



Environment Agency charge proposals: Kielder Reservoir and transfer scheme consultation

28 January 2020

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 2020

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. They 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 number of changes to our charges during 2020 to make sure we fully cover the cost of our activities.

The proposed changes aim to reduce overall reliance on grant in aid income from the taxpayer, and be financially sustainable. 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.

The proposals in this consultation document relate to the Kielder Reservoir and transfer scheme. They address changes to the proposed charges for fourteen licences for the financial year from April 2020 to March 2021.

Contents

Environment Agency charge proposals: Kielder Reservoir and transfer scheme consultation	1
Foreword	3
Contents	4
1. Introduction	5
1.1. Why we are consulting.....	5
1.2. The principles we follow	5
1.3. What we aim to achieve.....	5
2. Kielder Reservoir and transfer scheme	6
2.1. Introduction.....	6
2.2. What we propose to change	6
2.3. Economic impact	8
3. List of additional questions	9
4. Responding to this consultation	9
4.1. How to respond	9
4.2. Publishing our consultation response	10
4.3. How we will use your information	10
4.4. Consultation principles.....	10
5. Privacy notice	10

1. Introduction

1.1. Why we are consulting

The Environment Agency has powers under legislation to recover the costs of some of its regulatory activities. Under these powers, people and organisations that require environmental regulation pay for the cost of that service. It should not be funded from general taxes.

This document outlines our proposal for Kielder Reservoir and transfer scheme charges. We have tried to explain it in a way that helps you understand it's potential. We would like your input. We invite you to suggest how you think our proposal might be improved to make it fairer.

1.2. The principles we follow

The Environment Agency has a strong record of protecting people and the environment while facilitating sustainable development and supporting economic growth. We cannot stand still.

The proposal outlined in this consultation will continue to ensure that:

- people only pay for the regulatory service they receive
- we reduce reliance on taxpayer funds that we currently need to support our regulatory work

In this consultation we have taken account of a range of factors, including the need to:

- ensure our costs are reflected in our charges and align with HM Treasury rules in the 'Managing Public Money' (MPM) guidance
- have regard to the desirability of promoting economic growth (under s108 of the Deregulation Act 2015) when we carry out our regulatory activities
- ensure our regulatory activities are transparent, accountable, proportionate, consistent and targeted only at cases where action is needed (in accordance with the Legislative and Regulatory Reform Act 2006)
- ensure we follow the Regulator's Code (as required under section 22 of the Legislative and Regulatory Reform Act 2006)

1.3. What we aim to achieve

We have considered our charges against the need to deliver our regulatory duties. We are aware of the potential impact our charges have on those we regulate and business as a whole. We are always interested to hear how you think we can deliver our duties and safeguard the environment in a way that might be more effective.

2. Kielder Reservoir and transfer scheme

2.1. Introduction

Kielder Reservoir and transfer scheme were built to supply water to Teesside to enable increased industrial growth. In 1989 the National Rivers Authority, predecessor body to the Environment Agency, and Northumbrian Water Limited entered into a legally binding agreement made under section 20 Water Resources Act 1991 for payment of the Kielder Reservoir and transfer scheme. This is called the Kielder Operating Agreement (KOA).

The Environment Agency is legally obliged to pay NWL an annual payment for the Kielder Reservoir and transfer scheme. It is also obliged to pay 100% of the operating costs, including business rates and refurbishment costs for the Riding Mill Pumping Station.

This is the first year that NWL will include their annual KOA business rates (and back charges for which they are liable) as part of their KOA operating costs for 2020 to 2021. These charges contribute to the operating costs we must be recover from charge payers in line with HMT guidelines for managing public money. It is on this basis that we have calculated these charge proposals.

We will need to increase subsistence rates on the permits benefiting from the operation of Kielder Reservoir and transfer scheme from April 2020. They need to be reflective of the costs we incur before we introduce a wide range review of the Scheme of Abstraction Charges.

2.2. What we propose to change

The Environment Agency raises the payment to NWL through abstraction charges it collects annually. The permits which benefit from the reservoir and transfer scheme have a charge called a source factor as part of their abstraction charges. This is called the Kielder Source Factor (KSF). Currently the KSF is 9 times the Standard Unit Charge (SUC). These charges are set out in the Scheme of Abstraction Charges 2018 to 2019.

