for up to 24 years. A time limited licence and all the abstraction rights associated with it end on the expiry date. When a licence reaches the time limit expiry date, the

licence holder must apply to renew their licence if they want to carry on abstracting. If a licence holder chooses to apply to renew their licence, they can do this either on:

'Same terms' as currently stated on their licence. We will assess the current licence and decide if the abstraction is sustainable, does not impact other abstractors or protected sites. If the licence is acceptable then a new time limited licence is issued which is the same as the previous licence. If not then the licence conditions, and the volume authorised for abstraction will be changed to make the new time limited licence sustainable.

'Different terms' to the licence conditions on the current time limited licence. We will assess the application using the same process as a new application to abstract water. A new time limited licence will be issued with new conditions for abstraction.

We propose that applications to renew time limited licences are split into 2 application charge categories:

- renewal on the 'same terms' will be charged at a fixed rate
- renewal on 'different terms' will charge at a variable rate

All charges are set out in the draft legal charging scheme.

We anticipate that the practice of granting and renewing time limited licences will change when abstraction licensing moves to the EPR system of permitting. There are a number of time limited licences and time limited variations to existing licences that are likely to expire before water resources licensing moves into the EPR. To avoid disadvantaging these licence holders compared to others whose licences have been renewed previously, we are proposing to hold the application fee for 'same terms' renewal. This represents a significant saving for affected licence holders. This allows an equitable approach for time limited licence holders on the run up to the implementation of the EPR (see section 1.5 for more information).

3.4. Variations

After a licence has been granted, and while it remains in force, the holder may want to change their licence. This would require an application to vary the licence.

Under the current charging scheme, we do not charge for applications for administrative changes to licences. We propose to continue to offer the following **administrative variations** free of charge:

- name, address, and trading title change
- transferring a licence between licence holders
- vesting (to end a licence on death or bankruptcy of the holder or insolvency of a company)
- revoking a licence

We propose to introduce an application charge for the variation of a licence. The charge will depend on how complex the variation application is. The variation types are:

Minor variation which includes the need for limited technical input and does not need us to consult externally. For example, apportioning a licence, reducing the volume, and removing the purpose from a licence. We propose a fixed application charge for these types of variation.

Normal variations will need technical input. For example, increasing the abstraction volume, adding an additional abstraction purpose, and adding an additional abstraction

point. We propose to charge 50% of the application charge for a new licence for these types of variation.

Substantial variation which includes the need to carry out significant assessment. For example, where an applicant makes multiple changes to an existing licence. We propose to charge 90% of the application charge for a new licence for these types of variation.

4. Application charge consultation questions

4. **Do you agree with the proposal to introduce an application charge that is cost reflective of the service received? This will be dependent on the type of application being made.**

Yes

No

Do not know

Not applicable

5. **Do you agree with our proposal that only customers requiring additional work are charged the relevant additional application activity charge?**

Yes

No

Do not know

Not applicable

6. **Do you agree with the activities included in the additional charge factors? Please respond agree, disagree or do not know to those listed below.**

Enhanced pre-application service

High public interest applications

Advertising charge

Water undertakers (as regulated by Ofwat) and is for the purpose or supports the provision of water supply

External consultation

Conservation assessments

Amending application during determination

Competing schemes when applications are competing for the same water

7. **Do you agree with our proposal to charge time and materials for specific application activities?**

Yes

No

Do not know

Not applicable

8. **Do you agree with our proposal to apply a discount to the application charge where an application is being made for more than one activity and those activities are reasonably considered to be part of the same operation?**

Yes

No

Do not know

Not applicable

9. **Do you agree with the proposed approach for application charges on renewal of a time limited abstraction licence?**

Yes

No

Do not know

Not applicable

10. **Do you agree with the proposed approach of charging for variations so that the charge is proportionate to the amount of work we carry out?**

Yes

No

Do not know

Not applicable

Additional comments - application charge

Please provide further explanation to support your responses to any of the application charge questions, if you think it would be helpful:

5. Annual charge proposals

This section provides a summary of the proposed approach to recovering the annual charge and sets out the consultation questions. You can find more detail on the proposed approach to charging and how to work out your charge in the 'Draft Water resources charging guidance'.

We have developed a charge indicator tool that helps you identify your annual charge under these proposals. We want your views on this tool and have asked a specific consultation question.

