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To: all electric freight train operators

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Dear stakeholders,

Notification of the energy EC4T tariff applicable to freight operators in 2019/20

1. Purpose of this letter

The purpose of this letter is to notify freight operators that are not included in a 'buying group' of the energy commodity pence per kWh tariff which will apply to their EC4T consumption in 2019/20.

Some freight operators' EC4T consumption is relatively low and they are less likely to meet the minimum requirements to allow them to lock their tariffs under our current contract with our supplier (see below). This letter sets out the tariff that will apply if they are not able to lock their tariffs.

2. Background

Under the terms of Network Rail's contract with its electricity supplier, train operators that expect to use more than 450,000 kWh in a railway year are able to lock the energy commodity tariff¹ for their forecast amount of consumption, if they wish². If they do not wish to lock their own prices then the default rate will be the month ahead rate and will be locked by Network Rail a few days before the start of each calendar month.

Operators that use less than the amount set out above may choose to join a 'buying group', whereby their combined consumption meets the minimum threshold. A 'buying group' may then decide to lock their energy commodity tariff in the same way as larger operators do. For charter operators, the same arrangements will apply in CP6 as in CP5³.

For those operators who do not choose to lock their own commodity rates or join a 'buying group', Network Rail will lock the energy commodity tariff on their behalf.

In addition to the locked energy commodity tariff (described above), we will also recover the following:

¹ In addition to this, various other non-commodity 'energy' tariffs apply. These are mostly set by government and are set at a standard pence per kWh rate for all users.

² If actual consumption is more/less than forecast, the agreed tariff would still apply. Large tolerances are built in to the power contract with Network Rail's supplier.

³ More details available here: <http://archive.nr.co.uk/periodic-review-2013/pr13-closed-consultations/traction-electricity-calculating-tariffs.pdf>

- 2.1. various levies and energy related costs which are passed through to us by our electricity supplier⁴; and
- 2.2. delivery tariffs which will apply on an ESTA by ESTA basis, consistently across all electric operators (except charter operators).

These tariffs are set by the distribution and transmission companies and regulated by Ofgem.

3. Tariff applicable

The tariff that Network Rail has locked on behalf of all non-buying group and charter operators and Network Rail's own usage for 2019/20 is **10.422 pence per kWh**. We consider this tariff to be reasonable, despite the fact that it can be difficult to negotiate tariffs where consumption demand is complex to predict.

This tariff recovers the energy cost only (including the various levies and energy related costs described above) it does not include delivery tariffs, which would be charged separately on an ESTA by ESTA basis.

Any eligible operator may opt to lock its energy commodity tariff for any given month during the year if it wishes to - this process must be carried out at least one week preceding the month in question.

In summary, the tariff set out above shall apply from 1 April 2019 until 31 March 2020.

4. Next steps

The next notification will be sent in March 2020 in relation to the tariff applicable in 2020/21.

If you would like to discuss any of the issues raised in this letter, please do not hesitate to contact me using the details above.

Yours sincerely,

Alan Bullock

⁴ These currently include tariffs for: market participation, balancing services use of system (BSUoS) charges, balancing charges, transmission losses, distribution losses, renewables obligation, Hydro levy and feed-in tariffs.