



**Cyfoeth  
Naturiol**  
Cymru  
**Natural  
Resources**  
Wales

## Charging Proposals for 2019-20

- Consultation summary and NRW response.

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## 1. Introduction

To develop the Natural Resources Wales charging scheme for 2019-20 we consulted with our stakeholders and have taken account of the responses before finalising our proposals.

We undertook a 12-week consultation which closed on 14 January 2019. Prior to the consultation we met with our Charge Payers Consultative Group<sup>1</sup> to discuss and refine the proposals based on feedback from our major stakeholders and representative groups. We also worked with established stakeholders and emailed our customers and other interested parties directly to raise awareness of the proposals. For the duration of the public consultation period we placed the Consultation Documents on our website.

We received 5 responses in total and these along with feedback from stakeholder groups were used to develop our scheme. We value the input from stakeholders and have taken account of their views. We have summarised the key elements and our response in this paper to help explain our proposals.

## 2. Our Proposals

The detailed proposals as outlined within the consultation can be found in Annex 1. A summary of those changes is below:

### 1. Increases to move towards full cost recovery

Since NRW was formed we have avoided increases to our charges where possible through efficiency savings. We have previously had to increase charges for Waste and Installations.

We have now identified under-recovery in some regimes and intend to move towards full cost recovery by increasing those charges. We intend to limit these increases to the rate of inflation for the 2019-20 scheme.

The rate of increase for the 2019-20 scheme will be 2.4% (based on the Consumer Price Index (CPIH) at September 2018). The regimes we intend to apply this increase to are Waste, Installations, Material Recovery Facilities (MRF) and European Union Emissions Trading Scheme (EU ETS). The increase will be applied to application charges and subsistence fees.

### 2. Abstraction Standard Unit Charge (SUC)

The SUC was maintained in 2018/19 at the previous 2017/18 rate. We have been reviewing how to fund significant increases in Section 20 Reservoir Operating Agreement capital costs, as well as other cost pressures through a joint review of funding options with Dwr Cymru Welsh Water (DCWW). We have a duty as far as is reasonably practicable to maintain with water company undertakers, secure and

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<sup>1</sup> The Charge Payers Consultative Group consists of members of the various trade and representative organisations of our stakeholders.

proper management of any reservoirs, apparatus or other works. This is to help safeguard water resource management.

Changes to reservoir safety requirements, demand pressures and significant assets coming to the end of their useful lives have resulted in significant infrastructure investment of £23.5 million being needed over the next 8 years. For example, new legislative obligations relating to enhanced standards for infrastructure such as spillways, pipes and dams means upgrades are needed. The proposal is for this to be paid through the Standard Unit Charge account as per the terms of the Section 20 agreements.

To manage charge balances and avoid large increases in the short term the proposal is to smooth these costs over a longer timeframe, initially leading to increases in the SUC of +5% in 2019/20 followed by a further increase of +2.75% in 2020/21. Future increases beyond this time frame will also be required, given the scale of this programme.

### **3. Control of Major Accidents and Hazard (COMAH) Regulations**

NRW are one of five public bodies forming the Competent Authority to enforce COMAH in Great Britain. The regulations aim to ensure operators of specified activities put in place measures necessary for the prevention and mitigation of major accidents and prepare accident prevention policy.

Our role includes assessing site safety reports, communicating findings, prohibiting activities if there are inadequate measures for preventing and mitigating accidents, inspecting sites, investigating accidents and designating some sites as 'domino effect' establishments.

NRW is required to recover costs for its regulatory activity. We do this using our hourly rate which has remained at £125 for a number of years. We have carried out analysis which identified under-recovery. We have carried out an assessment of our costs to develop our revised hourly rate. To fully cost recover we intend to increase our hourly rate for COMAH regulation to £152.

### **4. Waste Recovery Plan (WRP) assessment**

We are proposing to introduce a fixed charge of £800 to assess a new, varied or revised WRP. This charge is separate to any permit application charge.

When customers intend to use a waste material in place of a non-waste material in their operation (as it can perform the same function) they submit a Waste Recovery Plan to NRW. The plan must provide information to be able to demonstrate that the use of waste meets the guidance which clarifies what constitutes a recovery operation. NRW assess plans to determine if the activity meets the legal test of recovery as defined in Article 3 (15) of the Waste Framework Directive.

We have considered if this assessment could be provided through our Discretionary Advice Service and have concluded that it is a statutory role which only NRW can

carry out. Our role is to determine if the activity meets the test of recovery and as such it is not advisory and could not be provided by any other party.

## **5. Medium Combustion Plant Directive (MCPD)**

The Medium Combustion Plant Directive (MCPD) came into force on 15th December 2015 and was transposed into UK law in January 2018. The Directive seeks to improve air quality by introducing emission limits for key pollutants and by bringing within regulatory control all combustion plant in the 1-50MW input range. The emission limit values apply from 20th December 2018 for new plant and by 2025 and 2030 for existing plant, depending on their size, fuel type, age and operating hours. We currently regulate combustion plant on installations with an aggregated rated thermal input over 50MWth and those below 50MWth, which are part of EPR Part A1 installations as Directly Associated Activities. Local Authorities (LAs) regulate the 20-50MWth plants as Part B EPR installations.

We included proposals for MCPD in our 2018-19 fees and charges consultation because operators of new plant needed to be able to apply from 20 December 2018. We based those proposals on the best available information at the time because the regulations were still being finalised late in 2017. We have since developed new proposals for 2019-20 based on permit types which better reflect the finalised MCPD and Specified Generator (SG) provisions.

## **Other matters to note**

### **6. Environmental Permitting Regulations variations**

Our permitting scheme has several permit variation types including administrative, minor technical, substantial and conversion from bespoke conditions to standard rules conditions. The type of variation applied for affects the level of technical assessment required which is reflected in the fees. How the variation is initiated may affect whether a fee is applicable. It is important that our costs are fully recovered to be able to provide a high standard of service. Where changes are driven by legislation and the operators need to secure ongoing compliance we do **not** consider these to be regulator-initiated.

We intend to update our guidance to ensure variation types accurately reflect the level of technical assessment required.

### **7. Pre-application advice**

We intend to simplify the provision of pre-application advice and make it more consistent and sustainable across all regimes. We intend to limit the provision of free basic advice to 2 hours and recover the cost of providing bespoke specialist advice through our Discretionary Advice Service.

We also intend to require applications across all regimes to meet a high standard and provide sufficient information to enable us to make all appropriate assessments in order to be formally accepted or 'duly made'.

## **8. Groundwater Pollution Remediation advice**

NRW maintain a high level of engagement to fulfil statutory duties ensuring incidents are investigated, remediated and where necessary appropriate enforcement action is taken. This is important to protect precious groundwater resources.

NRW do not have a statutory role to supervise, monitor or advise on such remediation and currently do not recover our costs for advice given, to site owners or their agents, that helps them remediate their site to an acceptable level.

