

## PR13 Implementation - Proposed Schedule 7 for Freight Modelled Operators

### SCHEDULE 7: TRACK CHARGES AND OTHER PAYMENTS

#### 1. Definitions

In this Schedule 7 unless the context otherwise requires:

**“2008 Final Determinations”** means the document entitled “Periodic Review 2008: Determination of Network Rail’s outputs and funding for 2009-14” published by ORR on 30 October 2008;

**“2013 Final Determinations”** means the document entitled [[“Periodic Review 2013: Determination of Network Rail’s outputs and funding for 2014-19”](#)] and published by ORR on **• 2013**;

**“access charges review”** has the meaning attributed to it in paragraph 1(1) of Schedule 4A to the Act;

**“AC System”** means [the alternating current system of electricity traction supply on the Network](#);

**“Adjustment Factor”** means the factor calculated in accordance with paragraph 2.7.2;

~~**“Baseline Coal Spillage Charge Rate”** has the meaning attributed to it in paragraph 2.11.1;~~  
**“Alliance Agreement”** means [an agreement between Network Rail and one or more train operators establishing an alliance in which those parties work jointly to carry out or otherwise share the risk of activities on a part of the Network](#);

~~**“Baseline Points Failures”** means the number of points failures attributable to coal spillage identified in a list published by Network Rail in December 2008;~~

**“Coaching Stock Miles”** means, in relation to coaching stock, the Contract Miles travelled by that coaching stock;

**“Coaching Stock Weight”** means, in relation to coaching stock, the gross weight of that coaching stock, measured in tonnes;

**“Coal Spillage Charge”** means the amount payable in respect of item 6 in the formula specified in paragraph 2.2.1;

**“Coal Spillage Charge Rate”** means, in respect of each Coal Vehicle used in a Service, the coal spillage charge rate per KGTM ~~determined in accordance with paragraph 2.11.1, as for that Coal Vehicle, as set out in the Track Usage Price List and~~ adjusted in accordance with paragraph 2.7.2;

~~**“Coal Spillage Charge Variation Notice”** means a notice given by ORR to the parties which sets out:~~

~~(a) any variation to the Coal Spillage Charge Rate, which may have retrospective effect; and~~

~~(b) the date from which such variation is to have effect;~~

**“Coal Spillage Investment”** has the meaning attributed to it in paragraph 2.12.3(b);

**“Coal Spillage Reduction Investment Charge”** means the amount payable in respect of item 7 in the formula specified in paragraph 2.2.1;

**“Coal Spillage Reduction Investment Charge Rate”** means, in respect of each Coal Vehicle used in a Service, the coal spillage charge rate per KGTM set out in the Track Usage Price List ~~until it is varied in accordance with paragraph 2.12;~~

**“Coal Vehicle”** means any vehicle in respect of which the applicable Commodity is coal;

**“Commodity”** means the commodity applying to each Service as shall be agreed between the Train Operator and Network Rail by reference to the classes of commodity in the Track Usage Price List;

**“Contract Miles”** means, in relation to a train, or a portion of a train, the actual distance in miles travelled by that train, or that portion of a train, on the Network as specified in the Rights Table or as otherwise agreed by the Train Operator and Network Rail;

**“Contributing Train Operator”** means, in relation to any Qualifying Modification, the train operator which:

- (a) has requested that Network Rail make the modification to the Operating Constraints; and
- (b) continues to utilise the modification;

**“CSR Deductions”** means any amounts applied by Network Rail from the amounts received by Network Rail from all freight train operators in respect of the Coal Spillage Investment Charge for the purpose described in paragraph 2.12.2;

**“CSR Rebate”** has the meaning attributed to it in paragraph 2.12.6;

**“CSR Variation Notice”** means a notice given by ORR to the parties which sets out:

- ~~(a) — whether the Total CSR Fund Balance (if any) shall be carried forward or whether a CSR Rebate shall be made;~~

**“DC System”** means the direct current system of electricity traction supply on the Network;

**“Default Period”** means the period from the later of:

- (a) the date on which the New Registered Equipment is first used on the Network by the Train Operator; or
- ~~(b) any variation to the Coal Spillage Reduction Investment Charge Rate, which may have retrospective effect; and~~ 1 April 2014,

until the date on which ORR consents to or determines the supplement to the Track Usage Price List under paragraph 2.2.8(b) or paragraph 2.2.11;

~~(c) — the date from which the variation referred to in paragraph (b) above is to have effect;~~ **“Default Rate”** means, in respect of any New Registered Equipment used on the Network by the Train Operator, the corresponding freight default rate for that type of vehicle (locomotive, empty wagon or loaded wagon) set out in the Track Usage Price List;

“Delivery Plan” means the document entitled [insert title], including its supporting documentation, published by Network Rail on or about 31 March 2014;

“Efficiency Benefit Share” means the amount determined in accordance with paragraph 2.10;

“Electricity Type (AC/DC)” means either the alternating current (AC), or the direct current (DC) system of electricity supplied through the electrification system;

“Electrification Asset Usage Charge” means the electrification asset usage charge calculated in accordance with paragraph 2.4.12, ~~as~~and adjusted in accordance with paragraph 2.7.2;

“Empty Wagon Miles” means, in relation to an empty wagon, the Contract Miles travelled by that empty wagon;

“Empty Wagon Weight” means, in relation to an empty wagon, the tare weight of that wagon, measured in tonnes;

“ESI Vehicle” means any vehicle in respect of which the applicable Commodity is electricity supply industry coal;

“Freight Capacity Charge” means the charge calculated in accordance with paragraph 2.3;

“Freight Capacity Rate” means, in respect of each Service, the freight capacity rate corresponding to the day (or days) of the week on which that Service is operated, as set out in the List of Capacity Charge Rates and adjusted in accordance with paragraph 2.7.2;

“Freight Only Line Charge Rate” means, in respect of each ESI Vehicle, IO Vehicle and/or SNF Vehicle used in a Service, the ~~freight only line charge~~ rate per KGTM for that ESI Vehicle, IO Vehicle and/or SNF Vehicle (as applicable); ~~as~~ which shall be:

(a) in respect of the Relevant Year commencing on 1 April 2014 the amount set out in the Track Usage Price List relating to the freight only line charge rate for an ESI Vehicle, IO Vehicle or SNF Vehicle for that year; and ~~adjusted~~

(b) in respect of any other Relevant Year t, the total of the amount set out in the Track Usage Price List relating to the freight only line charge rate for an ESI Vehicle, IO Vehicle or SNF Vehicle for that year multiplied by the Phased in Charges Indexation Adjustment for that year calculated in accordance with paragraph ~~2.7.2~~2.7.3;

**“Freight Services”** means the services for the carriage of goods by railway on the Network;

**“Freight Specific Charge Rate”** means, in respect of each ESI Vehicle, IO Vehicle and/or SNF Vehicle used in a Service the rate per KGTM for that ESI Vehicle, IO Vehicle and/or SNF Vehicle (as applicable) which shall be:

(a) in respect of the Relevant Year commencing on 1 April 2014 the amount set out in the Track Usage Price List relating to the freight specific charge rate for an ESI Vehicle, IO Vehicle or SNF Vehicle for that year; and

(b) in respect of any other Relevant Year t, the total of the amount set out in the Track Usage Price List relating to the freight specific charge rate for an ESI Vehicle, IO Vehicle or SNF Vehicle for that year multiplied by the Phased in Charges Indexation Adjustment for that year calculated in accordance with paragraph 2.7.3;

**“FY CSR Fund”** has the meaning attributed to it in paragraph 2.12.3;

**“Geographic Area g”** means, for the purposes of performing the calculations set out in paragraph ~~2.4~~2.4 and paragraph 18 of the Traction Electricity Rules, the relevant geographic section of the Network as set out in Appendix ~~4~~5 of the Traction Electricity Rules;

**“Gross Tonne Miles”** or **“GTM”** means, in respect of each locomotive, loaded wagon, empty wagon or coaching stock, the Locomotive Miles, Loaded Wagon Miles, Empty Wagon Miles or Coaching Stock Miles multiplied by the relevant Locomotive Weight, Loaded Wagon Weight, Empty Wagon Weight or Coaching Stock Weight respectively;

**“Incremental Costs”** means all reasonable additional costs properly and reasonably incurred by Network Rail in respect of any modification referred to in paragraph 2.8, being the additional reasonable costs (if any) to Network Rail in respect of its obligation to maintain and operate the Network, but excluding:

- (a) any loss of income on the part of Network Rail; and
- (b) freight-specific fixed and common costs for which Network Rail has already received funding from the Secretary of State, or any other body or person;

~~“IEC Adjustment Factor” means the factor calculated in accordance with paragraph 2.7.4;~~

“**Indexed Figures**” means the ~~Variable Rate, the Traction Electricity~~[Default Rate](#), the Electrification Asset Usage Charge, the Freight Capacity Rate, the Incident Cap Access Charge Supplement Rate, the Train Operator ~~Bonus~~ Payment Rate, the ~~Train Operator Compensation Payment Rate, the~~ Network Rail ~~Bonus Payment Rate, the Network Rail Compensation~~ Payment Rate, the Service Variation Sum, the Train Operator Cap, the Disruption Sum, the Normal Planned Disruption Sum, the Enhanced Planned Disruption Sum, the Network Rail Cap, the Cancellation Sum, the Late Notice Cancellation Sum, the Prolonged Disruption Amount, ~~the Freight Only Line Charge Rate~~ and the Coal Spillage Charge Rate;

“**IO Vehicle**” means any vehicle in respect of which the applicable Commodity is iron ore;

