ATH Resources

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Joe Quill
Office of Rail Regulation
1 Kemble Street
London WC2B 4AN

10th August 2012

Dear Mr Quill,

Periodic Review 2013 – Consultation on the variable usage charge and on a freight-specific charge

ATH Resources (ATH) operates surface coal mines in Scotland, and is one of the largest producers of coal in the UK, providing coal principally to the electricity supply industry and also the industrial and house coal markets. Over 70% of ATH production is transported by rail to UK Generators and industrial end users. ATH Resources plc was listed on the Alternative Investment Market (AIM) in June 2004.

ATH employs over 300 people across Scotland and in Doncaster, South Yorkshire.

I am pleased to respond to this consultation, which has major implications for our business, a business which is important for employment and the local economy in the areas where it operates.

As this is such an important issue for the UK coal industry in general and for ATH in particular, I have prefaced answers to the individual questions with some general over-arching comments, summarising the main issues.

In summary, ATH believes that these unprecedented proposals are wholly unacceptable in terms of their likely impact on the railborne coal market, especially in the way they will affect Scottish coal producers.

We recognise that Government is trying to reduce costs across the board, but ATH is concerned that the proposals contained within this consultation document will have many far reaching effects other than merely reducing Government expenditure on rail freight. A proposal that reverses the previous direction of policy on track access charges, reduces the rail freight market, and distorts that market from the status quo, will put at risk past and future investment decisions, create uncertainty about future track access reviews and put jobs at risk in mines as well as in the rail industry. We believe it is well outside of ORR's remit to impose changes which could have such serious impacts on the coal industry in the UK.

Our principal concerns are set out below in the main body of this letter. Answers to specific consultation questions are set out in a separate section at the end. Although necessarily involving some repetition, our comments have been restated, as appropriate, under the relevant consultation question.

1. Introduction

1.1. In 2011 coal generation supplied 30% of the UK's electricity, and in peak times, during last winter, this level rose to well over 50%. Throughout the winter coal provided over 40% of electricity demand, and even in early Summer 2012, coal was producing a higher proportion of electricity than gas. In the first quarter of 2012, coal burn at power stations was at a higher level than any equivalent quarter since 2006 – which itself was at a higher level than any equivalent quarter since the late 1990's.

1.2. Coal therefore provides a vital component of UK energy, and indigenous coal is a key element in this, providing unrivalled security of supply. In recent months we have seen generators switching between fuels within their portfolio to keep generation costs down. This has resulted in fuel switching from gas to coal, and the UK consumer has benefitted as a result.

1.3. However, the energy market is embarking on a period of major change, largely driven by environmental and climate change objectives. Keeping the lights on during this period, and ensuring that ageing assets (including existing coal stations) do not close prematurely, before new low-carbon generation (including coal with carbon capture and storage) comes on stream, will be particularly challenging.

1.4. Government policies and initiatives are aimed at providing security and diversity of supply, affordability of electricity and decarbonisation of the sector. A whole series of complex initiatives is being put in place under the Electricity Market Reform (EMR) programme, now being taken forward in Parliament in the Energy Bill. This adds to other EU and UK regulation, already announced, but still to take effect. Policies and regulation which will impact coal-fired generation are summarised below:

- The Large Combustion Plants Directive (LCPD) will lead to the closure of several coal-fired power stations by the end of 2015 at the latest, namely Cockenzie, half of Ferrybridge, Ironbridge, Didcot, Tilbury and Kingsnorth;

- The Industrial Emissions Directive (IED) will come into effect in 2016; plant may opt in or out of the Directive or pursue a 'Transitional National Plan' approach, entailing differing consequences for operating hours, closure dates and levels of investment required on abatement equipment (principally for NO_x);

- Carbon Price Support – essentially a carbon tax – coming into force in 2013, will make coal-fired generation less economic compared to gas;

- A Capacity Mechanism – part of the EMR programme – still has to be set out in detail, but may enable existing coal-fired plant to provide secure back-up for intermittent renewables generation;

- Carbon Reduction Commitment – essentially a tax on energy consumption which has inadvertently created unintended consequences for coal producers in the UK through the necessary consumption of fuel oil to operate mining equipment. The tax to UK coal producers is wholly disproportionate to other organisations who must participate in the scheme.

1.5. It is recognised that these matters are not the direct concern of ORR, but once ORR starts to base judgments on criteria such as *"what the market can bear"* they become highly relevant considerations. The last thing the coal market needs at present is a further level of complexity and uncertainty created by these proposals.

