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SAA
Scottish Assessors' Association

Revaluation 2026

Utilities Committee

Practice Note 4
Valuation of Conventional Hydro Electricity Generators

1.0 Introduction

1.1 This Practice Note is to assist with the valuation of conventional hydro electricity generation subjects for the 2026 Revaluation.

1.2 This Practice Note provides guidance on the valuation of conventional hydro electricity generation subjects with a total installed generation capacity of up to 5MW, used to generate electricity where the power generated is mainly or exclusively for distribution for sale to consumers and are, unsubsidised or in receipt of either Renewable Obligation Certificates (ROCs) or Feed-in Tariffs (FITs) as administered by the Office of Gas and Electricity Markets (Ofgem).

1.3 Subjects with a generating capacity of 50 kw or less are defined as micro generation in accordance with the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000, as amended. In terms of this legislation certain items of plant and machinery defined as having "micro generation capacity" are excluded from valuation for rating. Consideration should be given to making an entry in respect of any buildings or other relevant rateable plant and machinery if applicable. Rateable items of plant and machinery should be valued on the Contractor's Basis with reference to the Rating Cost Guide Scotland (RCGS).

1.4 This Practice Note is not intended to cover the valuation of hydro pumped storage facilities. Guidance should be sought from the Lanarkshire Assessor in relation to the valuation of such subjects.

2.0 Basis of Valuation

2.1 Subjects are to be valued by reference to the Receipts and Expenditure Method.

This basis of valuation firstly determines the gross profit by taking the gross receipts less the cost of purchases (direct costs). Working expenses (operating costs) are then deducted to give operating profit, this is then adjusted for depreciation of tenant's assets to arrive at the divisible balance. The divisible balance represents the amount to be shared between the tenant (tenant's

share - return on capital/risk/profit) and landlord (landlord's share - the rent payable or the rateable value).

2.2 For sites where full costs and accounts are available it may be appropriate to carry out a full receipts and expenditure valuation rather than applying the scheme detailed below.

3.0 Valuation Considerations

3.1 Site Accreditation

3.1.1 Financial support has been available to eligible hydro schemes in the form of Renewables Obligation Certificates (ROC's) since 2004 and Feed-in Tariffs (FITs) since 1 April 2010.

3.1.2 ROCs were introduced in 2004 and give financial support to qualifying hydro schemes.

3.1.3 FITs, introduced on 1 April 2010, give financial support for qualifying installations generating up to a maximum capacity of 5MW. The amount of support varies depending on the total installed generation capacity and date of accreditation. The FIT tariff is generally set when a scheme receives preliminary accreditation, up to two years before a site is commissioned. If a scheme misses this deadline it falls to be valued on the prevailing FIT tariff at the time of commissioning. Once a FIT tariff has been set it runs with the subject. As FIT tariffs have varied since their introduction – care should be taken ascertaining the correct FIT tariff. The FIT scheme closed to new applicants from 1 April 2019, with some exceptions.

3.1.3 FITs, introduced on 1 April 2010, give financial support for qualifying installations generating up to a maximum capacity of 5MW. The amount of support varies depending on the total installed generation capacity and date of accreditation. The FIT tariff is generally set when a scheme receives preliminary accreditation, up to two years before a site is commissioned. If a scheme misses this deadline it falls to be valued on the prevailing FIT tariff at the time of commissioning. Once a FIT tariff has been set it runs with the subject. As FIT tariffs have varied since their introduction – care should be taken ascertaining the correct FIT tariff. The FIT scheme closed to new applicants from 1 April 2019, with some exceptions.

3.2 Total Installed Generating Capacity of the Site

3.2.1 The valuer should establish the Total Installed Generating Capacity of the Site (TIGC) in megawatts (MW) from the operator. As a check this information is also available publicly on the Office of Gas and Electricity Markets (Ofgem) website which lists all accredited stations.

3.3 **Output of the Site Expressed as Megawatt Hours**

3.3.1 The volume of trade or business produced by any given site is determined by the output. The unit of measurement is megawatt hours (MWh). Where possible the valuer should seek documentary evidence from a return of information form which will assist in determining the level of MWh the site is likely to generate per annum.

4.0 Valuation

4.1 This valuation firstly requires the calculation of the gross profit.

4.1.1 **Gross Receipts**

Total income for each site is dependent upon the wholesale electricity price, the scheme to which it is accredited (if it is accredited) and embedded benefits.

The total income will vary dependent on accreditation and the date of any accreditation.

The table below gives the adjusted income per MWh to be applied to the output to arrive at the total adopted income.

