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19th December 2012

Dear Ekta,

London Midland EC4T Proposed Metering Rules Change

The purpose of this letter is to inform Network Rail of London Midland's intention to exercise its entitlement under Section 11 of the EC4T Metering Rules to make a 'Proposed Metering Rules Change'.

Proposed change

London Midland propose that the values currently specified for the Network Rail Distribution System Loss Factors for the AC System (λ_{AC}) in Appendix 3 of the EC4T Metering Rules, are amended from the current averaged value of 0.05 (5%) per ESTA to modelled values disaggregated by individual ESTA. No changes to the Loss Factors for the DC Systems (λ_{DC}) are proposed.

Whilst accepting that the 5% System Loss Factor values currently adopted for the nationwide AC networks had been assumed to continue for the remainder of CP4, London Midland contend that the 5% figure was only adopted by the industry as an average estimate until losses by ESTA could be more accurately quantified. Network Rail's report 'Estimate of AC losses – Electrical Supply Tariff Area Analysis', published in August 2012, includes indicative modelled AC Loss Factors for each individual ESTA, and thus confirms that the technology and billing systems are now fully able to facilitate this. Over the past couple of years a number of AC operators, including London Midland, have moved over to metered billing and as Network Rail can now accurately quantify AC Loss Factors by ESTA, then London Midland contend that the time is now appropriate to review and challenge the values specified in Appendix 3.

This proposed change would be a more fair and accurate reflection of the value of losses on all AC ESTAs, supporting the principle of greater transparency in the usage and billing of traction electricity consumption, and encouraging consumption efficiency initiatives to reduce overall traction electricity consumption.

For example, Network Rail's preliminary modelling shows that AC losses on the WCML South (ESTA 'T') are significantly below the 5% that metered operators on the WCML South are already being charged, so by being charged for losses at a much higher 5% rate, AC metered operators on the WCML south are incurring a double financial penalty as the high track access charges paid by operators on the route should already be funding the improvements to infrastructure and the subsequent efficiencies that these should be providing.

It is London Midland's view that the industry should be actively supporting a billing system where charges are more accurately related to EC4T usage, which was the principle behind London

Midland moving from modelled to metered billing back in 2011, and hence forms the justification for this Proposed Metering Rules Change.

It is understood that the ORR is currently reviewing Network Rail's modelling of AC Loss Factors, and that a revised document with updated gross AC Loss Factors per ESTA will be published shortly. London Midland propose that these figures should form the basis of the AC Loss calculations going forwards, once adjusted to be 'net' of any regenerative braking discount, and to also retrospectively include bills paid within this financial year (2012/13). To clarify the application of this proposed change to the current financial year, London Midland propose that the following paragraph is added to Section 2 of the EC4T Metering Rules:

2.8 For the year 2012/2013 only (this being the period commencing at 00.00 hours on 1st April 2012 and ending at 23.59 on 31st March 2013), Network Rail's calculation of the Traction Electricity Charge for AC metered operators shall be calculated using the Distribution System Loss Factors for the AC System (λ_{AC}) in Appendix 3 that are in place at 23.58 on 31st March 2013.

Timescales

London Midland are content for the requested amendments to the EC4T Metering Rules to come into effect within 14 days of an approval notification by ORR. Notwithstanding this, London Midland propose that the revised AC loss values, when approved, are applied retrospectively to the EC4T calculations for the 2012/13 financial year.

London Midland are content to promptly comply with any reasonable request from Network Rail to further clarify this proposed Metering Rules Change.

Yours sincerely



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