Pedro Abrantes
Head of Analysis and Rail Economics

29 July 2019

Ben Worley
Regulatory Economics Manager
Network Rail

Dear Ben,

System for reporting timetabled train miles in Control Period 6 (CP6) for the purposes of the fixed track charge (FTAC) wash-up

1. We refer to your letter of 8 July 2019, in which you confirmed Network Rail's position that the Network Rail Train Movement and Compensation (TMaC) system is the most appropriate system to use to report timetabled train miles in CP6[1]. This letter sets out our agreement to the use of the TMaC system, for the purposes of Schedule 7 of franchised passenger track access contracts.

Background

2. In the 2018 periodic review (PR18) final determination we confirmed our decision to annually adjust franchised passenger operators' FTAC for changes in timetabled traffic in CP6[2]. This means that franchised passenger operators will pay a lump sum FTAC for each year of the control period, but at the end of each year operators' FTAC will be recalculated to reflect the difference between their forecast timetable traffic, and services included in the timetable for that year.

3. The main reason for making this change was to increase the revenue Network Rail receives when new franchised services join the network during the control period and provide Network Rail with a stronger financial incentive to add traffic to the network. This was an important consideration given our decisions to remove the capacity charge and the financial aspect of the volume incentive for CP6[3].

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[1] CP6 runs from 1 April 2019 to 31 March 2024.
[2] *2018 periodic review final determination: Supplementary document – Charges and incentives: Infrastructure cost charges conclusions*, Office of Rail and Road, October 2018. This may be accessed here.
[3] *Letter to Network Rail: Volume incentive – conclusions to working paper*, Office of Rail and Road, May 2018. This may be accessed here.

4. This policy change requires Network Rail to report franchised passenger operators' timetabled train miles for each year of CP6. At the time of the PR18 final determination Network Rail had not identified a robust system to report annual timetabled train miles.

5. For that reason, Schedule 7 Part 2A of the model passenger operator track access contract stipulates:

   "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"

6. Following this requirement, Network Rail has worked to identify which of its systems is the most appropriate for reporting franchised passenger operators' timetabled train miles in CP6 for the purposes of the FTAC wash-up in each franchised passenger operator track access contract.

Network Rail proposal

7. In your letter of 8 July 2019 you explained that TMaC records timetabled movement data, using inputs from the upstream systems, such as the train planning system.

8. TMaC is a relatively new system, which brings together information from several other existing Network Rail systems. As part of the migration of other systems to TMaC Network Rail has tested the accuracy of the data provided by TMaC, by comparing it against the original sources of the data.

9. In addition, due to charges historically being based on outturn train miles, rather than timetabled train miles, Network Rail has undertaken a further review of TMaC to ensure it is robust enough to use for charging.

10. We note that these tests did not identify any material issues with the timetabled traffic data recorded in TMaC.

ORR view

11. We have reviewed the checks that Network Rail has carried out on the timetabled train mile data recorded by TMaC and have held further discussions with you. Based on this, we consider these checks sufficient to establish whether the timetabled train mileage data from TMaC is robust enough to use to in the calculation of the annual adjustment to FTAC.

12.	Based on the results of Network Rail's checks of the timetabled train mile data recorded by TMaC we agree that it is the most appropriate system to use to report timetabled train miles in CP6.

13.	However, we note that Network Rail is still in the process of creating the functionality in TMaC to report franchised passenger operators timetabled train miles against their timetabled traffic baselines throughout CP6. In addition, we note that Network Rail is planning to consult train operators on their timetabled traffic baselines for CP6, which will provide train operators with an opportunity to review their respective train mileage data from the TMaC system. It is important that we are kept up to date with both of these workstreams to understand if any issues arise that may prevent TMaC being used.

Yours sincerely

Pedro Abrantes