“**KGTM**” means 1000 Gross Tonne Miles;

“**kWh**” means kilowatt hours;

“**List of Capacity Charge Rates**” means the document entitled “List of Capacity Charge Rates” published by Network Rail on or about ~~18~~[20](#) December ~~2008~~[2013](#);

“**Loaded Wagon Miles**” means, in relation to a loaded wagon, the Contract Miles travelled by that loaded wagon;

“**Loaded Wagon Weight**” means, in relation to a loaded wagon, the gross weight of that loaded wagon, measured in tonnes;

“**Locomotive Miles**” means, in relation to a locomotive, the Contract Miles travelled by that locomotive;

“**Locomotive Weight**” means, in relation to a locomotive, the gross weight of that locomotive, measured in tonnes;

“**Network Rail Distribution System Loss Factor**” means the relevant factor that represents the electrical losses between the On-Train Meter and Network Rail’s meter through which it purchases traction electricity for the AC System or the DC System in Geographic Area g, as set out in appendix 3 of the Traction Electricity Rules;

**“New Registered Equipment”** means a type of railway vehicle or vehicle commodity combination not incorporated in the Track Usage Price List;

**“On-Train Meter” and “On-Train Metering”** have the meanings ascribed to them in paragraph 1.2 of the Traction Electricity Rules;

**“ORR’s Qualifying Modification Criteria”** means the criteria issued by ORR as described in paragraph 2.9.1;

~~**“Points Failure Variation”** has the meaning attributed to it in paragraph 2.11.4;~~**“Outperformance Sum”** shall be the amount, in the case of a REBS Outperformance, by which Network Rail’s performance on a REBS Route in Relevant Year t has exceeded the performance set in the Route Baseline, as determined by ORR’s annual efficiency and finance assessment of Network Rail;

**“Phased in Charges Indexation Adjustment”** has the meaning ascribed to it in paragraph 2.7.3;

**“Power Factor Correction”** means the relevant power factor correction as set out in appendix 2 of the Traction Electricity Rules;

**“QM Threshold”** means a level of costs in relation to a modification to the Operating Constraints determined in accordance with ORR’s Qualifying Modification Criteria;

**“Qualifying Modification”** means a modification to the Operating Constraints in excess of their level as at 1 April 2001, which:

- (a) exceeds the QM Threshold; and
- (b) in respect of which a Contributing Train Operator has paid Network Rail Incremental Costs under paragraph 2.8 or its equivalent in the relevant access agreement;

**“Qualifying Modification Benefit Charge”** means, in relation to any Qualifying Modification, a charge which shall:

- (a) take account of:
  - (i) the use made or to be made of the Qualifying Modification, where such modification increased the capacity of the Network; or
  - (ii) in any other case, the benefit which is likely to be derived from the Qualifying Modification by the Train Operator compared to the benefit derived from such modification by the Contributing Train Operator; and

- (b) reflect any relevant guidance in relation to the funding of modifications to the Operating Constraints published in ORR's Qualifying Modification Criteria;

~~“Relevant Points Failure” has the meaning attributed to it in paragraph 2.11.3(a);~~“REBS Outperformance” means the situation where ORR’s annual efficiency and finance assessment of Network Rail in respect of the REBS Route in Relevant Year t has identified, in accordance with the methodology and principles set out in [insert reference] of the 2013 Final Determinations, that Network Rail’s performance has exceeded the performance set in the Route Baseline;

“REBS Route” means a route specified in the table in Appendix 1 for the purposes of the Route-Level Efficiency Benefit Share Mechanism;

“REBS Underperformance” means the situation where ORR’s annual efficiency and finance assessment of Network Rail in respect of the REBS Route in Relevant Year t has identified, in accordance with the methodology and principles set out in [insert reference] of the 2013 Final Determinations, that Network Rail’s performance has not achieved the performance set in the Route Baseline;

“Relevant Year t” means the Financial Year for the purposes of which any calculation falls to be made;

“Relevant Year t-1” means the Financial Year preceding Relevant Year t, and similar expressions shall be construed accordingly;

“Route Baseline” means the baseline value in respect of a REBS Route in Relevant Year t that is published by Network Rail in its Delivery Plan, as adjusted for inflation in accordance with the methodology and principles set out in [insert reference] of the 2013 Final Determinations, and that ORR will use in its annual efficiency and finance assessment of Network Rail for the purposes of the Route Level Efficiency Benefit Share Mechanism;

“Route-Level Efficiency Benefit Share” has the meaning ascribed to it in paragraph 4.1;

“Route Level Efficiency Benefit Share Mechanism” means the provisions for the calculation and payment of the Route Level Efficiency Benefit Share in respect of one or more REBS Routes as described in paragraph 4;

“route type k” means route type k as identified by type of electrification (OLE or DC) in the Track Usage Price List;



~~“RPI” has the meaning ascribed to it in paragraph 2.7.2;~~means the General Index of Retail Prices All Items measured by CHAW and published each month but where RPI for any month is not published on or before the last day of the third month after such month or there is a material change in the base composition of RPI, then ORR may, after consultation with the parties and such other persons as it considers appropriate, determine the use of such other index as it deems appropriate in the circumstances;

**“SNF Vehicle”** means any vehicle in respect of which the applicable Commodity is spent nuclear fuel;

~~“S<sub>t</sub>” has the meaning ascribed to it in paragraph 2.4.2;~~tariff band” means the tariff zone and time band in which the train in question is operated;

“Tolerance Factor” means the relevant Tolerance Factor as set out in appendix 4 of the Traction Electricity Rules;

**“Total CSR Fund”** means, at any given time, the aggregate of all amounts received by Network Rail from all freight train operators in respect of the Coal Spillage Investment Charge, less any CSR Deductions;

**“Total CSR Fund Balance”** has the meaning attributed to it in paragraph 2.12.3(c);

**“Track Usage Price List”** means the document entitled “Track Usage Price List” published by Network Rail on or about ~~18~~20 December ~~2008~~2013;

**“Traction Electricity Charge”** means the charge calculated in accordance with paragraph ~~2.4.1~~2.4;

**“Traction Electricity Consumption Rates List”** means the document entitled “Traction Electricity Consumption Rates List” published by Network Rail on or about ~~18~~20 December ~~2008~~2013 and specifying freight and passenger traction electricity consumption rates by train category i;

**“Traction Electricity Rate”** means, for each Service, such amount as Network Rail shall specify for the purpose of each Financial Year as reflecting, so far as reasonably practicable, the actual cost to Network Rail of providing traction electricity to the Train Operator, calculated using the consumption rates set out in the Traction Electricity Consumption Rates List and subject to:

- (a) the agreement of the Train Operator to those amounts, such agreement not to be unreasonably withheld or delayed; and

(b) the consent of ORR, ~~as adjusted in accordance with paragraph 2.7.4;~~

“**train category**” means train type i ~~used on~~ using the relevant ~~route~~ Electricity Type (AC/DC);

“**Train Mile**” means, in relation to a train, or a portion of a train, a mile travelled by that train, or that portion of a train, on the Network;

“**Underperformance Sum**” shall be the amount, in the case of a REBS Underperformance, by which Network Rail’s performance on a REBS Route in Relevant Year t has not achieved the performance set out in the Route Baseline, as determined by ORR’s annual efficiency and finance assessment of Network Rail;

“**Variable Charge**” means the charge that varies according to KGTM and is calculated in accordance with the formula set out in paragraph 2.2.1, summed across all Services; ~~and~~

“**VariableVUC Rate**” means, in respect of each locomotive type, empty wagon type, loaded wagon type and coaching stock type ~~(to be determined by Commodity)~~ used in respect of each Service, the ~~variable track usage charge rate per KGTM set out in the Track Usage Price List or determined in accordance with paragraph 2.2, as adjusted from time to time in accordance with paragraph 2.7.2;~~ rate per KGTM which shall be:

(a) in respect of the Relevant Year commencing on 1 April 2014 the amount set out in the Track Usage Price List relating to the variable usage charge rate for the corresponding vehicle type and commodity for that year; and

(b) in respect of any other Relevant Year t, the total of the amount set out in the Track Usage Price List relating to the variable usage charge rate for the corresponding vehicle type and commodity for that year multiplied by the Phased in Charges Indexation Adjustment for that year calculated in accordance with paragraph 2.7.3; and

“**Volume Reconciliation**” has the meaning ascribed to it in the Traction Electricity Rules.

## 2. Track Charges and Invoices

### 2.1 *Obligation on Train Operator to pay*

2.1.1 In respect of each Charging Period, the Train Operator shall pay or procure payment of the Variable Charge, the Freight Capacity Charge, the Traction Electricity Charge, the Electrification Asset Usage Charge, the Incremental Costs, the Incident Cap Access Charge Supplement, the Qualifying Modification Benefit Charge and any amount of  ~~$S_t$~~   $S1_{tw}$  or  $S2_{tw}$  payable ~~by the Train Operator, in each case~~ in accordance with ~~this Schedule 7~~ the Traction Electricity Rules. The charges will be rounded to the nearest penny. Where a calculation ends up exactly half way between whole numbers it will be adjusted upward.

2.1.2 No Track Charges shall be payable by the Train Operator in respect of a Train Slot when the train has not reached its Planned Destination for a reason which is Attributable to Network Rail.

2.1.3 Network Rail shall issue to the Train Operator an invoice as soon as practicable, or as otherwise agreed, following the expiry of each Charging Period in respect of the Variable Charge, the Freight Capacity Charge, the Traction Electricity Charge, the Electrification Asset Usage Charge, the Incident Cap Access Charge Supplement and any Incremental Costs or Qualifying Modification Benefit Charge which is or are payable in respect of that Charging Period.

