Alba Energy

Virtual AGM

For Independent Hydro Operators In Scotland

APRIL 2021

Alba Energy

FOR INDEPENDENT
HYDRO OPERATORS IN SCOTLAND

Alba Energy Newsletter

Chairman's Welcome

This has been a year of plot-twists, the most depressing of which was that we have had to conduct our AGM virtually for the second year running; and the most surprising of which was the revelation that Alex Salmond has borrowed our name for his new party. Suffice to say, we at Alba Energy advance no political views, other than those which support the hydro sector and innovations in renewable energy.

Covid has played its part in developments, but lockdown only goes some way to explaining how the Assessor has managed to draw out the business rates case for a further two full years from the last court hearing. We believe this is now the longest legal dispute in ratings history. Understandably, some members may have lost the plot. Therefore, we are providing a an overview, below, of the whole Old Faskally saga, from its origins in 2013 to the present.

This should explain where we came from and how we got here, but please come back to us with any questions.

A long saga it may have been, but the end is in sight, there has been a shift in policy on State Aid and the news about reliefs is good. We are incredibly grateful to members for their continuing support.

We are also grateful to members for responding to the consultation with SEPA, another organisation struggling to make sense. This was also not because of lockdown, but in their case an IT failure, which has taken months to correct. Negotiations over their charging system have been on hold while we wait the outcome of the consultation.

These problems aside, it has been a genuinely good year for hydro. We report here on a bumper year of production, improvements in the energy market and the potential for unblocking flow restrictions.

A warning, though: there has been a sting-in-the-tail of the dispute with the Assessor. Scottish Government has recently bestowed new powers on his office, which will come into force next year – so that Scottish assessors will be able to raise extraordinary fines for any businesses failing to submit information in the required format.

We will ensure that members are fully prepared for the new regime and look forward to a proper, post-lockdown gathering later in the year. ■

Martin Foster
Chairman | Alba Energy

NEWS

What a relief
Scheme extended until March 2032

Another year has passed and the Small Hydro sector is still battling on. This has become the longest rateable values (RVs) dispute in business rates history.

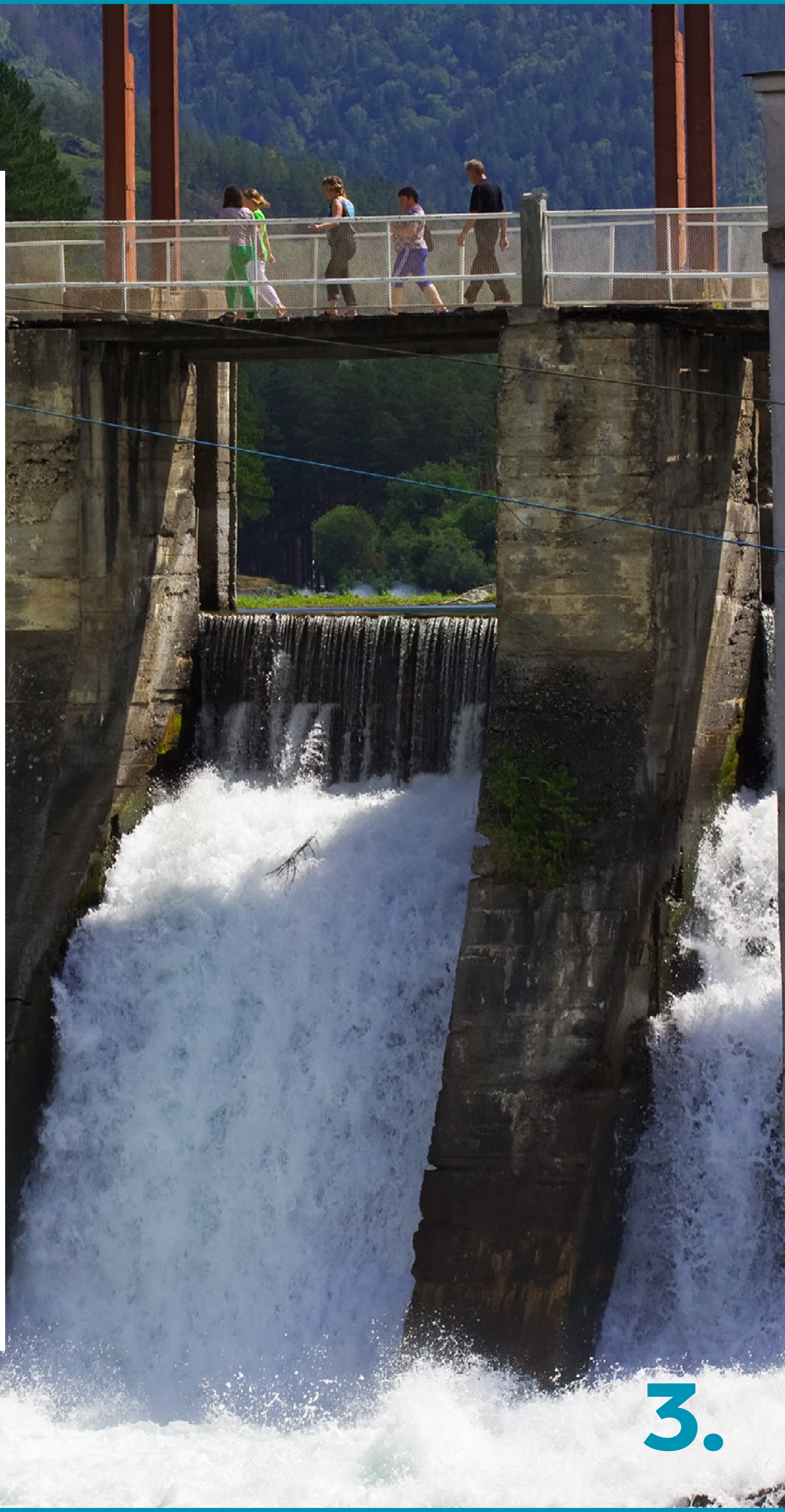
To the unseasoned eye, it might appear that nothing has changed. But Alba Energy is coming out of lockdown with news not only of tortuously slow legal procedures, but also of a decisive improvement on the bills to be paid for the next ten years.

The headline news from the past year is the Scottish Government's Budget announcement that the 60 per cent relief scheme for hydro business rates is to be extended through to March 2032. While the sector would greatly prefer that the problem with underlying rateable values was resolved, thus removing any requirement for reliefs, this announcement provides security for small hydro scheme owners while the underlying problem with RVs is brought to the courts.

