

7.2 Forward Look for Abstraction Charges

The abstraction licensing system is being reformed. As part of this, abstraction and impoundment licences are proposed to be brought into the Environmental Permitting Regulations. This will align abstraction licences with other environmental permits. Alongside the reform of the abstraction licensing system, we will also be reviewing abstraction charges in line with the aims of the Strategic Review of Charges and to align with the strategic framework being consulted on for current regimes in EPR.

In reviewing the abstraction charges scheme:

- We will ensure the cost of Water Resources management activities which allow all abstractors to operate in the water environment are fully, fairly and equitably recovered from all abstractors, by:
 - introducing categories of charges to recover the costs of baseline water resource management activities, for example planning, monitoring, assessing and reporting on the water availability within catchments
 - considering options to introduce subsistence charges to recover the costs associated with the service we provide for water transfer type activities and impoundments, which are currently exempt from subsistence charges
- We will review how the costs of our operational activities and specific services provided to support our regulatory role are recovered in a transparent and equitable way from those who benefit, by:
 - reviewing our approach to recovering the cost of the operational service we provide to specific groups of abstractors, for example the costs of managing, maintaining and operating our augmentation and transfer schemes; this may include ending the classification of some supported sources, modifying the extent of others and potentially seeking to classify new supported sources
 - exploring new options to better reflect the costs of our groundwater modelling service and the services we provide in catchments which help to define our policy where either levels of abstraction are unsustainable or where the hydrology is failing to support Good Ecological Status
- We will ensure the scheme can respond to cost variability within England, while ensuring stability for charge payers, by:
 - proposing to move away from eight regional charge account areas to one national charge account and addressing how the variability in the level of water resource management activity, driven by geographical, political and demographic differences is reflected in charges. We will look at options for doing this ensuring that we provide abstractors with transparency and regulatory protection and assessment of their effects on the water environment, as well as their future sustainability
 - working with Natural Resources Wales to review options for setting charges in the cross border catchments between England and Wales
- We will review application charges to ensure they fully recover the cost of the application and determination service, by:
 - amending application charges, including the cost of our pre-application service, to reflect the level of effort associated with determining different types of application

- considering options to recover the costs associated with Groundwater Investigation Consents, as and when legislation allows
- We will ensure that the scheme is fit for the future under Abstraction Reform, by:
 - understanding how new licensing approaches alter the operational cost of water management and exploring options to recover the potential costs fairly and equitably from those who benefit
 - reviewing the future requirement to recover costs of compensation liabilities through our charges

The timetable for reforming the abstraction charges framework is still to be determined; timing will be aligned to complement the move of licensing into EPR. We will engage and develop our proposals in collaboration with our customers and will undertake a full consultation in the future.