2.1.4 If, at the time that Network Rail issues any invoice pursuant to ~~the first sentence of this~~ paragraph 2.1.3, any Efficiency Benefit Share ~~or amount of  $S_t$~~  is payable by Network Rail to the Train Operator, or any Route-Level Efficiency Benefit Share or any amount under the Traction Electricity Rules is payable by either party to the other, that invoice shall also reflect that Efficiency Benefit Share ~~or amount of  $S_t$~~  payable by Network Rail and the Route-Level Efficiency Benefit Share or any amount under the Traction Electricity Rules payable by either party to the other.

### 2.2 *Variable Charges*

2.2.1 The Variable Charge in respect of each Service in each Charging Period shall be calculated in accordance with the following formula:

$$\text{Variable Charge} = 1 + 2 + 3 + 4 + 5 + 6 + 7 + \underline{8 + 9}$$

where:

- 1 means, in respect of each locomotive, the ~~Variable~~VUC Rate for the relevant locomotive type multiplied by the KGTM for that locomotive type relating to the relevant Service;
- 2 means, in respect of each empty wagon, the ~~Variable~~VUC Rate for the relevant empty wagon type multiplied by the KGTM for that empty wagon type relating to the relevant Service;
- 3 means, in respect of each loaded wagon, the ~~Variable~~VUC Rate for the relevant loaded wagon type multiplied by the KGTM for that loaded wagon type relating to the relevant Service;
- 4 means, in respect of each unit of coaching stock, the ~~Variable~~VUC Rate for the relevant coaching stock type multiplied by the KGTM for that coaching stock type relating to the relevant Service;
- 5 means, in respect of each ESI Vehicle, IO Vehicle and each SNF Vehicle, the Freight Only Line Charge Rate for that ESI Vehicle, IO Vehicle or SNF Vehicle (as the case may be) multiplied by the KGTM for that ESI Vehicle, IO Vehicle or SNF Vehicle (as the case may be) relating to the relevant Service;
- 6 means, in respect of each Coal Vehicle, the Coal Spillage Charge Rate multiplied by the KGTM for that Coal Vehicle relating to the relevant Service; ~~and~~
- 7 means, in respect of each Coal Vehicle, the Coal Spillage Reduction Investment Charge Rate multiplied by the KGTM for that Coal Vehicle relating to the relevant Service;
- 8 means, in respect of each ESI Vehicle, IO Vehicle and each SNF Vehicle, the Freight Specific Charge Rate for that ESI Vehicle, IO Vehicle or SNF Vehicle (as the case may be) multiplied by the KGTM for that ESI Vehicle, IO Vehicle or SNF Vehicle (as the case may be) relating to the relevant Service; and
- 9 means, in respect of New Registered Equipment during the Default Period, the Default Rate multiplied by the KGTM for that New Registered Equipment relating to the relevant Service.

*Supplementing the Track Usage Price List to include rates for New Registered Equipment*

2.2.2 ~~No Variable Rate in respect of any~~ A supplement to the Track Usage Price List to include a rate for New Registered Equipment shall have effect ~~unless that Variable Rate~~ only if the supplement has been:

(a) ~~determined in accordance with the procedure set out in the following provisions of this paragraph 2.2; or~~ (b) agreed between the parties and ORR has consented to it;

(b) determined by a relevant ADRR Forum and ORR has consented to it; or

(c) determined by ORR,

~~and ORR shall have given its consent to that Variable Rate:~~

pursuant to paragraph 2.2.8(b) or paragraph 2.2.11 below.

2.2.3 ~~Upon receipt of a notice given by the~~ The Train Operator ~~to~~ shall inform Network Rail of the ~~introduction of~~ date or likely date from which it intends to use the New Registered Equipment ~~to~~ on the Network ~~for which no Variable Rate has been determined by ORR,~~ Network Rail shall:

(a) ~~propose the Variable Rate in respect of that New Registered Equipment; and~~

(b) ~~notify the Train Operator and ORR of the proposed Variable Rate for that New Registered Equipment within 14 days of receipt of that notice given by the Train Operator.~~

2.2.4 ~~Where:~~ The Default Rate shall have effect in respect of the New Registered Equipment during the Default Period.

2.2.5 Where the Train Operator begins to use or informs Network Rail that it intends to use New Registered Equipment on the Network:

(a) ~~ORR has determined the Variable~~ the Train Operator may give notice to Network Rail requesting that it propose a rate to apply as the VUC Rate for the New Registered Equipment (taking account of Network Rail's proposal under paragraph 2.2.3) and has notified the parties of the Variable Rate to apply to the New Registered Equipment "Supplement Rate"). The Train Operator shall provide such information as Network Rail reasonably requires to do this; or

(b) Network Rail may give notice to the Train Operator proposing:

(i) ~~Network Rail has failed to notify the Train Operator and ORR of the proposed Variable~~ a Supplement Rate for the New Registered Equipment under paragraph 2.2.3; and in which case Network Rail must provide all information on which it based the calculation of the Supplement Rate; or

~~(ii) ORR has determined the Variable Rate in consultation with the Train Operator, Network Rail and all other freight train operators, and notified the parties of the Variable Rate to apply to the New Registered Equipment,~~

~~the relevant Variable Rate shall be deemed to have been incorporated into the Track Usage Price List with effect from the date determined in accordance with paragraph 2.2.12.~~

~~2.2.5 If ORR has not published or determined the Variable Rate:~~

~~(a) in respect of any type of Specified Equipment by the date of signature of this contract; or~~

~~(b) in respect of New Registered Equipment in accordance with paragraph 2.2.4,ii that the Train Operator provides it with information to enable it to calculate the Supplement Rate in which case the Train Operator shall use reasonable endeavours to provide this information promptly.~~

~~then the Variable Rate in respect of that type of Specified Equipment or New Registered Equipment shall be deemed to be £1.82 per KGTM until ORR subsequently determines a new Variable Rate.~~

~~2.2.6 Either party shall be entitled to refer a determination by ORR as to the Variable Rate for resolution in accordance with the ADRR. If the Train Operator gives notice to Network Rail under paragraph 2.2.5(a) or provides Network Rail with information under paragraph 2.2.5(b)(ii) Network Rail shall calculate and notify the Train Operator promptly of the Supplement Rate.~~

~~2.2.7 Following receipt of a notice given under paragraph 2.2.5(a) or (b) (the "Notice"):~~

~~(a) the parties shall seek to agree a Supplement Rate and where they do agree shall request ORR's consent to it providing ORR with information and evidence in support of the agreed Supplement Rate; and~~

~~(b) where the parties are unable to agree a Supplement Rate within 90 days of receipt of the Notice, either party may refer the matter for resolution in accordance with the ADRR.~~

~~2.2.8 Following a request to ORR under paragraph 2.2.7(a):~~

~~(a) the parties shall, within such timescales as ORR may specify, furnish ORR with such further information as ORR may request in order to consider whether to issue its consent; and~~

(b) ORR may consent to the Supplement Rate agreed by the parties or may, having consulted the parties, determine that a different Supplement Rate shall apply.

~~2.2.7 The~~ 2.2.9 ~~\_\_\_\_\_ If the matter is referred for resolution under paragraph 2.2.7(b) the parties to such a dispute shall agree, by way of in a Procedure Agreement within the meaning of, as defined in the ADRR, that the remit of the relevant ADRR Forum shall be to determine the amount of the Variable Rate which shall apply to the relevant New Registered Equipment or Specified Equipment.~~ 2.2.8 ~~\_\_\_\_\_ The parties to a dispute will also agree in the Procedure Agreement~~ Supplement Rate and that the relevant ADRR Forum ~~be required to~~ shall reach a decision which is fair and reasonable to them, having regard to:

- (a) the matters in respect of which duties are imposed on ORR by section 4 of the Act; and
- (b) the criteria which ORR shall have most recently published (and identified as such) in relation to ~~the relevant equipment~~ charging for permission to use track.

~~2.2.9~~ 2.2.10 The parties shall procure that ~~the decision of the~~ all details of any determination by a relevant ADRR Forum shall be ~~delivered~~ notified to ORR within ~~7~~ seven days after the date of the ~~decision~~ determination.

~~2.2.10 No decision of the relevant ADRR Forum appointed under paragraph 2.2.6 shall have effect without the consent of ORR.~~

~~2.2.11 If ORR gives its consent to the decision of the relevant ADRR Forum appointed under paragraph 2.2.6, the Variable Rate shall have effect in accordance with paragraph 2.2.12.~~ Following notification under paragraph 2.2.10 ORR may either consent to the determination or may, having consulted the parties, determine that a different Supplement Rate shall apply.

~~2.2.12 Promptly after the Variable Rate has been either (a) determined by~~ Following ORR's consent or determination under paragraph ~~2.2.4, or (b) determined by an arbitrator appointed under paragraph 2.2.6 and approved by ORR in accordance with 2.2.10,~~ 2.2.8(b) or 2.2.11 Network Rail shall:

~~(i) retrospectively apply that Variable Rate:~~ (a) \_\_\_\_\_ apply the Supplement Rate which ORR either consented to or determined as the VUC Rate in respect of the New Registered Equipment from the date which was the first day of the Default Period; and

~~(A) in respect of the relevant Specified Equipment, from the date of signature of this contract; and~~

~~(B) \_\_\_\_\_ in respect of the relevant New Registered Equipment, from the date of introduction of that New Registered Equipment;~~

~~in each case so as to recalculate the amount of the Variable Charge that would have been payable in respect of the period from the date of signature of this contract or the date of introduction of the relevant New Registered Equipment to the date on which the above Variable Rate is determined by ORR or, as the case may be, an arbitrator appointed under paragraph 2.2.6 and approved by ORR; and b) within 28 days of the date of ORR's consent or determination under paragraph 2.2.8(b) or 2.2.11:~~

- ~~(ii)~~ issue an adjusting invoice or credit note to the Train Operator; and
- (ii) publish on its website details of the VUC Rate for the New Registered Equipment, alongside the details of any other such Supplement Rates to which ORR has consented or determined pursuant to this or any other track access contract.

