

# Access charging framework for use of Network Rail infrastructure: user guide

The purpose of this document is to provide an overview of the main regulated charges paid by train operators in control period 7 (CP7) for accessing the part of the GB rail network that is owned and operated by Network Rail.

In the 2023 periodic review (PR23), we set the regulatory framework for Network Rail for CP7, which runs from 1 April 2024 to 31 March 2029. Through PR23, we established the charging framework and specific charging rules for Network Rail. Our PR23 conclusions on access charges are set out in our PR23 final determination: policy position on access charges, October 2023. Within that framework, Network Rail has responsibility for determining the specific charges payable by train operators for accessing its track and stations.

The decisions we made in PR23, and the resulting changes to Network Rail's charges, are implemented through changes to Schedule 7 of train operators' track access contracts. The most recent changes took effect from 1 April 2024 for the start of CP7.

In our PR23 final determination, we committed to undertaking an early review of how access charges are set in advance of the launch of PR28. This guidance document is intended to provide an accessible reference for industry to assist in engaging with this review. It summarises key information on the existing set of regulated charges that are levied by Network Rail on train operators under current legislation, including the purpose and structure of each charge. It also signposts other documents and resources that are relevant to Network Rail's charging framework. The review will take account of developments on rail reform.

The rest of this document provides information for the following charges:

- Infrastructure cost charges (ICC):

- the Fixed Track Access Charge (FTAC)
- the ICC for freight services (for billing purposes, this is known as the freight-specific charge, or FSC)
- the ICC for open access passenger services
- **Variable charges:**
  - the Variable Usage Charge (VUC)
  - the Electrification Asset Usage Charge (EAUC)
  - the Traction Electricity Charge (EC4T)
- **Station charges:**
  - the Station Long Term Charge (LTC)
  - the Qualifying Expenditure Charge (QX)
- the charter slot charge

For each charge, this document covers:

- the purpose of the charge
- the costs recovered through the charge
- which train operators are subject to the charge
- how the charge is structured
- how the level of the charge is calculated

We welcome any comments or feedback on this user guide. Please contact our mailbox ([prm@orr.gov.uk](mailto:prm@orr.gov.uk)) if you have any feedback or queries about the information contained in this guidance.

Table 1 below provides a breakdown of Network Rail's CP7 forecast gross revenue by access charge type, Network Grant and all other sources.

**Table 1: Summary of Network Rail's CP7 revenue by source**

Revenue source	Paid by	Recovers	CP7 Total 2023 to 2024 prices (£ million)	Proportion of gross revenue
FTAC	Passenger operators on concession-style agreements	Income required to meet Network Rail's revenue requirement after taking account of the Network Grant and all other income streams	6,657	14%
VUC	All operators	Maintenance and renewal costs that vary with traffic	2,069	4%
EAUC	All operators of electrified services	Maintenance and renewal costs of electrification assets that vary with traffic	140	0%
EC4T	All operators	Cost of supplying electricity for	4,964	10%

Revenue source	Paid by	Recovers	CP7 Total 2023 to 2024 prices (£ million)	Proportion of gross revenue
	of electrified services	traction		
Managed Station QX	All passenger operators at managed stations	Day-to-day running costs of providing services and amenities at managed stations	568	1%
Station LTC	All passenger operators	Maintenance, renewal and repair costs for stations owned by Network Rail	1,726	4%
Network Grant	Government funding		28,559	59%
Other*	Various		3,347	7%

Revenue source	Paid by	Recovers	CP7 Total 2023 to 2024 prices (£ million)	Proportion of gross revenue
(including, but not limited to the Charter Slot Charge)				
	Gross Revenue		48,031	100%

Note: \*Other includes: Schedules 4 and 8 income; Schedule 4 access charge supplement income; Other freight income; Stations lease income and station facility charges; Depots lease income and facility charges; Other facility / supplemental charges (Evergreen; West Coast and Crossrail Supplementary Access Charge); Other open access income; Other non-regulated income (insurance premiums); Property rental; Property sales and Other income (Network Rail High Speed net income).

Source: PR23 Final determination: policy position – access charges, Table 1.1.

