

Transitional Risk Sharing Mechanism: 2010/11 statement

Friday 30 September 2011

Background

In April 2010, West Coast Trains opted-in for on-train metering (OTM) for its total fleet of Pendolinos. In doing this, West Coast Trains were seeking to be excluded from the annual Volume Reconciliation process (also known as the 'volume wash-up')¹. This modification to the charging arrangements for Electric Current for Traction (EC4T) charges created some uncertainty and risk for those operators which remained on modelled EC4T consumption rates.

In February 2011, Network Rail proposed the Transitional Risk Sharing Mechanism (TRSM). This was proposed as a way to protect those train operators who remained in the volume wash-up, and therefore may be exposed to higher levels of risk and uncertainty as a result of other operators moving to OTM.

The TRSM policy was accepted by ORR and the industry, and the process for calculating the TRSM is set out in paragraph 18 of the EC4T metering rules².

The key characteristics of the TRSM are:

- That it only applies in ESTAs (Electricity Supply Tariff Areas) where between 10% and 90% of the total consumption is metered.
- That it caps operators' post volume wash-up consumption rates at 7.5% above their post volume wash-up rate in the year before more than 10% of consumption, in that ESTA, was metered³.
- That the process is carried out at the end of each year following the annual volume wash-up, on an ESTA by ESTA basis.

¹ In the final modification, ORR concluded that West Coast Trains (and future trains that 'opt-in') would be included in the annual volume wash-up once 90% or more (including the mark-up for transmission losses) of an ESTA is accounted for by metered consumption.

² The EC4T metering Rules are accessible on Network Rail's website: http://www.networkrail.co.uk/documents/10690_EC4TMeteringRules.pdf.

³ The post volume wash-up consumption rates are kWh per vehicle mile and kWh per KGTM as appropriate for the type of service.

- That the TRSM rebates (if any) should be paid within 180 days following the end of that year.
- That it ceases at the end of CP4⁴.

TRSM in 2010/11

We have now completed the calculation process for 2010/11. As expected, most operators' average consumption rates have not changed significantly.

ESTAs in which more than 10% of electricity consumption was metered and so qualified for the TRSM in 2010/11 were:

- ESTA F - Scotland WCML
- ESTA G - West Coast Main Line Central
- ESTA H - West Coast Main Line West Midlands
- ESTA I - West Coast Main Line Manchester
- ESTA J - West Coast Main Line North
- ESTA S - Scotland Glasgow
- ESTA T - West Coast Main Line South

There will be one rebate that will be paid to DB Schenker of £19,066.27; which was due, primarily, to a change in traffic mix in ESTA F (Scotland WCML).

If you would like to discuss this statement, or anything else in relation to OTM, please contact Bob Tinton (Bob.Tinton@networkrail.co.uk). This statement will be made available on Network Rail's website.

⁴ CP4 (Control Period 4), this is the period from 1 April 2009 – 31 March 2014.