Where our advice is sought for groundwater pollution incident remediation, we intend to implement a charge where the customer chooses to use our discretionary advice service. This will be provided at our standard hourly rate of £125 per hour.

## **9. Enforcement and Investigation Cost Recovery**

We intend to apply our standard hourly rate of £125 per hour when calculating our enforcement and investigation costs. The production of the casefile is funded by the taxpayer through grant-in-aid. This cost may be recovered from the defendant following conviction if the court agrees to award fees. The cost base used by staff to calculate the hourly rates has not been updated since the formation of NRW and is under-recovering.

## **10. Discretionary Advice Service (DAS)**

On 01 April 2017, NRW launched a charging scheme for discretionary advice. We initially limited the launch to a relatively small number of advice topics. This approach has given us time to develop systems and processes and ensure we have capacity to provide a valued service.

The number of requests for the charged service has increased since it was introduced and now receives requests from a broad variety of work areas. In 2017-18 we recovered £66,273. For the 2018-19 financial year to date we have recovered £137k and estimate this to reach £140k.

We intend to extend the scope of our Discretionary Advice Service to cover new areas some of which are set out in our consultation such as Groundwater Pollution Remediation advice and bespoke pre-application advice.

## **11. Strategic Review of Charges**

We communicated our intention to carry out a comprehensive strategic review of our charges to ensure full cost recovery and help deliver Sustainable Management of Natural Resources. The strategic review of charges will ensure regulation in Wales is sustainable, cost reflective and benefits the operator, environment and communities.

Central to this review will be the principle that the cost of regulation is met by those we regulate and is therefore less reliant on the Welsh taxpayer as stipulated by Managing Welsh Public Money. The review is an opportunity to explore innovative and collaborative ways of working and develop a transparent evidence base for our wide remit of regulatory activity. We will be seeking stakeholder engagement throughout development to help ensure the new scheme is fair to business and the public of Wales.

We intend to keep our future annual review of charges to a minimum while we work to deliver the strategic review of charges.

## **3. Consultation Summary and NRW Response**

We received a total of 5 responses through the consultation. The full responses can be found in Annex 2.

### **A. Key Response Themes - Scheme Changes**

#### **A1. Increases to move towards full cost recovery**

The responses received indicated a general acceptance of the principle of cost recovery and the use of CPIH as a measure of inflation. Responses requested greater transparency and justification around charges.

#### **NRW Response**

Waste and Installation rates have remained the same since 2015-16 in which time CPIH has increased 7% in real terms. The proposed increase is important as we are under recovering for some regimes which affects our ability to regulate effectively. Welsh Government's Managing Welsh Public Money requires NRW to seek full cost recovery wherever possible. Our costs are worked out based on staff time, operational costs and overheads. These may vary between NRW and other regulators or the private sector. To properly compare NRW's hourly rate to other regulators, it is important to take into account all fees and charges that they may levy.

#### **A2. Abstraction Standard Unit Charge**

In their consultation response DCWW raised concern that the initial rise of 6.75% in year 1 is too high. This rate would add unseen cost to their budgeting for 2019-20 and goes against NRW charging principles to avoid cycles of cutting and increasing charges by managing surpluses and deficits. DCWW highlighted the consequence of this in terms of delivering other customer priorities and proposed an alternative

smoothing rate over 5 years. Further modelling was requested and a revised rate of 3.5% was suggested.

Concern was raised that a charge may discourage recycling and a fixed fee disadvantages those needing a very low level of support and may not fully cost recover for occasions where high levels of support are required. The transparency and justification for establishing the charge was challenged.

Request for clarity from NFU Cymru about the impact on farmers making abstractions in Wales and how this is linked to reservoir infrastructure. Concern that reservoir investment does not directly benefit farmers or other non-public supply abstractors.

### NRW Response

NRW have maintained a good, open working relationship with DCWW to develop a solution that would satisfy constraints and principles established by both parties. Following the consultation response NRW held further discussions with DCWW and have been able to agree a revised increase of 5% in 2019-20 and 2.75% in 2020-21.

The investment is required to maintain the reservoir infrastructure supporting abstractions by regulating supply in our river networks. The annual abstraction charge is calculated from the volume, the appropriate charge factor and the Standard Unit Charge (SUC). The SUC is the mechanism to spread the costs smoothly across all abstraction licence holders. The charges for abstractions from regulated rivers benefiting directly from the reservoirs attract a fee adjustment (supported source charge factor) to reflect this.

### **A3. Control of Major Accidents and Hazard (COMAH) Regulations**

Comments received which challenged the level of the charge for manpower and question the lack of a tiered charges which may better reflect expertise and seniority of those carrying out different regulated tasks related to COMAH.

COMAH while significant in terms of potential risk is carried out by a small number of specialist staff within NRW who are on similar grade. Using a tiered charge rate could add administrative inefficiency to invoice calculation, inconsistency across the sector and uncertainty for the charge payer. We have developed our charges based on our own analysis. Our proposed rate does however compare favourably with other UK Competent Authorities (Environment Agency £161/hr, Health and Safety Executive £161/hr and Scottish Environment Protection Agency £146).

### **A4. Waste Recovery Plan assessment**

It was suggested that an alternative longer-term solution to a fixed charge would be to address the apparent lack of understanding of Waste by business which would help improve the standard of applications and therefore the conversion rate (the consultation referred to 15% success rate on WRP's and a 4% conversion to paid application).

## NRW Response

Our experience of dealing with this sector is that a fixed fee is more likely to deter applicants from submitting speculative Waste Recovery Plans where the purpose is disposal. Where operators have a legitimate case the cost savings can be very significant when compared to the proposed charge of £800. The charge will achieve cost recovery for the work required by us. We have based this figure on evidence from time recording.

NRW routinely engage with industry and operators to provide advice and guidance. Our technical experts continually develop clear guidance on what needs to be included in a waste recovery plan, definitions of waste and waste policy. As part of our ongoing engagement NRW would welcome identification of specific areas which would benefit from further sector advice.

### **A5. Medium Combustion Plant Directive (MCPD)**

A request for greater explanation around the charge calculation was received as well as concern that 2 hours pre-application advice is not sufficient and should be increased to at least 5 hours.

Concern from DCWW that Standard Rules are unlikely to apply to many of their installations leading to significant cost impact. Overall the costs are challenged as being high and hard to comprehend when compared across the scheme i.e. Standard vs Bespoke. DCWW requested that the scope of the standard rules be broadened.

## NRW Response

NRW consulted separately on the Standard Rules and addressed technical matters relating to the implementation of the directive. A lot of collaborative work has taken place between NRW and EA technical staff to ensure the scheme is risk based and proportionate. We have carried out detailed assessments of the permitting and compliance work required based on risk of the various activities. The charges developed are based on this and our knowledge and experience of other regimes we regulate.

Pre-application advice is funded through application charges so any increase to the number of hours provided would lead to an increase in charges for all applicants. We consider 2 hours to be sufficient to provide basic advice. In situations where operators require specific bespoke advice this can be provided by NRW through our discretionary advice service or by private consultants through the open market.

