

Defining Costs Directly Incurred in GBR's Access and Use Policy

*Industry Engagement ahead of Funding Period 1
(2029 to 2034)*

Please note, these slides will be published online and will be available, [here](#).

Introduction and purpose

– Caitlin Scarlett

Workshop purpose

- This is the first of our workshops exploring options for GBR's future charges and performance schemes: today we will focus on how Costs Directly Incurred (CDI) should be defined.
- We will provide an **overview of European Implementing Regulation 2015/909** and how it has informed the calculation of variable charges to date. We will then seek stakeholder views on priority design considerations, including: eligible costs and pricing factors; non-eligible costs; and cost attribution.
- The starting point for this workshop is that the **Implementing Regulation is disapplied to GBR** (Clause 70 (2) Railways Bill), meaning GBR will need to define CDI. This will be subject to formal consultation later this year, likely through the Access and Use Policy consultation.
- The objective today is to seek stakeholder views on: what characteristics are necessary for a durable and disciplined CDI framework; where clarity or specificity is most important to provide confidence; and how the boundary of directly incurred costs should be safeguarded.

European Implementing Regulation 2015/909

– *Conor Murrells*

Key legislative principles of the Implementing Regulation

- Direct costs calculated on a network-wide basis – essentially for access to the network (or the minimum access package), excluding non-eligible costs;
- Asset values used for calculating direct costs shall be based on historic or estimated values, where they are transparently and robustly justified to the regulator;
- Calculated average direct unit costs for the entire network are divided by the total number of train movements forecasted or operated (e.g., vehicle kilometres, train kilometres or gross tonne kilometres);
- The infrastructure manager may calculate direct unit costs by robust econometric or engineering modelling; it may update the method taking into account best international practice.

FACTORS IN PRICING

Train length and/or number of vehicles in the train

Train mass, train speed, traction power, and vehicle type

Axle weight and/or axle numbers, wheel flats

Longitudinal stiffness of vehicles and horizontal forces

Track parameters (radii), unsprung mass, and other cost related parameters

Note: EU Implementing Regulation 2015/909 is published, [here](#).

Key legislative principles of the Implementing Regulation

01

Staff costs needed for keeping open a particular stretch of line, where services run outside of opening hours

02

Part of the costs of points infrastructure (including switches and crossing) that is exposed to wear and tear

03

Part of the costs of renewing and maintaining electrification assets

04

Costs of staff needed for preparing the allocation of train paths and the timetable



ELIGIBLE COSTS



NON-ELIGIBLE COSTS

01

Fixed costs relating to lines of route that are borne even in the absence of train movements

02

Costs associated to land and other fixed assets – e.g., acquisition, selling, or decontamination

03

Overheads, financing, costs related to technological progress or intangible assets

04

Costs related to individual incidences of force majeure, accidents and service disruptions

05

Costs not directly incurred by operation of the train service – e.g., electric supply equipment, maintenance and renewal, depreciation

Key assumption: Under the Railways Bill 2025, GBR will no longer be considered an Infrastructure Manager under the Access and Management Regulations 2016. Therefore, the EU Directive will no longer apply to GBR, and it will have to define Costs Directly Incurred in its Access and Use Policy.

Overview of how variable charges are calculated

– *Conor Murrells*

An overview of how Network Rail calculates variable charges

Why is the CDI framework important?

- The definition of CDI determines how NR calculates its variable charges – the framework informs the methodological approach.

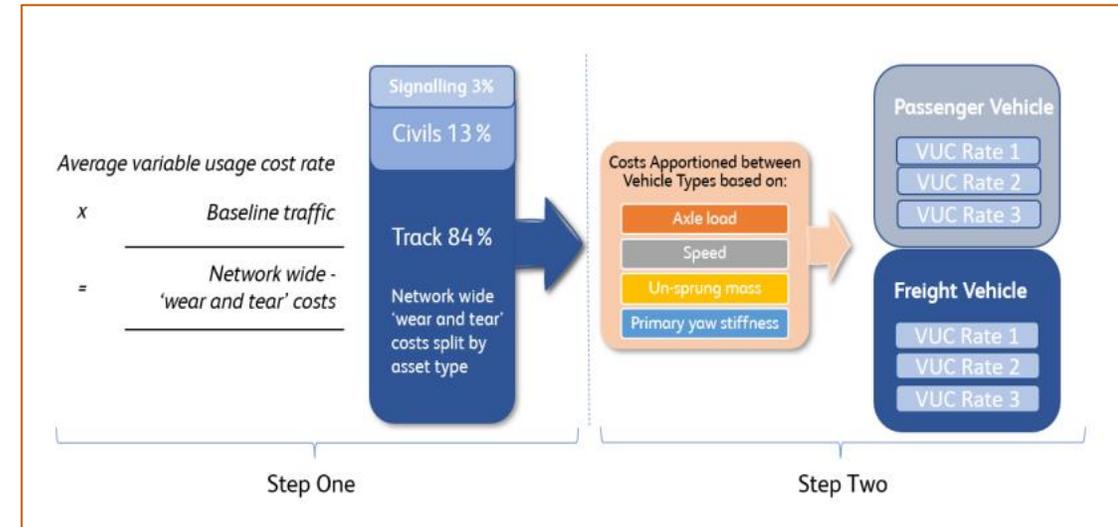
How does the current process work (PR23)?