# Fixed Track Access Charge (FTAC)

## What is the purpose of this charge?

The Fixed Track Access Charge (FTAC) recovers a portion of Network Rail's fixed network costs i.e. those which do not vary with use of the network in the short-term.

Fixed network costs are recovered through several sources. A significant proportion of fixed costs is funded through direct network grant payments from funders. Additionally, some fixed costs are recovered from ICCs levied on freight and open access operators, and through Network Rail's 'other single till income' (e.g. property rental and sales).

FTACs are set at the level that is required to recover Network Rail's remaining fixed costs, after accounting for income from these sources. This ensures that it can recover the full costs of operating, maintaining and renewing the network, as required by the periodic review settlement (sometimes known as fulfilling Network Rail's 'net revenue requirement').

## Who is subject to this charge?

FTAC is paid by operators on concession-style agreements, by which we mean all operators that are commissioned by funders and other devolved rail authorities to provide passenger services. However, in practice, these agreements generally provide for FTAC to be paid by the funder or commissioning rail authority, which means that operators are held neutral to any changes in FTAC that result from a periodic review.

A full list of operators who pay FTAC is set out in Network Rail's CP7 Schedule of fixed charges 2024-25.

## How is the charge structured?

The FTAC is structured as an annual charge, determined based on traffic forecasts made in advance of the start of each control period.

## How is the level of the charge calculated?

The basis for the calculation of FTACs is Network Rail's fixed cost model. This model estimates the total fixed costs for each route section on the network. It then allocates traffic-related avoidable fixed costs to train operators who use each route section, based on forecasts of the type of traffic they run<sup>3</sup>. For example, the costs that would be avoided in the long-run by reducing the maximum line speed on a route section are allocated to the highest-speed services that run on that section. It should be noted that the fixed costs associated with having a minimum network (i.e. non-avoidable costs) are allocated entirely to funders rather than train operators and recovered through the network grant.

This methodology underpins the maximum allocation of fixed costs to each train operator, to be recovered through the FTAC. The model then deducts income from other charges and third-party income from operators' allocations. Finally, Network Rail deducts network grant funding from each TOC, in the same proportion of their share of the FTAC. The resulting allocations constitute each operators' FTAC.

In our PR23 final determination we confirmed that this methodology, which was adopted in CP6, will continue to be used as the basis for allocating the FTAC between operators in CP7.

The methodology is described in more detailed in Network Rail's conclusions on its methodology for allocating fixed costs to train operators in Control Period 6 (CP6), and also in Annex 3 of our initial consultation on our PR23 charges review ('PR23 - Review of Network Rail's access charges - Technical consultation - Initial Proposals').

## Infrastructure Cost Charges (ICCs) for freight services

### What is the purpose of this charge?

We first introduced a charge paid by freight operators to contribute to Network Rail's fixed cost recovery in PR08. This was called the freight only line (FOL) charge and was intended to recover the costs of lines that would close if freight services ceased to operate (for example branch lines used only by freight traffic).

In PR13, we introduced the Freight Specific Charge (FSC). This was intended to increase the extent to which freight operators contribute to the costs they impose on the rail network where this is appropriate and consistent with relevant legislation on the application of 'mark-ups' (The Railways (Access, Management and Licensing of Railway Undertakings) Regulations (AMRs) 2016, Schedule 3, paragraph 2). We considered that this should send better signals to users to enable more efficient use of the network. It also reduces the overall reliance on public funding for the recovery of Network Rail's fixed costs.

In PR18, we combined these two charges into one mark-up for freight services. We now refer to this as the ICC for freight services, although for billing purposes it continues to be referred to as the FSC.

## What costs are recovered through this charge?

The ICC for freight services recovers a proportion of Network Rail's freight fixed costs. It is based on an assessment of what contribution to fixed network costs each freight market segment can bear (2.5 for further detail). Currently, the total traffic-related avoidable fixed costs allocated to freight services by Network Rail's fixed cost model determine the upper limit. In practice, the assessment of ability to bear means that existing freight ICCs recover only a small proportion of these traffic-related avoidable fixed costs.