1.6. The lack of a clear, long term energy policy for many years, has resulted in a situation where stakeholders have had to take high risk, but long term, investment decisions. Track access charges are one of a number of key cost elements that need careful and clear determination. A decision that reduces and/or distorts the rail freight market will hinder future investment decisions.

2. ORR Proposals – General Comments

2.1. Whilst recognising that Government is trying to reduce costs across the board, ATH is concerned that the proposals contained within this consultation document will have many far reaching effects other than merely reducing Government expenditure on rail freight. A proposal that reverses the previous direction of policy on track access charges, reduces the rail freight market, and distorts that market from the status quo, will put at risk past and future investment decisions, create uncertainty about future track access reviews and put jobs at risk in mines as well as in the rail industry. ATH believes that ORR has placed a major emphasis on the funds available from Government at the expense of its duty to promote the use of the railway and to enable companies to plan their business with a degree of reasonable assurance.

2.2. Overall, the ORR proposals appear to add a high degree of complexity and uncertainty for the rail operators and its stakeholders. Alternative modes of transport, including road and sea freight, do not suffer this level of complexity. The last thing industry needs in these incredibly challenging times, is increased complexity and risk to its transport decisions. We believe that these proposals would make it more difficult for parties to use rail, and may deter, or impart increased risk to future investment decisions.

2.3. ATH requests that ORR should review its proposals and revise them so that we can plan our business with a degree of security and confidence, building on the positive progress which has been made in the rail freight sector since privatisation.

3. Legality of ORR Proposal

3.1. ATH believes that should ORR significantly increase track access charges for the ESI rail freight then there is a strong probability that ORR will be in breach of its duties. Section 4.7 sets out the statutory duties of the ORR. Section 4.8 describes how ORR assesses how it determines what the market can bear whilst having regard to its statutory duties.

3.2. In Chapter 6, the market analysis undertaken by NERA for ORR concludes that a four-fold increase in TA will result in a reduction of 5% in terms of tonnes lifted (ATH believes this analysis refers to tonnes burned, not lifted by rail). Subsequent analysis in the MDST Stage 2 Report associates this level of increase with a potential reduction of 23% in terms of tonne kilometres.

3.3. Since the ORR's role is to regulate the rail market, not the energy market, ATH believes that a 23% reduction in rail freight puts ORR in breach of its statutory duties.

4. Investment

4.1. ATH believes that a significant increase in track access charges for CP5 would be inconsistent with, and a dramatic reverse of, past determinations.

4.2. In Section 4.7, the duties of ORR include *"to enable persons providing railway services to plan the future of their business with a reasonable degree of assurance"* and *"otherwise to protect the interests of users of railway services".*

4.3. Since 1995, whenever track access charges have been reviewed, the result from each Control Period determination has been a reduction for ESI coal traffic. This has informed and influenced past investment decisions, in turn creating established supply patterns and related contractual structures, many of which are long-term.

4.4. These decisions have been made based on a *"reasonable degree of assurance"* and that assurance is put at risk in the consultation document. In this context, the proposals are <u>unreasonable</u>, undermining the investment decisions and contractual commitments already made, and putting at risk future investments.

5. Assessing what the Market can Bear

5.1. ATH is fundamentally opposed to ORR's proposed change in policy to a market segment approach, based on an assertion that ESI coal 'can bear the increase'. This unprecedented change will have a negative impact on jobs and investment in coal production, generation and freight as well as a potential negative impact on power security and energy prices at a time when these are already subject to major impacts from energy and environmental policy developments. We are also fundamentally challenging the assertion that a wholly arbitrary and subjective 10% reduction in business activity, in any given market sector, is somehow 'acceptable'. We would argue that no reduction in business activity is justifiable, if its full ramifications are not understood, and where it is based on policy decisions which could not have been reasonably anticipated and planned for.

5.2. The purpose of the NERA modelling exercise was to determine whether the market could bear paying increased track access charges. Given a final conclusion that the market will shrink by 5% if access charges are increased by £10, then clearly the market <u>cannot</u> bear the increase without affecting the market. It is also worth highlighting again the point in 3.3 above that this 5% shrinkage is in the energy market rather than the rail market (where the effect is much greater). The rail market is almost always referred to in terms of tonne kilometres rather than tonnes, which refer to energy market effects.

