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10 February 2014

To freight operators, open access operators, charter operators



Dear colleague,

Publication of capacity charge baselines in CP5

1. The purpose of this letter is to approve the capacity charge baselines for CP5 that Network Rail has published today, 10 February 2014. Network Rail has published these baselines on its website at www.networkrail.co.uk/accesscharges. We have reviewed its work and approve its baselines.
2. The capacity charge baselines are relevant to freight operators, open access operators (OAO) and charter operators. They do not apply to franchised passenger operators. They are used to calculate any year-end wash-up of the capacity charge during CP5, as set out in our *Periodic Review 2013: Final determination of Network Rail's outputs and funding for 2014-19*¹. The details of how they are applied are specified in Schedule 7 of the relevant track access contracts set out within the review notices we issued on 20 December 2013, and which we expect to take effect on and from 1 April 2014. The capacity charge rates to which they are applied are given in the list of capacity charge rates, published by Network Rail, on 20 December 2013².
3. We and Network Rail jointly consulted with you on draft baselines in December 2013 and January 2014, writing a separate letter to freight operators, open access operators and charter operators. In each case Network Rail presented draft baselines that it had calculated using 2012-13 data from its track access billing system (TABS).
4. In January 2014 we issued an update letter to OAOs to make them aware that an operator had argued for an alternative methodology for calculating the baselines. The OAO had been granted additional access rights subsequent to 2012-13, and this meant that 2012-13 traffic was not a suitable measure of existing services for which to calculate the capacity charge baseline. Our letter clarified that, while the final determination specified that the baselines for freight operators and charter operators would be calculated using 2012-13 actual traffic, this was not necessarily the case for OAOs, for which the requirement was that the baselines be based on "existing services". In approving the OAOs baselines, we have taken this to mean that the

¹ This may be accessed at: <http://www.rail-reg.gov.uk/pr13/PDF/pr13-final-determination.pdf>.

² This may be accessed at: <http://www.networkrail.co.uk/cp5-access-charges/list-of-capacity-charge-rates.xls>.



baselines are calculated with reference to services that have access rights on or before the start of CP5 (or ancillary movements existing prior to the start of CP5).

5. Since issuing the consultations, Network Rail and we have engaged with a number of operators who have requested refinements to particular baselines. In particular, in finalising the baselines Network Rail has made the following changes:
 - a. reclassifying Devon and Cornwall Railways as a freight operator rather than a charter operator, because this is consistent with its contract as a freight operator;
 - b. adding the FGW charter mileage to the charter baseline, it having previously been omitted in error;
 - c. updating the baseline for each of Grand Central's service codes to reflect additional services that were introduced prior to the end of CP4 (but after the start of 2012-13), calculating the mileage on the basis of train diagrams;
 - d. setting Hull Trains' baselines on the basis of train diagrams rather than TABS data, at the request of the operator;
 - e. including two additional baselines, for Heathrow Express and Eurostar, relating to ancillary movements; these had been omitted in error;
 - f. updating the mileage for all of Eurostar's service codes so that it was consistent with mileage billed manually, which differed from TABS mileage, and for a particular service code, so it included services for which Eurostar has existing access rights.
6. Further details of the changes can be obtained by contacting Caitlin Scarlett at Network Rail (caitlin.scarlett@networkrail.co.uk).
7. In approving these baselines, we have sense-checked and cross-checked the data and calculations to the extent that it has been reasonably practicable for us to do so.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Carl Hetherington', written in a cursive style.

Carl Hetherington