### **B. Key Response Themes - Other matters to note**

We did not receive any responses relating to the following matters;

- Clarification to the definition of EPR Permit Variations – administrative/technical;
- Groundwater pollution incident remediation advice;
- Enforcement and Investigation cost recovery hourly rate

## **B1. Environmental Permitting Regulations variations**

DCWW sought clarity around the timing of the proposed change to regulator-initiated variations as this could have significant financial implications on the Asset Management Plan (AMP) budgets. Clarity is requested because the AMP 6 cycle is about to conclude having run from 2015-2020 so an introduction of a new charge in 2019-20 will not have been budgeted for.

The charge of £885 per variation was also challenged as being high.

### **NRW Response**

Further engagement has taken place between NRW and DCWW to find a positive way forward. The proposal is not to charge for current AMP6 workload and this will be resourced collaboratively between NRW and DCWW. The proposed changes set out in our consultation will commence at the start of AMP7 (2020-2025).

NRW have based the charges on evidence of the amount of time and resources required to assess and determine permit applications.

## **B2. Pre-application advice**

DCWW sought clarification around the definition of chargeable advice particularly in relation to collaborative work to deliver improvements through Asset Management Planning (AMP) cycles.

Confor had not expected the changes to be introduced without further evidence from the sector. There is some frustration that grants are only available in England and Scotland. There is concern that the proposed policy is at odds with the Woodland for Wales Strategy, disadvantages smaller schemes and goes beyond Assurance standards.

### **NRW Response**

NRW held further discussions with DCWW to clarify that our proposal is not to charge for strategic partnership working. We recognise this as a valuable collaborative approach to delivering environmental outcomes. Where site specific bespoke advice is required this is chargeable but would be subject to prior agreement by both parties. This is consistent with provision of advice through our Discretionary Advice Service which we only provide where we are asked to do so and have the capacity to service a request. This is not statutory and can be provided by the open market. Basic advice is not charged for, but we propose limiting this to 2 hours.

NRW have continued to work closely with the Forestry sector and Welsh Government communicating our proposals and seeking incentives to support the Woodland for Wales Strategy. We have been developing new ways of working including the 5-10-year management plans.

The proposal is not to charge for a felling licence, however it is important NRW are provided with sufficient information of high quality to enable us to make appropriate

assessments of the likely impact from a proposed activity. We are continuing to develop guidance and support to help operators understand what is required. We intend to provide extra staff resources to help transition to the new arrangement from 01 April 2019. Where applicants require bespoke support in the future this can be provided by NRW through our discretionary advice service which is chargeable. Alternatively, independent advice can be sought on the open market. The current approach is unsustainable being heavily dependent on grant-in-aid and against Managing Welsh Public Money principles.

#### **4. Changes for Final Scheme**

Following the consultation process and the feedback received we have made some changes to our proposals as consulted upon. We continue to value the input from stakeholders and have fully considered matters raised and laid out our responses in this document to explain why we have come to this decision.

The proposals have been reviewed by the NRW Board and presented to the Minister for approval and have now been agreed.

## **Annex 1 Charging Consultation Proposals**

The detailed proposals as outlined within the consultation can be found in the following sections.

### **1.1 Increases to move towards full cost recovery**

Since forming NRW we have avoided increases to our charges where possible through efficiency savings. We have previously had to increase charges for waste and installations. We have now identified under-recovery in some regimes and intend to move towards full cost recovery by increasing those charges. We intend to limit these increases to the rate of inflation for the 2019/20 scheme. To achieve full cost recovery in the future we intend to carry out a comprehensive strategic review of charges. The rate of increase for the 2019/20 scheme will be 2.4% (based on the Consumer Price Index (CPIH) at September 2018). The regimes we intend to apply this increase to are Waste, Installations, Material Recovery Facilities (MRF) and European Union Emissions Trading Scheme (EU ETS). The increase will be applied to application charges and subsistence fees.

### **1.2 Abstraction Standard Unit Charge (SUC)**

The SUC was maintained in 2018/19 at the 2017/18 rate. We have been reviewing how to fund significant increases in Section 20 Reservoir Operating Agreement capital costs as well as other cost pressures through a joint review of funding options with Dwr Cymru Welsh Water (DCWW). We have a duty as far as is reasonably practicable to maintain with undertakers, secure and proper management of any reservoirs, apparatus or other works. This is to help safeguard water resource management. Changes to reservoir safety requirements and demand pressures have resulted in significant infrastructure investment of £23.5 million being needed over 8 years. For example, new legislative obligations relating to enhanced standards for infrastructure such as spillways, pipes and dams means upgrades are needed. The proposal is for this to be paid through the Standard Unit Charge account as per the terms of the Section 20 agreements.

To manage charge balances and avoid large increases in the short term the proposal is to smooth these costs over a longer timeframe, initially leading to increases in the SUC by +6.75% in 2019/20 followed by a further increase of +2% in 2020/21. Future increases beyond this time frame will also be required, given the scale of this programme.

### **1.3 Control of Major Accidents and Hazard (COMAH) Regulations**

NRW are one of five public bodies forming the Competent Authority to enforce COMAH in Great Britain. The regulations aim to ensure operators of specified activities put in place measures necessary for the prevention and mitigation of major accidents and prepare accident prevention policy. Our role includes assessing site safety reports, communicating findings, prohibiting activities if there are inadequate

measures for preventing and mitigating accidents, inspecting sites, investigating accidents and designating some sites as 'domino effect' establishments. NRW is required to recover costs for its regulatory activity. We do this using our hourly rate which has remained at £125 for a number of years. We have carried out analysis which identified under-recovery. We have carried out assessment of our costs and those of other regulators to develop our revised hourly rate. To fully cost recover we intend to increase our hourly rate for COMAH regulation to £152.

#### **1.4 Waste Recovery Plan assessment.**

When customers intend to use a waste material in place of a non-waste material in their operation (as it can perform the same function) they submit a Waste Recovery Plan to NRW. The plan must provide information to be able to demonstrate that the use of waste meets the guidance which clarifies what constitutes a recovery operation. NRW assess plans to determine if the activity meets the legal test of recovery as defined in Article 3 (15) of the Waste Framework Directive.

We have considered if this assessment could be provided through our Discretionary Advice Service and have concluded that it is a statutory role which only NRW can carry out. Our role is to determine if the activity meets the test of recovery and as such it is not advisory and could not be provided by any other party.

Currently a customer can either have their WRP assessed by NRW in a pre-application assessment or in permit determination. It is recognised that assessment in the pre-application stage can be helpful for both the customer and NRW as the decision may affect the type of permit which will be applied for. For this reason, it is often done during pre-application in case of an unfavourable decision which would undermine the application with which it was submitted.

As there is currently no charge for plans submitted during pre-application, we are under-recovering in situations where multiple plans are submitted, and no permit application is made or where a permit type has limited allowance within charges for pre-application advice.

