



# Representing Drainage Water Level & Flood Risk Management Authorities

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<b>Consultation:</b>	Standing charges – call for input		
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## Standing charges – call for input Response by ADA (Association of Drainage Authorities)

### About ADA

ADA is the membership organisation for drainage, water level and flood risk management authorities throughout the UK. ADA represents over 200 member organisations, including: internal drainage boards, regional flood & coastal committees, local authorities, and national agencies; as well our associate members who are contractors, consultants, and suppliers to the industry.

Our purpose is to champion and campaign for the sustainable delivery of water level management, offering guidance, advice and support to our members across the UK, and informing the public about our members' essential work.

ADA's response to the Ofgem call for input regarding standing charges has been compiled following discussion and engagement with members, predominantly feedback received from the chief executives and finance officers of internal drainage boards.

### Internal Drainage Boards

Many parts of the UK are reliant on careful water level management to prevent damaging flooding to people, property and the environment or water logging of soils which can increase subsidence to properties, infrastructure and reduce agricultural productivity. Many lowland areas sit below or close to sea level, such as the Fens and Somerset Levels; with some areas of land needing to be pumped three times before rainfall is safely evacuated to sea.

Each internal drainage board (IDB) is a public authority that manage water levels within a lowland area, known as a drainage district, where there is a special need for drainage. They reduced the risk of flooding within their districts via their careful management of watercourses, embankments, water control structures, and, critically, pumping stations - the overwhelming majority of which are powered by electrical motors.



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Today, there are 112 IDBs in England whose drainage districts cover 1.2 million hectares (10% England's landmass). These occur in areas such as: The Fens, Somerset Levels and Moors, Broads, and Humberhead Levels.

IDBs undertake works to reduce flood risk to people and property, and manage water levels for agricultural and environmental needs within their district through the routine management of watercourses and flood defence assets. Their work plays a key role in reducing flood risk to over 600,000 people and nearly 900,000 properties. They operate and maintain 615 pumping stations, 22,000 km of watercourse, 175 automatic weed screen cleaners and numerous sluices and weirs.

The main use of electricity by an IDB is for the pumps located in each pumping station. Historically, these were diesel powered, but over the last 50 or so years most have been converted to electric powered pumps and the strong desire continues to replace diesel pumps with electric pumps to eliminate carbon emissions. That desire, however, has sadly been seriously affected by the current position on electricity charges where the use of diesel pumping is proving much more cost effective. The electricity baseload needs of these critical flood management pumping stations is relatively low, but the maximum capacity required in times of flood concern is high, with the duration needed for such high capacity being relatively short.

The use of the pumps is mainly driven by weather conditions so in the summer they may be used very little or not at all, and during the winter months they may be used more frequently. During a storm event, such as the recent Storms Babet and Henk, the pumps are used excessively, running for 24/7 for several days/weeks/months.

Due to this reliance upon the weather, IDBs' electricity usage can vary greatly over a calendar year and vary year on year. Indeed the winter of 2023/24 is already proving likely to be a record breaking one for their pumping activities.

## **Call for input response**

ADA welcomes Ofgem's call for input into its review of standing charges. We feel that the Targeted Charging Review did not consider flood risk management operations and how all Risk Management Authorities are obliged to operate pumps to protect people, property and the environment. For this input, ADA is focussing on the unique needs and role of internal drainage boards (IDBs) as electricity users within its concept and therefore its implementation has placed an undue burden upon those of them which operate pumping stations.

Whilst the emphasis of this review appears to be on domestic customers, ADA's response focuses on the impacts upon internal drainage boards in answer to Question 14 of the Call for Input - *What issues affecting standing charges in the non-domestic retail sector should we consider further?*

Standing Charges have had a significant impact upon IDBs over the last two years, with very large increases that are stated by energy suppliers and brokers to IDBs as being a direct result of the Ofgem Targeted Charging Review. These increases in standing charges come in addition to substantial increases in the price per KWH of electricity charged by suppliers as a result of the



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market volatility following, the COVID-19 pandemic and the war in Ukraine. These increasing costs are putting substantial pressures upon the finances of IDBs, and by extension the drainage rates and special levies that they charge upon local agricultural land managers, and local authorities.

ADA has asked all IDBs to provide data regarding the standing charges for the flood and water management sites that they operate over recent years. To date 62 IDBs out of the 112 IDBs in England have provided this data from across 270 flood and water level management assets that they operate, the overwhelming majority of which relate to pumping stations (256).

The data provided by those 62 IDBs shows that standing charges have risen for them collectively by 393.57% between 2020/21 and 2023/24. Increasing from a total standing charge of £176,385 in 2020/21 to £870,581 in 2023/24. To put that in context, the total annual expenditure of those 62 IDBs in 2020/21 was only £37 million. The data received to date from IDBs accompanies this submission to the Ofgem Standing Charges Review.

Please note that there is likely to have been a similar impact upon the other 23 IDBs with pumping stations that have not responded to date, including a further 361 pumping stations that they operate, less a very small number (~25 pumping stations) that are solely powered by diesel engines. There are also 27 IDBs who do not operate pumping stations and consequently have not seen significant increases in standing charges as their operations rely largely on gravity drainage systems.

One of our members, the Middle Level Commissioners, owns and operates the largest flood management pumping station in the UK - St Germans Pumping Station. For this station alone the standing charge has increased by 1,282% from £3,915 to £54,140 and currently only circa 50% of the station's maximum capacity is served by the grid given that it is dual powered with electricity also generated on site by diesel electric turbines.