Based on the Scottish Government's own figures, hydro reliefs are worth upwards of £6m per annum, meaning that the most recent announcement equates to savings approaching £70 million for Scottish hydro operators. To put it in context, for a 500kW scheme with a rateable value of £65,000, the reliefs are worth c. £200,000 over the next decade.

It is fair to say that this announcement came as a surprise to those who have been closely involved in this process, particularly after the disappointing Tretton Review sought to direct the Scottish Government towards a phasing out of reliefs. For most hydro operators, it means that bills will remain proportionate with other sectors – and affordable.

However, due to State Aid limitations, the reliefs do not provide equal benefit for all. ■



NEWS

State aid problem unresolved
An opportunity for Scottish Government to intervene

Kate Forbes
Scottish Finance secretary

The first thing to say is that we should no longer refer to it as State Aid. In future we need to refer to "Subsidy Control".

Under EU State Aid rules, the amount of relief/subsidy was limited to 200,000 Euros over any 3-year period. This resulted in many hydro operators missing out on their full entitlement to rates relief, notably portfolio owners but also individual schemes with rateable values of more than £200,000. Under the EU regime, the process required to achieve exemption for hydro business rates was not something that the Scottish Government was willing to consider, however our hope was that in the post-Brexit era, this would change.

As of April 2021, the UK position on Subsidy Control is yet to be finalised. A Department for Business, Energy and Industrial Strategy (BEIS) consultation on the matter has just concluded but it is likely to be several months before the resultant decisions are made. However, there is one immediate improvement. The de minimis level which caps the amount permitted relief is being raised from 200,000 Euros to 325,000 SDRs – which equates to about £325,000. This will help those operators referred to in the previous paragraph.

But only to an extent. For operators of multiple hydro schemes that come under the ownership of a single entity, the reliefs will still only cover a portion of the excessive bills caused by disproportionate RVs. Ardtornish estate in Morvern – a pioneer of green energy, ecological development and local economic renewal – recently made the front page of the Herald as it faced crisis due to being, proportionately, the highest payer of business rates in Britain.

Legal guidance suggests that the UK may ultimately choose to replicate the EU wording. However, there is likely to be one fundamental change that provides an opportunity to get hydro business rates relief out of State Aid (sorry, "Subsidy Control").

Previously an authority such as the Scottish Government had to seek pre-approval from the EU for any exemption or special treatment. In future it is anticipated that authorities will be able to make their own judgement on such matters. There is a chance that other parties may push back on such decisions, but if the case for exemption is strong, that should not be an issue.

The case for exemption for hydro will rest on the UK's stated goal of achieving net zero by 2050; this is expected to be a valid basis for exemption under the new regime.

As ever, we are at the mercy of the Scottish Government and their officials. Finance Secretary Kate Forbes has claimed on repeated occasions that she is keen to resolve hydro's State Aid issue. If this is indeed the case, there should be an opportunity for them to do that in advance of the financial year 2022/23. ■

NEWS

Progress for Old Faskally

Now the longest-running case in ratings history

The long-running battle with the Tayside Assessors relating to the 2010 Revaluation probably now merits being referred to as the Ancient Faskally case.

It is fully two years since Lady Dorrian & Co issued their verdict at the Lands Valuation Appeal Court and what seemed a fairly straightforward instruction to the Tayside Appeal Committee to gather cost data for the six schemes covered by the case and go through Class 4 of the Plant & Machinery Regulations to make sure there weren't any structures missed when they originally determined that small hydro schemes should be 25 per cent rateable. As ever, the delay is almost solely down to the tactics and intransigence of the assessors.

The Assessor's tactics of delaying and obscuring the process of getting this back to a third hearing has meant that the committee now needs to be reconstituted to become quorate.

After 18 months of negotiation, Alba is waiting for news that the Assessor has completed site visits of each of the appeal subjects so that the case may be heard.

These site visits are due for completion at the end of April: eleven years after the Assessor first produced his contested Rateable Values.

Alba Energy now has the dubious distinction of pursuing the longest-running dispute in ratings history. Begun in 2013, we are including in this newsletter a brief history of events since then, for the benefit of anyone who may, understandably, be wondering why this has taken so long.

The process has been like climbing a hill with endless false summits, so it is probably dangerous to suggest that we are near to a conclusion. However, we should be ready for a committee hearing once the Scottish Elections are out of the way.

After that, getting the 2017 Revaluation appeals to the Lands tribunal will be the big task. There now seems little prospect of that happening this year, with Covid being a significant factor in the delay. As things stand, we would not expect to be attending the Lands Tribunal until 2022.■

Lady Dorrian

NEWS

Old dog, new penalties

Assessor gains powers to raise five-figure fines

Legislation was introduced in early 2021 that gives the Assessor powers to apply quite astonishing fines for the delayed response or failure to respond to information requests pertaining to valuation.

Under the new legislation, the owner of an average 500 kW hydro scheme could face a fine of more than £40,000 for failing to respond to a request for information within 12 weeks. That is four times the fine they would have received for organising a rave during the Covid lockdown. And as those who have attempted to complete an assessor's information request in the past will testify, it is no simple matter to populate the required sections.

As you would expect, Alba and the BHA are actively challenging this legislation and the utterly disproportionate level of sanctions for non-compliance.