All licensed water abstractions which allow the licence holder to abstract or impound water are required to pay an annual charge, unless specifically exempted. We propose to retain the following exemptions from the annual charge:

- transfer abstraction licence – to move over 20 cubic metres of water a day from one source (or within same source for some activities) to another without intervening use
- temporary abstraction licence – to abstract more than 20 cubic metres of water a day over a period of less than 28 days

- impounding licence – to create or alter an impoundment structure such as a sluice, weir, or dam
- a licence which authorises abstraction for direct use in the production of electricity or any other form of power by generating station or apparatus of a capacity of not more than five megawatts
- a licence for abstraction from inland waters which the Environment Agency or its predecessors has certified as having an average chloride content in excess of 8,000 milligrams per litre

Annual charges are applied to cover the costs incurred for water resource management activities we carry out to protect the environment and the rights of those who have a water resources licence. The breadth and diversity of activities requiring licences means that there is significant tailoring of the regulatory activity to different licensable activities. We therefore propose that the annual charge is made up of 2 parts:

1. A **base charge** that covers the costs for activities we carry out for all licence holders.
2. **Additional charge factors** for those licence holders that require additional activity.

The following sets out how the **base charge** is derived.

Source of supply

We propose a lower annual charge for an abstraction from a tidal source of water. As water availability is not an issue, we do less monitoring and regulatory work in tidal waters. The requirement to analyse data and create environmental reports is also reduced.

Authorised volume

Annual charges are categorised based on the volume of water authorised to be taken on each licence in megalitres a year. The more water a licence authorises for abstraction, the greater the environmental risk it poses. This means an increased level of monitoring and assessment and therefore an increase in our annual charges. We have therefore based the proposed charges on volume categories.

Purpose of abstraction

The work we carry out is scalable to the amount of water lost to the environment; the higher the loss of water to the environment, the more monitoring, assessment, and compliance activity we need to carry out. This reflects the higher potential for causing adverse environmental impacts. We therefore propose to also base annual charges on loss categories. The purpose of abstraction indicates the loss of water to the environment. The draft legal charging scheme sets out the loss category for each purpose of abstraction.

We propose 3 loss category groups:

- **high loss** – this includes any activity that removes water from the source of supply and is not returned to that source after use, for example trickle or spray irrigation
- **medium loss** – this includes activities that remove water from the source of supply and is partially returned to the environment, for example, general washing, general farming (excluding trickle and spray irrigation) and domestic supply
- **low loss** – this includes activities returning water directly to the source of supply in close proximity to the abstraction point, for example, aqua-culture, water-based cooling

Additional charge factors

We propose that additional costs will also be recovered through the annual charge where they apply to some abstractions:

Water availability – in catchments with 'restricted water available' or 'no water available' we carry out additional assessment work. This charge will account for additional work to monitor, assess, and manage water in these catchments.

Supported sources – we incur costs to monitor, manage and operate assets which augment and support surface water and groundwater resources. The cost of some of these activities are included in the current charges scheme under the supported sources schedule. However, we are seeking to increase the number of supported sources in the charging scheme to recover the cost of our work - see section 3.1. Under our proposed charging approach, the cost of these additional services is recovered only from those licences that require the support to operate.

Specialised modelling – we propose that the cost to carry out specialised modelling be applied to those licences in areas where modelling is required. These models are used to improve our understanding and management of the water resources in the areas covered by the model. They are used to support regulatory decisions on managing water resources.

Additional water undertaker charge

We propose to levy an additional charge to licences held by water undertakers (as regulated by Ofwat) that authorise water abstraction for public water supply, or which supports the provision of public water supply.

This charge will cover the cost of the additional activities we carry out to regulate these licences. For example, preparing, assessing and evaluating statutory Water Resource Management Plans and Drought Plans. We will recover this charge proportionally based on the impact the abstraction has on the water environment.

5.1. Revised supported sources schedule

We propose to extend the schedule of supported sources in the current abstraction charges scheme. The new scheme will include surface waters and groundwater where we carry out additional activities to ensure abstraction can take place. We are proposing a more cost reflective charges scheme where only those licence holders whose abstractions require this support pay for the service.

