

Emily Bulman
Head of Transport Economics, Railway Markets and Economics

Telephone 020 7282 3892
E-mail emily.bulman@orr.gsi.gov.uk

16 January 2014

To open access operators



Dear colleague,

Update - capacity charge baselines in CP5 for existing open access operators (OAO)

1. The purpose of this update letter is to make you aware that, following our 20 December 2013 consultation on capacity charge baselines, an OAO has proposed an alternative approach for calculating the capacity charge baselines for its existing service codes, so that the baselines take account of recent changes to its services. If you wish to adopt a similar approach, in which you undertake the calculation yourself, please notify us and Network Rail by **23 January 2014**.
2. In our 20 December 2013 consultation, we stated that baselines for open access operators (OAO) would be calculated on the basis of 2012-13 traffic, extracted from TABS (paragraph 8 of the 20 December letter). In fact, this should not be so definitive, and it should be read as a proposal rather than a conclusion.
3. The OAO which responded to us has been granted additional access rights subsequent to 2012-13. This means that, in its particular case, 2012-13 traffic is not a suitable measure of existing services for which to calculate the capacity charge baseline. Instead, the OAO is proposing to calculate the baselines for its existing service codes on the basis of mileage from train diagram information. Network Rail requested that it receives the necessary assurance from the OAO regarding the quality of the data and calculation. We also require similar assurance in order to be able to approve the baselines.
4. The OAO's alternative proposal and the method set out in our consultation are both consistent with our final determination¹. Our final determination, in effect, requires that OAO baselines are calculated on the basis of existing services. As stated above, we want to clarify that our final determination did not conclude that the OAO baselines

¹ Periodic Review 2013: Final determination of Network Rail's outputs and funding for 2014-19. This may be accessed at: <http://www.rail-reg.gov.uk/pr13/PDF/pr13-final-determination.pdf>. See in particular paragraph 16.200.



would necessarily be calculated on the basis of 2012-13 traffic (though we did conclude this with respect to freight and charter operators), and that therefore paragraph 8 of our 20 December 2013 letter is misleading and should be read as being a proposal rather than a conclusion.

5. The assurance Network Rail and we require, should you or other OAO wish to submit alternative estimates of train mileage in order to calculate the capacity charge baseline, would consist of the following:
 - a. details of the system or data source from which the data has been extracted, including a brief description of what the system / data source is, what it is used for and what assurances the operator has in place to ensure the data is robust;
 - b. the calculations that the OAO has applied to the data, including annotation as to the basis of the calculations; and
 - c. confirmation that the services used to calculate the baseline are consistent with the existing CP4 track access agreement, including details of any supplemental agreements to which the services relate.

6. This letter complements the 20 December 2013 consultation; it does not replace it. The deadline for responding to the 20 December 2013 consultation remains 20 January 2014. Therefore, if you wish to calculate the baselines using an approach based on train diagram information, subject to Network Rail and ORR assurance, please notify alexandra.bobocica@orr.gsi.gov.uk, copied to Caitlin Scarlett, Caitlin.scarlett@networkrail.co.uk, on or before **23 January 2014**. We will only be able to accept such an approach if you are able to provide both Network Rail and ourselves the revised baselines, with assurance regarding the calculations, by **30 January 2014**, and Network Rail will discuss these arrangements with you.

Yours faithfully,



Emily Bulman