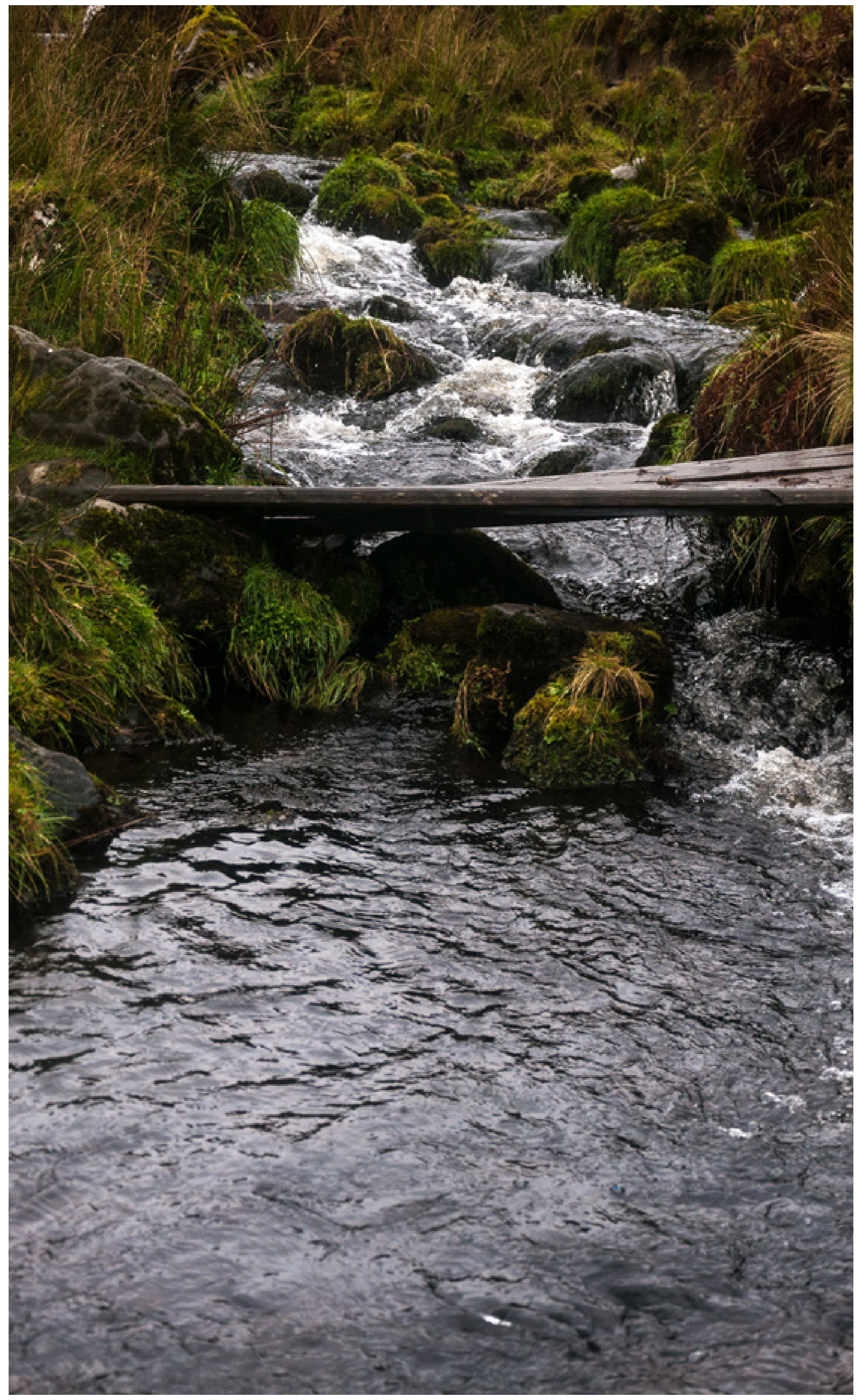
Finance secretary Kate Forbes has responded by suggesting that, should there be a problem with the fines, the hydro sector has recourse to the Valuation Appeal Committees. After eight years of dispute with the Tayside Assessor, some in the hydro sector remain uncomforted.

On a more constructive note, we have engaged with the assessors in an effort to ensure that the information requests for the 2023 Revaluation, which will be issued in early 2022, are more user friendly and relevant.

It is worth noting that the assessors have successfully convinced the Scottish Government that there is a real issue with non-return of information by hydro operators.

With appropriate forms, Alba Energy will be supporting hydro operators to submit timely and accurate data, providing the Assessor with no excuse to penalise operators.

We have learned from the Old Faskally dispute that the assessors do not actually use most of the data that the hydro sector provides them with. However, in order to ensure that we are not viewed as being less than transparent by the Scottish Government, it is in our interests to submit information when requested. ■



NEWS

Summary
Light at the end of the pipeline

The Scottish hydro sector is in a better place in April 2021 than it was in April 2020, thanks in the main to the extension of business rates relief at the prevailing level of 60 per cent

The raising of the de minimis levels for State Aid (Subsidy Controls) is also a relative benefit for operators who are unable to receive full relief.

Neither problem is yet resolved, but our case has held up so far and the hope is that over the next year we will also have some success to report in our challenges to the underlying issue of excessive rateable values for small-scale hydro in Scotland. ■