Since January 2016, only 15% of WRPs submitted have been able to demonstrate recovery, with the remaining 85% assessed as disposal. Only 4% resulted in a paid application.

We are proposing to introduce a fixed charge of £800 to assess a new, varied or revised WRP. This charge is separate to any permit application charge.

#### **1.5 Medium Combustion Plant Directive (MCPD)**

We included proposals for MCPD in our 2018/19 fees and charges consultation because operators of new plant need to be able to apply from 20 December 2018.

We based our proposal on the best available information at the time because the regulations were still being finalised late in 2017. We have developed new proposals

for 2019/20 based on permit types which better reflect the MCPD and Specified Generator (SG) provisions.

Although these now differ from our original proposal we intend to apply these permit types for new plant from 20 December 2018. This approach is the most pragmatic because it avoids confusion and development of separate interim permits and guidance.

The charges as outlined in the 2018/19 scheme consultation will still apply for new plant from 20 December 2018 until 30 March 2019. We are not expecting a high number of applications for new plant during this period. For those who do apply in this interim period, we will work with them to understand the appropriate permit type even though pre-application advice was not originally included in last year's proposals.

### 1.5.1 Background

The Medium Combustion Plant Directive (MCPD) came into force on 15th December 2015 and was transposed into UK law in January 2018. The Directive seeks to improve air quality by introducing emission limits for key pollutants and by bringing within regulatory control all combustion plant in the 1-50MW input range. The emission limit values apply from 20th December 2018 for new plant and by 2025 and 2030 for existing plant, depending on their size, fuel type, age and operating hours. We currently regulate combustion plant on installations with an aggregated rated thermal input over 50MW<sub>th</sub> and those below 50MW<sub>th</sub>, which are part of EPR Part A1 installations as Directly Associated Activities. Local Authorities (LAs) regulate the 20-50MW<sub>th</sub> plants as Part B EPR installations.

The MCPD is transposed through the Environmental Permitting (England and Wales) Regulation 2016 (EPR2016). In addition, in England and Wales, further provisions are included for "specified generators" which will also require permits under EPR2016. These specified generators are combustion plant used to generate in the Capacity Market and are potentially short duration operation, but highly polluting (e.g. unabated diesel engines). The Capacity Market was introduced by Government and designed to ensure sufficient reliable sources of electricity are available by providing payments to encourage investment in new capacity or for existing capacity to remain open. These Capacity Market contracts are managed by the Department for Business, Energy and Industrial Strategy (BEIS) and are not devolved. UK regulators will provide detailed technical guidance and definitions to help operators understand the extent and requirements of regulations. NRW are the sole regulator in Wales for these activities.

This activity comes under Section 41 Environment Act 1995 and as such will not require Ministerial approval. In addition, the Welsh Government / Defra consultation on the transposition of the MCPD and specified generators included the intention for cost recovery.

We intend to recover the costs of permitting any plant within scope through an initial fee to cover the cost of permitting and an annual subsistence charge to cover the costs of compliance checking. We will regularly review our fees and charges as well as our processes to ensure costs are kept to a minimum.

### **1.5.2 New proposal for 2019/20**

We are proposing new permit types based on complexity to help simplify the scheme and ensure charges are proportionate to regulatory requirement. We have developed 8 low risk standard rules for which an environmental permit can be applied for, if the activity meets specific criteria. These reduce the need for longer determination times which is reflected in a lower application fee. Standard rules as conditions in an environmental permit (standard permit) cover a wide range of scenarios including low risk MCPs, backup, standby and specified generators (SG). For example, SR2018 No.7 allows up to 15 medium combustion plant on a site. The new standard permits were consulted on separately during Summer 2018 and finalised in October 2018

Where operators are unable to meet the standard rule criteria they will need to apply for either a simple bespoke, or complex bespoke permit which attracts a higher fee due to the technical assessment required. We are introducing options to vary, transfer and surrender a permit.

We are proposing to include an allowance for basic pre-application advice which will be included in the application charges. Our proposals last year did not include this however we recognise that providing good pre-application advice is important to help operators understand the requirements and improve the quality of applications. Basic pre-application will be limited to 2 hours. Additional advice will be available through our discretionary advice service upon request and charged for at our standard hourly rate.

We are intending to charge an annual subsistence fee to cover compliance which includes checking monitoring returns, inspections, compliance reporting and answering queries. For the standard permits this is a fixed fee and proportionate to the number of MCPs on a site. The subsistence fee for bespoke permits is also fixed but will be banded according to the number of MCPs or SGs on a site as shown in table 2 below.

The tables below show the permit types along with associated application and subsistence fees.

Table 1. Bespoke application charge.

Bespoke Permit type	Application	Minor variation	Normal variation	Substantial Variation	Full Transfer	Part transfer	Full Surrender	Part surrender
Complex bespoke MCP/ SG	£8894	£1280	£3642	£5445	£1520	£2351	£1086	£1527
Simple bespoke MCP/SG	£2991	£1280	£1660	£2328	£1520	£2351	£1086	£1527

Table 2. Bespoke Subsistence fees.

Bespoke Permit type	1 MCP/SG	3 MCP/SG	5 MCP/SG	8 MCP/SG	10 MCP/SG	15 MCP/SG	15+ MCP/SG
Complex bespoke MCP/ SG	£864	£932	£1,000	£1,068	£1,170	£1,340	£1,408
Simple bespoke MCP/SG	£738	£806	£874	£942	£1,044	£1,214	£1,282

Table 3. Standard rules permit charges and subsistence fees.

Standard rules	Application	Variation (Schedule change) *	Transfer	Surrender	Annual Subsistence
MCP standard rules (1 MCP) SR2018 No.7	£465	£278	£202	£187	£245
MCP standard rules (up to 3 MCPs) SR2018 No.7	£526	£278	£202	£187	£318
MCP standard rules (up to 5 MCPs) SR2018 No.7	£617	£278	£202	£187	£392
MCP standard rules (up to 8 MCPs) SR2018 No.7	£739	£278	£202	£187	£471
MCP standard rules (up to 10 MCPs) SR2018 No.7	£800	£278	£202	£187	£556
MCP standard rules (up to 15 MCPs) SR2018 No.7	£861	£278	£202	£187	£653
Specified Generator standard rules SR2018 No.1 to No.6	£260	NA	£202	£187	£290
Specified Generator mobile plant standard rules SR2018 No.8	£260	NA	£202	NA	£392

\* - some environmental permits which use standard rules conditions applicable to multiple MCPs may be varied to include MCPs up to the number of MCPs to which the standard rules conditions apply. This is NOT a variation or revision to standard rules conditions, which can only be undertaken as set out in Chapter 4 of The Environmental Permitting (England & Wales) Regulations 2016.

## 2 Other matters to note

We would like to highlight other policy changes which could have an impact on fees and charges. These have either been consulted upon separately in the past year or relate to aspects of our charges that may be of specific interest to charge payers. We are not consulting on these matters as they are policy changes.

