



Peter Swattridge  
Head of Regulatory Economics  
Network Rail  
Kings Place  
90 York Way  
London, N1 9AG

20 December 2013

Dear colleague,

## FINAL CP5 PRICE LISTS

Today we have published the final CP5<sup>1</sup> Price Lists. These are available on our website at [www.networkrail.co.uk/accesscharges](http://www.networkrail.co.uk/accesscharges). These price lists are consistent with ORR's Final Determination<sup>2</sup> and cover the period from 1 April 2014 to 31 March 2019. The price lists are now effectively 'fixed' for the duration of CP5 and cannot be easily reopened.

**The final price lists, that we have published today, are provided alongside ORR's review notices<sup>3</sup>. Network Rail is currently analysing ORR's Final Determination and will formally respond on our decision on whether to accept it, by 7 February 2014.**

### 1. Purpose of this letter

The purpose of this letter is to set out the changes that have been made since the last set of draft CP5 price lists were shared with ORR and the industry, on 22 November 2013<sup>4</sup>. Alongside the 22 November draft price lists, we also set out, in a cover letter<sup>5</sup>, a comprehensive list of changes compared with the price list we published in July 2013, which were consistent with ORR's Draft Determination<sup>6</sup>.

Whilst today's letter runs to nine pages, the number of changes and their materiality are relatively minor. Given the magnitude and the complexity of the charging arrangements, it was inevitable that a few errors would materialise. Our review process has allowed for these to be corrected. Indeed, one of the key aims of publishing the draft final price lists on 22 November 2013 was to allow ORR, and other stakeholders, to check them. Since 22 November 2013, ORR has reviewed the price lists to ensure that these are consistent with its Final Determination and also checked for errors. We believe this process should provide assurance to interested parties that the price lists are appropriate. We are grateful for the input from industry colleagues in providing feedback on the draft price lists.

---

<sup>1</sup> Control period 5, this will be the period from 1 April 2014 – 31 March 2019.

<sup>2</sup> Available at: <http://www.rail-reg.gov.uk/pr13/publications/final-determination.php>.

<sup>3</sup> Available at: <http://www.rail-reg.gov.uk/pr13/publications/legal-notice.php>.

<sup>4</sup> Available at: <http://www.networkrail.co.uk/publications/delivery-plans/control-period-5/periodic-review-2013/>.

<sup>5</sup> Available at: <http://www.networkrail.co.uk/publications/delivery-plans/control-period-5/periodic-review-2013/CP5-Price-Lists-%28consistent-with-ORR-FD%29-Cover-Note.pdf>.

<sup>6</sup> Available at: <http://www.rail-reg.gov.uk/pr13/consultations/draft-determination.php>.

We strongly believe that it was important to be open and transparent about the process of developing the CP5 price lists. Throughout PR13 we have strived to be as transparent as possible. Consistent with this, all significant access charges material is published on our website, which is available at:

<http://www.networkrail.co.uk/publications/delivery-plans/control-period-5/periodic-review-2013/>.

## **2. Structure of this letter**

This letter sets out the following:

- Updates to price lists since 22 November 2013;
- Additional documents published for information;
- Next steps; and
- The Price List structure in [Annex A](#).

## **3. Updates to CP5 price lists since 22 November 2013**

Where relevant, all values contained in each of the price lists are in 2012/13 prices, unless stated otherwise. The structure of the price lists is set out in [Annex A](#).

The sections below set out the updates made to each of the price lists, focusing on changes to rates. We have also made some minor changes to the price list wording, in particular to ensure consistency with the track access contracts.

### **3.1. Track Usage Price List**

Since the publication of the draft Track Usage Price List on 22 November 2013, we have made the following updates:

- Updated the charge rate for the FRAA wagon such that the CP4 Variable Usage Charge (VUC) rate applicable in years one and two of CP5 is based on more appropriate vehicle characteristics. Also, reduced the un-sprung mass from 1764kg to 1344kg. These changes were made in light of comments received from an operator and result in a reduction in the charge rate of between 18%-47%.
- Updated the 455/M VUC rate to reflect a reduction in the operating weight of 0.6t following comments received from an operator. This change results in a reduction in the charge rate of 1.3%.
- Updated the 221/M VUC rate to reflect a Coach\_48\_60 curving class rather than a Coach\_50\_60 curving class, following comments received from an operator. This results in a reduction in the charge rate of 0.6%.
- Updated the 315/M VUC rate to reflect an un-sprung mass of 2000kg rather than 3000kg, following comments received from a stakeholder. This change results in a reduction in the charge rate of 8%.