It has been estimated by the Middle Level Commissioners that this critical piece of national infrastructure (alongside the flood risk management infrastructure of local IDBs and the Environment Agency) currently avoids £275 million of damages to electricity utility assets alone within the heart of the Fens. This loss is calculated for damages to electricity generation and distribution assets within the Middle Level of the Great Ouse Fens. The losses are calculated only where the infrastructure would be permanently lost to flooding. Source: Future Fens Flood Risk Management, Baseline Report (December 2020) [see pages 102, 106, 116] - <https://www.ada.org.uk/knowledge/future-fens/>.

Indeed, IDBs' pumping stations and other water control infrastructure that they operate provide significant flood protection to the electricity generation and transmission sector (as well as to its customers) and this has a substantial financial benefit to the sector. ADA has previously calculated that over 40 of England and Wales's major electricity generation sites are located within drainage districts, equating to around 50% of the installed capacity (potential maximum power output) in England and Wales. On top of this there are over 30 wind farms, 20 solar parks and 10 biomass power stations each with an installed capacity greater than 10MW located within IDB districts. This includes England's largest onshore wind farm (68MW) at Keadby, near Scunthorpe within the Isle of Axholme & North Nottinghamshire Water Level Management Board. Furthermore, of the high capacity 400kV and 275 kV substations in England and Wales, ADA has previously estimated

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that ~16% are found within Drainage Districts (see <https://www.ada.org.uk/knowledge/value-of-water-level-management/>). All such sites need careful water level management to avoid flooding or damage to associated infrastructure, and yet the electricity generation and transmission sector currently makes no financial contribution to IDBs for the flood protection services that they provide.

The dramatic step-change increase in standing charges has had to be borne by IDBs' ratepayers (who are farmers and land managers within IDBs' drainage districts who benefit from their work) and via special levies charged upon Unitary and District Councils within these areas, special levy is in part funded through council tax and revenue support grant creating additional financial burdens on council-delivered critical public services. Electricity costs form a significant proportion of IDBs' overall revenue expenditure, therefore the impact of the Targeted Charging Review, if it continues, will have a disproportionate impact on their public service objectives and place people, businesses, and critical infrastructure and the environment at greater flood risk, increasing the risk to life and livelihoods.

There are also a small number of large diesel-powered pumping stations still operated by IDBs that are coming to the end of their design life, along with other pumping stations that use a combination of diesel and electricity. Schemes to address many of these are within the Government's Flood & Coastal Erosion Investment Programme funded by the Department for Environment Food & Rural Affairs via the Environment Agency. The step-change increase in standing charges has resulted in IDBs being cautious about progressing these much-needed improvements to their assets at a time when government is looking for delivery authorities to accelerate schemes to improve the nation's flood resilience and reduce their carbon emissions.

## Conclusions

As illustrated, these increases in standing charges have had a serious impact upon the finances of internal drainage boards as smaller local public bodies over the last two years, since the Ofgem TCR has been implemented. ADA is greatly concerned that the critical public service provided by flood risk management authorities and in particular, IDBs, has not been considered, understood, and catered for within the changes that have been applied. IDBs cover about 10% of England so the impact of this unfairly penalises people and businesses within lowland areas compared to the remaining 90% of the country. Many of these rural lowland areas are also relatively deprived, magnifying the unfairness.

ADA and IDBs consider that the financial impact stemming from electricity providers' the Ofgem TCR has been excessive and is not distributed evenly. From what we can ascertain, IDBs have been particularly impacted upon, perhaps due to factors such as their ad hoc/inconsistent usage and by their pumping stations being in remote locations. Nonetheless, IDBs are providing a vital public service, including to the energy industry, by reducing the risk of flooding within lowland areas which not only contain many homes, business and productive farmland, but also critical electricity generation and transmission infrastructure. The large increases in standing charges experienced by IDBs over the last two years cannot continue, and needs to be quickly reversed, as it is creating a large burden on local taxation for no change in service provision, when financial



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resources are scarce, and these additional costs have been necessarily passed on to both local councils and their ratepayers, and agricultural land managers.

IDBs are public bodies, not commercial profit-making organisations, and these increased standing charges are putting significant strain on already overstretched budgets with insufficient additional funding to meet these costs. It appears IDBs are a sector that is unwittingly bearing the unfair and unintended consequences of the Ofgem Charging review.

On behalf of IDBs and other flood risk management authorities within Great Britain, ADA urgently seeks a meeting with Ofgem to further discuss this critical national flood resilience issue alongside colleagues from the Department for Environment Food & Rural Affairs (Defra), Department for Levelling Up Housing & Communities (DLUHC), and the Department for Energy Security & Net Zero (DESNZ).

ADA joins with colleagues from IDBs in encouraging Ofgem to:

1. review the bandings for critical public infrastructure such as pumping stations operated by IDBs, the Environment Agency, and any other affected flood risk management authorities.
2. review what charges have been moved from unit rates to standing charges and consider if this is fair and reasonable or should some of the charges revert to the unit rate on the principle that the 'user pays' (i.e. the more you use the more you contribute to these costs).
3. consider the introduction of special rates or treating IDBs as an exception case (either through unit or standing charges), by issuing a 'dispensation' for critical public infrastructure such as pumping stations operated by IDBs and the Environment Agency.
4. to work with Defra and DESNZ to agree a framework whereby the energy sector financially contributes to relevant revenue and capital expenditure of IDBs wherever an IDB's infrastructure provides flood protection to energy sector assets.