If this proposal is implemented, we expect over 50% of the licences from existing supported sources will not incur a supported source charge in the future, though some licences will attract a charge for the first time. The number of licences that incur the supported source charge would reduce by 14%. As the assessment considers the scale of abstraction in proportion to the support provided there will be a shift in the type of abstractions that pay the supported source charge. The most noticeable shift is that 114 licences in the agriculture sector and 20 licences in the industrial, commercial and services sectors will no longer incur the charge, and 81 licences in the water supply sector and 15 agriculture licences currently not charged, will pay the supported source charge.

To work out if and how this proposal impacts you, see the further explanation in the 'Draft Water resources charging guidance' and schedule of supported sources set out in the draft legal charging scheme.

5.2. Compensation charge

The current charges scheme includes a compensation charge (through the Environmental Improvement Unit Charge – EIUC) for the recovery of costs associated with the revocation or variation of abstraction licences under section 52 of the Water Resources Act 1991. It can also be used to recover compensation costs associated with the refusal of applications or curtailing of abstraction in relation to the removal of exemptions from abstraction licensing control (sections 26 and 29 of the Water Resources Act 1991). We propose to retain this mechanism in the new charging scheme.

We propose to retain the current approach of levying a supplementary charge that is a proportion of the annual charge due for each licence. This will be determined on a regional basis to enable collection of compensation funds by region (should it be required in any region).

In recent years we have not raised a compensation charge and it will continue to be held in abeyance. We would consult again if we proposed to levy the new compensation charge.

The Water Act 2014 removed the ability for water undertakers and sewerage undertakers to claim compensation for regulator-initiated reduction or removal of abstraction licences. The compensation charge does not apply to water undertakers or sewerage undertakers, as such matters form part of the Price Review process regulated by Ofwat.

5.3. Time and materials charge

We will charge time and materials costs for any additional compliance effort that we need to carry out. These would typically be unplanned events that could cause significant harm to the environment. Time and materials charging allows us to recover the costs of:

- staff time
- consultants, contractors, or equipment they need to use
- community engagement work that may be needed as the result of over-abstraction

We will charge for unplanned events at an hourly rate for staff time plus the cost of any materials or equipment used.

If we need to charge a licence holder for time and materials, we will keep them informed of any costs incurred and how they are calculated.

5.4. Special charges

Some abstractors can enter into special charge arrangements as set out in the Water Resources Act 1991. In this section we outline where we propose to retain or introduce special charge arrangements. For more information see the 'Draft Water resources charging guidance'.

5.4.1. Abatement of annual charges

Some licensed abstractions provide important environmental and amenity benefits. Section 126 Water Resources Act provides a mechanism for customers that hold these types of licences to seek an agreement to abate all or part of their annual charge. Section 126 agreements can be entered into when an abstraction, in whole or part, contributes to the fulfilment of the Environment Agency's duties and responsibilities.

Abstractors who hold these types of licences currently have the opportunity to apply to have all or part of the annual charge removed under section 126.

The proposals set out in this consultation may result in a charge increase for some customers whose abstractions are for environmental benefit. However, we do not want to see these activities ceasing or being scaled back, which could potentially cause environmental degradation. We therefore propose to continue to offer a provision similar to section 126 agreements under the new charging scheme. Licences which meet the criteria below would be considered on a case by case basis.

We currently generally agree abatements where the abstraction is for environmental benefit, contributes to our duties and responsibilities and the licence holder does not gain commercially from the abstraction. Examples include those for abstractions which are used to:

- supplement flows to a wetland to support wading bird populations
- increase the water level in a pond to support a designated special wildlife site, which has been affected by reduced groundwater levels as a result of others' abstraction
- increase flow to a number of wildlife ponds to improve water quality issues caused by others

5.4.2. Two-part tariff agreements

We propose to retain the special charge agreement available for spray irrigation, called a two-part tariff agreement. We also propose to introduce this special charge for trickle irrigation.

A licence must specify an annual authorised volume solely for spray or trickle irrigation. If a licence specifies a combined annual volume for 2 purposes, only one of which is spray or trickle irrigation, we will not agree this special charge. Examples of authorised use could be for agriculture and golf courses.

Two-part tariff agreements under Section 127 of the Water Resources Act 1991 allow the annual charge to be split into 2 parts:

Part 1 – pay 50% of the charge based on your authorised annual quantity. This charge is invoiced through our annual bill run in April.