5.3. The NERA analysis looked at the coal-fired electricity market, which at first sight appears appropriate and reasonable. In terms of impact on this market as a whole, it is probably true to say that volatility in international coal and gas prices are more significant than rail track access charges. However, for any set of coal and gas prices the determination of which stations run and which mines, ports and supply routes are used is far more finely balanced and is highly dependent on the rail charges. This level of analysis is quite explicitly overlooked by NERA, although it is the subject of the subsequent MDST Stage 2 Report.

5.4. Any assessment of what the market can bear is extremely subjective. Whilst an overall percentage-based approach may appear to show modest impacts, however the costs were to be recovered would create market distortions and winners/losers. In some circumstances this could lead to significant closures, job losses and stranded assets. Industry margins are already tight, and the notion that these costs can be absorbed is not credible. Also, the proposed 10% test of price elasticity and market impact is exercised at the national i.e. GB level – but that is also arbitrary, and masks the potentially devastating impact at the regional e.g. Scottish level. If, for example, the Scottish market, which accounts for some 30% of GB coal production, were considered a sub-sector within its own right, then clearly the implications could be much more serious, as illustrated in the MDST Stage 2 analysis.

5.5. We note that the MDST Stage 2 Report concludes that an increase of £10 will result in a national decrease in railfreight of 23%, and that there will be dramatic regional fluctuations. For example Ayrshire mines such as those operated by ATH, will lose 24% of their market even if they reduce their gate price of the coal by £2.50/tonne. Scottish surface mines are already the subject of competitive pressures which make impacts of this scale, on either prices or volumes, completely unmanageable. Therefore, we contend that the MDST Stage 2 analysis demonstrates that the market cannot bear the modelled increases of £5, £10 or £15 per thousand net tonne km.

5.6. Asserting to our employees or investors that this is simply something ‘the market can bear’ would be wholly unacceptable.

5.7. ATH, in common with other indigenous coal producers is already facing stiff challenges in a market of uncertain future and are vulnerable to major fluctuations in the world coal price which indeed has reduced by some 30% over the last year or so. in our recent In our interim results announcement in June, I made the following comment:

> *“However, increased gas oil costs, delays to certain extensions and higher mining ratios increased the overall cost of mining and reduced profit margins. Following the rapid fall in international coal prices, and with commodity markets forecasting that future prices will not stage any meaningful recovery in the medium term, the Group has reviewed all of its existing and future operations with a view to concentrating investment on those sites which will continue to generate cash even in this depressed market. Consequently*

annual levels of production will be reduced for as long as low coal prices persist. The Group's revised plan affords for the continued investment in the development pipeline in order to be able to take advantage of any future market recovery as and when it occurs."

5.8. In terms of quantifiable impacts in the mining sector, we believe job losses could be several hundred overall. Stranded assets could run to hundreds of millions of pounds, with further tens of millions in cancelled projects.

6. Geographically Based Charges

6.1. ATH does not understand the benefits expected from any introduction of geographically based charging. ATH believes such a proposal would increase risk to rail freight decisions and distort the market (recognising there may even be winners as well as losers in any such proposal). Such a proposal would add yet another degree of complexity and uncertainty to the use of rail freight, a complexity that road haulage does not face.

7. Comments on Market Analysis

7.1. ATH has major concerns about the conclusions that ORR draws from various works of analysis into the rail freight market, and especially into the market of rail haulage of coal for the electricity supply industry.

7.2. The MDST Stage 2 Report was published after the consultation document, and is referenced several times in this response, as it amply illustrates ATH's concerns. Analysis of this nature is necessarily something of a 'blunt instrument' as the modelling can never fully reflect the complexities of the market. In the case of the MDST Stage 2 Report, the quality considerations which can drive supply patterns are not considered (e.g. sulphur and NOx); nor are the influences of long-term contracts for supply, or haulage taken into account.

7.3. Probably the most significant flaw in the MDST analysis is the assumption that mine outputs are elastic, but the fact that they generally are not, makes the consequences of the modelling output even more draconian. Mines generally have to operate as close to their maximum capacity as they are able, to remain viable. A 24% loss in market for Ayrshire opencast mines could simply not be absorbed and would have a devastating impact on the companies operating there and on the local economy. Nor would it be practical for English deep mines to ramp up output to capture market share lost by Scottish mines, as suggested by the report; either the market would shrink or UK output would be replaced by more imports.

7.4. Despite these flaws, ATH believes that the MDST Stage 2 Report well illustrates our concerns. Conclusions that entail a 24% loss in business for one of the UK's principle coal-producing regions are simply breathtaking.