### 2.3 Freight Capacity Charge

The Freight Capacity Charge shall be calculated in accordance with the following formula or such other method that the parties may agree with the object of calculating a Freight Capacity Charge that is not materially different from that calculated in accordance with the following formula:

$$\text{Freight Capacity Charge} = \sum (\text{FCR}_{\text{mf}} \times \text{CM}_{\text{mf}}) + (\text{FCR}_{\text{w}} \times \text{CM}_{\text{w}})$$

where:

$\text{FCR}_{\text{mf}}$  means the Freight Capacity Rate in respect of Services operated during the period from Monday to Friday (both inclusive) as set out in the List of Capacity Charge Rates;

$\text{CM}_{\text{mf}}$  means Contract Miles in respect of Services operated during the period from Monday to Friday (both inclusive);

$\text{FCR}_{\text{w}}$  means the Freight Capacity Rate in respect of Services operated on Saturday and/or Sunday, as set out in the List of Capacity Charge Rates;

$\text{CM}_{\text{w}}$  means Contract Miles in respect of Services operated on Saturday and/or Sunday; and

$\sum$  means the summation across all Services.



## 2.4 Traction Electricity Charge

2.4.1 If the Train Operator procures the supply of electricity from or through Network Rail (whether as its agent or otherwise) for the purpose of running trains under this contract, the Traction Electricity Charge in Relevant Year t shall be calculated in accordance with the following formula:

~~Traction Electricity Charge (TER<sub>i</sub> x KGTM<sub>i</sub>)~~

$$E_t = E_{tmo} + E_{tme} + E_{tmuAC} + E_{tmuDC}$$

where:

~~KGTM<sub>i</sub> means 1000 Gross Tonne Miles for train category i;~~

E<sub>tmo</sub> means an amount calculated in accordance with paragraph 2.4.1.2 below;

E<sub>tme</sub> means an amount calculated in accordance with paragraph 2.4.1.3 below;

~~TER<sub>i</sub> means the Traction Electricity Rate for train category i;~~  
~~and~~ E<sub>tmuAC</sub> means an amount calculated in accordance with paragraph 2.4.1.4(a) below; and

~~Σ means the summation across all Services using traction electricity.~~

### **Traction Electricity Reconciliation**

E<sub>tmuDC</sub> means an amount calculated in accordance with paragraph 2.4.1.4(b) below;

Circumstances in which calculation to be based on modelled data and circumstances in which calculation to be based on metered data

2.4.1.1 E<sub>tmo</sub> shall be calculated in respect of all trains other than those identified in the table at Appendix 3, and E<sub>tme</sub>, E<sub>tmuAC</sub> and E<sub>tmuDC</sub> shall be calculated in respect of the trains identified in the table at Appendix 3.

## Calculation of modelled consumption

~~2.4.2 Within 90 days after the end of each Relevant Year t, Network Rail shall calculate a supplementary amount (“S<sub>t</sub>”), payable by or to the Train Operator, which 2.4.1.2 E<sub>tmo</sub> is derived from the following formula:~~

$$E_{tmo} = \sum E_{tmog}$$

where:

~~$\sum \sum$  means the summation across all ~~relevant train categories i and all Geographic Areas g for Relevant Year t~~, as appropriate;~~

~~E<sub>gt</sub> is part of the Traction Electricity Charge payable by the Train Operator for each applicable Geographic Area g in Relevant Year t, determined in accordance with the following formula: where: E<sub>tmog</sub> is derived from the following formula:~~

~~KGTM<sub>igt</sub> means 1000 Gross Tonne Miles for train category i in Geographic Area g in Relevant Year t; and~~

~~TER<sub>it</sub> means the Traction Electricity Rate for train category i in Relevant Year t;~~

~~A<sub>gt</sub> means the total actual electricity consumption (in kWh), if any, in Geographic Area g in Relevant Year t of trains operated by or on behalf of all train operators, assessed by Network Rail (as accurately as possible) as being the appropriate proportion of the electricity consumption billed to Network Rail by its electricity suppliers in that area for traction electricity consumed in accordance with the terms of purchase of traction electricity entered into by Network Rail; and~~

~~M<sub>gt</sub> means the total modelled electricity consumption in Geographic Area g in Relevant Year t which is derived from the following formula:~~

$$E_{tmog} = \sum C_i \bullet EF_{git} \bullet UE_{igit}$$

where:

~~$\sum$~~   $\Sigma$  means the summation across all relevant train categories i ~~and Geographic Areas g for Relevant Year t~~ (determined in accordance with paragraph 2.4.1.1 above) and tariff bands j, as appropriate;

$C_i$  means the calibrated modelled consumption rate (in kWh per Train Mile in relation to passenger electric multiple units and kWh per Gross Tonne Mile in relation to locomotive-hauled units and all freight traffic) for train category i, shown in the Traction Electricity Consumption Rates List; ~~and~~

$E_{gjt}$  means an amount for traction current (in pence per kWh) consumed by railway vehicles operated by or on behalf of the Train Operator in Geographic Area g, in tariff band j and in Relevant Year t as agreed or determined pursuant to paragraph 2.4.11; and

~~$UE_{igt}$~~   $UE_{igt}$  means the actual volume of usage (in electrified ~~Train~~ Vehicle Miles in relation to passenger electric multiple units or Gross Tonne Miles in relation to locomotive-hauled units and all freight traffic), if any, of trains operated ~~in Relevant Year t~~ by or on behalf of ~~all train operators~~ the Train Operator in train category i, in Geographic Area g, in tariff band j and in Relevant Year t, pursuant to this contract.

~~provided that, if:~~

~~(a) any train operator is charged by Network Rail for its traction electricity consumption based on that train operator's actual metered traction electricity consumption plus an amount in respect of the associated transmission and distribution losses ("metered traction electricity"); and~~

### Calculation of consumption using metered consumption data

2.4.1.3  $E_{tme}$  is derived from the following formula:

$$\underline{\underline{E_{tme} = \Sigma E_{tme g}}}$$

where:

$\Sigma$  means the summation across all Geographic Areas g, as appropriate;

$E_{tmeg}$  is derived from the following formula:

$$E_{tmeg} = \Sigma [((CME_{igt} \bullet PF_j \bullet EF_{gjt}) - (RGB_{igt} \bullet PF_j \bullet EF_{gjt})) \bullet (1 + \delta_i)]$$

where:

$\Sigma$  means the summation across all relevant train categories i (determined in accordance with paragraph 2.4.1.1 above) and tariff bands j, as appropriate;

$CME_{igt}$  means the consumption of electricity (in kWh) by trains operated by or on behalf of the Train Operator in train category i, as measured by the On-Train Meters or as otherwise determined in accordance with the Traction Electricity Rules, in Geographic Area g and in Relevant Year t;

$PF_j$  means the Power Factor Correction for train category i;

$EF_{gjt}$  means an amount for traction current (in pence per kWh) consumed by railway vehicles operated by or on behalf of the Train Operator in Geographic Area g, in tariff band j and in Relevant Year t as agreed or determined pursuant to paragraph 2.4.11;

$RGB_{igt}$  means the electricity (in kWh) generated by braking by railway vehicles operated by or on behalf of the Train Operator in train category i, as measured by the On-Train Meters or as otherwise determined in accordance with the Traction Electricity Rules, in Geographic Area g and in Relevant Year t; and

$\delta_i$  means the Tolerance Factor for train category i.

#### 2.4.1.4

(a)  $E_{tmuAC}$  is derived from the following formula:

$$\underline{E_{tmuAC} = \sum E_{tmugAC}}$$

where:

$\Sigma$  means the summation across all Geographic Areas g, as appropriate;

$E_{tmugAC}$  is derived from the following formula:

$$\underline{E_{tmugAC} = \sum [(CME_{igtAC} \bullet PF_j \bullet EF_{git}) \bullet (1 + \delta_i)] \bullet \lambda_{ACg}}$$

where:

$\Sigma$  means the summation across all relevant train categories i (determined in accordance with paragraph 2.4.1.1 above) and tariff bands j, as appropriate;

$CME_{igtAC}$  means the consumption of electricity (in kWh) from the AC System by trains operated by or on behalf of the Train Operator in train category i, as measured by the On-Train Meters or as otherwise determined in accordance with the Traction Electricity Rules, in Geographic Area g and in Relevant Year t;

$PF_j$  means the Power Factor Correction for train category i;

$EF_{git}$  means an amount for traction current (in pence per kWh) consumed by railway vehicles operated by or on behalf of the Train Operator in Geographic Area g, in tariff band j and in Relevant Year t as agreed or determined pursuant to paragraph 2.4.11;

$\delta_i$  means the Tolerance Factor for train category i; and

$\lambda_{ACg}$  means the Network Rail Distribution System Loss Factor for the AC System in Geographic Area g.

