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Dear consultee

Periodic review 2008: Impact of proposed new charge for freight only lines on demand for ESI coal

As part of our work to assess the ability of different freight market segments to afford to pay higher charges for their use of freight only lines, we engaged the consultants NERA to undertake specific assessment of the effect of a new charge on demand for coal for the electricity supply industry.

Following the publication of its report in February 2007, NERA identified a technical error in their calculations. NERA has subsequently produced a revised report, which we have now published on our website¹.

Correcting the error slightly reduces NERA's assessment of the impact of an increase in ESI coal charges on the demand for coal (in the central case the predicted reduction in coal demand falls from 1.8% to 0.8%). However the impact is still within the originally range and does not impact on the conclusions that we reached in terms of the ability of the electricity supply industry coal market to be able to bear the costs of freight only lines.

Yours faithfully

Tim Griffiths

¹ The revised report can be accessed at <http://www.rail-reg.gov.uk/upload/pdf/pr08-nera-esicoal-jun07.pdf>