- Included charter VUC rates on the price list to four decimal places based on the final passenger VUC rates. This update was made following discussion with ORR and brings charter VUC rates into line with the rates shown for other operators. It results in rates increasing by 2%-6%.
- Included charter Slot Charge rates on the price list to four decimal places, consistent with the charge rates shown for other operators. This change was made following discussion with ORR.
- Included bespoke VUC rates only applicable to North Yorkshire Moors Railway Enterprises PLC on the price list, rather than in its Track Access Contract. This change was made following discussion with ORR.
- Corrected an error in relation to the Ct factor (which varies the allocation of costs to individual passenger vehicles depending on whether that vehicle is a locomotive or locomotive hauled) used to apportion 50% of the signalling variable usage costs to individual passenger vehicles. Some vehicles were incorrectly classified as locomotive / locomotive hauled, this issue was identified by Network Rail. These changes result in the VUC rates for a minority of passenger vehicles changing by up to +/- 0.4%.
- Applied the 2011/12 to 2012/13 inflation indexation factor to a greater number of decimal places when uplifting the Freight-Specific Charge (FSC) rate, following comments received from ORR. This change results in a reduction in the charge rate of 0.02%.
- Included an additional vehicle (KXAC) on the Spent Nuclear Fuel FSC and Freight-only Line (FOL) charge price list following discussion with ORR and an operator.

Please note that because the VUC model is a cost allocation model the changes set out, above, to VUC rates will have a marginal impact on all VUC rates.

### **3.2. List of Capacity Charge Rates**

Since the publication of the draft List of Capacity Charge Rates on 22 November 2013, we have made the following updates:

- Updated the list of operators that will be subject to the wash-up in CP5, following discussions with ORR;
- Updated the Charter Capacity Charge Rates in light of the final Schedule 8 rates determined by ORR;
- Included the weekend wash-up rates explicitly in the lists for operators that will be subject to the wash-up; and
- Added, removed and updated service codes and service groups as appropriate after further analysis identified duplicates, incorrectly labelled or missing data.

### **3.3. Traction Electricity Consumption Rates List**

Since the publication of the draft Traction Electricity Consumption Rates List on 22 November 2013, we have made the following updates:

- Removed some new rates which have not yet been approved by ORR for use;
- Included rates which were inadvertently excluded previously; and
- Made some minor formatting updates to the list.

These are discussed in more detail, below.

In the 22 November version of the Traction Electricity Consumption Rates List we had included the updated rates for the new class 458s run by South West Trains - however these rates have not yet been approved by ORR as a supplement to the CP4 list. For this reason we have removed the rates from the CP5 list. If/when the new rates are supplemented to the CP4 list, a corresponding supplement can be made to the CP5 list in April 2014.

Four rates relating class 376s run by South Eastern Trains were inadvertently excluded from the CP5 list. We have now added these rates to the CP5 list, so that these rates will apply to those service codes during CP5.

We have also made some minor formatting updates to the list itself to ensure it correctly corresponds to the contractual drafting in both Schedule 7 and the Traction Electricity Rules.

### **3.4. Schedule of Fixed Charges**

Since the publication of the draft Schedule of Fixed Charges on 22 November 2013, we have made the following updates:

- resolved the discrepancies which prevented our total fixed charges being equal to ORR's Final Determination on fixed charges; and
- updated the route allocations of certain categories of income so that the fixed charges are as cost reflective as possible.

These are discussed in more detail, below.

The draft fixed charges we published on 22 November 2013 were £0.23m greater than ORR's published figure in its Final Determination. Following discussion with ORR we have now resolved this. The final total fixed charge number for GB, England & Wales and Scotland are exactly equal to ORR's figures of £2,379,350,841, £1,759,663,413 and £619,687,428 respectively.

The CP5 fixed charges model was designed so that any TOC-specific income would be netted off the fixed charges for the TOCs to which that income relates, this is carried out separately within England & Wales and Scotland. This relies on the TOC-specific income being allocated to the most appropriate route, as an input to the model. For example, as part of its Final Determination, ORR allocated track facility charges income across all routes whereas this income related to just two schemes, both in LNW (London North Western) route. Similarly other facility and financing

charges (e.g. CTRL (Channel Tunnel Rail Link), Crossrail and Cardiff Valleys) were allocated to all nine English and Welsh routes rather than just those to which their respective costs are allocated. The result of this approach was reduced cost reflectivity, compared to that which the model was designed to achieve.