STATE OF THE SECTOR

Hunter's 2020 vision

Politics aside, hydro had a great year

By Kenny Hunter
Hunter Hydro Services

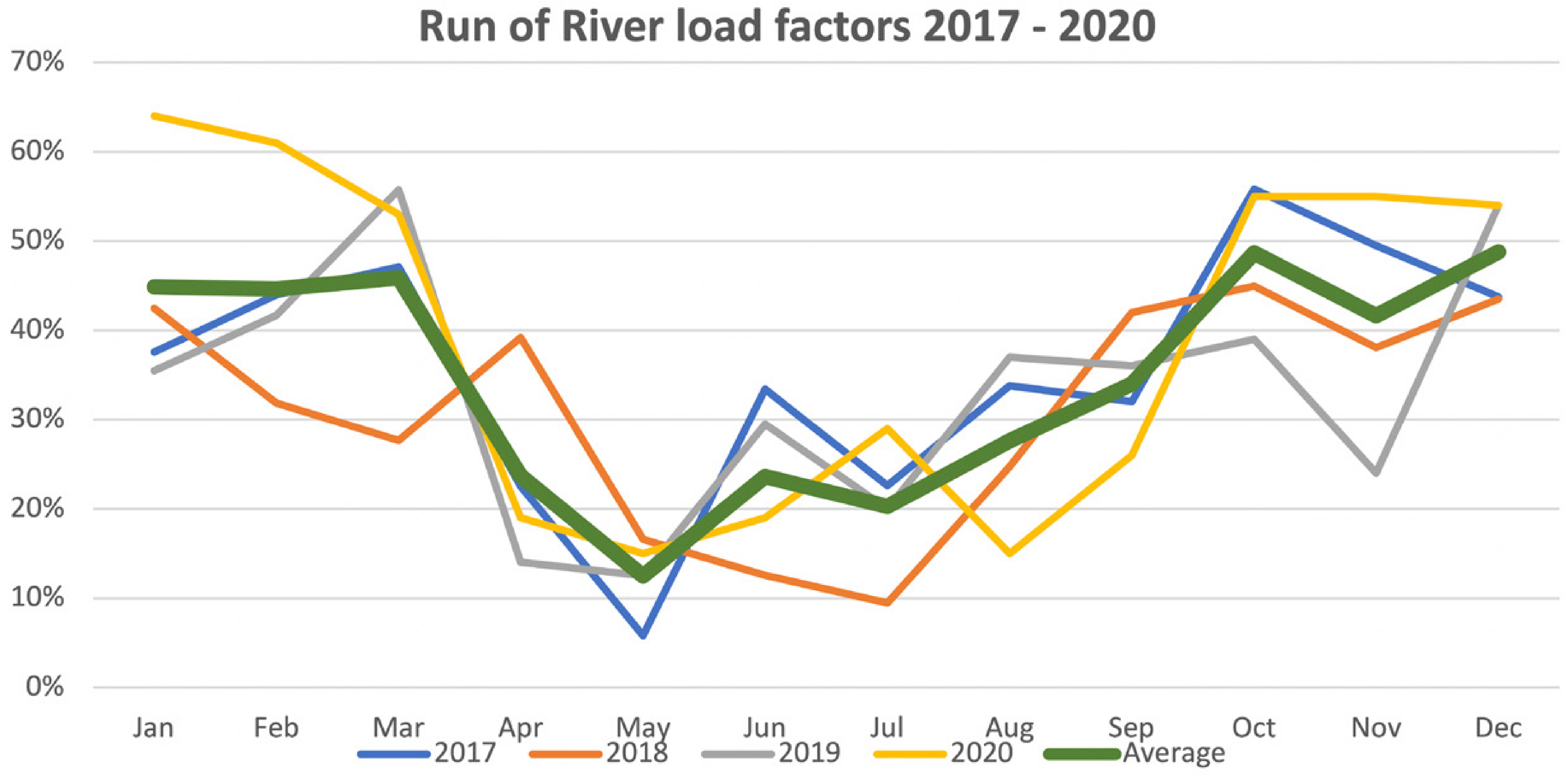
As the perennial bearer of bad news about business rates, I thought it might make a nice change to provide an update on a more positive subject.

The Hunter Hydro Performance Monitor has been running since the start of 2017 and tracks the performance of approximately 60 FIT scale hydro schemes around the country, including up to eight storage schemes. The monitor provides participants with some context within which to evaluate their own scheme performance. Sometimes a 20 per cent load factor can be sector-leading while, at other times, 50 per cent is behind the pack.

The chart below illustrates the average performance for run of river schemes over the past four years. And the table underneath provides the supporting data, from which it is evident that 2020 was a very good year for hydro in Scotland.

The unique feature in 2020 was the number of good months. In most years there will be one month that exceeds 50 per cent average load factor. In 2020, the 50 per cent level was exceeded on six occasions spanning the first three months and the final three months of the year.

If you would like to participate in the Hunter Hydro Performance Monitor, which is free of charge, drop me a note at kenny@hunterhydro.co.uk ■



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2017	38%	44%	47%	23%	6%	33%	23%	34%	32%	56%	50%	44%	36%
2018	42%	32%	28%	39%	17%	13%	9%	25%	42%	45%	38%	44%	32%
2019	35%	42%	56%	14%	13%	29%	20%	37%	36%	39%	24%	54%	33%
2020	64%	61%	53%	19%	15%	19%	29%	15%	26%	55%	55%	54%	39%
Avg	**45%**	**45%**	**46%**	**24%**	**12%**	**24%**	**20%**	**28%**	**34%**	**49%**	**43%**	**49%**	**35%**

PPAs and the Energy Market

Post-lockdown optimism

A good time to renew

This time last year, we had just entered lockdown with little idea of what was to come. Now we've left the EU and experienced several lockdowns, but the electricity market, at least, makes the future look bright.

In March 2020, electricity prices had fallen to unprecedented lows as demand plummeted. Annual contracts for April 2020 were trading at £32.86/MWh. That has almost doubled today, with an annual contract for April 2021 worth £60.88/MWh.

A late spike in values this April was supported by the recent events of the Suez Canal blockage. Around 8 per cent of the global supply of LNG fuel travels through the Suez Canal so the grounding of the "Ever Given" container ship caused significant disruption to gas markets which filtered through to electricity markets.

Last year's turbulent market pricing resulted in six energy suppliers entering administration, reinforcing the value for hydro operators of using reliable and credit worthy PPA counterparties.

Electricity usage changed over the pandemic in several ways, including an 18 per cent drop in demand with schools closed and adults working from home. During April-November, 2020, we saw little movement in the wholesale market as the UK faced uncertainty through the pandemic. The recovery began in December 2020, which coincided with positive news of vaccines being approved for UK use.

A pattern of pandemic and recovery appears to be the significant factor. Despite speculation over the effects of the UK's formal departure from the EU, it is difficult, so far, to determine any meaningful consequence of Brexit on fixed price contracts.

2021 started with a cold winter, bringing seasonally low temperatures and snow disruption to the UK for several weeks. The combination of very low windspeeds and increased demand, resulted in National Grid paying EDF Energy £7.5m to operate West Burton B coal plant on Friday 8th January. The trends in the first quarter of 2021 have been mixed, with falling prices in February followed by a surge in March, which has continued into April.

