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13 January 2017

Carew Satchwell  
Route Contracts Manager  
Network Rail  
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100 Wharfside Street  
Birmingham  
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Darren Horley  
Commerical & Operations Strategy Manager  
West Coast Trains Limited  
1<sup>st</sup> Floor West, Meridian  
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Dear Carew and Darren

**Seventeenth supplemental agreement to the track access contract between Network Rail Infrastructure Limited and West Coast Trains Limited (Virgin Trains)**

1. We have today approved the above supplemental agreement submitted to us formally on 13 January 2017.
2. The purpose of this agreement is to amend Virgin Trains track access contract, specifically the train mileage calculation (TMC) rates for class 221T Rolling Stock in Schedule 4. This change was initially requested due to an inconsistency with the class 221T TMC Rate applied between Service Groups. An error was then subsequently highlighted in the calculation of the rate for the Class 221 TMC Rate. This agreement therefore amends the Class 221 TMC rate.
3. No industry consultation was carried out on this application as this was to correct an error in the contract and the change has no material effect on any other passenger or freight train operating company.
4. We reviewed the proposal at the time of its first submission on 5 April 2016 and requested further information on the evaluation of the financial impact on Network Rail of any change in the Class 221 TMC rate applies as well as details about the VUC price and RPI indexation used in re-calculating TMC rate. The parties did not provide sufficient details on this and a further issue was raised around the fuel duty used in the calculation.

On 29 April 2016 and at the parties' request, the application was put on hold whilst the proposal was discussed further.

5. On 18 November 2016, the application was re-submitted whereby the parties stated they had reached agreement on re-calculating the TMC rate. We asked the parties for an explanation of the agreement including details of the financial impact of changing the TMC rate on Network Rail. Network Rail explained that it does not expect to pay any further significant Schedule 4 payments for maintenance and renewal works on the routes affected for the rest of CP5, and therefore the change will not impact materially on Schedule 4 payments financed through Virgin Trains' access charge supplement.
6. Instead the majority of planned disruption on these routes will be due to enhancement works where Schedule 4 payments are funded as part of the capital cost of the project. Given that the parties had agreed on the new rate and the circumstance by which it would be applied, we did not believe that approval of this application should be withheld. There were no further issues.
7. Under clause 18.2.4 of the track access contract, Network Rail is required to produce a conformed copy, within 28 days of any amendment being made, and send copies to ORR and the Train Operator. ORR's copy should be sent for my attention.
8. In accordance with section 72 of the Act, we will place a copy of the approval notice and the agreement on our public register. Copies of this letter, the approval notice and the agreement will be sent to Keith Merritt at the Department for Transport and Peter Craig at Network Rail. Copies of this letter and the agreement will be placed on the ORR website.

Yours sincerely



**Michael Albon**