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Dear Colleagues

Consultation on proposed amendments to the Traction Electricity Rules and Schedule 7 in order to accommodate Partial Fleet Metering and a proposed re-ordering of the Traction Electricity Rules

Purpose

We are formally writing to make a Proposed Rules Change under Section 11 of the Traction Electricity Rules. The purpose of the Proposed Rules Change is to accommodate Partial Fleet Metering. Furthermore, we are proposing amendments to Schedule 7 of an operator's Track Access Contract (where an operator wishes to opt-in to Partial Fleet Metering). In addition, we are proposing a re-ordering of the Traction Electricity Rules.

Background

The Traction Electricity Rules are the industry's rules for charging for traction electricity. The latest version of the Traction Electricity Rules is available on our website¹.

The purpose of the Electricity for Traction Charge (EC4T) is to recover the costs of traction electricity supplied by Network Rail to train operators who operate electric train services. Many electric train operators are still charged on the basis of modelled traction electricity consumption rates. Basing train operators' EC4T bills on modelled rates is necessarily an approximation of what they would pay if they were billed based on their actual usage.

Since 2010, a number of operators have opted-in some or all of their trains for metered billing (approximately 50% of all EC4T consumption is now billed on the basis of metered data). These operators are charged on the basis of metered consumption. Their bills are highly accurate. They also benefit from not having to participate in the year-end volume wash-up, unlike operators charged on the basis of modelled traction electricity consumption rates, meaning that their bills are much more certain.

Partial Fleet Metering: Explanation and Rationale

As a cross-industry forum, the Traction Electricity Steering Group (TESG) has been considering the development of Partial Fleet Metering (PFM), whereby metered electricity consumption data from

¹ 'Current traction electricity rules', available here: <http://www.networkrail.co.uk/using-our-network/on-train-metering/>

metered trains would be extrapolated and used to bill the non-metered part of the same fleet of trains on the same Train Service Code.

An operator may wish to opt-in to metered billing because this is likely to provide more accurate consumption data than the alternative, modelled, approach. However, the costs of fitting meters to all trains in a fleet may be prohibitive. Partial Fleet Metering will be less expensive than metering all trains in a fleet whilst, at the same time, allowing operators to realise a large share of the benefits they would receive from fully metering a fleet.

Re-ordering of the Traction Electricity Rules

We are also proposing that the current structure of the Traction Electricity Rules is amended in order to incorporate the provisions dealing with Partial Fleet Metering and to create a more logical ordering of the provisions.

Supporting Documents

Accompanying this document, please find attached:

- 'Proposed Partial Fleet Metering Provisions'. This document is split into three parts. Part one contains the additions Network Rail propose making to the Traction Electricity Rules in order to allow for Partial Fleet Metering. Part two describes additional amendments that we propose making to reorder the Traction Electricity Rules with the aim of creating a more logical flow to the provisions. Finally, part three describes proposed amendments to Schedule 7 of the Track Access Contract (where an operator decides to opt-in to Partial Fleet Metering) to provide for billing using PFM rates.
- 'Draft Traction Electricity Rules with PFM Amendments' shows how the Traction Electricity Rules would look with the additions and amendments proposed in parts one and two of 'Draft Partial Fleet Metering Provisions' incorporated.

Our proposals

Proposal one: Provisions in the Traction Electricity Rules to accommodate Partial Fleet Metering

In collaboration with Southeastern and South West Trains, we have developed proposed provisions that would allow for the introduction of Partial Fleet Metering. We informally consulted on these during the time 30 June – 14 July 2016 and have discussed them at various TESG meetings.

Please find our proposed additions and amendments to the Traction Electricity Rules contained in pages 1-12 of 'Proposed Partial Fleet Metering Provisions'.

We are keen to hear your views on these proposals.

Proposal two: Amendments to Schedule 7 of an operator's track access contract to accommodate Partial Fleet Metering

In addition, please find our proposed amendments to Schedule 7 of the Track Access Contract to provide for billing using PFM Rates contained in pages 13 and 14 of 'Proposed Partial Fleet Metering Provisions'. For the purposes of this consultation, these proposals shall be referred to as the 'Model PFM Provisions'. These amendments will only be incorporated into an operator's track access contract upon request: we are not proposing that these amendments be incorporated into all operators' Track Access Contracts.

We are keen to hear your views on these proposals.



Proposal three: No further consultation on Model PFM Provisions

If the Proposed Rules Change (proposal one) is endorsed by the majority of voting members of TESC and consented to by the Office of Rail and Road (ORR), then, where an operator wished to opt-in to Partial Fleet Metering, Network Rail would expect to agree an amendment to the relevant Track Access Contract under section 22 of the Railways Act 1993 for that operator.

Following discussion with ORR, we are proposing that where an operator and Network Rail submit to ORR a request to supplement the Track Access Contract between the two parties and the proposed supplement agreement is an exact replication of the Model PFM Provisions, these should not be subject to further consultation. This is because:

- ORR's most recent Final Determination (PR13) endorsed the establishment of PFM²;
- We are consulting on the Model PFM Provisions here and further consultation would, therefore, incur unnecessary additional cost to the industry; and
- We have conducted extensive informal consultations regarding these provisions, which have not changed during that time.

However were an operator to propose a supplemental agreement with the intention of opting-in to PFM that differed in any way from the Model PFM Provisions, we would still expect this to be subject to the normal consultation process.

We are keen to hear your views on this proposal.

Proposal four: Re-ordering the Traction Electricity Rules

We are proposing that the current structure of the Traction Electricity Rules be amended in order to incorporate the provisions dealing with Partial Fleet Metering and to create a more logical flow to the provisions.

Please find our proposed ordering of the Traction Electricity Rules on page 12 of 'Proposed Partial Fleet Metering Provisions'.

In addition, please see 'Draft Traction Electricity Rules with PFM Amendments' which shows how the Traction Electricity Rules would look with the additions and amendments proposed in parts one and two of 'Draft Partial Fleet Metering Provisions' incorporated.

We are keen to hear your views on this proposal.

Responding to this consultation

We welcome responses to this consultation. The closing date for this consultation is 19th October 2016.

We intend to make responses public, including sharing them with ORR and publishing them on our website. Please indicate if you wish for all or part of your response to remain confidential.

² 'Periodic Review 2013: Final determination of Network Rail's outputs and funding for 2014-19', paragraph 16.285, for example.



Please address any responses and/or queries to:

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This consultation will also be available to download from our website here:
<http://www.networkrail.co.uk/using-our-network/on-train-metering/>.

Next steps

We will consider all written representations received in response to this consultation and, if we consider it appropriate, modify the proposal accordingly. If no modification is necessary the proposal will be put to a vote in accordance with paragraph 11.9 of the Traction Electricity Rules.

In accordance with paragraph 11.2 (C) of the Traction Electricity Rules, we are content with the requested amendments to the Traction Electricity Rules to come in to effect within 14 days of an approval notification by ORR.

In the event of these proposals being endorsed by the majority of voting members of TESSG and consented to by ORR, we expect that billing on the basis of Partial Fleet Metering would begin in the 2017/18 financial year, at the earliest. At present, it is only anticipated that Partial Fleet Metering will occur in the Southern electricity supply tariff area (otherwise known as ESTA U).

If you would like to discuss any part of this letter, please feel free to contact me.

Yours sincerely,

Aaren Healy.