8. Conclusions

8.1. ATH Resources (ATH) operates surface coal mines in Scotland, and is one of the largest producers of coal in the UK, providing coal principally to the electricity supply industry and also the industrial and house coal markets. In 2011 coal generation supplied 30% of the UK's electricity, and in peak times, during last winter, this level rose to well over 50%. Coal therefore provides a vital component of UK energy, and indigenous coal is a key element in this, providing unrivalled security of supply.

8.2. However, the energy market is embarking on a period of major change, largely driven by environmental and climate change objectives. Keeping the lights on during this period, and ensuring that ageing assets (including existing coal stations) do not close prematurely, before new low-carbon generation (including coal with carbon capture and storage) comes on stream, will be particularly challenging.

8.3. It is recognised that these matters are not the direct concern of ORR, but once ORR starts to base judgments on criteria such as *"what the market can bear"* they become highly relevant considerations. The last thing the coal market needs at present is a further level of complexity and uncertainty created by these proposals.

8.4. ATH believes that a significant increase in track access charges for CP5 would be inconsistent with, and a dramatic reverse of, past determinations. Since 1995, whenever track access charges have been reviewed, the result from each Control Period determination has been a reduction for ESI coal traffic. This has informed and influenced past investment decisions, in turn creating established supply patterns and related contractual structures, many of which are long-term.

8.5. ATH is fundamentally opposed to ORR's proposed change in policy to a market segment approach, based on an assertion that ESI coal 'can bear the increase'. This unprecedented change will have a negative impact on jobs and investment in coal production.

8.6. We note that the MDST Stage 2 Report concludes that an increase of £10 will result in a national decrease in railfreight of 23%, and that there will be dramatic regional fluctuations. For example Ayrshire mines such as those operated by ATH, will lose 24% of their market even if they reduce their gate price of the coal by £2.50/tonne. Asserting to our employees or investors that this is simply something 'the market can bear' would be wholly unacceptable.

8.7. ATH, in common with other indigenous coal producers is already facing stiff challenges in a market of uncertain future and are vulnerable to major fluctuations in the world coal price which indeed has reduced by some 30% over the last year or so. In terms of quantifiable impacts in the mining sector, we believe job losses could be several hundred overall. Stranded assets could run to hundreds of millions of pounds, with further tens of millions in cancelled projects.

8.8. ATH requests that ORR should review its proposals and revise them so that we can plan our business with a degree of security and confidence, building on the positive progress which has been made in the rail freight sector since privatisation. To this effect ATH rejects the proposal for any increase to track access charges and would propose that the current level of charging is extended for the next control period as a minimum.

Yours sincerely

Alistair Black
Chief Executive

Responses to Consultation Questions

Chapter 3 – Variable usage charge

3.60 Network Rail has already consulted on its estimates of variable costs. Do you have any further evidence, subsequent to Network Rail's consultation, that you wish to provide in relation to the process for estimating variable costs and average variable usage charges?

ATH is not in a position to comment on this matter.

3.61 Do you agree with our analysis, which leads to a proposed confidence interval of 15% around Network Rail's estimates of variable usage costs?

ATH is not in a position to comment on this matter.

3.62 Do you agree with our approach to estimating an adjustment to variable usage charges for long-run cost efficiency?

ATH is not in a position to comment on this matter.

Chapter 4 – Framework for a freight-specific charge

4.49 Do you agree with our proposed approach to satisfying the Access and Management Regulations with respect to levying a new freight-specific charge?

Whilst recognising that Government is trying to reduce costs across the board, ATH is concerned that the proposals contained within this consultation document will have many far reaching effects other than merely reducing Government expenditure on rail freight. A proposal that reverses the previous direction of policy on track access charges, reduces the rail freight market, and distorts that market from the status quo, will put at risk past and future investment decisions, create uncertainty about future track access reviews and put jobs at risk in mines as well as in the rail industry. ATH believes that ORR has placed a major emphasis on the funds available from Government at the expense of its duty to promote the use of the railway, and to enable companies to plan their business with a degree of reasonable assurance.

This would be the first time since rail privatisation that material increases in track access charges have been proposed, increasing risk to customers and supply chain players in relation to their future use of rail freight. A consistent and clearly stated interpretation of policy, and of the basis of future track access charges, is required so that industry can plan for the future with a degree of security and confidence.

