CoalImp

Association of
UK Coal Importers

Ben Worley
Senior Regulatory Economist
Network Rail
Kings Place
90 York Way
London N1 9AG

8th February 2013

Dear Mr Worley,

**Consultation on the Coal Spillage Charge (CSC) and the Coal Spillage Reduction Investment Charge (CSRIC)**

I am pleased to respond to the Consultation dated 12th December 2012 on behalf of CoalImp (the Association of UK Coal Importers).

CoalImp represents major coal users (including most of the coal-fired generators), rail companies, ports and other infrastructure operators in the coal supply chain. The twenty members (listed in the Appendix) account for the handling, transportation and use of the majority of imported supplies into the country, and are responsible for the transportation and receipt of the majority of all coal carried on the rail network for the electricity supply industry (ESI) accounting for over a third of electricity produced last year in the UK.

In summary, we believe it is logical to include spillage costs within the Freight Specific Charge as long as the market can bear it, as this would reduce complexity of charging. However, the Network Rail cost estimate for CP5 is 3 times higher than the Halcrow estimate and should be reviewed. We also agree that the CSRIC should be discontinued and any money remaining in the pot should be refunded to the freight operating companies in the proportions at which it was levied.

Answers to individual consultation questions are given below.

Yours sincerely

**Nigel Yaxley**
Managing Director

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**Responses to Consultation Questions**

*Q1: What is your view on potentially recovering coal spillage costs through any new freight-specific charge, rather than a separate CSC?*

It is logical to include within the Freight Specific Charge (FSC) as long as the market can bear it, as this would reduce complexity of charging. However, if the FSC is to be levied on a tonne km basis, as proposed, then including CSC within the FSC is illogical, as the coal only "spills" from the wagon once, regardless of the length of journey.

We agree that the CSC should be recovered separately for market segments (e.g. industrial coal) that are not subject to the FSC.

*Q2: What is your view on the methodology and assumptions that have applied in order to initially estimate coal spillage costs?*

The NR cost estimate for CP5 is 3 times higher than the Halcrow estimate. This very substantial difference causes us to believe that the methodology and assumptions used by NR are highly suspect.

*Q3: Do you have any comments on our initial list of coal loading and unloading points set out in Annex B?*

Didcot (included in the list) and Cockenzie (not included in the list) power stations are closing prior to the commencement of CP5 and we hope that the NR coal forecasts (see also later comment in response to Q9) reflect the reduction in volume from the respective supply points.

We suggest that Network Rail should check the list with the freight operating companies (FOCs) as a few errors are immediately apparent; e.g. Ironbridge and Lynemouth power stations are missing and some supply locations (especially UK mine sites) may need reviewing as to their inclusion.

*Q4: What is your view on our proposal to discontinue the CSRIC in CP5?*

We agree that the CSRIC should be discontinued and any money remaining in the pot should be refunded to the FOCs in the proportions at which it was levied.

*Q5: What is your view on the appropriate size of an annual investment fund assuming that it was considered appropriate to retain the CSRIC in CP5?*

See answer to Q4.

*Q6: What is your view on how we have initially estimated the CP5 CSC rate?*

See answer to Q2. The statement on page 17 in support of Table 6 is a contradiction. Network Rail is stating that the cost of coal spillage is increasing but traffic is forecast to decline. If point failures, for example, broadly follow the trend in traffic volumes (page 19) then this statement does not stand up to scrutiny. Costs will decline with the decline in volume.

*Q7: What is your view on our proposal to cease adjusting the CSC rate annually in CP5 based on the number of coal related points failures?*

Given the suggestion that the charge should be included in the FSC, subject to what the market can bear, then the CSC cannot be reviewed annually.

*Q8: What is your view on our proposal that if the CSRIC were to be levied in CP5 there would be considerable merit in setting the level of the charge for the duration of the control period?*

We do not believe there is any justification in continuing to levy the CSRIC.

*Q9: Do you have any other comments?*

We do not recognise the figures in the NR coal volume forecast (Figure 1, page 17 of the consultation document). All credible forecasts of which CoalImp is aware (including DECC's latest forecast) show dramatic reductions in coal volumes by the early 2020's.

APPENDIX

**CoalImp Membership**

Associated British Ports

Clydeport

DB Schenker

Drax Power

EDF Energy

Eggborough Power

E.ON Energy Trading

Fergusson Group

Freightliner Heavy Haul

GB Railfreight

GDF Suez

Hargreaves Services

Lynemouth Power

Network Rail *

Oxbow Coal

Port of Tyne Authority

Rudrum Holdings

Scottish Coal

Scottish Power Energy Management

SSE Energy Supply

* Network Rail has of course stood aside from participating in the discussions and processes leading to this response, and its views are not represented.