### 2.1 Environmental Permitting Regulations variations

Our permitting scheme has several permit variation types including administrative, minor technical, substantial and conversion from bespoke conditions to standard rules conditions. The type of variation applied for affects the level of technical assessment required which is reflected in the fees. How the variation is initiated may affect whether a fee is applicable. It is important that fees are fully cost recovered in order to be able to provide a high standard of service.

#### 2.1.1 Administrative variations

Administrative variations are used to make simple changes to permits such as correcting names and addresses and are often provided for free. Administrative variations should not include technical assessment.

Some of our legacy guidance for administrative variation does however list changes which require technical assessment for example changes to waste types or permitted areas.

We intend to update our guidance to ensure variation types accurately reflect the level of technical assessment required.

#### 2.1.2 Regulator-initiated variations

NRW provides regulator-initiated changes to permits free of charge. This is normally only when we decide to make a specified water activity, the changes are purely administrative in nature or we need to correct or amend a permitting error. Some permit variations, such as those initiated through the Asset Management Planning process are being classed as regulator-initiated and not charged for. In some years this can lead to a large number of permit variation applications being processed by our permitting centre.

We intend to review how variations are charged for because under-recovery is adversely affecting our ability to resource permitting teams to determine permits in a timely manner.

We are not changing the current variation fee within this review of charges. Normal variations are currently charged at £885.

## 2.2 Pre-application advice

NRW provides pre-application advice to help customers understand their legal requirements, improve the quality of applications and help identify issues at an early stage. We encourage applicants to read our guidance and talk to us before applying, as this helps improve compliance through understanding as well as determination efficiency.

There is some inconsistency in the provision of advice across regimes regulated by NRW. In some regimes advice is included in the application fee while in other sectors this advice is funded by grant in aid, for example where we do not charge for a licence. We intend to simplify the provision of pre-application advice and make it more consistent and sustainable across all regimes.

Basic advice is intended to help customers complete application forms, clarify guidance, sign post best practice and industry standards and understand how to identify environmental sensitivities in the area. NRW has a responsibility to help those we regulate understand what they need to do to comply with the law.

Where the level of detail and site-specific nature require technical input beyond the scope of basic advice NRW can provide bespoke advice through our discretionary advice service which is charged at our hourly rate of £125 per hour. This may include activities such as developing mitigations, designing systems or modelling impacts. This advice is non-statutory and could be provided by another party.

NRW has a duty when considering applications, to ensure activities will not have wider impacts, such as on European protected sites. To ensure a high standard of protection for these sites, activities will need to be regulated in accordance with Conservation of Habitats and Species Regulations 2017. NRW will carry out a screening based on information provided by applicants to determine if the proposed project is likely to have a significant impact on a European site based on the activity, proximity of the activity to the European site and the sensitivity of the features of the site.

If screening determines that the activity is likely to have a significant effect, NRW need to carry out an appropriate assessment, which is a more detailed consideration of the activity and it's potential to affect the protected features. If it is not possible to conclude that no adverse impacts will occur, then the applicant will have to consider mitigation measures. If adequate mitigation measures or less damaging solutions are not feasible the activity may only be consented if there are reasons of overriding public interest and compensation measures are provided.

The applicant must provide sufficient information to enable us to determine a permit application and inform relevant assessments. We intend to require applications across all regimes to meet a high standard in order to be accepted or 'duly made'.

### 2.2.1 Environmental Permitting Regulations and Water Resources

Currently NRW guidance suggests up to 15 hours pre-application advice for EPR and water resource permits. The intention of pre-application advice is to help

applicants understand their legal obligations and should be quick and simple to provide. The historical limit of 15 hours needs to be reviewed as this is considered to be excessive for the provision of basic advice. The cost of staff time required to provide this level of service is not fully recovered through application charges and therefore in some cases results in under-recovery.

We intend to limit the amount of time available for provision of free basic pre-application advice to 2 hours. Bespoke advice is available through our discretionary advice service which will be charged at £125 per hour.

### **2.2.2 Felling Licences, European Sites and European Protected Species**

NRW carry out a significant amount of work on behalf of operators applying for felling licences to identify the likely significant effects of their proposals including providing information to inform assessment under Habitats Regulations 2017. This level of support has been provided for a number of years however is now unsustainable as it is funded by the tax payer through grant in aid.

As the competent authority, it is important that NRW is making determinations based on high quality, accurate information. Applicants should provide sufficient information along with applications to enable screening and, where necessary, appropriate assessments to be completed as part of the permit or licence determination. In doing so applicants will be able to clearly show the procedures, design aspects, working methods and mitigations that are in place to minimise potential impacts. We will continue to provide free basic pre-application advice however this will be limited to 2 hours. Bespoke advice is available through our discretionary advice service which will be charged at £125 per hour.

### **2.3 Groundwater pollution remediation advice**

NRW routinely respond to pollution incidents which impact on groundwater such as heating oil tank leaks. These incidents can often take a long time to remediate and involve specialist contractors to investigate and clean up land contamination.

Groundwater pollution incidents lead to the following actions;

- Investigation by contractors – normally appointed by insurance companies on behalf of the polluter;
- Contractors design and carry out a remediation scheme;
- Contractors request validation of final remediation report from NRW.

NRW maintain a high level of engagement to fulfil statutory duties ensuring incidents are investigated, remediated and appropriate enforcement action is taken. NRW do not have a statutory role to supervise, monitor or advise on the remediation and do not recover costs for advice given which helps contractors remediate sites to an acceptable level. A high frequency or large number of incidents can require significant staff resources which is funded by the taxpayer. For example, an

underground fuel tank leak in 2015 is ongoing and has taken more than 100 hours of NRW staff time.

Where our advice is sought for groundwater pollution incident remediation, we intend to introduce a discretionary charge. This will be provided at our standard hourly rate of £125 per hour.

## **2.4 Enforcement and Investigation Cost Recovery**

NRW investigate environmental crime and in cases where the appropriate sanction is prosecution officers produce a casefile of evidence for court. The production of the casefile is funded by the taxpayer through grant in aid and recovered from the defendant following conviction if the court agrees to award fees. The cost base used by staff to calculate the hourly rates has not been updated since the formation of NRW and is under-recovering. We intend to apply our standard hourly rate of £125 per hour when calculating our enforcement and investigation costs.

## **2.5 Climate Change Legislation**

### **EU Emissions Trading Scheme**

The current remit of NRW within the Emissions Trading Scheme may change depending on the outcome of the EU Exit negotiations. At this point in time, a number of alternatives are being considered by the UK Government including continuing within the EU scheme. If our continued involvement in the EU scheme is not agreed as part of the EU Withdrawal agreement, then an alternative approach will be developed by UK Government. NRW's role may change as a result and if this is the case, we will review the outcome and inform you of any impact on charges going forward.