4.50 Do you agree that the infrastructure costs allocated to freight operators - either for direct funding by freight operators, or explicitly subsidised by government - should be freight avoidable costs, including fixed costs, but not costs common between passengers and freight?

ATH is not in agreement with this principle.

ATH draws the attention of ORR to the comparison between road haulage infrastructure charges for freight and those of rail freight, when considering how infrastructure costs should be allocated and/or funded.

4.51 Do you agree that we should retain our current definitions of particular categories of rail freight commodities as separate market segments?

ATH has no better suggestion to the ORR's segmentation of the rail freight market. ATH takes the position that Track Access Charges should not be discriminatory between market segments.

4.52 Do you believe that we have taken into account the appropriate factors in considering the efficiency of the proposed charges? Do you believe there are other factors we should take into account?

ATH is not in a position to comment on this matter.

4.53 Do you agree that our approach (of analysing rail freight traffic) addresses the relevant criteria, when considering to which market segments the charge should apply?

ATH considers that the analysis undertaken by NERA is primarily focussed on the effect of any increase on the customers of rail freight, something that is interesting but not of primary concern to ORR. The analysis undertaken by MDST is more focussed on the effect on the rail freight market, the subject of the consultation, and totally aligned to the duties of ORR, but is fundamentally flawed in its understanding of the electricity market. The NERA report, conversely, looks at the Electricity Market but is based on "no switching in coal sourcing and transport decisions as a result of changes to charges" (section 6.21) and therefore overlooks the real impact on the freight market and on individual operators. This is a fundamental flaw in the analysis if this is a base assumption of their model and puts a large question mark against the model outputs. This may explain why the modelled £5, £10 & £15 increases result in such small reductions in coal lifted and coal moved. The question of market elasticity is focused on the electricity market rather than the rail freight market, where elasticity of the market is clearly affected by the length and cost of the haulage.

4.54 Do you agree that certain market segments should be exempt from the new charge?

ATH believes that track access charges should not be discriminatory between market sectors. Any increase that leads to a reduction in the rail freight market is clearly more than the market can bear. Therefore any increase must be capable of being absorbed by that market, without reducing the size of that market. Any increase should also be justifiable and demonstrably apportionable to the costs of serving that rail freight market, and be compliant with UK and EU legislation.

4.55 What do you think is the most appropriate methodology for allocating costs, and what is your reasoning?

ATH does not support an increase that leads to a reduction in the size of the rail freight market. It believes that this places ORR in breach of its statutory duties. ATH equally does not support an increase or change in charging mechanism that creates a distortion in the rail freight market.

4.56 Do you consider it is appropriate to cap the new charge for particular market segments according to its impact on the associated freight traffic (in addition to a constraint relating to relevant avoidable costs)? Do you wish to propose an alternative?

Any assessment of what the market can bear is extremely subjective. Whilst an overall percentage-based approach may appear to show modest impacts, however the costs were to be recovered would create market distortions and winners/losers. In some circumstances this could lead to significant closures, job losses and stranded assets. Industry margins are already tight and the notion that these costs can be absorbed is not credible.

Also, the proposed 10% test of price elasticity and market impact is exercised at the national i.e. GB level – but that is also arbitrary, and masks the potentially devastating impact at the regional e.g. Scottish level. If, for example, the Scottish market, which accounts for some 30% of GB coal production, were considered a sub-sector within its own right, then clearly the implications could be much more serious, as illustrated in the MDST Stage 2 analysis.

We note that the MDST Stage 2 Report concludes that an increase of £10 will result in a national decrease in railfreight of 23%, and that there will be dramatic regional fluctuations. For example Ayrshire mines such as those operated by ATH, will lose 24% of their market even if they reduce their gate price of the coal by £2.50/tonne. Scottish surface mines are already the subject of competitive pressures which make impacts of this scale, on either prices or volumes, completely unmanageable. Therefore, we contend that the MDST Stage 2 analysis demonstrates that the market cannot bear the modelled increases of £5, £10 or £15 per thousand net tonne km.

Asserting to our employees or investors that this is simply something ‘the market can bear’ would be wholly unacceptable.

4.57 What should be the unit of the new charge? Please explain your reasoning.

ATH does not wish to propose a specific mechanism for future track access charges as it is fundamentally opposed to ORR’s proposed change in policy on this matter. However, it is clear from the MDST Stage 2 Report, and in the general comments we have made throughout this response, that if the proposed track access charge increases were levied on the basis of tonne/kilometres it would significantly alter the competitive position of different players in the rail freight market for ESI coal. This would put at risk jobs and investments associated with longer distance movements, which have been established on the basis of current arrangements. Investment decisions already sunk could not have reasonably anticipated these costs.

