

Gabriela Weigertova  
Regulatory Economist, Network Rail  
Kings Place  
90 York Way  
London  
N1 9AG

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**Freightliner Group Limited**

3rd Floor, The Podium  
1 Eversholt Street  
London NW1 2FL

Tel: +44 (0) 207 200 3919

Fax: +44 (0) 20 7200 3921

Email: [johnstona1@Freightliner.co.uk](mailto:johnstona1@Freightliner.co.uk)

Web: [www.freightliner.co.uk](http://www.freightliner.co.uk)

Dear Gabriela

**Proposal for changes to the EC4T Metering Rules - Network Rail consultation**

Without prejudice this is the view of Freightliner Group Ltd. (FL) encompassing its subsidiaries Freightliner Ltd. and Freightliner Heavy Haul Ltd.

**1 Consultation Letter**

1.1 It is our understanding that the proposed metering rules are applicable from 1 April 2012 under the assumption that an operator has elected to move to partial or full metering of its fleet in accordance within the required notification deadline, 31 December 2011 or subsequent annual anniversary opt-in. Those operators that have not elected to join EC4T metering will remain under their current Track Access Agreements and will not be subject to the EC4T Metering Rules that emerge from this process until such time as they join the scheme. If correct, this is a position we support.

1.2 We recognise and welcome your consideration of the different operating circumstances of freight and the issues these raise for On Train Metering (OTM), e.g. billing, variable patterns of service, service groups and off-hiring. We would also draw attention to the inherent complexity that accommodating partially metered operators has had on the rules, calculation of charges (including in-fill and wash-ups) and the formalisation in the proposed track access amendments, which we suggest gives rise to a need for transparent testing of the component parts to ensure the correct result.

1.3 We perceive the proposed solution as reaching a common denominator between passenger and freight. From our interpretation and most welcome help from Network Rail (NR) in understanding, the use of KWh per tonne per five minute interval as the metric for in-fill data acts as a viable alternative to the more familiar KWh per gross tonne mile (Kgtm), i.e. in accounting for weight and distance on consumption. We recognise this works well for gaps in metered data but are uncertainty as to how whole journey data gaps would

be handled?

1.4 We understand the assumptions made as a default to non-required consist data under an operator's Network Licence and see no material issues with NR's subsequent proposed handling. We would suggest that this may not be an exhaustive list and propose that if the real world throws up other scenarios these are dealt with openly, transparently and without prejudice and that this is included within the formal reopening / modification clauses.

1.5 We agree that where an operator has metered trains that the charges against this activity should be billed at the relevant electricity tariff and that a modelled operator should remain under the current arrangements. However, we have a concern stemming from the accommodation of the partially metered operator and the complexity this has imported into the consumption and cost wash-up calculations. We fear that due to possible confidentiality of individual operator data that transparency of these calculations maybe lost and this may result in an extension to the current 90 day wait after the end of a financial year for final EC4T costs to be known. We do recognise this is due the "gentle" transition to EC4T metering but are obliged to flag the uncertainty of cost this imports and the associated challenge for pricing in a non-franchise market, particularly given the variability in recent years of the financial wash-up following other changes, e.g. the inclusion of freight in the wash-up.

## **2 Changes to the EC4T Metering Rules**

2.1 Penalties: We support, in principle, the use of penalties above set allowances for infill data and the proposed recycling of these back to operators. We understand the scheme has little actual data to assess where these thresholds should lie and suggest that the proposed thresholds are set for a defined period of time and then should be revisited following a critical mass of data / participation. Furthermore, we found it unclear as to whether those operators penalised are included in the recycling of penalties process that keeps the scheme as a cost pass through and the degree of disaggregation that will be applied, e.g. by geographic area (ESTA)?

2.2 Transitional Risk Sharing mechanism, Power Factor Correction factors, Distribution System Loss factors & Meter Tolerance factors: From our understanding of the proposal document the handling of these individual elements has not changed from the immediately preceding draft of EC4T Metering Rules and as such are comfortable with them in principle and their impact on the calculation of charges and in the year-end wash-up process.

## **3 Schedule 7 Track Access Agreement (TAA) amendments**

3.1 Traction Electricity Charge & Reconciliation: We understand the equation and principle that the total metered consumption is subject to adjustments for power factors of locos, distribution losses on the network and the tolerance of the meters. Furthermore, the

reconciliation is then subject to a threshold of metered traction in a geographic area (ESTA). As mentioned earlier, we understand that operators who have not elected to be part of the metered scheme continue under the current pricing arrangements. As such, we renew our call for a transparent working of this in the expected mixed environment of metered, partially metered and modelled operators as NR is best placed to deliver having the requisite information to hand.

#### 4 Conclusion

We recognise the complexity of what NR has been challenged to develop in respect of accommodating operators (passenger & freight) in an encompassing EC4T charging framework where the participants face different drivers for adopting metering, namely the differential between the cost of AC and DC solutions or their commercial environment (franchise versus open market), and so have significantly different timescales requiring the facility to allow fully metered, partially metered and modelled EC4T charging that is consistent with the cost pass through principle whilst incentivising the right behaviours (energy saving by operators - consumption - and NR - network distribution losses).

What we would find helpful, ahead of the next consultation, is a worked example of a representative year to follow the multiple inputs of consumption, conversion to charges and final reconciliations of consumption and cost. We would be happy to engage in developing such an example such that it allowed operators to understand the moving parts.

We are willing to discuss any part of this response in more detail should you require greater clarity or wish to dig further into the issues raised.

Yours sincerely



Angus Johnston  
Business Analyst  
Freightliner Limited