To reflect increasing costs, and so that the Environment Agency can maintain its current level of service, we are proposing to increase the KSF to recover our full costs for 1 year. We propose the KSF factor will increase to 22.4 with an April 1st implementation date. A later implementation will result in an increased KSF, however the total cost recovered over the year will remain the same.

Proposed charge increases:

Example maximum permitted volume per year (mega litres)	Example loss factor	Current annual charge with a KSF x9	Proposed annual charge with a KSF of x22.4
100,000	Very low loss	£44,982.00	£111,955.20
10,000	Very low loss	£4,498.20	£11,195.52
500	Very low loss	£224.91	£559.78
50	Very low loss	£44.98	£111.96
100,000	Low loss	£449,820.00	£1,119,552.00
10,000	Low loss	£44,982.00	£111,955.20

Example maximum permitted volume per year(mega litres)	Example loss factor	Current annual charge with a KSF x9	Proposed annual charge with a KSF of x22.4
500	Low loss	£2,249.10	£5,597.76
50	Low loss	£449.82	£1,119.55
100,000	Medium loss	£8,996,400.00	£22,391,040.00
10,000	Medium loss	£899,640.00	£2,239,104.00
500	Medium loss	£44,982.00	£111,955.20
50	Medium loss	£8,996.40	£22,391.04
100,000	High loss	£14,994,000.00	£37,318,400.00
10,000	High loss	£1,499,400.00	£3,731,840.00
500	High loss	£74,970.00	£186,592.00
50	High loss	£14,994.00	£37,318.40

Q1: Do you agree that changes to costs for Kielder Reservoir and transfer scheme should be recovered from those abstractors that benefit from the operation of the scheme?

Yes

No

Not applicable

Please provide further explanation if you think it would be helpful:

Q2: By changing the Kielder source factor, the Environment Agency will collect more in charges from those that are licensed to abstract more water - do you agree with this approach?

Yes

No

Not applicable or don't know

Please provide further information if you think it would be helpful:

Q3: do you have any other suggestions on how charges can reflect cost which may have less of an impact on your business?

2.3. Economic impact

Given the very specific nature of this consultation we have not estimated any impact on your business. Instead we want to discuss with you how you see the proposed increases affect you. The Environment Agency will contact all the abstraction permit holders directly affected by these proposals during January 2020. If you are an abstraction permit holder affected by the charge proposals and we have not contacted you or you would like to provide documentation arising from your conversation please do so no later than close of business on Tuesday 25 February 2020 to futurefunding@environment-agency.gov.uk.

3. List of additional questions

Question (i): 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:

1. Responding as an individual
2. Responding on behalf of an organisation or group
3. 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, e.g. business, environmental group:

If you selected 'other' please specify here:

Question (ii): Can we publish your response?

Yes

No

Question (iii): Please tell us how you found out about this consultation:

1. From the Environment Agency
2. From another organisation
3. Through an organisation/group/trade association you are a member of
4. Press article
5. Social media e.g. Facebook, Twitter
6. Through a meeting you attended
7. Other (please specify below)

4. Responding to this consultation

4.1. How to respond

We will contact the organisations affected directly. We will email your preferred contact first. We will be glad to engage directly to explain our proposal. Please email your formal consultation responses directly to futurefunding@environment-agency.gov.uk before close of business on Tuesday 25 February 2020. After this time we will consider your feedback to form our final proposal to submit to Government for approval.

4.2. Publishing our consultation response

We will publish our full response on both GOV.UK within 12 weeks of this consultation closing and before we implement any changes. We will also email our response directly to those consultees returning a response, reflecting the specific nature of this consultation.

It will include a summary of the comments and queries we received. It will not include individual comments. We will outline our recommendations which take these into account. We will circulate a link to our response to all consultees and other interested parties who have asked to be kept informed.

4.3. How we will use your information

In accordance 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.

4.4. 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 workingwithothers@environment-agency.gov.uk

Consultation Co-ordinator

Environment Agency

Horizon House

Deanery Road

Bristol BS1 5AH

5. 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 has been published please give us your email address below.

By providing us with your email address you consent for us to email you about the consultation. We will keep your details until we have notified you of the response document publication.

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.

Are you content for us to publish your response? Yes/No

Your email address:

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 on gov.uk (<https://www.gov.uk/government/organisations/environment-agency/about/personal-information-charter>) or contact our Data Protection team.

Address: Data Protection team, Environment Agency, Horizon House, Deanery Road, Bristol, BS1 5AH

Email: dataprotection@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.