



Department for Transport

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Dear Mr Quill,

This letter is the Department for Transport's response to the Office of Rail Regulation's Periodic Review 2013 consultation on a freight specific charge for biomass, published on 15 February.

Biomass power has an important role in increasing energy security and cost-effectively helping to diversify and decarbonise the UK's energy supply. Diversifying energy supplies improves energy security and resilience to fossil fuel price spikes, while also decarbonising our power supply. Converting coal generation to sustainable biomass helps keep energy bills down and create new business opportunities, as well as securing the power homes and businesses need.

The Department is conscious that stakeholders have raised concerns about the extent to which these proposed charges take account of the Department for Energy and Climate Change (DECC) renewable obligation certificates and Government's wider energy policy. A number of stakeholders have also raised concerns with us about the consultation document and the conclusions it reaches from the evidence that is available. These have covered a number of points including the following:

- o Biomass is an emerging market for which relatively little data is available. The ORR appears to have undertaken a very small amount of research and analysis to support its decision, compared with that carried out to support proposals made in respect of ESI coal.
- o The ORR analysis on what the biomass market can bear appears to have taken little account of the fact that the market is subsidised or of the wider economic factors which will drive investment decisions in the sector, including the significant need to develop new specialist handling facilities, wagons and the other equipment.

We believe it would be helpful for ORR to discuss these issues further with DECC before making its final determination on the matter.

*Yours sincerely,
N. Bisson*

NICK BISSON