

Network Rail engagement with customers on structure of charges during PR13

Introduction

The purpose of this paper is to set out, at a high-level, the way in which we intend to engage with our customers on the development of regulated track and station access charges during PR13. In this regard, we will aim to learn lessons from the process during PR08.

Background

ORR issued a consultation in November 2009 that reviewed the arrangements that were established for governance of access charges during PR08¹. A summary of the responses was included in ORR's recent first PR13 consultation.

ORR has advised that it will lead on the technical work and consultation of potential new charges. It has asked Network Rail to lead on the following charges:

- variable usage charge;
- electricity for traction current charge;
- electrification asset usage charge;
- capacity charge;
- freight only line charge;
- coal spillage charge;
- coal spillage reduction investment charge;
- fixed track access charge; and
- station long term charge.

From this summary, we note some of our customers' concerns about Network Rail's process during PR08 for establishing charges, in particular that information was not always provided in a timely way, the development of charges was not always transparent and that some of the Network Rail-led consultations were conducted under compressed timescales which left operators with very little time to respond.

Discussion

We consider it very important that our customers have early sight of our charging proposals, and that the development process is managed effectively and transparently. **Annex A** sets out how we intend to engage on each charge and our timelines for doing so, such that we are able to provide final estimates for each of the charges alongside the publication of the January 2013 Strategic Business Plan.

Industry consultation

Annex A sets out, for each of the current charges on which we will lead the development, how we intend to engage with our customers and the timescales for doing so. In addition to 'formal' consultations and workshops where we will set out our emerging position and seek views accordingly, we intend to use 'softer' forms of consultation as we develop our emerging views².

¹ Review of arrangements for establishing access charges for CP4, November 2011, <http://www.rail-reg.gov.uk/upload/pdf/cp4-access-charges-review-consultation-251109.pdf>

² 'Softer' forms of consultation could include discussion of emerging policy at the appropriate forum for each charge, for example.

We have identified appropriate forums in which to discuss the development of each charge in PR13, and in some cases, for example, the variable usage charge, the engagement process is underway.

All consultations and other relevant documents will be published on Network Rail's PR13 webpage, which can be found at:

<http://www.networkrail.co.uk/PeriodicReview2013.aspx>

It is important that, together with ORR, we avoid 'over consultation', that our consultation processes are joined up and that we do not place an undue burden on operators. We will continue to work with ORR to try and prevent this from happening, but would encourage operators to flag any concerns to us, particularly in relation to the approach and timescales set out in **Annex A**.

New charges

ORR confirmed in its first PR13 consultation that it would continue to lead work on new charges as part of the development of the overall regulatory framework. We will assist ORR as required with its work and will publish our responses to any ORR consultations on Network Rail's PR13 webpage.

Structure of charges team

Network Rail's Regulatory Economics team will be accountable for the development of existing charges and general technical implementation of charges, overseen by [Peter Swatridge](#). The Network Rail lead for each charge is stated at **Annex A**.

Annex A- Consultation / workshop arrangements for each charge in lead-up to January 2013 Strategic Business Plan

Charge	'Soft' consultation approach	'Formal' consultation arrangements	Network Rail contact
Variable usage charge (VUC)	Monthly VTAC Developments meeting with franchised and freight operator; and ROSCO representation	<p>October 2011: R consultation on indicative VUC and FOL charge cost estimates</p> <p>Nov/ Dec 2011: NR-led workshop on VUC / freight charges</p> <p>January 2012: NR publish industry letter concluding on freight caps (in context of VUC / FOL)</p> <p>June 2012: NR publish consultation on some charges including detailed VUC issues</p> <p>July 2012: NR-led workshop to include discussion of indicative VUC charges</p> <p>January 2013: NR publish price estimates in SBP</p>	Ben.worley@networkrail.co.uk
Electric for traction current charge (EC4T)	Established monthly Metering Steering Group (MSG) meetings with cross-industry representation	<p>May 2012: NR publish consultation on methodology for modelled consumption rates and regenerative braking discounts</p> <p>January 2013: NR publish estimates for modelled consumption rates, regenerative braking discounts, losses mark-up and ESTA definitions in the SBP</p>	Ekta.sareen@networkrail.co.uk
Electrification asset usage (EAU) charge	Monthly VTAC developments meeting MSG (for workshop)	<p>March 2012: Proposed workshop (to be conducted through MSG) to discuss EAU charges development</p> <p>June 2012: NR publish consultation to include proposals for EAU methodology and indicative prices</p>	Ben.worley@networkrail.co.uk

		<p>July 2012: NR-led workshop to include discussion of indicative EAU charges</p> <p>January 2013: NR publish EAU price estimates in SBP</p>	
Capacity charge	Monthly VTAC developments meeting	<p>May 2012: NR publish consultation on capacity charge methodology</p> <p>January 2013: NR publish proposed capacity charge rates</p>	Ekta.sareen@networkrail.co.uk
Freight only line (FOL) charge	Monthly VTAC developments meeting	<p>October 2011: NR consultation on indicative VUC and FOL charge cost estimates</p> <p>Nov/ Dec 2011: NR-led workshop on VUC / FOL charges</p> <p>January 2012: NR publish industry letter concluding on freight caps (in context of VUC / FOL)</p> <p>June 2012: NR publish consultation to include detailed FOL cost estimate</p> <p>July 2012: NR-led workshop to include discussion of indicative FOL charges</p> <p>January 2013: NR publish FOL price estimates in SBP</p>	Ben.worley@networkrail.co.uk
Coal spillage charge (CSC) / coal spillage reduction investment charge (CSRIC)	Monthly VTAC developments meeting	<p>March 2012: NR-led workshop to discuss emerging policy proposals for CSC and CSRIC</p> <p>June 2012: NR publish consultation to include estimates for CSC and CSRIC</p> <p>July 2012: NR-led workshop to include discussion of indicative CSC and CSRIC charges</p> <p>January 2013: NR publish CSC and CSRIC price estimates in SBP</p>	Ben.worley@networkrail.co.uk
Fixed track access charges (FTAC)	ISG	<p>April 2012: Discuss at ISG meeting emerging policy on FTAC methodology</p> <p>June 2012: NR publish consultation to include proposed methodology for FTAC and operator allocations process</p>	Ben.worley@networkrail.co.uk

		<p>July 2012: NR-led workshop to include discussion of FTAC methodology and proposed allocations process</p> <p>November 2012: Discuss initial operator allocations at ISG meeting</p> <p>January 2013: NR publish proposed operator allocations in SBP</p>	
Station long term charge (LTC)-managed and franchised	ISG	<p>November 2011: Cross industry workshop to discuss station access charges (<i>note: timelines and scope expected to be clearer following this workshop</i>)</p> <p>June 2012: Discuss emerging policy on LTC with operators (possibly through ISG- tbc)</p> <p>January 2013: NR publish indicative LTC by operator in SBP</p>	John.pengelly@networkrail.co.uk