

John Findlay
39 Dryburgh Road
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Our ref: NAT/CCS/6431
Date: 19 October 2018

Dear Mr. Findlay,

Thank you for your letter dated 09 October 2018, where you express concerns over the outcome of our Strategic Review of Charges and its impact on your members.

Prior to the launch of our new charging scheme on 1 April 2018 we had not changed our costs for environmental permitting in over 7 years.

The Grant In Aid (GIA) funding we receive continues to reduce significantly each year. Therefore, in accordance with HM Treasury's Managing Public Money (MPM) Rules, we have reviewed our charges to align them with the time and effort that we spend in regulating businesses. This has resulted in an increase in application and subsistence charges across many sectors, including water quality, to bring them in line with MPM rules.

The application charge increases are to provide cost recovery for what has, until the review, been a heavily subsidised service. As stated, MPM rules do not allow us to do this any longer, even for low carbon technologies. Our new charges reflect the true cost of processing an application for this sector. These costs reflect the amount of time we take assessing and determining applications. The bulk of the costs are in the National Permitting Service who carry out the administration and co-ordination of the application process. There are also costs from the area Groundwater teams who carry out the assessment of the risk to the environment at a local level. There is also a fixed proportion of costs for Head office overheads.

Your members still have the opportunity to utilise standard rules permits (which have gone down in price) or exemptions which are free where the discharge meets the relevant criteria. Surrenders and transfers are also still free for water quality customers.

We are aware that one of your members has applications in progress and applied without knowledge of the price increase. In this instance we think it would be fair to offer a reduced fee for the work to try and minimise the impact on this particular customer. We will speak to them directly about this. We have responsibility to recover our costs for the work involved so future applications will be charged at the full price.

Following our review of charges subsistence fees for Ground Source Heat Pumps (GSHP) are £129. This low charge covers background environmental surveillance including gauging

temperatures and coolant leakages if they occur. We created a separate category as we recognised these types of Environment Permitting Regulation activities are mostly low risk, not requiring much annual regulation on our part. However surface water systems could result in far greater risk to the environment especially in a changing climate and increasing temperatures.

As you have rightly pointed out in your letter, application fees for the discharge from GSHP directly to aquifer and sewage discharges containing specific substances are similar. Much of the permitting process is the same for all activities including: application receipt; duly making; publication and consultation; drafting the permit; internal and external review; and issuing the permit. As such the fees are also similar, based on the amount of work taken to process an application as well as environmental risk.

We apologise for not directly consulting with GSHPA during the consultation period for the new scheme. We did write to all existing customers to let them know we were consulting and we also had several articles in the press to promote the message. We value our relationship with GSHPA and recently attended a member's day, engaging in discussions with your members. We are looking into ways we can work more closely with the heat pump industry in the future, and would welcome any suggestions from you and your members about how we could best do this.

Yours faithfully



Neil Davies
Director of Future Funding