~~(b) that train operator's access contract in relation to track provides that no supplementary amount substantially equivalent to  $S_t$  shall apply to that train operator in respect of that metered traction electricity,~~

~~then the values of  $M_{gt}$  and  $A_{gt}$  shall be calculated excluding:~~

- ~~(i) in the case of  $M_{gt}$ , that train operator's actual volume of usage of metered traction electricity; and~~
- ~~(ii) in the case of  $A_{gt}$ , the metered traction electricity consumption so charged to that train operator.~~

~~2.4.3 Network Rail shall, within 90 days after the end of Relevant Year  $t$ , provide to the Train Operator:~~

- ~~(a) a statement of the amount  $S_t$  (whether of a positive or negative amount);~~
- ~~(b) such background workings as may reasonably be required for a proper understanding of the calculation; and~~
- ~~(c) a certificate of the auditors of Network Rail confirming the accuracy of the calculation  $E_{tmuDC}$  is derived from the following formula:~~

$$\underline{E_{tmuDC} = \sum E_{tmugDC}}$$

where:

$\sum$  means the summation across all Geographic Areas  $g$ , as appropriate;

$E_{tmugDC}$  is derived from the following formula:

$$\underline{E_{tmugDC} = \sum [(CME_{igtDC} \bullet EF_{gjt}) \bullet (1 + \delta_i)] \bullet \lambda_{DCg}}$$

where:

$\sum$  means the summation across all relevant train categories  $i$  (determined in accordance with paragraph 2.4.1.1 above) and tariff bands  $j$ , as appropriate;

$CME_{igtDC}$  means the consumption of electricity (in kWh) from the DC System by trains operated by or on behalf of the Train Operator

in train category i, as measured by the On-Train Meters or as otherwise determined in accordance with the Traction Electricity Rules, in Geographic Area g and in Relevant Year t;

EF<sub>gjt</sub> means an amount for traction current (in pence per kWh) consumed by railway vehicles operated by or on behalf of the Train Operator in Geographic Area g, in tariff band j and in Relevant Year t as agreed or determined pursuant to paragraph 2.4.11;

δ<sub>i</sub> means the Tolerance Factor for train category i; and

λ<sub>DCg</sub> means the Network Rail Distribution System Loss Factor for the DC System in Geographic Area g.

2.4.2 Not used.

2.4.3 Not used.

2.4.4 ~~Within 30 days after the date upon which Network Rail shall have provided to the Train Operator the information referred to in paragraph 2.4.3, the amount S<sub>t</sub> shall be invoiced for payment as provided under this contract. If the amount S<sub>t</sub> is positive, the invoice shall be issued by Network Rail and payable by the Train Operator. If the amount S<sub>t</sub> is negative, the invoice shall be issued by the Train Operator and payable by Network Rail.~~

~~Introduction of~~ Not used.

### Election to introduce On-Train Metering for a vehicle or vehicle type

2.4.5 If the Train Operator wishes to propose the introduction of ~~on-train metering~~ On-Train Metering to measure traction electricity consumption ~~infor~~ a vehicle or vehicles of a vehicle type that the Train Operator operates for the purposes of being invoiced by Network Rail for traction electricity, it shall notify Network Rail of any required changes to the contract in connection with that proposal.

2.4.6 Any notice under paragraph 2.4.5 shall be accompanied by information and evidence in reasonable detail supporting the changes proposed and setting out the reasons for those changes, and Network Rail shall respond in writing within 56 days of service of any such notice.

2.4.7 Promptly following any response served by Network Rail under paragraph 2.4.6, the parties shall endeavour to agree whether the contract should be amended in connection with that proposal and if so, the amendments.

2.4.8 ~~If the parties fail to reach agreement within 90 days after service of the relevant notice, or if prior to that date both parties agree that agreement is unlikely to be reached prior to that date, the parties shall notify ORR. If ORR elects to determine the matter, the parties shall furnish ORR with such information and evidence as ORR shall require in order to determine the matter and shall abide by any determination issued by ORR. If ORR does not so elect, the matter shall be resolved in accordance with the ADRR. In respect of any such dispute which is referred for resolution under the ADRR the parties shall agree in a Procedure Agreement, as defined in the ADRR, that the relevant ADRR Forum shall have regard to any relevant criteria and/or policy statement most recently issued by the ORR.~~ 2.4.9 Any agreed an amendment to the contract in connection with the proposal referred to in paragraph 2.4.5, that amendment shall take effect only when it has been approved by ORR under section 22 of the Act. Accordingly, as soon as reasonably practicable after any such amendment is agreed ~~or determined in accordance with this paragraph 2.4 (other than a determination by ORR pursuant to paragraph 2.4.8)~~, the parties shall ensure that ORR is furnished with such amendment and such information and evidence as it shall require to determine whether or not to approve the amendment.

~~2.4.10~~ 2.4.9 Any agreed amendment to the contract in connection with the proposal referred to in paragraph ~~2.4.5~~ 2.4.5, which is approved by ORR under section 22 of the Act, shall apply with effect from, ~~subject to paragraph 2.4.9,~~ the date ~~proposed by the Train Operator (unless otherwise agreed by the parties or determined by the ORR or the expert in relation to the proposal).~~

2.4.10 If the parties fail to reach agreement within 90 days after service of a notice under paragraph 2.4.5, or if prior to that date both parties agree that agreement is unlikely to be reached prior to that date, either party may notify ORR and request that ORR determines the matter. The parties shall, within such timescales as ORR may specify, furnish ORR with such information and evidence as ORR shall require to determine the matter. If a party fails to furnish such information and evidence within the specified timescale, ORR shall be entitled to determine the matter without that information and evidence and the party in default shall have no grounds for complaint in that respect.

2.4.10A Where ORR determines the matter pursuant to paragraph 2.4.10, it may issue a notice to the parties setting out the amendments to be made to the contract and the date, which may be retrospective, from which they shall take effect.

2.4.11 ~~Traction Electricity Procurement Arrangements~~ Strategy for the Procurement of Traction Electricity

~~(a) By no later than 31 January in any Financial Year, the Train Operator may notify Network Rail that the Train Operator wishes to enter into arrangements with Network Rail for the procurement of traction electricity on substantially the same basis as set out in paragraph 4.2 of Schedule 7 to the model agreement~~



~~entitled “Track Access Contract (Passenger Services)” most recently published by ORR (as amended from time to time with the approval of ORR) (the “EC4T Procurement Arrangements”).~~

At least three months prior to the start of each Financial Year, Network Rail shall consult with the Train Operator regarding a strategy for the procurement of traction electricity for the Train Operator in respect of that Financial Year, and:

- (a) if Network Rail and the Train Operator agree on a strategy for the procurement of traction electricity, Network Rail will procure traction electricity for the Train Operator in accordance with that agreed strategy; or
- ~~(b) Promptly following receipt by Network Rail of notification pursuant to paragraph 2.4.11(a), the parties shall endeavour to agree the EC4T Procurement Arrangements and the changes to this Schedule 7 which are required to reflect those EC4T Procurement Arrangements. Any such agreed changes shall be subject to the prior approval of ORR and, unless otherwise specified by ORR, shall take effect from the first 1 April falling immediately following such approval.~~if Network Rail and the Train Operator do not agree on a strategy for the procurement of traction electricity and the Train Operator has, during its consultation with Network Rail under this paragraph 2.4.11, notified Network Rail of the Train Operator's preferred strategy for the procurement of traction electricity and it is possible for Network Rail, acting reasonably, to implement that strategy, Network Rail will procure traction electricity for the Train Operator in accordance with the traction electricity procurement strategy so notified to Network Rail by the Train Operator; or
- ~~(c) If this contract is amended pursuant to this paragraph 2.4.11, the Train Operator shall not be entitled to further amend this contract to revert to the traction electricity procurement arrangements that were in force prior to such amendment.~~if Network Rail and the Train Operator do not agree on a strategy for the procurement of traction electricity and either (A) the Train Operator has not notified Network Rail of the Train Operator's preferred strategy for the procurement of traction electricity during its consultation with Network Rail in accordance with this paragraph 2.4.11, or (B) it is not possible for Network Rail, acting reasonably, to implement the Train Operator's preferred strategy for the procurement of traction electricity as notified to Network Rail during its consultation in accordance with this paragraph 2.4.11, Network Rail will:
- (i) acting reasonably, determine the procurement strategy for traction electricity for the Train Operator, having regard to whatever information, if any, the Train Operator has supplied to

Network Rail during its consultation under this paragraph 2.4.11; and

(ii) procure traction electricity for the Train Operator in accordance with that traction electricity procurement strategy.

#### 2.4.11A Actual cost of traction electricity

Network Rail shall provide to the Train Operator within 30 days of the end of each Charging Period in each Financial Year, the actual cost of traction electricity consumed by railway vehicles operated by or on behalf of the Train Operator in the relevant Charging Period against the budgeted amounts. Network Rail shall also provide to the Train Operator a provisional six month Volume Reconciliation by Geographic Area g before 30 October of each Financial Year and a provisional nine month Volume Reconciliation by Geographic Area g before 30 January of each Financial Year.

#### 2.4.12 Electrification Asset Usage Charge

The Electrification Asset Usage Charge is an amount for electrification asset usage which is derived from the following formula:

$$\text{Electrification Asset Usage Charge} = \sum (EV_{tk} \cdot UV_{tk})$$

where:

**Error! Bookmark not defined.**  $\sum$  means the summation across all Services using electric traction;

$EV_{tk}$  means an amount in respect of the Electrification Asset Usage Charge per electrified KGTM on route type k for a Charging Period in Relevant Year t, where, in relation to the Relevant Year commencing on 1 April 2009, 2014,  $EV_{tk}$  shall have, in respect of each electrified KGTM on each route type k, the value per electrified KGTM on route type k for the Electrification Asset Usage Charge set out in the Track Usage Price List; and

$UV_{tk}$  means the actual number of electrified KGTM on route type k in the relevant Charging Period in Relevant Year t operated by or on behalf of the Train Operator.