Following discussions with ORR, we have now adjusted the route allocations (for the purposes of the fixed charge model only) for these income categories, these are summarised below:

- CTRL income (£52m over CP5) is now fully allocated to Kent route;
- Crossrail financing charge income (£298m over CP5) is now allocated to Western route (90%), Kent route (7%) and Anglia route (3%);
- Cardiff Valleys electrification financing charge income (£23m over CP5) is now fully allocated to Wales; and
- All track facility charges income (£45m over CP5) is now fully allocated to LNW.

The other category of income, for which the route split differs from ORR's final determination, is stations and depots income. This is discussed in the next Section 3.5, below.

It is important to note that the amendments discussed above affect the allocation of this income to each route. They do not affect the amounts determined by ORR, in aggregate, at an England & Wales and Scotland level. These amendments have been made to facilitate increased cost reflectivity of the fixed charge only.

### **3.5. Franchised Station Long Term Charge**

Since the publication of the draft Franchised Station Long Term Charges (LTC) on 22 November 2013, we have made the following updates:

- updated our calculation models and Franchised Station LTC price list to include Glasgow Queen Street Lower Level Station (GQS LL);
- updated the SFO (Station Facility Owner) for Wandsworth Road and Clapham High Street stations from Southern to LOROL;
- updated the allocation of a third party support contract for SISS maintenance on Merseyrail's portfolio of stations; and
- updated ORR's apportionment model (which was used to calculate the franchised station LTCs, broken down by SFO as presented in table 16.53 of the Final Determination) to account for the above changes, as well as some other changes which were made prior to the submission of the 22 November 2013 price lists, which are described, below.

These are discussed in more detail, below.

With regards to GQS LL station (for which First Scotrail is SFO), it was inadvertently previously omitted from the draft CP5 price lists, including the most recent 22

November 2013 draft. We have now updated our models and price list to include this station, using 'top-down' buildings maintenance; renewal and repair expenditure forecasts for CP5- CP11. We have also updated our SISS renewals and SISS MRR models to reflect the inclusion of this station. The addition of this station has had a negligible effect on the overall portfolio values of the 2 SFOs that are located within Scotland (First Scotrail and East Coast).

The draft Franchised Station LTC price list published on 22 November 2013 classified the SFO for Wandsworth Road and Clapham High Street as Southern. This was an error and as per previous versions of the draft Franchised Station LTC price lists, the SFO for these stations should have been classified as LOROL. The final price list has been updated to correct this.

In relation to the update for the allocation of a third party SISS maintenance contract on Merseyrail's portfolio, this had previously been allocated in full to Sandhills station, in error. We have now corrected this and allocated it evenly across Merseyrail's portfolio of stations.

As a result of correcting for the issues above, we have updated ORR's allocation model (which was used to calculate the franchised station LTCs, broken down by SFO as presented in Table 16.53 of the Final Determination) to reflect these changes.

We have also updated ORR's allocation model to reflect two changes that were made prior to the submission of the 22 November 2013 draft price list:

- The addition of the 2 new stations (Conon Bridge and Stratford Upon Avon Parkway) which were referred to in the cover note to the 22 November 2013 price lists had not been reflected in ORR's allocation model. The cover note incorrectly stated that the inclusion of these stations had not impacted the relevant SFO portfolio values. Following the update of ORR's allocation model, the inclusion of these stations has had a minor effect on the overall portfolio values of all SFOs (across England & Wales and Scotland).
- In addition, the minor changes that were made to the SISS renewals element of the LTC (set out in the 22 November 2013 price lists) should have also been reflected in ORR's allocation model. This has now been corrected and has again resulted in a minor change to the overall SFO portfolio values across England & Wales and Scotland.

It is also important to note that it has since come to light from ORR that the portfolio values for Southeastern and South West Trains, as set out in Table 16.53 of the Final Determination, were incorrectly recorded against each other. This was a presentational error in the Final Determination. This does not affect the final calculations for the Franchised Station LTC.

The impact on overall SFO values (compared with those set out in table 16.53 of the Final Determination) as a result of all the changes that are set out, above, is summarised in Table 1. With the exception of the differences for Southeastern and South West Trains, these are minor in nature.