## Who is subject to this charge?

This ICC is paid by freight operators for services carrying certain commodities. Network Rail can only levy 'mark-ups' (i.e. charges which recover costs in excess of those directly incurred) on services which can bear those charges. The Railways (Access, Management and Licensing of Railway Undertakings) Regulations (AMRs) 2016, Schedule 3, paragraph 2(3), states that the effect of charging mark ups 'must not be to exclude the use of infrastructure by market segments which can pay at least the cost that is directly incurred as a result of operating the railway service, plus a rate of return which the market can bear.'

To determine which freight services can bear this charge, we apply a market-can-bear test to assess the likely impact of imposing this charge on different freight services (or "market segments"). This takes account of evidence on how demand for rail freight services from different commodities may change as a result of higher charges and the extent to which rail freight services



compete with other transport modes such as road. For market segments where demand is less sensitive to changes in charges, and which face less competition from other transport modes, their ability to bear a charge is higher.

Based on the outcome of the market-can-bear test conducted during PR23, the ICC is currently levied on freight services carrying the following freight commodities: ESI (Electricity Supply Industry) coal; iron ore; spent nuclear fuel; and ESI biomass.

Each of these commodities are defined as separate market segments. The ICC for ESI coal, spent nuclear fuel and iron ore has been levied since PR13, while an ICC for ESI biomass was introduced for the first time in PR18.

## How is the charge structured?

This charge is paid by freight operators based on their usage of the network, as a rate in pounds (£) per thousand gross tonne miles (kgtm).

## How is the level of the charge calculated?

ICCs are calculated separately for each market segment. As explained above, this is based on an assessment of what each market segment can bear.

For PR23, we calculated the ICC rate for ESI coal and iron ore so as to broadly maintain the overall level of track access charges (excluding any EC4T payments) between CP6 and CP7, as we did in PR18. For biomass, we maintained the ICC for biomass traffic in real terms. For spent nuclear fuel, we set the ICC rate to the total level of spent nuclear fuel's avoidable fixed cost. However, due to an error by Network Rail in allocating spent nuclear fuel's total avoidable fixed costs, the rate was set below the level to recover total fixed avoidable costs.

The specific ICC rates paid for services transporting these commodities is set out in Network Rail's track usage price list.

# Infrastructure Cost Charges (ICCs) for open access services

## What is the purpose of this charge?

We introduced an ICC for open access services in PR18 to ensure that operators that could afford to contribute to Network Rail's fixed costs do so. It also aimed to facilitate increased on-rail competition between passenger services over the longer-term by allowing open access operators to benefit from potentially greater access to the network in return for paying the ICC.

## Who is subject to this charge?

Based on our market-can-bear analysis (as described in paragraph 3.4) we have defined three market segments for the purpose of levying an ICC:

- interurban open access services
- airport services
- all other services

As with freight operators, Network Rail can only levy 'mark-ups' (i.e. charges which recover costs in excess of those directly incurred) on open access services which can bear those charges.

To determine which open access services can bear this charge, we apply a market-can-bear test. This involves defining the market segments and then determining the level of the ICC these market segments can bear. Our assessment of market segments and the ability to pay is currently based on the profitability of operators within each market segment.

We define our market segments with reference to the threshold of the number of passengers using a station and the distance between stations. For CP7, the market segments we determined as having the ability to pay an ICC were set based on the following thresholds:

### Inter-urban services

1. at least one station served has average entries / exits above 15 million passengers per year, or is within two miles of a station meeting that criterion

2. at least one other station served has average entries / exits above 10 million passengers, or is within two miles of a station meeting that criterion
3. and two of the stations meeting these demand thresholds are at least 40 miles apart

## **Airport services**

1. at least one station served has average entries / exits above 15 million passengers per year, or is within two miles of a station meeting that criterion
2. at least one station (or stations(s)) that directly serves an airport has average entries / exits above 5 million passengers

We currently levy the ICC on new interurban services only. However, if an existing operator proposes significant variations to their services, and that service falls within the interurban market segment, these services are then subject to an ICC. Currently, only Lumo pays an ICC on its London to Edinburgh services. ORR has approved access rights for Grand Union Trains (GUT) to run services between London and South Wales from December 2027 and this would be liable for an ICC on a portion of this service. Both are in the interurban market segment.