2.5 ~~NOT USED~~ Not used.

#### 2.6 Incident Cap Access Charge Supplement

The Incident Cap Access Charge Supplement shall be calculated in accordance with the following formula:

Incident Cap Access Charge Supplement = CMCP x ICACSR

where:

CMCP means the sum of the Contract Miles operated in a Charging Period; and

ICACSR means the Incident Cap Access Charge Supplement Rate.

## 2.7 Price Variation

2.7.1 The Indexed Figures shall remain in force until the day preceding 1 April ~~2010-2015~~.

2.7.2 On 1 April in each Financial Year, commencing 1 April ~~2010-2015~~, the Indexed Figures from the previous Financial Year (~~other than the Traction Electricity Rate~~) shall each be adjusted by multiplying them by the Adjustment Factor (rounded to three decimal places) which shall have been calculated in accordance with the following formula:

$$\text{Adjustment Factor} = \left( 1 + \frac{(RPI_{t-1} - RPI_{t-2})}{RPI_{t-2}} \right) \cdot (1 + TRUEUP_{t-1})$$
$$\frac{1 + (RPI_{t-1} - RPI_{t-2})}{RPI_{t-2}}$$

where:

$RPI_{t-1}$  means the average value of the monthly figures of ~~the General Index of Retail Prices All Items measured by CHAW ("RPI")~~ RPI for the 12 months up to and including the month of December immediately preceding the relevant 1 April; and

$RPI_{t-2}$  means the average value of the monthly figures of RPI for the 12 months up to and including the month of December which is 16 months before the relevant 1 April.

~~2.7.3 If RPI for any month of December shall not have been published on or before the following March, or there is a material change in the base composition of RPI, then the parties may agree to such other index as they deem appropriate with the object of placing both parties in the position in which they would have been had there been no change in the base composition of RPI.~~

~~2.7.4 On 1 April in each Financial Year, commencing 1 April 2010, the indexed Traction Electricity Rate from the previous Financial Year shall be varied by multiplying it by an IIEC Adjustment Factor calculated as follows:~~

~~IIEC Adjustment Factor =~~

~~this calculation to be rounded to three decimal places,~~

$$\underline{\underline{TRUEUP_{t-1}}} = \frac{(RPI_{t-1} - RPI_{t-2})}{RPI_{t-2}} - \frac{(RPI_{t-2} - RPI_{t-3})}{RPI_{t-3}}$$

where:

~~t is the relevant Financial Year in respect of which the Adjustment Factor is being calculated;~~

~~IIEC<sub>t-1</sub> is the mean value of the Index of Industrial Electricity Costs published or determined in respect of the Financial Year t-1;~~  
~~and~~

~~IIEC<sub>t-2</sub> is the mean value of the Index of Industrial Electricity Costs published or determined in respect of the Financial Year which precedes the Financial Year referred to above.~~

~~2.7.5 “Index of Industrial Electricity Costs” or “IIEC” means the index of prices of fuels purchased by the manufacturing industry in Great Britain, electricity purchased by moderately large users, published quarterly by the Department of Business, Enterprise and Regulatory Reform, or:~~

~~(a) if the IIEC for any quarter in any year shall not have been published on or before the last day of the fifth month after the end of such quarter, such index for such period or periods as ORR may, after consultation with Network Rail and the Train Operator, determine to be appropriate in the circumstances; or~~

RPI<sub>t-3</sub> means the average value of the monthly figures of RPI for the 12 months up to and including the month of December which is 28 months before the relevant 1 April.

2.7.3 The Phased in Charges Indexation Adjustment in Relevant Year t shall be derived from the following formula:

$$\left(1 + \frac{(RPI_{t-1} - RPI_{2013})}{RPI_{2013}}\right) \bullet (1 + TRUEUP_{t-1})$$

where:

RPI<sub>t-1</sub> has the same meaning as set out in paragraph 2.7.2 above;

RPI<sub>2013</sub> means the average value of the monthly figures of RPI for the 12 months up to and including December 2013;

TRUEUP<sub>t-1</sub> has the same meaning as set out in paragraph 2.7.2 above; and

~~(b) if there is a material change in the basis of the HEC, such other index as ORR may, after consultation with Network Rail and the Train Operator, determine to be appropriate in the circumstances~~

RPI<sub>t-2</sub> has the same meaning as set out in paragraph 2.7.2 above.

## 2.8 Incremental Costs

### 2.8.1 Where:

- (a) the Train Operator makes an Access Proposal, Rolled Over Access Proposal or Train Operator Variation Request;
- (b) the operation of the Service requested would exceed the Operating Constraints applying as at 1 April 2001;
- (c) the Train Operator notifies Network Rail at the time of requesting the Service that it wishes Network Rail to modify the Operating Constraints applying as at 1 April 2001 in a manner so as to permit the operation of the Service requested under this contract;
- (d) Network Rail is reasonably able to effect such modifications in a timescale that meets the Train Operator's requirements; and
- (e) the Incremental Costs of any such modifications are not estimated by Network Rail to exceed £300,000 in any Financial Year,

then paragraph 2.8.2 shall apply.

2.8.2 Network Rail shall, as soon as reasonably practicable following receipt of the Train Operator's notification under paragraph 2.8.1, notify the Train Operator that:

- (a) it shall effect the modification to the Operating Constraints requested by the Train Operator under paragraph 2.8.1(c); or

(b) it shall not effect the modification to the Operating Constraints requested by the Train Operator under paragraph 2.8.1(c) for one of the following reasons:

- (i) it is not reasonably able to effect such modification in a timescale that meets the Train Operator's requirements; or
- (ii) the Incremental Costs of such modification are estimated by Network Rail to exceed £300,000 in any Financial Year.

2.8.3 If Network Rail fails to notify the Train Operator under paragraph 2.8.2, it shall be deemed to have accepted the Train Operator's request under paragraph 2.8.1(c).

2.8.4 Where Network Rail notifies the Train Operator under paragraph 2.8.2(a), paragraph 2.8.6 shall apply.

2.8.5 Where Network Rail notifies the Train Operator under paragraph 2.8.2(b), if the Train Operator disputes Network Rail's reasons under paragraphs 2.8.2(b)(i) or (ii), it shall be entitled to refer the matter for resolution in accordance with the ADRR.

2.8.6 Where Network Rail incurs Incremental Costs pursuant to paragraph 2.8.1, then such Incremental Costs shall be payable to Network Rail by the Train Operator in such amounts as are either:

- (a) agreed between the parties prior to operation of the relevant Service; or
- (b) if not so agreed between the parties, reasonable in the circumstances.

2.8.7 Where:

- (a) the Train Operator makes an Access Proposal, Rolled Over Access Proposal or Train Operator Variation Request; and
- (b) the operation of the Service requested:
  - (i) would exceed the Operating Constraints applying as at 1 April 2001; and
  - (ii) is permitted under the Operating Constraints applying as at the date of the request by reason of a Qualifying Modification,

then paragraph 2.8.8 shall apply.

2.8.8 The Train Operator shall, if it wishes to operate the Service requested under paragraph 2.8.7, pay to Network Rail a Qualifying Modification Benefit Charge of such amount as shall be determined to be reasonable by Network Rail

using the criteria and guidance that are applicable to the Qualifying Modification Benefit Charge.

2.8.9 Where:

- (a) the Train Operator pays for Incremental Costs under paragraph 2.8.6 in respect of any modification (in its capacity as a Contributing Train Operator); and
- (b) another freight train operator pays a Qualifying Modification Benefit Charge to Network Rail in respect of such modification,

then Network Rail shall notify the Train Operator of the sum which it proposes to rebate to it and subject to paragraph 2.8.11, make a rebate to the Train Operator in respect of such Incremental Costs equal to the Qualifying Modification Benefit Charge so paid.

2.8.10 If the parties have failed to agree the Incremental Costs in accordance with paragraph 2.8.6 within 20 Working Days of the date of the relevant request under paragraph 2.8.1(a) either party shall be entitled to refer the determination of the Incremental Costs for resolution in accordance with the ADRR.

2.8.11 If the Train Operator disputes:

- (a) the amount of any Qualifying Modification Benefit Charge payable by it under paragraph 2.8.8; or
- (b) the amount of any rebate payable to it under paragraph 2.8.9,

within 20 Working Days of the date of its receipt from Network Rail of details of the amount of the charge or rebate respectively, it shall be entitled to refer the matter for resolution in accordance with the ADRR.

2.8.12 If a reference for resolution is made under paragraph 2.8.11, the parties shall serve a written notice on the freight train operator benefiting from the Qualifying Modification:

- (a) notifying such freight train operator of the referral for resolution; and
- (b) giving to such freight train operator the opportunity to become a party to the proceedings in respect of such resolution.

2.8.13 If a reference for resolution is made under paragraphs 2.8.5, 2.8.10 or 2.8.11, the parties shall agree in a Procedure Agreement, as defined in the ADRR, that the relevant ADRR Forum shall:

- (a) reach a decision which is fair and reasonable;
- (b) have regard to:
  - (i) the matters in respect of which duties are imposed on ORR by virtue of section 4 of the Act; and
  - (ii) the policy which ORR has most recently published in relation to track access charges for freight train operators and the funding of enhancements to the Network;
- (c) not make a determination which is inconsistent with any provisions of the Network Code; and
- (d) give its reasons.