Table 1: Summary of changes to franchised station LTCs, broken down by LTC (Final Determination vs Final Franchised Station LTC price list for CP5)

Station Facility Owner	Final Determination annual total CP5 Franchised Station LTC (£m, 12/ 13 prices)	Final annual total Franchised station LTC for CP5 (£m, 12/ 13 prices)	Difference (£m)
Arriva Trains Wales	8.07	8.08	0.01
c2c	2.41	2.41	0.00
Chiltern Railways	2.72	2.73	0.00
East Coast	2.55	2.55	0.00
East Midlands Trains	3.19	3.20	0.00
First Capital Connect	4.09	4.09	0.00
First Great Western	10.61	10.62	0.01
First ScotRail	11.00	11.00	0.00
First/Keolis Transpennine	1.44	1.45	0.00
Greater Anglia	0.01	0.01	0.00
London Midland	6.77	6.79	0.02
London Overground	2.98	3.03	0.05
London Underground	1.10	1.10	0.00
Merseyrail	7.08	7.09	0.01
Northern Rail	11.30	11.31	0.01
South West Trains	11.28	14.85	3.56
Southeastern	14.96	11.30	-3.67
Southern Railway	12.41	12.38	-0.03
Virgin (West Coast)	5.39	5.40	0.01

### 3.6. Managed Station Long Term Charge

Since the publication of the draft Managed Station Long Term Charges on 22 November 2013, we have not made any changes to the underlying calculations and charges. The only changes we have made are to the station names on the price list, such that they are now consistent with the full contractual names as set out in the individual station annexes to the Independent Station Access Conditions.

## 4. Additional documents published for information

In addition to the formal CP5 price lists, we will also be publishing a number of documents for information. These include:

- Fixed charges under different scenarios<sup>7</sup>; and
- A list of services using EC4T regenerative braking.

These documents will be available to download from the CP5 price lists page on or about 20 December 2013.

## 5. Next steps

In this letter we set out a number of issues that we have identified in compiling the final price lists.

<sup>7</sup> These scenarios include fixed charges by route, gross and net of grant, and adjusted and full WACC.



If you would like to discuss any of the CP5 price lists please contact:

- Ben Worley ([Ben.Worley@networkrail.co.uk](mailto:Ben.Worley@networkrail.co.uk)) for queries relating to the Track Usage Price List ;
- Caitlin Scarlett ([Caitlin.Scarlett@networkrail.co.uk](mailto:Caitlin.Scarlett@networkrail.co.uk)) for queries relating to the List of Capacity Charge rates;
- Ekta Sareen ([Ekta.Sareen@networkrail.co.uk](mailto:Ekta.Sareen@networkrail.co.uk)) for queries relating to the Traction Electricity Consumption Rates List and the Schedule of Fixed Charges; and
- Hannah Deveson ([Hannah.Deveson@networkrail.co.uk](mailto:Hannah.Deveson@networkrail.co.uk)) for queries relating to the Franchised and Managed Station Long Term Charges.

Separately, we will be publishing baselines for the capacity charge wash-up for freight, open access passenger and charter operators on or before 10 February 2014.

In 2014, RDG will be commencing a long-term review of the charging and incentives framework. As part of that work, it will be important to capture stakeholders' views of lessons that can be learnt from PR13.

Yours sincerely

**Peter Swattridge**

**Head of Regulatory Economics**



## Annex A: Price List structure

Price List	Charges
1. Track Usage Price list	(a) Variable Usage Charge - Passenger
	(b) Default Charge - Passenger
	(c) Variable Usage Charge - Freight
	(d) Default Charge - Freight
	(e) Variable Usage Charge - Charter
	(f) Variable Usage Charge - NYMR
	(g) Electrification Asset Usage Charge
	(h) Coal Spillage Charge
	(i) Coal Spillage Reduction Investment Charge
	(j) Freight Only Line Charge
	(k) Freight Specific Charge
	(l) Slot Charge
	(m) Repeat Business Slot Charge
2. List of Capacity Charge Rates	(a) Franchised Passenger Capacity Charge Rates
	(b) Open Access Passenger Capacity Charge Rates
	(c) Freight Capacity Charge Rates
3. Traction Electricity Consumption Rates List	(a) Passenger Traction Electricity Consumption Rates
	(b) Freight Traction Electricity Consumption Rates
	(c) Charter Traction Electricity Consumption Rates
	(d) Generic Traction Electricity Consumption Rates
4. Schedule of Fixed Charges	
5. Franchised Station Long Term Charge	
6. Managed Station Long Term Charge	