### **Carbon Reduction Commitment**

In July 2018, the UK Government formally announced that the Carbon Reduction Commitment (CRC) Scheme will be closing at the end of March 2019 and that the SECR (Streamlined Energy and Carbon Reporting) scheme will replace it. As SECR reporting will be done through Companies House, it will fall outside the remit of Devolved Administrations and there may not be a role for NRW going forward. There may be ongoing administration and enforcement work beyond the CRC closure date of 31<sup>st</sup> March 2019 if the legislation allows, and if so, the CRC Registry will need to be maintained for a period. Therefore, we may need to continue to charge you for CRC work in the short-term. We will keep you informed.

## **2.6 Strategic Review of Charges**

During our annual charging reviews, we have highlighted the need for cost recovery and a reduced dependency on taxpayers to fund regulation in Wales. We have introduced or amended charges and streamlined services to improve schemes where possible.

Over the next few years we intend to carry out a comprehensive strategic review of our charges to ensure full cost recovery and help deliver Sustainable Management of Natural Resources. The strategic review of charges will ensure regulation in Wales is sustainable, incentivises behaviour change and delivers long term outcomes.

The intention is to create a new charging scheme which is simple to understand, consistent, transparent and proportionate. We will continue to embed our regulatory principles and continuous improvement to streamline delivery. Central to this review will be the principle that the cost of regulation is met by those we regulate and is therefore less reliant on the Welsh taxpayer as stipulated by Managing Welsh Public Money. The review is an opportunity to explore innovative and collaborative ways of working and develop a transparent evidence base for our wide remit of regulatory activity.

We intend to keep the annual review of charges to a minimum while we work to deliver the strategic review of charges. We will however be seeking stakeholder engagement throughout development to help ensure the new scheme is fair to business and the public of Wales.

## Annex 2 Summary of Comments Received

Our Fees and Charges consultation closed on 14 January 2019. The consultation was live on our website for over 12 weeks. Prior to consulting publicly NRW engaged with stakeholders through the Charge Payers Consultative Group.

### Summary of Responders

The tables below give a summary of the responses received. Full text from the consultees is in the final table.

Organisation	Response Contact	Sector	Summary of response
Dwr Cymru Welsh Water (DCWW)	Steve Wilson	Water and sewage undertaker	<p>Point out that the consultation signals significant price increases across a broad range of areas that will impact on DCWW. This includes policy changes raised in other matters to note. The scale of potential cost if changes to regulator-initiated variations changes are implemented was highlighted as these costs have not formed part of the budgeting for asset management planning programmes. Also seek clarity around situations when charges for pre-application advice would be applicable especially around collaborative work.</p> <p>DCWW not feel the consultation fully illustrated how charges are derived.</p> <p>Concern raised regarding matters consulted on;</p> <ul style="list-style-type: none"> <li>the 6.5% increase to SUC in 2019-20 and propose alternative smoothing over 5 years;</li> <li>COMAH hourly rate increase and use of a flat rate;</li> <li>The fixed fee for assessing a waste recovery plan and the use of a fixed fee for all situations.</li> <li>cost for bespoke MCPD and the number of their installations likely to require bespoke rather than standard permit;</li> </ul> <p>Highlighted the importance of working collaboratively in the future including on the strategic review to achieve common goals.</p>
National Farming Union (NFU) Cymru	Rachel Lewis-Davies	Agriculture	<p>Requested greater transparency and justification for charges across several regimes as well as highlighting the need for NRW to be aware of the impact regulation and charges have on the industry and the importance of a high-quality service for its customers.</p>

Organisation	Response Contact	Sector	Summary of response
			<p>Seek clarification around the reservoir investment, SUC and how this affects farmers and non-supply abstractors.</p> <p>NFU Cymru expressed a desire to have full input to strategic review of charges recognising this will involve more engagement.</p>
Confor	Anthony Geddes	Forestry	<p>Confor understood the proposal to charge for pre-application advice would not be introduced without further representation from the forestry industry. Confor is concerned by the hourly rate NRW propose for advice and the lack of any grant to support management plan production as provided in England and Scotland. There is concern that the proposals are at odds to Woodland for Wales Strategy, disadvantage smaller woodland managers and risks timber supply. While recognising that the proposal at this stage is not to charge for the felling licence Confor make the point that any creation of a charge for a felling licence must be in conjunction with a program to simplify the application process and licence.</p>
Country Land and Business Association (CLA)	Charles de Winton	Agriculture	<p>Advises caution around policies which increase cost and potentially discourage recycling of materials.</p>
Viridor Waste Management	Aleks Dragicevic	Waste management.	<p>Consider charges for MCPD bespoke 'specified' generators to be excessive. Requests detailed justification for the charges.</p>

## Summary of Responses

Question	Summary of Response
Question 1. What are your views on the proposed increase to Waste, Installation, Materials Recovery Facilities and EU ETS charges?	General acceptance of the CPIH as a measure of inflation from those that commented. Request for greater transparency and justification around charges.
Question 2. What are your views on the proposed increase to the abstraction standard unit charge?	<p>Concern from DCWW that the initial rise of 6.75% in year 1 is too high adding unseen cost to their budgeting for 2019-20 and goes against NRW charging principles to avoid cycles of cutting and increasing charges by managing surpluses and deficits. DCWW highlight the consequence of this in terms of delivering other customer priorities and propose an alternative smoothing rate over 5 years.</p> <p>Request for clarity from NFU Cymru about the impact on farmers making abstractions in Wales and how this is linked to reservoir infrastructure. Concern that reservoir investment does not directly benefit farmers or other non-public supply abstractors.</p>
Question 3. What are your views on the proposal to increase NRW hourly rate for COMAH regulation?	Comments received from DCWW who question the level of the charge for manpower and lack of tiered charges which may better reflect expertise and seniority of those carrying out different regulatory tasks related to COMAH.
Question 4. What are your views on the proposal to charge a fixed fee for assessing a Waste Recovery Plan?	<p>Concern that a charge may discourage recycling and a fixed fee disadvantages those needing a very low level of support and may not fully cost recover for occasions where high levels of support are required. Challenge around transparency and justification for establishing the charge.</p> <p>It was suggested that an alternative longer-term solution should address apparent lack of understanding of waste by business which would help improve the conversion rate (the consultation referred to 15% success rate on WRP's and a 4% conversion to paid application).</p>
Question 5. What are your views on the new proposals for Medium Combustion Plant Directive?	<p>Request for greater explanation around charge calculation. Concern that 2 hours pre-application advice is not sufficient and should be increased to at least 5.</p> <p>Concern from DCWW that Standard Rules are unlikely to apply to many of their installations leading to significant cost impact on them. Overall the costs are challenged as being high and hard to comprehend when compared across the scheme – i.e. Standard vs Bespoke. Request for the scope of the standard rules to be broadened.</p>

## Full Responses

Note – responses are provided in the language as submitted by the responder.

### Question 1. What are your views on the proposed increase to Waste, Installation, Materials Recovery Facilities and EU ETS charges?