2.8.14 Network Rail undertakes to the Train Operator that, subject to the approval of ORR, in any regulated access agreement granting access rights which are subject to the Operating Constraints and entered into by Network Rail with a freight train operator after the date of signature of this contract, it will insert provisions that are, with only the necessary changes, the same as the terms set out in this paragraph 2.8.

2.8.15 Where, in relation to any Qualifying Modification, the determination of any Qualifying Modification Benefit Charge, or corresponding rebate of Incremental Costs, is referred to expert determination by any person under the provisions of any regulated access agreement (other than this contract):

- (a) such determination shall be binding on Network Rail and the Train Operator; and
- (b) Network Rail and the Train Operator shall make any necessary adjustments of payments between them under this contract to give effect to such determination.

2.8.16 Network Rail shall be the legal and beneficial owner of all modifications to Operating Constraints effected by or on behalf of Network Rail under this paragraph 2.8.

## 2.9 *Office of Rail Regulation's Qualifying Modification Criteria*

2.9.1 ORR may at any time issue criteria:

- (a) specifying how the QM Threshold for any Qualifying Modification shall be determined, which may vary for different types of Qualifying Modification; and
- (b) setting out any guidance in relation to the funding of modifications to the Operating Constraints.



2.9.2 ORR's criteria under paragraph 2.9.1(a) above shall not have effect unless ORR has:

- (a) consulted the parties in relation to the issues to be dealt with in such criteria;
- (b) taken into account any representations made by the parties in response to the consultation under paragraph 2.9.2(a); and
- (c) notified the parties as to its conclusions in relation to the issues to be dealt with in such criteria and the reasons for those conclusions.

## 2.10 Efficiency Benefit Share

2.10.1 The Efficiency Benefit Share :

(a) is an amount (which shall not be a negative value) representing a return of Track Charges which shall be identified in the ORR's annual assessment of Network Rail as the "Efficiency Benefit Share", if any, to be rebated to the Train Operator, such amount to be determined in accordance with the methodology and principles set out in paragraphs 27.34 to 27.53 (inclusive) of the 2008 Final Determinations; and

(b) shall only be payable in respect of Relevant Years ending on or before 31 March 2014.

2.10.2 If, pursuant to paragraph 2.10.1, the Train Operator is entitled to payment of an Efficiency Benefit Share in respect of Relevant Year t, then, subject to paragraph 2.10.3, such payment shall be made by Network Rail to the Train Operator as a lump sum payment within 28 days after the end of the Charging Period in which it is determined by the ORR that such payment should be made.

2.10.3 If, in respect of any Relevant Year t, an Efficiency Benefit Share is payable in accordance with paragraph 2.10.2 and this contract has either commenced or expired or otherwise been terminated during the course of that Relevant Year t, the Train Operator shall be entitled to a pro rata payment of the Efficiency Benefit Share payable in respect of that Relevant Year t. Such pro rata payment (which shall be payable in accordance with paragraph 2.10.2) shall be calculated as follows:

$$\text{Pro rata Efficiency Benefit Share} = \left( \frac{\text{EBS}}{13} \right) \times \text{CP}$$

where:

EBS means the total amount of the Efficiency Benefit Share that would have been payable to the Train Operator in respect of the whole of the Relevant Year t in question had this contract been in force for the entire Relevant Year t; and

CP means the number of Charging Periods during that Relevant Year t either:

(a) where this contract commences during the course of that Relevant Year t, following commencement of this contract; or

(b) where this contract expires or is otherwise terminated during the course of that Relevant Year t, prior to the expiry or other termination of this contract,

provided that, in each case:

~~(i)~~ (i) if this contract ~~commences,~~ expires or is otherwise terminated on or before the fourteenth day of a Charging Period, such Charging Period shall not be included in the calculation of 'CP';

(ii) if this contract expires or is otherwise terminated on or after the fifteenth day of a Charging Period, such Charging Period shall be included in the calculation of 'CP';

(iii) if this contract commences on or before the fourteenth day of a Charging Period, such Charging Period shall be included in the calculation of 'CP'; and

~~(iv)~~ (iv) if this contract commences, ~~expires or is otherwise terminated~~ on or after the fifteenth day of a Charging Period, such Charging Period shall not be included in the calculation of 'CP'.

2.10.4 ~~Any such~~ Without prejudice to the generality of Clause 16.4.1, any payment of an Efficiency Benefit Share (an "EBS payment") shall be made on the basis that it is to be treated as ~~a rebate of Track Charges for the purposes of VAT unless the parties agree that the law relating to VAT at the date of the payment requires some other treatment as agreed between the parties or unless, prior to making such payment,~~

~~Network Rail has notified the Train Operator that, based on advice that Network Rail has received from HM Revenue and Customs, this paragraph 2.10.4 applies. Where this paragraph 2.10.4 applies, the relevant EBS payment is to be treated as being outside the scope of VAT, then paragraphs (a) to (e) inclusive below shall apply, and the EBS payment may be made accordingly; exclusive of VAT, so that where and to the extent that the EBS payment is consideration for a supply for VAT purposes Network Rail shall in addition pay to the Train Operator an amount equal to the amount of VAT due in respect of that EBS payment and either:~~

- ~~(a) the provisions of this contract relating to VAT on rebates or repayments shall be disappplied in relation only to EBS payments and subject to paragraph (e) below;~~

~~the Train Operator shall issue a VAT invoice to Network Rail in respect of the relevant amount; or~~

- ~~(b) no VAT will be charged on the EBS payment;~~

- ~~(c) in respect of the Track Charges paid or payable by the Train Operator to Network Rail (disregarding the EBS payment) in respect of the period to which the EBS payment relates, Network Rail will account for VAT (where required by law to do so) and will not seek to reclaim any such VAT, except in either case as provided under paragraph (e) below;~~

- ~~(d) the Train Operator will treat the EBS payment as being outside the scope of VAT; and~~

- ~~(e) if the treatment of an EBS payment as being outside the scope of VAT is challenged such that the Train Operator is required to account for VAT to HM Revenue and Customs on the EBS payment, then (subject to the Train Operator promptly notifying Network Rail of that fact) the preceding paragraphs (a) to (d) inclusive will (at the election of the Train Operator) cease to apply to the EBS payment and Network Rail will account to the Train Operator for the amount of VAT on the EBS payment and issue the Train Operator with a VAT credit note in respect of that amount.~~

~~2.10.5 Network Rail will indemnify the Train Operator in respect of any liability it may incur to HM Revenue and Customs (other than the obligation to account to HM Revenue and Customs for the amount of the VAT credit set out in paragraph 2.10.4(e)) as a result of having treated the EBS payment as being outside the scope of VAT in accordance with paragraph 2.10.4.~~

if the parties so agree and have entered into an applicable self-billing agreement (within the meaning of regulation 13(3A) of the Value Added Tax Regulations 1995 (the "VAT Regulations")) that continues in force then Network Rail shall produce for itself a self-billed invoice (within the meaning of regulation 13(3) of the VAT Regulations) in respect of the relevant amount.

## 2.11 ~~Coal Spillage Charge~~

~~2.11.1 The Coal Spillage Charge Rate in respect of each Coal Vehicle used in a Service shall be the coal spillage charge rate per KGTM set out in the Track Usage Price List (as such rate may be adjusted in accordance with paragraph 2.7.2, the "Baseline Coal Spillage Charge Rate") until it is varied in accordance with this paragraph 2.11, provided that the Coal Spillage Charge Rate as so varied shall never exceed the Baseline Coal Spillage Charge Rate.~~

~~2.11.2 If a Coal Spillage Charge Variation Notice is issued by ORR, the Coal Spillage Charge Rate shall be varied in accordance with that Coal Spillage Charge Variation Notice.~~

~~2.11.3 Within 28 days of the last day of each Financial Year (other than any Financial Year ending on or prior to 31 March 2009), Network Rail shall:~~

~~(a) identify the number of points failures attributable to coal spillage that have occurred during that Financial Year (each a "Relevant Points Failure");~~

~~(b) compare the number of Relevant Points Failures with the number of Baseline Points Failures; and~~

~~(c) notify the Train Operator and ORR in writing of:~~

~~(i) the number of Relevant Points Failures; and~~

~~(ii) the difference (whether positive or negative) between the Baseline Points Failures and the Relevant Points Failures.~~

~~2.11.4 If, in any Financial Year (other than the Financial Year ending on 31 March 2009), the number of Relevant Points Failures exceeds or is less than the number of Baseline Points Failures by, in each case, an amount equal to or greater than 5% of the number of Baseline Points Failures (a "Points Failure~~

~~Variation~~”), within 84 days of the last day of that Financial Year Network Rail shall, in consultation with the Train Operator and all other freight train operators whose access agreement in respect of track includes a provision similar to this paragraph 2.11:

- ~~(a) endeavour to agree either:~~
  - ~~(i) a variation to the Coal Spillage Charge Rate (provided that any such variation to the Coal Spillage Charge Rate does not cause the Coal Spillage Charge Rate to exceed the Baseline Coal Spillage Charge Rate); or~~
  - ~~(ii) that no variation to the Coal Spillage Charge Rate is required; and~~
- ~~(b) if agreement is reached in accordance with paragraph 2.11.4(a), notify ORR in writing (with a copy to the Train Operator) either:~~
  - ~~(i) that no variation is required to the Coal Spillage Charge Rate; or~~
  - ~~(ii) of the level of the proposed variation to the Coal Spillage Charge Rate.~~