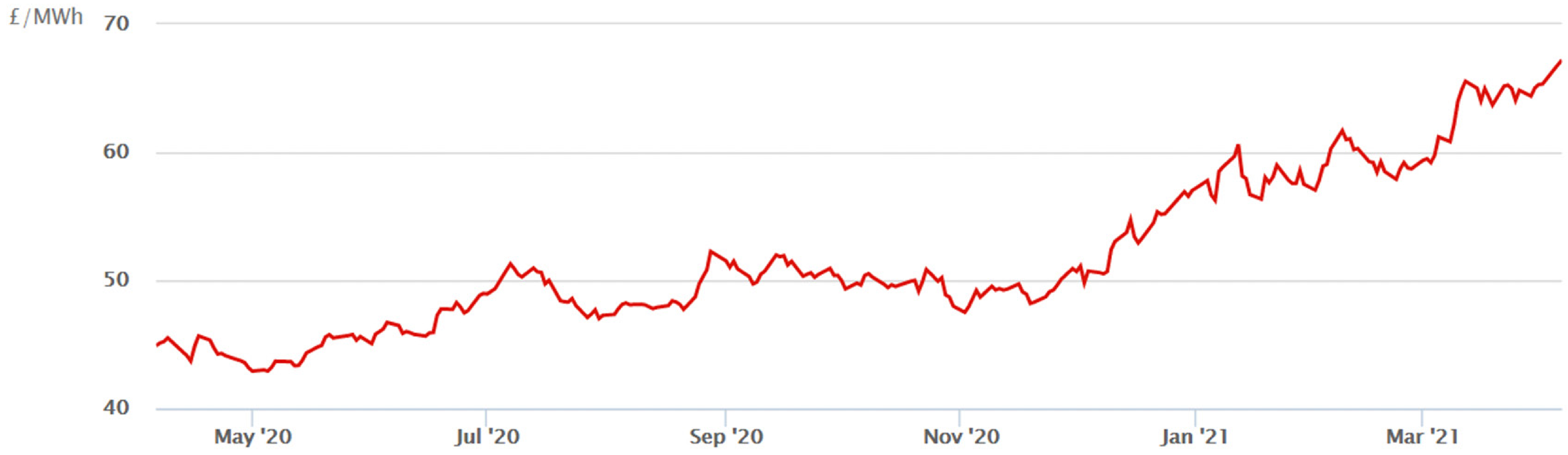
As we enter the Summer months, we are interested to see the impact of this and how sustainable the level of pricing will prove. I have not witnessed the market show levels this high entering a summer season since April 2018.

Despite the challenges the virus has brought us, we take positives from the past year. Britain's electricity grid was the greenest it has ever been at 1pm on Monday 5th April. Sunny spells and blustery conditions coupled with a low demand driven by Easter meant nearly 80 per cent of UK power came from zero-carbon sources.

Hydro generation is playing a special part in this and, having narrowly missed Scotland's renewable energy target of 100 per cent renewable by 2020, Greenspan remains positive about the future. I believe the key to harnessing Scotland's potential is to enhance our storage, reduce reliance on coal plants and continue our efforts into subsidy free renewables.

Graph showing wholesale price movement for Winter 2021 over the past 12 months. ■

Amy Carswell
The Greenspan Agency
Email: Amy@greenspanenergy.com



Case History

Old Faskally vs the Assessor

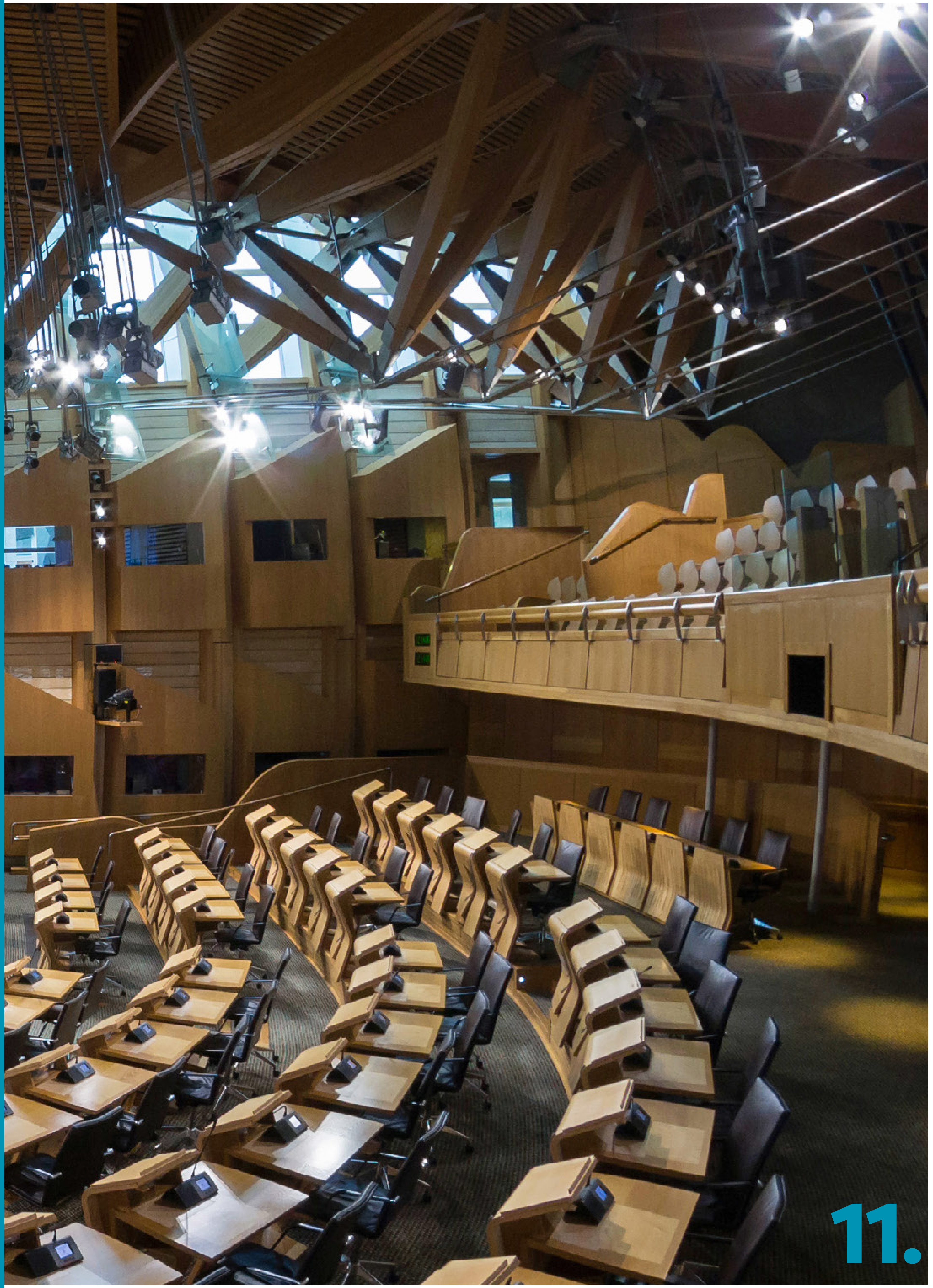
The decade-long battle to correct Small Hydro valuations

Rateable Values: the Assessor's spanner in the hydro works

As most who work in the hydro sector are painfully aware, the battle with the Assessor and Scottish Government over extreme and disproportionate Rateable Values has been going on for a very long time.

