



Ben Worley  
Senior Regulatory Economist  
Network Rail  
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8<sup>th</sup> February, 2013

Dear Mr Worley,

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

We are responding to the consultation on the structure of the CSC and CSRIC in Control Period 5.

Drax Power Limited ("Drax") is the operating subsidiary of Drax Group plc and the owner and operator of the 4000MW Drax Power Station in North Yorkshire. Drax is the largest coal generator in the UK, and produces around 8% of UK power, consuming around 10 million tonnes of coal a year. As a result, we are also the most significant user of coal freight in the country. We are therefore well placed to comment on your draft proposals.

In summary, we consider that increasing the coal spillage charge by over 100% has not been justified by the evidence provided in the consultation document. We have described the reasons for this in the attached document.

If you would like to discuss any of the views expressed in this representation, please feel free to contact me.

Yours sincerely,  
by e-mail

A handwritten signature in black ink, appearing to read "David Love", with a horizontal line underneath.

**David Love**

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

**Consultation questions**

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

We have no strong opinion whether the CSC should be incorporated into the new Freight Specific Charge providing it is transparent that it is clearly linked only to coal.

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

Cost of remedying a points failure that does not cause delay minutes

The proposal is to increase this cost from £320 to £500 (£180 increase) to cover the cost of new ballast.

- But, Footnote 19 states that the cost of new ballast is only £90.
- As the original cost of £320 included the transport and disposal cost for contaminated ballast (Footnote 20) it is unclear why the cost should increase by £180.

Cost of Rail Vac

Changing the assumption of the number of points that Rail Vac could treat during a weekend possession from two to one for charging appears overly onerous. The evidence presented in the consultation that typically only one set is treated implies that on some occasions it must be greater than one. Why isn't the actual average utilisation from CP4 experience used in the assessment of the charge?

Cost of Tube Cube and Manual Intervention

If the Tube Cube and manual intervention clean-up costs are to be included in the Coal Specific Charge for CP5, will they be removed from the Network Rail Freight Avoidable Costs?

Is there an explanation why materials for each manual intervention cost £500 (Footnote 29) compared to £90 for Tube Cube or Rail Vac?

Cost of point end and plain line service life reductions

The analysis makes the same assumption as CP4 on the distance when coal spillage is exhausted from loading and unloading locations. Why is there no allowance for the reduction in spillage from the wagon cleaning investment during CP4 and the expectation of further reductions as a result of power generators interventions alluded to in Section 5?

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

No

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

None

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

It should only be maintained at a level that is appropriate to the need.

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

Comments above

**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?**

The consultation document sets out a reasoned argument why the rate should not be adjusted annually.

However, if the CSC is not adjusted to reflect improvements in coal spillage resulting from clean-up operations and equipment, there will be little incentive on FOCs and load point operators to improve performance.

**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?**

If a good reason for retaining the CSRIC emerges from the consultation then it would be appropriate to use that evidence to decide whether the level should be set for the duration of the control period.

**Q9: Do you have any other comments?**

No