## **What costs are recovered through this charge?**

The ICC for open access services recovers a proportion of Network Rail's fixed costs. As with the ICC for freight services, the charge is based on an assessment of what contribution to fixed network costs open access services can bear. Currently, the total traffic-related avoidable fixed costs allocated to open access services by Network Rail's fixed cost model is used to determine the maximum level. In practice, the assessment of ability to bear means that the existing ICC does not fully recover these traffic-related avoidable fixed costs.

## **How is the charge structured?**

The charge is levied on open access services as a flat rate of £5 per train mile (in 2023 to 2024 prices) for both the interurban and airport market segments.

For services which operate partly (but not fully) in the interurban market segment, the rate is adjusted accordingly. For example, for a 200-mile journey, if 100 miles falls into the interurban market segment and the remaining 100 miles is in the other segment, then the overall charge for the service would be half of the full ICC rate per train mile.

# How is the level of the charge calculated?

The level of the interurban ICC is based on the following factors:

- the updated market-can-bear analysis, which indicates that the majority of interurban services would be capable of generating net revenues (after accounting for the impact of the Coronavirus (COVID-19) pandemic)
- consistency with our decision in PR18 to set the charge conservatively but for a rail passenger market which was less challenging than that faced by open access operators today
- balancing the risks of setting a charge too high (in terms of deterring open access applicants) against the drawbacks of setting it too low (primarily the impact on Secretary of State funds)

The airport services ICC was set in-line with the inter-urban ICC.

The ICC for new open access services is phased in over the first five years of the operation of relevant new services according to the phasing profile set out in Table 2.

**Table 2: Phase-in arrangements for new entrants operating interurban and airport services liable for an ICC in CP7**

Year of operation of new entrant	Year 1	Year 2	Year 3	Year 4	Year 5
% of ICC set at periodic review prior to start of operations	0%	0%	25%	50%	100%

# Variable Usage Charge (VUC)

## What is the purpose of this charge?

The VUC is a charge designed to recover the operating, maintenance and renewal costs that vary with marginal changes in traffic (The Railways (Access, Management and Licensing of Railway Undertakings) Regulations (AMRs) 2016, Schedule 3, paragraph 1). In practice, rail infrastructure operating costs are widely understood not to vary materially with traffic and the charge was set in CP4 to recover variable maintenance and renewal costs only. It does not reflect the costs of providing or changing the capability or capacity of the network.

It is intended to provide incentives for operators to: (1) use more track friendly vehicles; and (2) only operate services where the additional benefit is greater than the marginal costs imposed on the infrastructure.

## What costs are recovered through this charge?

The VUC recovers costs relating to three types of activity: track, civil engineering and signalling. Track wear and tear costs make up approximately 84% of the expenditure that is recovered through this charge whilst civil and signalling costs make up around 13% and 3% of the charge respectively. For more details, see Network Rail's consultation on variable charges and station charges in CP7, and a PR13 report by SERCO ('VTISM Analysis to Inform the Allocation of Variable Usage Costs to Individual Vehicles').

## Who is subject to this charge?

The VUC is paid by all operators who run services on the network i.e. passenger operators on concession-style agreements, freight operators, open access operators and charter operators. How is the charge structured?

The VUC is disaggregated by vehicle class and, in the case of freight services, also by commodity. Typically, heavier and faster vehicles incur a higher VUC, reflecting the relatively higher levels of damage that they cause to the network (note that both vehicle characteristics and the commodity carried contribute to the effective vehicle weight that has to be supported by the infrastructure).

The rates are averaged across the network as a whole, resulting in a single price for each permutation of vehicle type and commodity across the network. The CP7 VUC price list contains about 1,800 vehicle rates.

Passenger and freight VUCs are specified, respectively, on a pence per vehicle mile and pound per thousand gross tonne mile (kgtm) basis.