It all began with the Assessor's valuation of run-of-river hydro sites in 2010. At the time, there was no pressing need to interrogate these valuations, as renewable energy schemes enjoyed 100 per cent relief from business rates. But the founding directors of Alba Energy, a members organisation for independent hydro operators, noticed that there was something wrong with the way underlying Rateable Values for hydro were being calculated – and they reckoned that these "RVs" might come to haunt the sector if rates relief were removed.

Which is exactly what happened...



The first step in the case was taken in 2013, when the appeals of six hydro schemes – under the collective title "Old Faskally Farming Company & Others" – was heard before the Tayside Valuation Appeal Committee.

The arguments which developed out of this case have often been obscure, convoluted and difficult to understand. Yet underneath all the technocratic disputes of the last decade, there arguably lies a simple solution to a simple problem.

What is Small Hydro's problem?

In 2016, the fears of Alba Energy were realised when the Scottish Government removed the reliefs. Then came the revaluation of 2017.

The increases to Small Hydro RVs in the 2017 valuation were not a matter of hydro being disadvantaged by a percentage-point or two. Calculated as a proportion of turnover, RVs for Small Hydro increased by an average 140 per cent over those of the nearest comparable sector: onshore wind.

Business rates are derived from comparative principles. We know of no other sector in the UK that suffers such an extreme and irrational disparity. The precise degree of this disparity was acknowledged in 2017 by the Scottish Government, when it agreed to reintroduce reliefs – this time representing 60 per cent of rates bills – a figure derived directly from the difference between hydro and wind.

Hydro's Rateable Values remain a structural economic threat to the sector. We can already see this in the case of Ardtornish, Ormsary and others who have fallen foul of State Aid regulations which deny them the full reliefs. Exposed to the consequences of the Assessor's valuations, they face bills out of all scale to their operations, threatening jobs and the closure or sale of schemes.

The Assessor's response has been to say that he intends not to ameliorate but actually to increase RVs for Small Hydro at the next valuation in 2023.

Old Faskally: the hydro spanner in the Assessor's works

The Assessor would have entirely dismissed the concerns of Small Hydro by now, were it not for the fact that the Old Faskally case remains obstinately stuck in his system. He is legally obliged to address the appeals that have mounted up against the 2017 valuation. But he cannot do so until he has concluded the outstanding appeal from the 2010 valuation.

It is clearly absurd that, in the year of Cop26, a renewable energy sector is still in dispute over a decade-old valuation while around a hundred appeals against the 2017 valuation are still to be heard.

The stagnation of this process is a result not of Alba's appeals, but of the Assessor's.

When Alba Energy first brought the Old Faskally case to the Tayside committee in 2013, it was successful. Alba argued that the Assessor's Rateable Valuations should be amended according to appropriate principles. The committee agreed. It might all have ended there, with the Assessor amending the hydro RVs.

But it did not end there.

Since 2013, it is the Assessor who has been appealing to the Lands Valuation Appeal Court (LVAC) against his own committee's decisions.

Over the last eight years, there have been two committee decisions and two court verdicts and still the Assessor has not prevailed.

What we are waiting for now is the committee's third and final decision.

This is how the case has developed.

Old Faskally at the Tayside Appeal Committee: part I

In 2013, at the Tayside Appeal Committee, the argument was based on the "comparative method" of valuation. Hydro rents showed a consistent value across sites of around 10 per cent of turnover. The Assessor dismissed these rents as invalid measures and stated that, using the "Revenue & Expenditure" method, 50 per cent of a hydro fell to be rated.

Alba argued that, even if the Assessor rejected the rents, it could not be the case that half of a hydro fell to be rated, as the largest civil engineering cost is the installation of the penstock, or pipeline. And the "penstock" is explicitly exempted from valuation in the Plant & Machinery regulations. Furthermore, a penstock comes under the "tools of the trade" classification, by which the turbine and generator of a hydro are also exempted.

A hydro penstock does not deliver fluid from one place to another, like a gas pipeline; it is a mechanism for creating the pressure by which a hydro generates electricity. The penstock is a part of the machine.

Penstock, turbine and generator represent the major construction costs of a hydro. Once these are excluded from valuation, what remains to be valued – using the "comparative method" of valuation – are the rights to use land and water; plus the powerhouse building.

The committee upheld Alba's case and ordered the Assessor to amend the RVs accordingly.

Affronted by this decision, the Assessor appealed, stating that he wanted to use the "R&E" method which, he argued, would produce higher Rateable Values.

So, he took the Old Faskally case to the Lands Valuation Appeal Court (or LVAC), the highest court of its kind in Scotland.

Old Faskally at the LVAC: part I

The Assessor is under the impression that he won this appeal. But what the LVAC actually did was to send the case back to the committee to decide, albeit with a caveat.

In February 2016, Lady Dorrian's verdict upheld the Assessor's appeal on one point: that the committee had "erred in law" by failing to address all four classes of the Plant & Machinery Order (PMO). While the penstock is explicitly exempted in the first class of the PMO, it was necessary, Lady Dorrian stated, to take the "sequential approach" to all four classes of the PMO and to ensure that nothing else fell to be rated under these definitions.

Lady Dorrian stated that it was up to the committee to consider the definition of a penstock; and it was also up to them to choose the method of valuation.

Tayside Committee decision: part II

In response to Lady Dorrian's verdict, the committee produced a second determination, in which they opted to use the Assessor's own R&E method of valuation. Since the Assessor himself had excluded turbine, generator and pipeline materials from his valuation, the committee could see that these – the majority of costs – did not fall to be rated and decided on a split of costs: 25 per cent rateable, 75 per cent non-rateable.

Using the Assessor's own valuation model, this 25:75 split produced Rateable Values that come out at an average 10 per cent of revenues. This is the same proportion as the RVs for the wind sector and, coincidentally, the same as average rents on hydro sites.

This rateable split produces RVs that are fair – and proportionate to other sectors.

Outraged again, however, the Assessor accused the hydro sector of perversity and decided to appeal to the LVAC for a second time, on the basis that the 2010 valuation should be a 50:50 split, whilst already having decided that he wanted an increased 55:45 split for the 2017 valuation.