Part 2 – pay a supplementary charge that is 50% of the charge based on the actual abstracted quantity you report to us and is payable in arrears (after the abstraction season).

Under this agreement, licence holders must submit abstraction returns, even if they abstracted no water. Otherwise we will calculate the charge based on the full authorised quantity having been abstracted.

5.4.3. Canal & River Trust licences

Licences held by the Canal & River Trust are eligible for a discounted annual charge as set out in section 130 of the Water Resources Act 1991. This is to reflect the water conservation benefits that may result from its activities. We propose to retain the 50% discount.

5.4.4. Winter only abstraction

We propose to retain the 50% reduction in annual charges if an abstraction licence authorises abstraction during the winter season only. The winter season is between 1 November and 31 March (inclusive).

Abstraction licences which authorise abstraction outside of the winter period, even if authorised quantities are specified for the different periods, are not eligible for this reduction in annual charge.

5.5. Complex and aggregate licences

An abstraction licence can authorise the abstraction of water from one or more points and for one or more purposes – known as a 'complex licence'. A licence which authorises abstraction from multiple points and for multiple purposes may specify the volume of water which is authorised to be abstracted in a number of ways, including:

- by specified point and purpose
- an aggregate authorised volume across all points and purposes
- by specified point and purpose with an aggregate across all points and purposes
- by specified point and purpose with an aggregate across some of the points and purposes

How the licence specifies the authorised volume will affect the way the annual charge is calculated.

Two or more licences can also be in an 'aggregate authorised volume' group. Each individual licence in an aggregate group will usually specify an authorised volume. There will also be a condition linking the licences which effectively sets the maximum quantity of water that can be abstracted across all the licences in the aggregate group. If the condition specifies an annual aggregate quantity of water that can be abstracted this will affect the way the annual charge for each of the licences in an aggregate group is calculated – known as an 'aggregate licence'.

We propose to charge for these types of licences based on the highest regulatory cost that could be incurred. We need to carry out the highest level of regulatory activity associated with a licence to understand the impact on other abstractors and the environment regardless of whether the water is abstracted for that purpose and loss category.

Under this proposal we would use:

1. The total authorised aggregate volume on one licence or across licences.
2. From the total authorised volume, we will also take the point or purpose with the authorised volume to be abstracted associated with the highest loss category plus any additional charge factors to identify the first charge category.
3. We will then take the next authorised volume and next highest associated loss category plus any additional charge factors to get the next charge category and so on until all the aggregate volume has been accounted for.

Further information can be found in the 'Draft Water resources charging guidance'.

5.5.1. Complex licences

Based on the points set out above, we propose the following charge for a licence which authorises abstraction from multiple points and for multiple purposes.

Where there is one licence and the annual volume is aggregated across points within that licence and all regulatory costs are the same, then a single charge is derived.

Example 1

A single licence authorises non-tidal abstraction for:

- 100ML/yr for public water supply (medium loss)

A condition in the licence authorises abstraction from 2 points.

For this licence there is one charge category based on:

- non-tidal medium loss with an annual abstraction of 100ML/yr plus the water undertaker cost factor

Where there is one licence and the annual volume is aggregated across points within that licence and regulatory costs differ across abstractions, then the charge is derived by applying multiple charge categories. The charge for each of the charge categories is added together to calculate the total annual charge.

Example 2

A single licence authorises non-tidal abstraction for:

- 100ML/yr for mineral washing (low loss)
- 100ML/yr for spray irrigation (high loss)

The licence is in a water available area, not in a modelled area and does not require a supported source.

Abstraction is authorised from the same point with a total of 200ML/yr.

For this licence there are 2 charge categories based on:

- non-tidal high loss with an annual abstraction of 100ML/yr
- non-tidal low loss with an annual abstraction of 100ML/yr

The sum of the 2 charge categories is the annual charge.

Example 3

A single licence authorises non-tidal abstraction for:

- 100ML/yr for mineral washing (low loss) from point A
- 100ML/yr for spray irrigation (high loss) from point B and is a supported abstraction

For this licence there are 2 charge categories based on:

- non-tidal high loss with an annual abstraction of 100ML/yr
- non-tidal low loss with an annual abstraction of 100ML/yr plus the supported source charge

The sum of the 2 charge categories is the annual charge.