In simple terms, the process for calibrating variable track access charges (i.e., the ones where CDI is relevant) comprises two steps:

1. Estimate total variable usage costs: calculate a national average variable usage cost rate (on a £ per 1,000 gross tonne mile basis), and
2. Apportion variable usage costs between different vehicle types.

What is the outcome?

- Costs Directly Incurred is calculated by NR based on assumptions about engineering cost drivers;
- VUC rates published for individual vehicles, to broadly reflect ‘track friendliness’.



Step One is the methodological approach used to calculate direct costs (i.e., the **eligible costs**)

Step Two apportions these costs to individual vehicle types (i.e., the **factors in pricing**)

Note: Network Rail has published further detail about this two-step process for the Variable Usage Charge, [here](#) (see Appendix 3).

An overview of how Network Rail calculates variable charges

How are non-marginal costs excluded from the calculation (PR23)?

1. Calculate the total costs in £m for each asset category (e.g., 'track maintenance') and estimate the proportion that is driven by wear and tear caused by traffic;
2. Identify and exclude the cost component categories that are explicitly outside the scope of directly incurred costs in the Implementing Regulation (e.g., 'overheads').

Asset category	Variability percentage
Embankment renewals	6 %
Metallic underbridge renewals	20 %
Brick and masonry underbridge renewals	35 %
Culvert renewals	5 %
Signalling maintenance	6 %
Signalling minor works points renewals	44 %

Table 1: The percentage of costs that vary with traffic. Network Rail has published further detail about this two-step process, [here](#) (see Appendix 5).

Caveat: the scope of this workshop is not to explore methodological changes to how variable charges are calculated; rather the purpose is to define a robust framework for CDI that provides appropriate protections and allows GBR to calculate charges confidently.

Defining the CDI framework in GBR's AUP

– Conor Murrells

Problem statement: With the Railways Bill disapplying the Implementing Regulation on CDI to GBR, we need to define the CDI framework. We do **not** intend to make substantive changes to the current definition of CDI. Our task over the coming months is to draft a fit for purpose and future-proofed CDI framework.

Key considerations and trade-offs for defining CDI

Design emphasis	Potential Outcomes / Implications
Detailed prescription	-> Stability for users and reduced interpretive discretion
High-level principles and rules	-> Framework established with scope for adaptability over time
Clarity around the scope of direct costs	-> Stability and transparency for users
Fixed exclusions	-> Stability for users and reduced interpretive discretion
High-level and non-exhaustive list of examples	-> Framework established with scope for adaptability over time
Governance rules	-> Stability supported through transparent governance and consultation

Workshop discussion points

Eligible costs and pricing factors

Where does detailed specification of eligible costs and pricing factors meaningfully improve certainty and stability?

Non-eligible costs

Which cost categories must clearly remain outside the scope of CDI recovery?

Transparency and understanding

Where does the current attribution framework work well, and where could transparency or explanation be improved?

Governance and oversight

In the absence of periodic regulatory approval, what governance mechanisms are necessary to maintain confidence in the CDI framework?

Next steps

– Caitlin Scarlett

Summary and next steps

- EU Implementing Regulation 2015/909 is being disapplied to GBR.
 - As a result, GBR must define the CDI framework. Our current intention is to do this through GBR's AUP. This is important activity as the CDI framework informs the methodology and calculation of charges by GBR.
 - Our intention is **not** to make substantive changes to the current definition. We must ensure that the CDI framework is fit for purpose, future-proofed, and protects users of the network.
 - Stakeholders will be formally consulted later this year on the drafting of GBR's CDI framework, as part of the AUP Consultation.
- **Outcome of our engagement in 2026: the information shared and gathered during these workshops will help to shape our drafting of GBR's CDI framework, which will inform GBR's Charges Scheme and Performance Scheme Statements in FP1.**

Key dates / Look ahead – upcoming charges workshops

Discounts Workshop on 24 March – this session will focus on the new legislative provisions for offering discounts and discuss stakeholder priorities for future discounts policy.

Price Lists and Simplification on 22 April – this will be an opportunity to explore when GBR should publish price lists and potential simplification proposals.

AUP objectives and trade-offs on 13 May – this will be an opportunity to discuss the development of the AUP and to highlight important trade-offs or tensions.

Fixed Charges on 26 and 27 May – this will be an opportunity to explore how GBR may set future mark-ups and its approach to fixed cost recovery through charges.

For more information on our charges and performance workshops, please visit this link: [GBR's Charges and Performance Schemes](#).

How you can help shape GBR's Charges Scheme and Performance Scheme Statements for FP1

Ways to get involved:

- Technical workshops on important charges and performance scheme topics.
- Targeted engagement with freight, devolved bodies, open access, other infrastructure managers, and funders.

We are committed to:



Early visibility of emerging approaches.



Open feedback and transparent reporting.



Listening to concerns and perspectives.

For more information on our emerging proposals for charges and performance , please visit this link:
<https://www.networkrail.co.uk/industry-and-commercial/developing-gbrs-charges-and-performance-schemes/>

If you have any questions or would like to discuss this further, you can contact the team via our dedicated inbox:
chargesandperformanceschemes@networkrail.co.uk