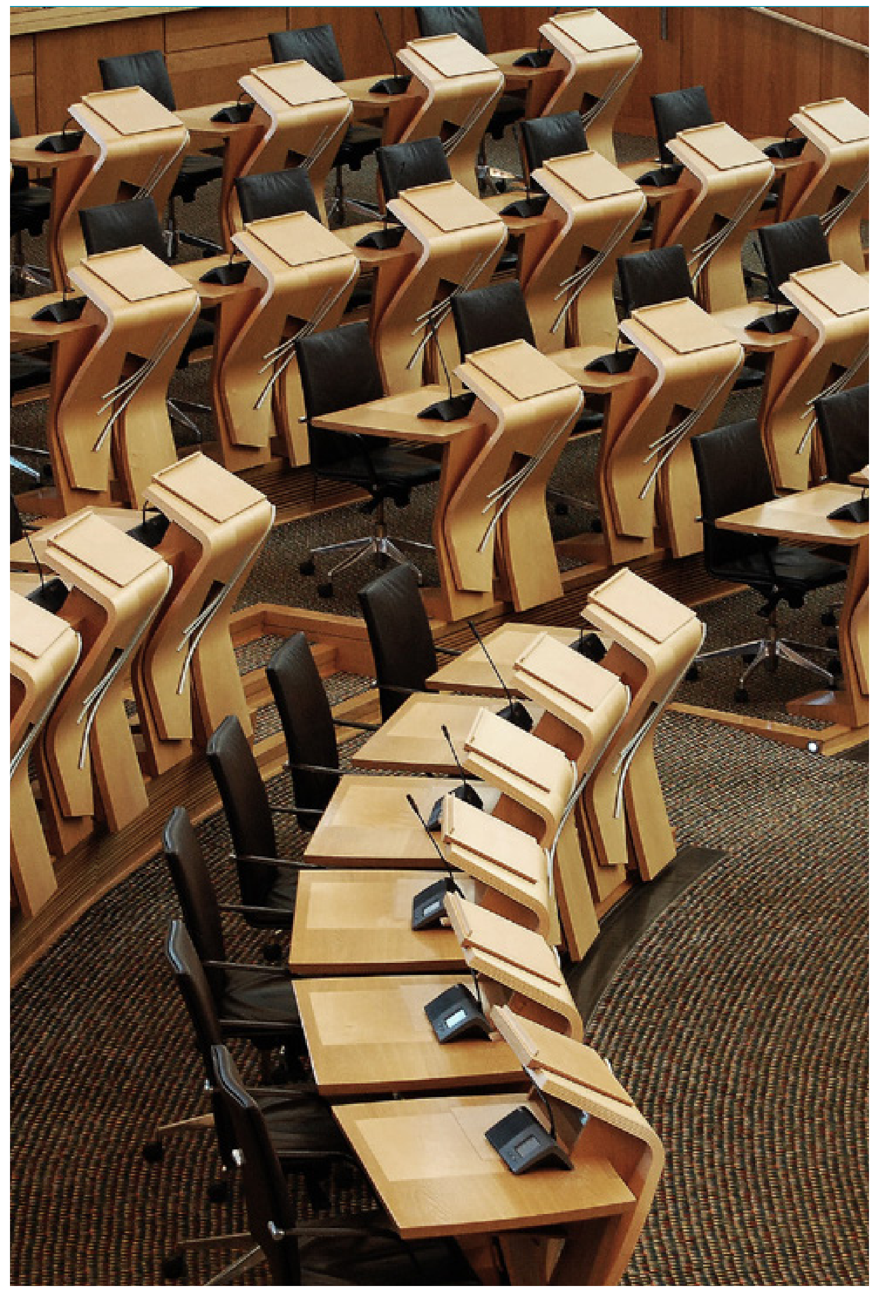
LVAC verdict: part II

The Assessor's second appeal was heard in January 2019, by three high court judges: Lords Malcolm and Doherty, with Lady Dorrian presiding.

Lord Malcom concurred with the committee's decision. However, Lord Doherty had a caveat. He proposed that the case be reverted, once again, to the Tayside Committee, so that the committee could re-examine the PMO and justify its 25:75 split.

In her verdict, Lady Dorrian sided with Lord Doherty and upheld the Assessor's appeal – but to a specific extent only: that the committee should check the fourth class of the PMO to ensure that there was nothing else in the civil works of a hydro, besides the pipeline, which would fall to be rated as a result of it being "in the nature of a building or a structure".

(It should be noted that the Assessor's counsel confirmed that, in his 2010 valuation, the Assessor himself had exempted the pipeline, turbine and generator.)



Awaiting the committee's final decision

At the beginning of 2020, the committee instructed Alba and the Assessor to "agree the facts" of the Old Faskally costs so that they could assess the rateable proportion precisely.

Due to the convoluted processes of the Assessor, it has taken more than a year of negotiations to agree exactly what these costs are, but both parties finally appear to be near to agreement on the basic numbers.

What remains in dispute is the rateable split of the costs of building a hydro scheme.

Taking into account the instructions of the LVAC, between 23-28 per cent of a scheme remains, in our view, a reasonable rateable share.

The Assessor, however, has changed his position. He is no longer arguing for a 50 per cent split. He is now arguing that 80-83 per cent of hydro construction costs should fall to be rated. If this were accepted, the Small Hydro sector would be grievously damaged.

To argue the case, we have appointed James Findlay QC, in whom we have confidence.

Meanwhile, ten years after producing their original valuation, the Assessor has decided to undertake site visits to each of the appeal subjects.

And now that Covid restrictions are being lifted, we are waiting to find out when the committee can agree to a hearing, in order to bring "Old Faskally" to a conclusion.

What next? The 2017 valuation at the Lands Tribunal for Scotland

If the Tayside Committee follows the instructions of the LVAC and the principles of the case remain consistent, the exemption of penstock, turbine and generator will have been confirmed and we will have something approaching precedent with which to argue the 2017 case in court.

We will have had the support of a statutory adjudicating committee on three occasions over eight years under the instruction of two high court verdicts.

At the very least, we will have a strong argument.

In order to represent all appeals across Scotland, such a case will need to be heard at the Lands Tribunal.

Old Faskally may be the precedent, but now it will be the whole hydro sector taking the Assessor to the Lands Tribunal. Where the decision should be final. ■

By Alexander Linklater,
Alba Energy

Case Study

Improving Flow Standards

How to remove restrictions

One of the falls that may be impassable

In 2019, Glen Hydro Consulting began work with West Highland Woodlands and the Fassfern Estate to optimise the performance of their Upper Suileag hydro scheme. Since commissioning in 2016, this 500kW high-head scheme has been the subject of flow restrictions for four months of the year, due to the potential for migratory salmon and sea trout to use the river. However, following the engagement of a fish ecologist and detailed negotiations with SEPA, Glen Hydro have successfully removed these flow restrictions, leading to a >10 per cent improvement in performance during the affected months and an overall revenue increase in excess of £25,000 per annum.