A 24% loss in market for Ayrshire opencast mines, as suggested by the MDST Stage 2 Report, could simply not be absorbed and would have a devastating impact on the companies operating there and on the local economy. Nor would it be practical for English deep mines to ramp up output to capture market share lost by Scottish mines, as suggested by the report; either the market would shrink or UK output would be replaced by more imports.

Chapter 5 – Freight avoidable costs

Do you agree with our framework for estimating freight avoidable costs? Please explain any suggested changes to the framework, including your calculations (noting that there will be further opportunities to contribute to this work as the cost estimates are refined during the periodic review, for example in relation to Network Rail's strategic business plan).

ATH is not in a position to comment on this matter.

Chapter 6 – Market Analysis

6.83 Do you have comments on our write-up, interpretation and application of the studies carried out by MDST and NERA? Is there any further evidence that you believe should be considered?

ATH has major concerns about the conclusions that ORR draws from various works of analysis into the rail freight market, and especially into the market of rail haulage of coal for the electricity supply industry.

The MDST Stage 2 Report was published after the consultation document, and is referenced several times in this response, as it amply illustrates ATH's concerns. Analysis of this nature is necessarily something of a 'blunt instrument' as the modelling can never fully reflect the complexities of the market. In the case of the MDST Stage 2 Report, the quality considerations which can drive supply patterns are not considered (e.g. sulphur and NOx); nor are the influences of long-term contracts for supply, or haulage taken into account.

Probably the most significant flaw in the MDST analysis is the assumption that mine outputs are elastic, but the fact that they generally are not, makes the consequences of the modelling output even more draconian. Mines generally have to operate as close to their maximum capacity as they are able, to remain viable. A 24% loss in market for Ayrshire opencast mines could simply not be absorbed and would have a devastating impact on the companies operating there and on the local economy. Nor would it be practical for English deep mines to ramp up output to capture market share lost by Scottish mines, as suggested by the report; either the market would shrink or UK output would be replaced by more imports.

Despite these flaws, ATH believes that the MDST Stage 2 Report well illustrates our concerns. Conclusions that entail a 24% loss in business for one of the UK's principle coal-producing regions are simply breathtaking.

6.84 Do you agree with our proposal, on the basis of MDST's analysis, to not levy a mark-up on certain rail freight commodities, including intermodal, construction materials and metals?

It is not for ATH to support increased charges for other commodities, whatever the outcome for coal. However, ATH is concerned that any variation in the charging of different market segments of rail freight could be deemed discriminatory and potentially in breach of EU legislation.

6.85 Do you agree with our proposal to levy the proposed charge on ESI coal traffic?

ATH is fundamentally opposed to ORR's proposed change in policy to a market segment approach, based on an assertion that ESI coal 'can bear the increase'. This unprecedented change will have a negative impact on jobs and investment in coal production, generation and freight as well as a potential negative impact on power security and energy prices at a time when these are already subject to major impacts from energy and environmental policy developments. We are also fundamentally challenging the assertion that a wholly arbitrary and subjective 10% reduction in business activity, in any given market sector, is somehow 'acceptable'. We would argue that no reduction in business activity is justifiable, if its full ramifications are not understood, and where it is based on policy decisions which could not have been reasonably anticipated and planned for.

6.86 Do you agree with our proposal to levy the proposed charge on spent nuclear fuel traffic?

It is not for ATH to support increased charges for other commodities, and ATH is concerned about the potential discriminatory effect of such charges.

6.87 What views do you have on our analysis of the iron ore market segment? Do you consider that there is also a case for levying the proposed charge on iron ore?

It is not for ATH to support increased charges for other commodities, and ATH is concerned about the potential discriminatory effect of such charges.

6.88 Do you agree that we should revisit our policy on levying a charge for the biomass market segment to coincide with the recalculation of its credit (subsidy) regime (from 2017 for England and Wales)?

ATH does not have a view on this matter.

6.89 Do you consider that the proposed charge should be levied on other (non ESI) coal flows?

ATH's opposition to the proposed charge applies equally to other (non ESI) coal flows. Any analysis of these other sectors would doubtless demonstrate that they would be at even greater risk from increased charges than ESI coal.