Charter VUCs are calculated on a per train, rather than a per vehicle basis. In CP7 there are four charter specific VUC rates.

## How is the level of the charge calculated?

The methodology for calculating VUC rates is based on a combination of:

- forecasts of maintenance and renewal expenditure as a function of changes in traffic (both passenger and freight)
- periodic review forecasts of maintenance and renewal expenditure over the next control period
- engineering models used to calculate the relative amount of infrastructure damage caused by different types of vehicle

The VUC methodology involves estimating the total annual wear and tear costs based on a 35 year average cost. In PR23 this was constrained to broadly match the expected control period expenditure. Through a combination of the Vehicle Track Interaction Strategic Model (VTISM) and engineering judgement, these costs are used to calculate the national average VUC rate in pounds (£) per kgtm, taking into account the relevant efficiency overlays and adjusting to exclude indirect costs. The national average VUC rate in conjunction with the damage formulae and individual vehicle characteristics such as weight and speed then determine a vehicle's individual VUC rate.

A calculator is available on Network Rail's website which can be used to determine the charge applicable for a specific type of vehicle and commodity by inputting all of the relevant vehicle characteristics.

In PR23, we reviewed our capping and phasing-in policy to limit the increase in VUC that freight and charter operators would otherwise experience in CP7. Freight and charter operators were forecast to incur material increases in their (uncapped) total variable charges in CP7. The policy does not apply to passenger operators on concession-style agreements nor to open access

passenger operators. Operators on concession-style agreements are compensated by their funders under the terms of their contracts and open access passenger operators were not forecast to incur a material increase in their total variable charges in CP7.

Considering the CP7 freight growth targets set in our PR23 final determination (7.5% in England & Wales and 8.7% in Scotland), and our duty to protect the interests of users of the railway, we decided to maintain the capping arrangements set in PR18 for VUC rates paid by freight (and charter) traffic in CP7 (instead of increasing to new (higher) cost-reflective rates). This saved freight operators around £33 million in VUC payments (2023 to 2024 prices) over CP7.

In our PR23 final determination, we said that VUC rates will increase further in CP8 with a view to being fully cost-reflective by the end of CP8 (i.e. the remaining caps would be unwound over CP8). This means that freight (and charter) users are on a pathway to paying the full directly incurred cost of network use by the end of CP8.

## **Electrification Asset Usage Charge (EAUC)**

### **What is the purpose of this charge?**

The purpose of the Electrification Asset Usage Charge (EAUC) is to recover the variable costs (costs that vary with changes in the level of electrified traffic) of maintaining and renewing electrification assets. It is a separate charge to the Variable Usage Charge \*(VUC) and is only levied on services powered by electric traction.

### **What costs are recovered through this charge?**

Network Rail's electrification assets comprise the AC and DC overhead lines, the DC conductor rail (third rail) systems, and the supporting distribution infrastructure. These assets are used by trains to draw traction electricity. A proportion of the costs of maintaining and renewing these assets are considered to vary with respect to network usage which is determined by engineering judgement. It is these costs which the EAUC recovers.

## Who is subject to this charge?

The charge is paid by all operators of electrified services (i.e. passenger operators on concession-style agreements, freight operators, open access operators and charter operators).

## How is the charge structured?

There are six EAUC rates in total: specifically, a DC and AC rate for passenger, freight and charter operators. The charge is levied on a pence per electrified vehicle mile basis for passenger and charter traffic, and a pound per electrified thousand gross tonne miles (kgtm) basis for freight traffic.

## How is the level of the charge calculated?

To calculate the specific EAUC rates:

- Network Rail first estimates the annual average cost of the maintenance and renewal costs of electrification assets.
- It then estimates the proportion of these costs that vary with traffic and allocates these proportions to different operator types based on historic shares of network usage to produce a total AC/DC variable cost that needs to be recovered from operators.
- Network Rail then combines this with a forecast of electrified traffic by operator, split into AC and DC, to calculate the rate per vehicle mile and per kgtm (to be applied to passenger/charter operators and freight operators accordingly) that is required to recover these variable costs on average.

