

Valentina Licata  
Office of Rail Regulation  
1 Kemble Street  
London  
WC2B 4AN

4 September 2013

Dear Valentina,

**Periodic review 2013: Draft determination of Network Rail's outputs and funding for 2014 - 2019**

Thank you for the opportunity to comment on your consultation on Network Rail outputs and access charges for the period 1 April 2014 to 31 March 2019 (Control Period 5).

ScottishPower is part of the Iberdrola Group and is a power generator and retailer in the GB energy market. In particular, the impact of these proposals on freight charges for coal used to supply our Longannet Power Station in Fife, Scotland is an important consideration for our business.

We recognise that balancing the needs of Network Rail, their various customers and network users, and the wider public interest is inherently complex. Ensuring that track access charges remain reflective of the costs incurred by Network Rail in providing a service, whilst being commercially responsive to the needs of its customers, is clearly a major challenge against a backdrop of increasing freight traffic and passenger numbers.

We therefore appreciate the ORR's extensive and inclusive engagement on these issues over the past two years, and the willingness to seek to address areas of potential concern. This engagement has afforded all impacted stakeholders with the opportunity to comment and ensure their views have been reflected in the final proposals.

The proposals introduce a new form of charging for Electricity Supply Industry ("ESI") coal (together with spent nuclear fuel and iron ore) through the creation of a Freight Specific Charge. The UK electricity industry is currently undertaking a lengthy transition to reduce carbon emissions and to replace ageing coal, oil and nuclear power stations. For the period of this review, however, coal generation will continue to play a vital role in ensuring security of electricity supply and minimising prices for consumers.

Against this backdrop, we doubt that Freight Specific Charges are in the interests of our customers. Any significant increase in freight track access costs for ESI coal could be negative for the economics of coal fired generation and reduce the role this technology can play in meeting Government energy policy objectives.

However, we view the ORR proposals to limit the level of the Freight Specific Charge for coal, and in particular the reduction in the charge compared to Network Rail's January 2013 proposals, as positive. Similarly, the approach of phasing in the charge gradually from 2016/17 will help to mitigate the impact on coal generators and electricity customers over the early part of Control Period 5. We are, therefore, supportive of the revised proposals.

If you wish to discuss any aspect of this response, please do not hesitate to contact me or Derek Whitelaw in our UK Coal Procurement team.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line that serves as a separator.

**Rupert Steele**  
Director of Regulation