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Dear Tim,

EDF Energy is pleased to have the opportunity to respond to the consultation on PR08 Charge to recover costs of freight only lines.

To summarise, EDF Energy is disappointed that access charges are to be marked-up for freight services to power generators.

EDF Energy remains concerned that ORR's proposals for a cap of £13.9m might be applied to a far lower charging base than it expects. It is highly possible that carbon allowances, gas prices, track access charges and closure of stations under the Large Combustion Plant Directive (LCPD), may reduce the volume of coal on the railway. Uncertainty as to the future volumes of coal that will be transported by rail, with estimates ranging from a 9% decrease to a 15% increase may result in charges being apportioned to lower volumes of freight from the ESI industry.

Network Rail's cost estimates have been viewed as high, by freight operators, the reporters and by ORR. These views are of concern to EDF Energy, as it may result in charges that are higher than the cost of providing the service. If the proposed caps are implemented on incorrectly calculated costs, with power generators paying a mark-up, it is likely that Network Rail may be over charging the freight operators for use of the network.

EDF Energy and other power generators are facing a phased in cap of £2.8m a year in using a gross tonnage based allocation, totalling a cap of £13.9m in 2013-14. That these costs are also estimated to vary from a low of £6.2m in 2013-14 indicates the arbitrary nature of allocating costs for using the rail network.

Although the ORR states that it would expect charges to be levied below the cap, it provides little solace to the customer, which has to face the prospect of possibly paying the value of the full cap.

We would prefer the caps based on an intermediate allocation rather than the highest. We recommend the **track length then gross tonnage allocation** method.

It seems strange to mark-up variable charges to cover fixed costs. However, EDF Energy believes that a **variable charge across the whole network** (as per point 36 in the consultation) would be the most appropriate. This appears the simplest process to implement charges that discriminate against two market sectors and relatively few customers. It also avoids the problem of any perverse incentives for freight to avoid freight only lines.

We hope that you will find these comments helpful.

If you have any queries please do not hesitate to contact me on the number below.

Yours sincerely,

David Scott  
Energy Regulation