## Traction Electricity Charge (EC4T)

### What is the purpose of this charge?

The Traction Electricity Charge (also known as electric current for traction or EC4T) recovers the cost of electricity supplied by Network Rail to power trains.



## Who is subject to this charge?

The EC4T charge is paid by all operators who use electricity supplied by Network Rail to power their electrified trains i.e. passenger operators on concession-style agreements, freight operators, open access operators and charter operators.

## How is the charge structured?

This charge is calculated based on one of the following two approaches:

1. **metered** consumption (based on readings taken from meters on trains)
2. **modelled** consumption (based on estimated consumption, subject to an end of year volume reconciliation exercise)

## How is the level of the charge calculated?

Modelled consumption is calculated by multiplying an estimated consumption rate by total electrified mileage in each rail period. Consumption rates are derived from theoretical and empirical relationships between consumption, vehicle characteristics and typical operating characteristics (consumption rates are published in the Traction Electricity Modelled Consumption Rates List and calculated using the methodology detailed in EC4T consumption rates: Methodology for new and re-routed rolling stock.

The EC4T charge is then obtained by multiplying the modelled consumption by the cost per kilowatt-hours (kWh) paid by Network Rail. For more details, see the Traction Electricity Rules.

At the end of each financial year, all parties using the modelled consumption approach (including both operators and Network Rail) participate in a volume reconciliation exercise (also referred to as the volume 'wash-up'), which compares total modelled consumption against total actual consumption (including transmission losses) across given sub-networks known as electricity supply tariff areas (ESTAs). This results in additional payments by Network Rail to operators if actual consumption is below total modelled consumption, or by operators to Network Rail in the opposite case.

Metered consumption is charged on the basis of consumption recorded by on-train meters.

Metered regenerated energy (where energy generated through braking is returned to the grid) is netted off the recorded energy consumption. Then a mark-up<sup>12</sup> is charged on the metered consumption net of regenerated energy to recover estimated transmission losses. The EC4T charge is then obtained by multiplying the net energy consumption (uplifted by the transmission losses mark-up) by the cost per kWh paid by Network Rail. The mark-up values or Distribution System Loss Factor (DSLRF) for each Electricity Supply Traffic Area (ESTA) are in the Traction Electricity Rules.

At the end of each financial year, Network Rail and all operators using electric traction participate in a cost reconciliation exercise (also referred to as the cost 'wash-up') which compares the tariff per unit of consumption charged by Network Rail with the actual tariff per unit paid by Network Rail to electricity suppliers. This also results in additional payments between Network Rail and operators.

## Station Long Term Charge

### What is the purpose of this charge?

Network Rail is the ultimate owner of most stations on the mainline network. This means that it is responsible for the upkeep of those stations and certain assets within them. The Station Long Term Charge (LTC) allows Network Rail to recover the cost of this upkeep.

### What costs are recovered through this charge?

The LTC recovers the cost of maintaining, repairing and renewing operational property assets (e.g. station buildings, platforms, canopies), passenger information systems (e.g. information screens, public address systems) and security systems (e.g. CCTV). When calculating the LTC, the last two elements are grouped together and labelled Station Information and Security Systems (SISS)

### Who is subject to this charge?

Any train operator using a station where Network Rail has maintenance, repair, and renewal (MRR) responsibilities is subject to the LTC. The charge is levied on the Station Facility Owner (SFO), who is typically responsible for the station's day-to-day management.

# How is the charge structured and the level of the charge calculated?

Following PR23, the structure of the LTC has been updated to better reflect the costs associated with different types of stations. There are now three categories for LTC calculations with the methodology for calculating the LTC varying based on the station type:

- **Large and Complex Stations:** for 33 of the largest and most complex stations, the LTC is calculated using station-specific MRR expenditure forecasts. This approach ensures that the charges reflect the actual costs incurred at these stations.
- **Other Stations:** for all other stations, the LTC continues to be calculated using a category-averaging approach. Stations are grouped into six categories (A to F) based on passenger usage. Total expenditure is forecast at a regional level and allocated to these categories, with each station within a category receiving an equal share of the costs within the category.
- **New Stations:** for new stations, the operational property element of the LTC is initially set at 10% of that for equivalent existing stations for a fixed five-year period from the date of opening. This lower rate reflects the expectation that new stations will initially incur lower maintenance and renewal costs. After five years, the station's LTC will be recalibrated to align with the standard methodology used for other stations.

