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Dear Pedro

Most appropriate system for reporting timetabled train miles in Control Period 6 (CP6)

The purpose of this letter is to set out Network Rail's view in relation to the most appropriate system for reporting timetabled train miles in Control Period 6 (CP6).

ORR's 2018 Periodic Review (PR18) Final Determination states that the level of Fixed Track Access Charges (FTACs) payable by franchised passenger operators in CP6 will vary depending on the number of train miles included in the timetable each year. As a result, the amount of income that Network Rail receives from train operators through these charges will also vary.

To implement this charging policy, ORR required Network Rail to agree with it in writing the most appropriate system for reporting timetabled train miles during the control period by 31 July 2019. This requirement is set out in Schedule 7 of the track access contract between Network Rail and franchised passenger train operators:

"Timetabled train miles_t means that figure to be taken by Network Rail from the most appropriate system, which system shall be agreed in writing between Network Rail and ORR on or before 31 July 2019"

We have considered this requirement and are writing to confirm that we consider that the Network Rail Train Movement and Compensation (TMaC) system to be the most appropriate system. In fact, we consider this to be the only system that we have which is capable of reporting timetabled train miles in CP6. TMaC is a relatively new system, which has been developed by Network Rail with the aim of bringing together several existing Network Rail systems. TMaC records both timetabled and outturn train movement information, based on input data from upstream systems (e.g. the train planning system).

As part of the migration of other systems to the new TMaC system, Network Rail has carried out assurance to confirm that system accuracy is maintained. To confirm this extensive testing has taken place to ensure the integrity and quality of the data delivered by the TMaC system. This testing consisted of assuring the data delivered by the TMaC system against the original data source, identifying any variations and confirming that these are reasonable. The variations identified were as a direct consequence of moving to using real-time train movement data. Therefore, the differences reflected updates to input data, rather than any wider data integrity issues.

However, we are mindful of the fact that timetabled train miles data has never previously been used for charging purposes. Historically, train operators' charges have been based on outturn train miles, rather than timetabled train miles. The number of outturn train miles is typically c. 5% lower than timetabled train miles, reflecting the fact that some timetabled services will be cancelled prior to the date that they are scheduled to run on the network. The fact that ORR has decided to base adjustments to FTACs in CP6 on timetabled train miles, rather than outturn train miles, means that it is necessary to use a new system (TMaC) for charging purposes. We have carried out a review of data from the TMaC to assess whether it is likely to be sufficiently robust for charging purposes. This review has comprised:

- **A comparison at train operator-level of the relationship between outturn mileage recorded in our billing system with timetabled train mileage recorded in TMaC.** We would not, for example, expect to see outturn train mileage systematically exceed timetabled train mileage because the former will include some cancelled services. Ordinarily, we would also not expect to see a very large difference (e.g. +/-50%) between the level of outturn mileage and timetabled mileage, which could indicate an implausible level of additional/cancelled services.
- **A review at train operator-level of the impact on timetabled train mileage, as recorded in TMaC, due to the May 2019 timetable change.** We would generally expect to see train mileage increase, rather than reduce, following a timetable change. In addition, a very large change in services (e.g. +/-50%) could again be indicative of an implausible level of change to train services.

Following this review, we have not identified any material issues with the timetabled train miles data recorded in TMaC. We have also provided the analysis described, above, to ORR to help it form its own view on this issue.

In August 2019 we are planning to consult with train operators on draft CP6 FTAC traffic baselines. As part of this consultation, train operators will have an opportunity to review their respective train mileage data from the TMaC system. If operators raise any concerns with us as part of this process, where appropriate, we will seek to address these issues before ORR determines final CP6 FTAC traffic baselines. However, at present, it is not possible to pre-empt potential concerns from train operators or conclude definitively that we would be able to address them.

We are also currently in the process of setting-up the functionality within TMaC that will be required to report against train operators' FTAC traffic baselines on an ongoing basis through CP6. At present, we do not foresee any issues with establishing this ongoing reporting functionality. However, we will keep ORR informed as our work in this area progresses.

Yours sincerely

Ben Worley