Example 4

A single licence authorises non-tidal abstraction from one point for two purposes:

- 100ML/yr for mineral washing (low loss) and spray irrigation (high loss)

A condition limits the total annual abstraction to 100ML/yr

For this licence there is one charge category based on:

- non-tidal high loss with an annual abstraction of 100ML/yr

5.5.2. Aggregate licences

Based on the points set out for complex licences, we propose the following for groups of 2 or more licences with an aggregate quantity linking condition across the licences. In the examples below, no additional charges are applied unless otherwise stated.

Where an aggregate annual volume limit applies across 2 or more licences the annual charge will be calculated using the aggregate annual volume which is then apportioned between licences.

Example 5

Licence A authorises non-tidal abstractions for:

- 100ML/yr for public water supply (medium loss)

Licence B authorises non-tidal abstractions for:

- 75ML/yr for public water supply (medium loss)

Licence A and B are in a water availability area, not in a modelled area and do not require a supported source. Both incur the water undertaker cost factor.

Aggregate conditions limit the total annual abstraction across the two licences to 100ML/yr.

For these aggregate licences there is one charge category based on:

- non-tidal medium loss with an annual abstraction of 100ML/yr with the water available, plus the water undertaker cost factor

The annual charge for the charge category is apportioned between the two licences based on the authorised quantity of each licence.

Example 6

There are 3 licences:

- Licence A authorises abstraction of 100ML/yr for public water supply (medium loss) from a non-tidal source
- Licence B authorises abstraction of 75ML/yr for spray irrigation (high loss) from a non-tidal supported source
- Licence C authorises abstraction of 50ML/yr for industrial use (medium loss) from a non-tidal source that benefits from specialised modelling

Aggregate conditions limit the total annual abstraction across the 3 licences to 150ML/yr.

For these aggregate licences there are 3 charge categories based on:

- non-tidal abstraction of 75ML/yr at high loss plus the supported source cost factor
- non-tidal abstraction of 50ML/yr at medium loss plus the groundwater modelling cost factor
- non-tidal abstraction of 25ML/yr at medium loss

The sum of the 3 charge categories is the annual charge.

Special charge arrangement discounts only take effect if all the licences and all abstraction points across an aggregate group qualify for the discount that is winter abstraction discount can apply if all abstractions are limited to winter only, likewise if all abstraction authorises spray or trickle irrigation the two part tariff discount can be applied.

6. Annual charge consultation questions

11. **Do you agree with our proposal to introduce an annual charge that will be applied to all customers, based on the source of supply, amount of water a licence authorises and the use for that water (loss to the environment)?**

Yes

No

Do not know

Not applicable

12. **Do you agree with our proposal that only customers that require additional work are charged for the relevant additional charge factors through their annual charge?**

Yes

No

Do not know

Not applicable

13. **Do you agree that the additional costs incurred by us in regulating water undertakers are recovered through a separate additional charge?**

Yes

No

Do not know

Not applicable

14. **Do you agree with our proposal to extend the schedule of supported sources?**

Yes

No

Do not know

Not applicable

15. **Do you agree with our proposal to retain the mechanism to raise the compensation charge in the new charging approach?**

Yes

No

Do not know

Not applicable

16. **Do you agree with our proposals to charge for specific activities on a time and materials basis?**

Yes

No

Do not know

Not applicable

17. **Do you agree that we continue to offer an abatement of annual charges under the new charging scheme to abstractions that meet the criteria set out? This would mean that when all criteria are met, all or part of the annual charge is removed.**

Yes

No

Do not know

Not applicable

18. **Do you agree with the criteria for the other special charges we propose to retain and introduce? Please respond agree, disagree or do not know to these 2 special charges.**

Two part tariff

Winter only abstraction discount

19. **Do you agree with the principles proposed to calculate the charge for licences with more than one point, purpose, or aggregate quantities?**

Yes

No

Do not know

Not applicable

20. **Is the charge indicator tool helpful in working out your charge?**

Yes

No

Do not know

Not applicable

21. **Would you like this tool available once the scheme is in place?**

Yes

No

Do not know

Not applicable

Additional comments - annual charge

Please provide further explanation to support your responses to any of the above annual charge questions, if you think it would be helpful.