Accreditation Type		Income per MWh (£)
Unsubsided / Unaccredited Sites		£70
ROC Accredited		£130
FIT Accredited	Pre-accreditation Date	-
50kW - 100kW	01/04/2010 - 31/03/2014	£380
	01/04/2014 - 30/09/2014	£365
	01/10/2014 - 31/03/2015	£335
	01/04/2015 - 30/09/2015	£306
	01/10/2015 - 14/01/2016	£282
	15/01/2016 - 31/03/2016	£194
	01/04/2016 - 30/06/2016	£182
	01/07/2016 - 30/09/2016	£181
	01/10/2016 - 31/12/2016	£181
	01/01/2017 - 31/03/2017	£178
	01/04/2017 - 30/09/2017	£181
	01/10/2017 - 31/12/2017	£180
	01/01/2018 - 31/03/2018	£176
	01/04/2018 - 30/06/2018	£180
	01/07/2018 - 30/09/2018	£180

	01/10/2018 - 31/12/2018	£180
	01/01/2019 - -	£177
100kW to 500kW	01/04/2010 - 14/03/2013	£262
	15/03/2013 - 31/03/2014	£315
	01/04/2014 - 30/09/2014	£303
	01/10/2014 - 31/03/2015	£280
	01/04/2015 - 30/09/2015	£256
	01/10/2015 - 14/01/2016	£238
	15/01/2016 - 31/03/2016	£159
	01/04/2016 - 30/06/2016	£159
	01/07/2016 - 30/09/2016	£159
	01/10/2016 - 31/12/2016	£159
	01/01/2017 - 31/03/2017	£157
	01/04/2017 - 30/06/2017	£159
	01/07/2017 - 30/09/2017	£159
	01/10/2017 - 31/12/2017	£159
	01/01/2018 - 31/03/2018	£155
	01/04/2018 - 30/06/2018	£158
	01/07/2018 - 30/09/2018	£158
	01/10/2018 - 31/12/2018	£158
	01/01/2019 -	£156
500kW to 2MW	01/04/2010 - 31/03/2014	£262
	01/04/2014 - 30/09/2014	£252
	01/10/2014 - 31/03/2015	£234
	01/04/2015 - 30/09/2015	£216
	01/10/2015 - 14/01/2016	£201
	15/01/2016 - 31/03/2016	£159
	01/04/2016 - 30/06/2016	£159
	01/07/2016 - 30/09/2016	£159
	01/10/2106 - 31/12/2016	£159
	01/01/2017 - 31/03/2017	£157
	01/04/2017 - 30/06/2017	£159
	01/07/2017 - 30/09/2017	£159
	01/10/2017 - 31/12/2017	£159
	01/01/2018 - 31/03/2018	£155
	01/04/2018 - 30/06/2018	£158
	01/07/2018 - 30/09/2018	£158
	01/10/2018 - 31/12/2018	£158
	01/01/2019 -	£156
2MW to 5MW	01/04/2010 - 30/11/2012	£147
	01/12/2012 - 31/03/2013	£141

01/04/2013 - 31/03/2014	£120
01/04/2014 - 30/09/2014	£120
01/10/2014 - 31/03/2015	£115
01/04/2015 - 30/09/2015	£110
01/10/2015 - 14/01/2016	£106
15/01/2016 - 31/03/2016	£134
01/04/2016 - 30/06/2016	£134
01/07/2016 - 30/09/2106	£134
01/10/2016 - 31/12/2016	£134
01/01/2017 - 31/03/2017	£133
01/04/2017 - 31/12/2017	£134
01/01/2018 - 31/03/2018	£132
01/04/2018 - 31/12/2018	£134
01/01/2019 -	£133

In general, there will be no direct costs as the fuel in this type of generation is free, hence the adopted income will also be the gross profit.

5.0 Operating Profit

5.1 Operating costs are then deducted from gross profit to give the operating profit.

5.1.1 Operating Costs

Operating costs have been analysed and a table of typical running costs for the hypothetical tenant per MW dependent on the size of the station was created. The figures should be interpolated between points.

TIGC (MW)	Operating Cost per MW
0.05	£460,000
0.10	£400,000
0.50	£230,000
1.00	£180,000
2.00	£150,000
5.00	£150,000

5.2 Depreciation

5.2.1 Depreciation is allowed on the tenant's assets, deemed to be 37% of the total costs. This reflects the items which are rateable in terms of The Valuation of Plant and Machinery (Scotland) Regulations 2000.

5.2.2 It is calculated on a straight-line basis over 30 years.

5.2.3 Depreciation on tenant's assets is calculated on the table of capital costs below. The figures should be interpolated between points.

TIGC (MW)	Capital cost per MW
0.05	£7,250,000
0.10	£6,700,000
0.50	£5,475,000
1.00	£4,450,000
2.00	£3,900,000
5.00	£2,800,000

6.0 Divisible Balance

6.1 The tenant's share may be regarded as the first call of the divisible balance. This share has to be sufficient to encourage the tenant to take tenancy of the lands and heritages and to provide an appropriate reward to achieve a profit, an allowance for risk and a return upon their capital.

6.2 To reflect the interest on capital, profit and risk associated in carrying out the undertaking, the tenant's share is increased by 10% for subsidised sites and 15% for unsubsidised sites.

6.3 Deducting the tenant's share from the divisible balance leaves the income available for rates and for the payment of rent i.e. the landlord's share.

7.0 Net Annual Value/Rateable Value

7.1 The remaining income is available for the payment of rent and rates. The rates payment will be stripped out and the resultant figure is the amount available for rent, this being the Net Annual Value/Rateable Value.