Responder	Full Response
Dwr Cymru Welsh Water (DCWW)	DCWW note that NRW has attempted to absorb the impact of historical inflation and agree that CPIH is an appropriate measure of inflation in order to recover inflationary impacts in 19/20.
National Farming Union (NFU) Cymru	NFU Cymru would highlight that NRW propose an increase of 2.4% (based on the Consumer Price Index) for waste installations.  NRW, however, fail to explain, through proposals, how they have arrived at this figure apart from saying it is now due to full cost recovery. If NRW want to be fully transparent during this consultation they a full and detailed explanation of NRW's justification for the increase will be necessary.
Confor	No comment
Country Land and Business Association (CLA)	No comment
Viridor	No comment

### Question 2. What are your views on the proposed increase to the abstraction standard unit charge?

Responder	Response
Dwr Cymru Welsh Water (DCWW)	DCWW has been working with NRW to jointly address the challenges of addressing legislative changes which impact on S20 Agreements and the SUC regime.

	<p>In working towards a solution, DCWW and NRW jointly agreed a number of principles against which we would assess the merits of the various options identified. This balanced considerations such as affordability for abstractors, value for money and resilience (which takes account of the Well Being of Future Generations Act).</p> <p>The affordability principle used a working assumption that the maximum abstractors would be able to afford is 15% of 'price increases' in any 5-year period, including CPI inflation. The 15% (or 3% per annum) reflects the fact that it is difficult for abstractors to compensate for larger increases (either in year or cumulatively) through cost efficiencies.</p> <p>The proposed phasing of the price increases by NRW (6.75% in 19/20 and 2% in 20/21) is significantly in excess of the 3% per annum embedded in the affordability principle and significantly out of kilter with the price increases passed through from DCWW relating to the s20 agreements (2.75% per annum). If these proposals are adopted, total price rises over the three years ending April 2020 will be 12.75% (approximately 4.25% per annum on average). This includes the 6% price increase in 17/18.</p> <p>A 6.75% price rise in 19/20 increases SUC charges to DCWW by £0.7m and it will not be possible to deliver compensating efficiencies of this magnitude at such short notice. The impact of this is to reduce the available surplus for us to invest in customer priorities. Increases which are smaller in year one (19/20) but spread over a longer period of time would allow us the opportunity to develop and implement compensating cost saving initiatives, avoiding this cost effectively being passed onto our customers.</p> <p>Our analysis suggests that the 6.75% increase is driven in part by the fact that no increase was levied in 18/19 (i.e. deficit recovery) and in part because of NRW's desire to avoid deficits in relation to the SUC regime in future. Whilst this achieves NRW's objectives, DCWW does not believe that this adequately balances these objectives with the interests of abstractors.</p> <p>Our modelling suggests that NRW could significantly soften the impact to abstractors and more closely adhere to the affordability principle by allowing small deficits to carry over from one year to the next over the next 5 years.</p> <p>By way of illustration, a 3.5% increase in each year between 19/20 and 24/25 would achieve the same impact as existing NRW modelling on SUC charges. This would require NRW to be comfortable with a maximum deficit of £0.7m (average £0.35m over the period in question). Furthermore, DCWW would argue that this solution better reflects the application of NRW's Charging Principles, as outlined on p4 of the consultation document ('avoiding cycles of cutting then raising charges by actively managing our surpluses and deficits').</p> <p>Clearly, this is just one illustration but it does illustrate that there is a range of permutations available to NRW to further smooth SUC charge increases in the short and medium term that is more sensitive to the impact on abstractors; at a time when they are likely to be incurring other additional cost pressures planning for Brexit.</p>
<p>National Farming Union (NFU) Cymru</p>	<p>NFU Cymru seeks clarification from NRW that farmers with abstraction licences in Wales contribute to Dwr Cymru Welsh Water reservoir infrastructure through their payment of the Standard Unit Charge despite the fact that there unlikely to benefit from public water supply infrastructure?</p> <p>We note that a number of investment needs and cost pressures have been identified, leading to a proposed SUC increase of 6.75% in 2019/20 and a further 2% increase in 2020/21. We would highlight that these investment needs appear to relate substantially, if not wholly, to maintaining and improving the public supply of water. As a result, it</p>

	appears difficult and unfair to justify this substantial increase to be levied against farmers and 'non-public supply' abstractors.
Confor	No comment
Country Land and Business Association (CLA)	No comment
Viridor	No view

**Question 3. What are your views on the proposal to increase NRW hourly rate for COMAH regulation?**

Responder	Full Response
Dwr Cymru Welsh Water (DCWW)	<p>DCWW note the proposed increase in hourly rates relating to enforcing COMAH regulations from £125 per hour to £152 per hour (21.6%). DCWW acknowledges that this reflects a correction for under recovery of costs over 'a number of years'. However, on the basis that these costs are manpower costs, £152 appears very high (it equates to a value of £275k per resource per year).</p> <p>A flat rate also assumes that there is no differentiation in expertise or seniority of resources within NRW, which makes it difficult for NRW to show flexibility in complementing the expertise in place in regulated organisations and providing an appropriate level of support to those organisations.</p>
National Farming Union (NFU) Cymru	No comment
Confor	No comment
Country Land and Business Association (CLA)	No comment
Viridor	No comment

**Question 4. What are your views on the proposal to charge a fixed fee for assessing a Waste Recovery Plan?**

Responder	Full Response
Dwr Cymru Welsh Water (DCWW)	<p>DCWW acknowledges the current under recovery of costs relating to Waste Recovery Plan (WRP) pre-application support and the proposal to implement a fixed fee of £800 to provide this support.</p> <p>Whilst a fixed fee gives certainty of cost to those seeking this support, it does not allow for the broad range of likely support required by different organisations in Wales. The range of support required is likely to be wide and varied and so at one extreme, the fixed fee could become a barrier to those who believe that they need a very low level of support. Similarly, this is unlikely to allow full cost recovery on occasions where high levels of support are required. An alternative approach might be to have a smaller fixed fee, with a variable rate per hour to accommodate the range of likely support required.</p> <p>Furthermore, a 15% success rate on WRP's and a 4% conversion rate to a 'paid application' indicates a very high level of waste. The current approach recommends that this waste is charged to regulated businesses, whereas perhaps a longer term solution would be to address the root cause of the waste (for example, by working to improve understanding of these regulations).</p>
National Farming Union (NFU) Cymru	Again, NFU Cymru would highlight that there is little justification or evidence for the increase except for cost recovery. We request further detailed information on how was the £800 charge has been calculated.
Confor	No comment
Country Land and Business Association (CLA)	The principle of recycling of materials and general sustainability should be encouraged, any increased costs in this area need to be carefully assessed to prevent people from being discouraged into considering entering into this area of activity.
Viridor	No comment