7. List of additional questions

C1. Please tell us if you are responding as an individual or on behalf of an organisation or group. Select one answer only from the following options:

Responding as an individual

Responding on behalf of an organisation or group

Other

If you are responding on behalf of an organisation or group, please tell us who you are responding on behalf of and include its type, for example business, environmental group:

If you selected 'other' please specify:

C2. Please tell us how many staff are employed in your business or organisation?

Fewer than 10

10 to 49

50 to 249

250 or more

I am replying as an individual

C3. Are you an abstraction or impounding licence holder?

Yes

No

C4. Please tell us which primary purpose of abstraction best describes the sector you represent:

Agriculture

Amenity

Environmental

Industrial, commercial, and public services

Production of energy

Water supply

Not directly affected

Please provide further information to help us to understand your interest in this consultation:

C5. Please tell us in which region you operate:

Anglian

Midlands

Northumbria

North West

South West (including Wessex)

Thames

Yorkshire

Dee

Wye

National

C6. Can we publish your response?

Yes

No

If you do not want us to publish your response, you need to tell us why.

C7. Please tell us how you found out about this consultation:

From the Environment Agency

From another organisation

Through an organisation or group or trade association you are a member of

Press article

Social media such as Facebook, Twitter

Through a meeting you attended

Other (please specify below)

8. Responding to this consultation

8.1. How to respond

You can view the consultation documents and questions online at [Water resources charge proposals from April 2022](#) on Citizen Space.

You can submit your response using our online tool which will enable you to manage your comments more effectively. It will also help us to gather and summarise responses quickly and accurately as well as reducing the costs of the consultation.

If you prefer, you can download the response form and once completed:

- email it to enquiries@environment-agency.gov.uk before 11:45pm on 10 November 2021 putting 'Water resources charge proposals from April 2022' in the subject line
- send it by post before close of business on 10 November 2021 to:

Environment Agency
Water resources charge proposals from April 2022
National Customer Contact Centre
PO Box 544
Rotherham S60 1BY

If you would like us to post you a printed version of the document, please contact our National Customer Contact Centre on 03708 506 506 (Minicom, for the hard of hearing; 03702 422 549), Monday to Friday, 8am to 6pm, or email enquiries@environment-agency.gov.uk

8.2. Publishing our consultation response

We will publish our full response on Gov.uk within 12 weeks of this consultation closing and before we implement any changes. It will include a summary of the comments and queries we received. It will not include individual comments. We will outline our recommendations that will have taken the comments into account. We will circulate a link to our response to all consultees and other interested parties who have asked to be kept informed.

Please tell us if you would like to receive an email acknowledging your response, or an email to let you know we have published the summary of responses (or both).

8.3. How we will use your information

In line with the Freedom of Information Act 2000, we may be required to publish your response to this consultation but will not include any personal information. If you have requested your response to be kept confidential, we may still be required to provide a summary of it. For more information see our [Personal Information Charter](#).

8.4. Privacy notice

The Environment Agency would like to keep you informed about the outcomes of the consultation. If you would like to receive an email acknowledging your response and be notified that the summary of responses is available, please indicate this in your response.

We will not share your details with any other third party without your explicit consent unless required to by law.

You can withdraw your consent to receive these emails at any time by contacting us at enquiries@environment-agency.gov.uk

The Environment Agency is the data controller for the personal data you provide. For further information on how we deal with your personal data please see our [Personal Information Charter](#) or contact our Data Protection team at dataprotection@environment-agency.gov.uk

8.5. Consultation principles

We are running this consultation in accordance with the guidance set out in the government's consultation principles.

If you have any questions or complaints about the way this consultation has been carried out, please contact consultation.enquiries@environment-agency.gov.uk

Would you like to find out more about us or your environment?

Then call us on

03708 506 506 (Monday to Friday, 8am to 6pm)

email

enquiries@environment-agency.gov.uk

or visit our website

www.gov.uk/environment-agency

incident hotline

0800 807060 (24 hours)

floodline

0345 988 1188 (24 hours)

Find out about call charges (www.gov.uk/call-charges)

Environment first:

Are you viewing this onscreen? Please consider the environment and only print if absolutely necessary. If you are reading a paper copy, please don't forget to reuse and recycle.