During the permitting of the scheme, the standard assessments undertaken in support of the original CAR application identified several areas of potential spawning habitat. Although these were interspersed by several waterfalls, which could act as obstacles to migrating fish, the initial assessment considered that these obstacles might be passable under specific flow conditions. The An t-Suileag river was therefore assessed as high value for salmon, even though fish monitoring had not identified any current presence.

Accordingly, the scheme's CAR licence imposed flow restrictions based on Good Flow Standards between 1st August and 30th November, the period when salmon may migrate up the river. This period coincided with one of the most productive periods of the year for the hydro scheme and therefore had a significant impact on the energy generation and revenue.

Engaged to review the potential for improvement, Glen Hydro's data analysis confirmed electric fishing data collected over several years, supporting the widely accepted view that salmon are extinct in An t-Suileag. The flow restrictions were incorporated in the licence to provide mitigation in case salmon were to return to the river in the future.

The absence of salmon means that there is no data on when they migrate, therefore the flow restrictions were imposed over the entire period that migration could potentially occur.

Glen Hydro's approach to challenges such as these is to enter into discussions with the permitting body as early as possible to enable a full understanding of their concerns and to identify their "red lines". Extensive experience of working with SEPA on similarly sensitive projects demonstrates they will respond to sound scientific evidence, so the focus is to confirm whether they are open to a review and what evidence would be required to justify this.

A staged approach was adopted, minimising the initial outlay until a greater chance of success could be predicted. The first step was to conduct a review of the potential obstacles to sea trout and salmon migration, with methodology and criteria agreed with SEPA to ensure that there was value in conducting the study. As well as the assessment of the obstacles, we also agreed with SEPA methods for further sea trout population studies, which were based on a combination of cutting-edge research and consideration of the practicality of survey methods. This allowed us to advise the client of the costs and likelihood of the success of further work.

The assessment of the obstacles to migration uses a method referred to as SNIFFER 2, which takes measurements over obstacles along each potential upstream migration route. The difficulty of the various potential migratory routes is considered alongside the effect of flow conditions on each route, measuring the height and length of obstacles as well as water depth and velocity at crests and in plunge pools. Results of field measurements were analysed using SNIFFER 2 to determine the likely impact of the obstacles on fish migration.

The results from the analysis were relatively clear cut and we were able to satisfy the criteria agreed with SEPA to classify the falls as impassable. The results were shared with SEPA's fish ecologist and subsequently with the local Fishery Board. Both bodies agreed there was no scientific justification for flow restrictions to remain and SEPA readily agreed that they could be lifted.

An amendment to the CAR licence was requested and issued in September 2020. The removal of these flow restrictions has already provided significantly increased revenue in the affected months, exceeding the cost of the work to amend the CAR licence. Glen Hydro are currently working on a number of other schemes with similar restrictions. ■

Richard Haworth
Email: richard@glenhydro.co.uk

Finance Update:

At 31 March 2021, Alba's cash position was approximately £39,000 with outstanding creditors of approximately £20,000, leaving cash available of £19,000. This is typically the level we would expect at year end, however it is not a significant reserve in the context of dealing with a legal case.

Since April 2020 approximately £50,000 has been expended on professional costs in relation to the rates dispute with the Assessor. Because of the ongoing nature of the dispute, there continues to be uncertainty over the timing and quantum of future professional costs. The directors continue to use the same advisors who best represent the members interests. A successful outcome for the members is expected to derive longer term benefits greater than the short term collective cost of challenging the Assessor's position.

April 2021 is the beginning of our new financial year and subscription invoices are issued after the AGM. The subscription rates are £900+VAT for hydro schemes over 250 kW and £300+VAT for hydro schemes below that level. Because of the current progress on the rates case the directors are of the view that subscriptions should be maintained at these levels. Should things become problematic with the legal case we may need a further cash call but this will not distract the directors and their advisors from the focus of winning the case. Invoices for the subscription renewal will be issued by the end of April. ■

By Ian Craig,
Azets

SEPA Charging and the end of the ROC

SEPA charging system

Hydro sector consultations ongoing

By John Lithgow

Alba Energy

We are reaching the end of the SEPA consultation period for their confused charging system. Published on the 17th of December 2020, the consultation had its response deadline extended twice and now concludes on the 30th of April. This was due to the SEPA systems being the subject of a serious cyber-attack last December from which SEPA still appears to be struggling to recover.

Details of the consultation can be found at this link - https://consultation.sepa.org.uk/charging-team/hydro-abstraction-scheme-charges/

SEPA failed to contact all operators, though we continued to push for letters to be sent out comprehensively. If you have not received your personalised consultation notification from SEPA which contains your scheme's specific "Environmental Impact" score you can still contact Alex Linklater or John Lithgow so that we can inform SEPA, while their systems remain unstable. Thank you to those who have already contacted us.

Thank you also to all whose who have responded to the consultation. It is critical that as many hydro operators as possible respond otherwise it will be all too easy for SEPA to insinuate that there is not a problem and they will seek to retain the current charging system. Please remember that a separate written response is not admissible and they will only consider responses via the dedicated portal highlighted above.

We appreciate that the new charging model is still fundamentally flawed and will only be paid through gritted teeth by most. We have considered escalating the issue but fear any legal challenge is not well founded and could cause an unwelcome distraction of both time and money when the battle over rateable values is more critical to the small hydro industry. SEPA's updated methodology is therefore a compromise but is hopefully one we can, for the most part, live with.

Update on the end of the ROC

Thank you to those of you who responded to our request for information on the financial viability of ROC supported small scale hydro post subsidy. The rather depressing headline conclusion was that many schemes will struggle to be viable post-ROC if both indirect overheads and wholesale power prices remain static. Alba and the BHA have formed a working group to investigate potential options centred around being able to sell more power locally on the Distribution network. It remains early in the process but there have been encouraging noises from the Department for Business, Energy and Industrial Strategy (BEIS). We hope that well before the first schemes end their ROC accreditation in April 2027 a new mechanism to allow improved generator revenues will be in place. ■

Contact Us:

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FOR INDEPENDENT
HYDRO OPERATORS IN SCOTLAND