

Mr Bill Davidson  
Regulatory Policy Manager  
Network Rail  
40 Melton Street  
London NW1 2EE

14<sup>th</sup> December 2007

Dear Mr Davidson,

### **Network Rail Strategic Business Plan**

1. I am pleased to respond to your e-mail of 5<sup>th</sup> November on behalf of CoalImp (the Association of UK Coal Importers). Our comments are limited to a few specific aspects of the SBP associated with the proposed charging regime.
2. CoalImp represents major coal users (including all the coal-fired generators), rail companies, ports and other infrastructure operators in the coal supply chain. The twenty three members (listed in the Appendix) account for the handling, transportation and use of the majority of imported supplies into the country, in turn accounting for over a quarter of electricity produced last year. Members are also responsible for the despatch, transportation and receipt of the majority of coal carried on the rail network.

### **The principle of charging for costs of freight-only lines on ESI coal**

3. In its earlier response to ORR<sup>1</sup>, CoalImp made clear its opposition in principle to charging costs of freight-only lines on ESI coal traffic. I do not propose to rehearse those arguments again here, but would like to record that our comments below should be seen against this background.
4. One of the key points made in the response to ORR was that whilst the consultation was concerned with matters of principle, businesses' views on these matters were inevitably conditioned by the materiality of the charges and that members' concerns about charges for freight-only lines would be mitigated if there was a significant reduction in the overall level of track access charges.

### **Reductions in variable track access charges**

5. We therefore welcome the overall reduction in variable track access charges, and support the element of reduction which results from taking into account tangential forces.

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<sup>1</sup> <http://www.coalimp.org.uk/8.html>

6. The second element of reduction, based on a 12.5% efficiency improvement over the period, does not however seem challenging enough. The combined effect of evidence supplied by EWS Railway would support a reduction of access charges by between 40 and 60% from the current level.<sup>2</sup>
7. CoalImp has copied this response to ORR as requested, and calls on ORR to work with Network Rail in setting a more challenging efficiency reduction.

### **Coal spillage**

8. CoalImp welcomes Network Rail's recommendation that there should be further industry discussion on the way forward before taking any decisions on a charging regime for coal spillage. Such discussions should start from the basis that prevention is better than the cure.
9. The issue of charges for coal spillage is a matter of concern for a number of members who believe they are being charged for something which is not of their making and over which they have no control. Under the current regime there is no incentive to reduce spillage. Those operators who have invested in equipment or taken other action to reduce spillage are still penalised by the charges. [Charges or rebates need to encourage](#) operators/loading points/discharge points not to cause the problem.
10. The spillage charges which have been levied appear to be not at all transparent, and any review should be accompanied by a detailed breakdown, justification and schedule of where monies have been spent. In view of the comments on the general levels of Network Rail charges we would expect there to be considerable scope for savings.
11. As the old HAA wagon fleet is phased out, the spillage problem is likely to be concentrated at a smaller number of locations rather than being widespread across the network as may have been the case in the past. It should be possible to identify the specific sources of the problem and tackle it by discussion with the relevant parties rather than using a broad-brush financial penalty.
12. The issue was discussed at the CoalImp meeting on 29th August, where a significant cross section of interested parties was present, and where Ian Cleland gave a brief presentation on the extent and practical effects of spillage. We are currently in the process of setting up a sub-group of CoalImp members (including Network Rail) to hold further discussions. I trust that these discussions will assist Network Rail in taking the matter forward.

Yours sincerely

**Nigel Yaxley**  
Managing Director

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<sup>2</sup> EWS submission to the consultation on caps for freight track access charges - <http://www.rail-reg.gov.uk/upload/pdf/310-FWS-290107.pdf>

## **CoalImp Membership**

[Alcan Smelting and Power UK](#)  
[Associated British Ports](#)  
[British Energy Power and Energy Trading Limited](#)  
[Clydeport](#)  
[Drax Power Limited](#)  
[EDF Energy plc](#)  
[E.ON UK](#)  
[EWS Energy](#)  
[Fergusson Group](#)  
[FirstGBRf](#)  
[Forth Ports PLC](#)  
[Freightliner Heavy Haul Limited](#)  
[Hargreaves Services](#)  
[International Power Plc](#)  
[Network Rail](#) \*  
[Port of Tyne Authority](#)  
[Rudrum Holdings Limited](#)  
[RWE Trading](#)  
[Scottish Power Energy Management Limited](#)  
[SSE Energy Supply Ltd](#)  
[SSM Coal Ltd](#)  
[The Bristol Port Company](#)  
[Welsh Power Ltd](#)

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