**Question 5. What are your views on the new proposals for Medium Combustion Plant Directive?**

Responder	Full Response
Dwr Cymru Welsh Water (DCWW)	<p>DCWW acknowledges the proposed approach to permitting and subsistence charges for the MCPD.</p> <p>It is difficult to evaluate the significant difference between application for Standard Rules Permits/Subsistence Charges and Bespoke Permit Applications/Subsistence charges (which are in some cases 10 times the cost of a Standard Rules Application). Ultimately, we need to be confident that we can justify our costs to our customers across Wales and parts of England</p> <p>DCWW believes that the Standard Permit Rules are a little crude and will not apply to any of our installations. Applying under the bespoke scheme (and paying subsistence charges under this regime also) will have a significant cost impact to our business, which is exacerbated by other cost increases proposed in this consultation.</p> <p>Whilst DCWW have significant expertise in this area and are used to anticipating and providing additional analysis to support our applications, it is difficult to see how such an application will result in 10 times the work (and cost) for NRW.</p> <p>Furthermore, it is equally difficult to understand the difference in rates for subsistence charges between Bespoke and Standard Rules permits.</p> <p>Finally, costs for Transfers and Surrenders seem to be very high as no technical assessment is required.</p> <p>Based on these proposals, DCWW believe that all permit applications and subsequent subsistence charges will attract the bespoke charging regime, which could result in NRW significantly over recovering costs in this area.</p> <p>DCWW request that NRW broaden the scope of the standard rules permitting regime to incorporate a large proportion of the permitting work undertaken by DCWW.</p>
National Farming Union (NFU) Cymru	<p>Once again, NFU Cymru would highlight that no explanation as to how the fees have been calculated has been included. We do not believe that two hours pre-application advice is sufficient. This should be increased to at least five hours pre-application advice.</p>
Confor	<p>No comment</p>
Country Land and Business	<p>No comment</p>

Association (CLA)	
Viridor	<p>Fees proposed for the review of a bespoke 'Specified' generators application appear to be excessive. The proposed charges would generally exceed the equivalent costs attributed to the preparation of the application and associated Air Quality Modelling and Risk Assessment (where one is required). Justification for the charges needs to be detailed out, to ensure they are appropriate and justifiable.</p> <p>It is not clear why there would be a discernible difference in the costs attributed to a bespoke 'Specified' generator (with no input from AQMRAT) when compared to a bespoke MCP application.</p>

## Responses to other matters raised by the consultation.

Policy changes communicated in section 5 Other matters to note, are not directly being consulted on although we recognise these may have an impact on some stakeholders. We received the following comments relating to other matters raised.

**1. Dwr Cymru** - Whilst the consultation response form does not include a section for feedback on other matters of note, we have included our specific concerns below.

We note the intention to charge for Regulator Initiated Variations on the same basis as Stakeholder Initiated Variations (£885 per variation). It is unclear when this change is likely to be implemented (at the Charge Payers Consultative Group on 16th July, NRW advised that this change would be implemented for 19/20).

The likely impact for DCWW for 19/20 is £2.8m for which we have no budget. The programme of work for AMP 6 (2015 – 2020) was agreed on the basis that the permit variations would not be charged for. It is also difficult to see how this can be reflective of the cost to NRW of approving the permit variations.

For the period 2020 – 2025 this is likely to be a further £1m of cost, which is not reflected in our business plan submitted to Ofwat. If these new permit charges are introduced as proposed, the incremental cost for both 19/20 (Amp 6) and AMP 7 (2020 – 2025) which total approximately £3.8m in total will have to be funded from reductions elsewhere in the NEP budget, which will result in a smaller overall improvement programme.

DCWW request that NRW revisit these proposed charges in order to protect the agreed AMP 7 NEP budget.

We note the proposal to charge £125 per hour for pre-application advice.

Currently Dŵr Cymru and NRW collaborate very closely throughout the process of developing permit applications and it is not clear from the consultation what would be defined as pre-application advice and what would fall under the category of (more general) collaborative working. For example, would the charge be levied on Technical Surgeries and Liaison Meetings (where improvements are often discussed)?

We are concerned that this will drive down communication and the sharing of ideas and information that ultimately lead to the best possible outcome being achieved when applications are submitted. By way of another illustration, would the collaborative work to agree new ways of working for SMNR and catchment approaches attract these charges when NRW attend?

**2. NFU Cymru** - NFU Cymru would place on record our desire to have full input into any future review of charges directly, and through our membership of the Charge Payers Consultative Group. This will require significantly more resource in terms of number of meetings etc than currently where meetings take place once annually. The charging system could have particular impact on farmers across a number of areas, for example, if NRW decides to bring abstraction licences into the Environmental Permitting Regulations.

We would appreciate information from NRW on how many farmers have abstraction licences for 'general agriculture' and 'spray irrigation' purposes. In addition, what estimate does NRW have of the number of new authorisations it will deal with, in general and for agriculture.

**3. Confor** - The consultation document and the questions above indicate that the consultation is not proposing an introduction of a fee for the determination of a felling licence. It is only the advice service that is now proposed to be subject to a charge.

Confor understood that this matter was raised for consideration amongst the stakeholders but has not been made aware that the new charges would be introduced without receiving further evidence or representation from the forest industry. It is also noted that the period of free pre-application advice has been reduced from three hours to two.

The consultation document states that 'Where the level of detail and site-specific nature require technical input beyond the scope of basic advice NRW can provide bespoke advice through our discretionary advice service which is charged at our hourly rate of £125 per hour.'

A professional agent undertaking the work required by a client to submit a felling licence receives on an average a fee of £60 per hour. The charges and fees must be made commensurate to the technical skill and complexity of the service provided.

In England and Scotland, the costs of producing management plans and within those felling licences may be recovered by means of a Management Plan Grant. Within Wales the lack of support for the woodland owner means that this is a real cost in terms of the profitability of the proposed operation.

The likely outcome of this introduction of fee will be to sterilise smaller felling and management schemes. The larger scale operations will be prepared and documented by forestry professionals familiar with the complex system of application.

Smaller woodland owners and forestry operators who historically have relied on the support of NRW to produce felling licence applications will no longer afford or be capable of submitting an application. The net effect of this will be to reduce the area of forestry in ongoing management and to reduce the availability of timber supply in an already stretched market.

The impact will not only be a commercially damaging but also poses a significant risk to older under-managed woods that are reliant on small timber incomes to cover management costs and ensure that biodiversity habitats and maintenance continues.

This is directly at odds with the Woodland for Wales Strategy which states 'we aim to maintain the overall productive potential of Welsh woodlands at a national scale. We intend to do this through our twin strategies of bringing more woodlands into management and increasing woodland cover, and by supporting initiatives and strategies that increase the economic potential of woodland managed for a range of benefits.'

If there is to be the creation of a charge for the preparation of a felling licence it must be in conjunction with a program to simplify the application process and felling licence itself. There is a feeling within the forest industry that felling licences are being asked to comply with standards in excess of the UK Woodland Assurance Standard and that aspirational Welsh Government policy is being implemented not through legislation but via the back door.