This updated structure ensures that the LTC is more cost-reflective, particularly for the largest and most complex stations, while maintaining a simplified approach for other stations.

## Qualifying Expenditure (QX)

### What is the purpose of this charge?

The Qualifying Expenditure (QX) is designed to recover the day-to-day running and operation costs of stations.

# What costs are recovered through this charge?

The QX recovers various types of costs, ranging from station cleaning costs, the provision of utilities, light maintenance work and the employment of customer service agents at stations.

# Who is subject to this charge?

The QX applies at both managed stations and non-Network Rail managed stations, and is levied by the station facility owner (SFO) on all train operators that call at the station.

# How is the charge structured?

There are two elements of the charge:

- The **fixed element** of the QX forms most of the revenue that SFOs receive from the charge, covering direct operations costs such as cleaning, light maintenance, station staff and utilities.
- The **management fee element** of the QX charge recovers central support costs (such as facilities management and information systems; corporate communications; and legal, planning and regulation), and includes a profit element.

Only the management fee element of the QX for managed stations (i.e. where Network Rail is the SFO) is regulated by ORR.

# How is the level of the charge calculated?

The level of the fixed element of the QX is determined for each station by negotiation between the SFO and the train operators that use the station.

For managed stations specifically, Network Rail submits its plans for the station for review and scrutiny by those operators. The QX is then determined for a five-year period, to align with a control period. The profit element of the management fee is levied as a percentage of the fixed element. For managed stations only, in CP7 the management fee was set at 7.26% of the fixed QX, with a profit element of 6% and a central costs element of 1.26%.

# Charter slot charge

## What is the purpose of the charge?

The purpose of the charter slot charge is to recover Network Rail's costs for activities undertaken specifically for charter services for which it is not otherwise funded.

## What costs are recovered through the charge?

This includes gauging activities, maintenance and operational costs, such as paying for additional operational staff to operate ground frames for charter trains to access branch lines.

## Who is subject to the charge?

Operators that run charter services pay this charge.

## How is the charge structured?

Charter slot charges are set according to the type of traction, with discounts for repeat business. The table below provides the breakdown of charges in CP7.

Table 3: Charter slot charge in CP7 (2023/24 prices)

Description of Service	Charge (£ per bid)
Loaded Train or Empty Coaching Stock (ECS) Train hauled by Diesel or Electric Equipment or consisting of Electric Multiple Unit (EMU) or Diesel Multiple Unit (DMU)	425.26

Description of Service	Charge (£ per bid)
Train hauled throughout or in part by Steam Driven Equipment	1,025.58
Repeat Business Slot Charge	76.01

*Source: CP7 Track Usage Price List (Charter Slot Charge)*

The first two charges cited in the table above are for one-off charter services. The repeat slot charge aims to recover the same costs as the 'one off' charge but is considerably lower reflecting the fact that the cost will be less for each subsequent repeat of a series of identical journeys, within the same timetable period. This is because the gauging activity for running a given charter service on a particular route will have already been done once and the costs do not need to be recovered again.

In the event of a cancellation by Network Rail or the train operator, a cancellation charge shall apply as defined in the Track Access Contracts for Charter Passenger Services (Part 2, Section 5). The party cancelling the Service shall pay the charge.

Cancellation charges are designed to recover the proportion of the slot charge that has already been incurred, such as the gauging activity, before the decision has been taken to cancel the train.

## How is the level of the charge calculated?

The charter slot charge is calculated depending on the type of traction. The single steam slot charge is higher than the charge for diesel and electric because gauging activity is more complex for steam. Additional operational activity is also required to enable a steam service on the network. Table 3 above shows the level of the charge per bid as determined for CP7.

The cancellation charge is calculated as a proportion of the slot charge and varies in accordance with the timing of the cancellation (the later the cancellation, the higher the charge).