~~2.11.5 If, within the 84 day period specified in paragraph 2.11.4, Network Rail is unable to reach agreement as to the proposed variation to the Coal Spillage Charge Rate with the Train Operator and all other freight train operators whose access agreement in respect of track includes a provision similar to this paragraph 2.11, Network Rail shall nonetheless notify ORR in writing (with a copy to the Train Operator) either:~~

- ~~(a) of the variation to the Coal Spillage Charge Rate that Network Rail considers ought to be made in respect of the Points Failure Variation (provided that such proposed variation does not cause the Coal Spillage Charge Rate to exceed the Baseline Coal Spillage Charge Rate); or~~
- ~~(b) that Network Rail considers that no change is required to the Coal Spillage Charge Rate, in each case taking into account the representations of those freight train operators who have responded to Network Rail's consultation on this matter.~~

~~2.11.6 Any notification to ORR pursuant to either of paragraphs 2.11.4 or 2.11.5 shall be supported by such information and evidence (including any freight train~~

~~operators' representations, reporters' audit and data from sampling trays) as ORR may require to determine whether or not to approve the proposed variation (if any) to the Coal Spillage Charge Rate or to make an alternative determination as to the level of the variation (if any) to the Coal Spillage Charge Rate.~~

~~2.11.7 Promptly following the service of a Coal Spillage Charge Variation Notice under this paragraph 2.11, and in order to give effect to any variation to the Coal Spillage Charge Rate specified in that Coal Spillage Charge Variation Notice in accordance with paragraph 2.11.2, Network Rail shall issue to the Train Operator a statement showing the necessary adjustments to:~~

~~(a) any invoices and credit notes already issued; and~~

~~(b) any payments already made, in each case in respect of the Coal Spillage Charge.~~

~~2.11.8 Any statement issued by Network Rail pursuant to paragraph 2.11.7 shall be accompanied by an adjusting invoice (which shall be payable by the Train Operator within 28 days) or credit note. Not used.~~

2.12 *Coal Spillage Reduction Investment Charge* for Financial Year ending 31 March 2014

~~2.12.1 If a CSR Variation Notice is issued by ORR, the Coal Spillage Reduction Investment Charge Rate shall be varied in accordance with that CSR Variation Notice. Not used.~~

2.12.2 The purpose of the Coal Spillage Reduction Investment Charge ~~is~~was to enable Network Rail to fund capital investments to reduce coal spillage on the Network, and Network Rail shall only be entitled to apply amounts received in respect of the Coal Spillage Reduction Investment Charge for such purpose.

2.12.3 Within 28 days of the end of ~~each~~the Financial Year, ending immediately before 00:00 hours on 1 April 2014. Network Rail shall provide the Train Operator and ORR with details of:

(a) the total amount received by Network Rail from all freight train operators during that Financial Year in respect of the Coal Spillage Reduction Investment Charge (the "FY CSR Fund");

- (b) the aggregate amount of funding distributed by Network Rail during that Financial Year to reduce coal spillage on the Network (each a “Coal Spillage Investment”); and
- (c) the balance (if any) of the FY CSR Fund after:
  - (i) adding the Total CSR Fund Balance for the previous Financial Year if such Total CSR Fund Balance for the previous Financial Year has been carried forward ~~in accordance with paragraph 2.12.4(a)~~; and
  - (ii) deducting the capital cost of any Coal Spillage Investments made during that Financial Year, (the “**Total CSR Fund Balance**”).

2.12.4 Within 56 days of the last day of ~~each~~the Financial Year ending immediately before 00:00 hours on 1 April 2014, Network Rail shall, following consultation with the Train Operator and all other freight train operators whose access agreement in respect of track includes a provision similar to this paragraph 2.12, notify the Train Operator and ORR in writing:

~~(a) — whether it wishes to carry forward the Total CSR Fund Balance for application to Coal Spillage Investments in the then current Financial Year; and (b) — whether it considers that the Coal Spillage Reduction Investment Charge should continue to be payable in the then current Financial Year and, if so, whether it considers that any adjustment should be made to the Coal Spillage Reduction Investment Charge Rate.~~

2.12.5 Network Rail’s notice pursuant to paragraph 2.12.4 shall be accompanied by such information and supporting evidence (including any freight train operators’ representations and details of any Coal Spillage Investments proposed for the then current Financial Year) as ORR may require to determine whether or not: ~~(a) — the Total CSR Fund Balance should be carried forward for application in the then current Financial Year; and (b) — the Coal Spillage Reduction Investment Charge should continue to be payable in the then current Financial Year and, if so, whether or not any adjustment should be made to the Coal Spillage Reduction Investment Charge Rate.~~

2.12.6 If ORR determines that the Total CSR Fund Balance should not be carried forward and ORR issues a CSR Variation Notice to that effect, the Train Operator shall be entitled to a rebate of amounts paid by the Train Operator in respect of the Coal Spillage Reduction Investment Charge (a “CSR Rebate”). The amount of the CSR Rebate payable to the Train Operator shall be an amount which, when expressed as a percentage of the Total CSR Fund Balance, is equal to the proportion borne by the Train Operator’s total contribution to the Total CSR Fund.

2.12.7 If ORR determines that the Total CSR Fund Balance should be carried forward and ORR issues a CSR Variation Notice to that effect, Network Rail shall retain the Total CSR Fund Balance for application for Coal Spillage Investments in the then current Financial Year.

2.12.8 Promptly following service of a CSR Variation Notice under this paragraph 2.12, and in order to give effect to ~~the variation to the Coal Spillage Reduction Investment Charge Rate and/or~~any CSR Rebate specified in that CSR Variation Notice, Network Rail shall issue to the Train Operator a statement showing the necessary adjustments to:

- (a) any invoices and credit notes already issued; and
- (b) any payments already made,

in each case in respect of the Coal Spillage Reduction Investment Charge-  
paid during the Financial Year ending immediately before 00:00 hours on 1 April 2014.

2.12.9 Any statement issued by Network Rail pursuant to paragraph 2.12.8 shall be accompanied by an adjusting invoice (which shall be payable by the Train Operator within 28 days) or credit note.

### **3. Freight Charging Review**

3.1 ORR may carry out one or more access charges reviews of all or part of this contract such that amendments to this contract to give effect to the conclusions of such an access charges review come into operation on and from 1 April ~~2014~~2019 or such later date as may be specified in that review.

3.2 In this paragraph 3, references to ORR carrying out an access charges review shall be construed as including references to its initiating implementation of that review.



## ~~Appendix 1~~

### ~~Geographic Areas~~

~~The following table describes the Geographic Areas g for the purposes of Traction Electricity Charge calculations~~

<b>ESTA</b>	<b>Traction electricity Geographic Area / Tariff Zone</b>	<b>Description</b>
M	Merseyside	Comprises the Merseyside third rail electrified system between Liverpool, Southport, Ormskirk, Kirkby, Hunts Cross, Ellesmere Port, Chester, New Brighton and West Kirby
N	Midland Main Line	Comprises the overhead line electrified routes from London St Pancras, Farringdon and Moorgate (Midland) to Bedford
O	London Tilbury & Southend	Comprises the overhead line electrified London Tilbury and Southend routes from Fenchurch Street to Shoeburyness via Laindon, Rainham and Chafford Hundred; the route from Barking to Forest Gate Junction; and the route between Gas Factory Junction and Bow Junction
P	Great Eastern	Comprises the electrified Great Eastern Main Line routes from Liverpool Street to Bow Junction, Upminster, Southend Victoria, Southminster, Braintree, Sudbury, Clacton, Walton-on-Naze, Harwich Town and Norwich; the West Anglia route from Liverpool Street to Hackney Downs station; the Lea Valley Line between Stratford and Coppermill Junction, and the ac & dc section of the North London Line route between Stratford and York Way neutral section (north of Kings Cross).
Q	West Anglia	Comprises the electrified West Anglia routes from Hackney Downs station to Chingford, Enfield Town, Hertford East, Stansted Airport, Cambridge and Kings Lynn and the electrified route between Cambridge Junction (on the East Coast Main Line near Hitchin) and Cambridge

<b>ESTA</b>	<b>Traction electricity Geographic Area / Tariff Zone</b>	<b>Description</b>
R	East Coast Main Line South	Comprises the electrified East Coast Main Line from Kings Cross to the neutral section at Tallington (between Peterborough and Grantham), the electrified route between Moorgate and Finsbury Park; the electrified route between Canonbury West Junction and Finsbury Park; and the Kings Cross Incline between Camden Road East Junction and Freight Terminal Junction.
A	East Coast Main Line Central	Comprises the electrified East Coast Main Line between the neutral sections at Tallington (between Peterborough and Grantham), South Kirkby and Hambleton Junction (between Doncaster and York).
B	East Coast Main Line North	Comprises the electrified East Coast Main Line between the neutral sections at Hambleton Junction (between Doncaster and York) and Chathill (between Alnmouth and Belford).
G	East Coast Main Line Leeds	Comprises the electrified East Coast Main Line between the neutral section at South Kirkby and Leeds, Bradford and Skipton.
S	Scotland Glasgow	Comprises the electrified routes in Scotland between the neutral sections at Coatbridge, Rutherglen, Bishopston, Lochwinnoch & Carstairs
D	Scotland East	Comprises the electrified routes in Scotland between the neutral sections at Chathill (between Alnmouth and Belford) and Auchengray (between Edinburgh & Carstairs).

<b>ESTA</b>	<b>Traction electricity Geographic Area / Tariff Zone</b>	<b>Description</b>
E	Scotland North & West	Comprises the electrified routes in Scotland on the North Clyde between the neutral sections at Coatbridge & Rutherglen, the routes from Bishopston neutral section to Gourock & Wemyss Bay and the routes from Lochwinnoch neutral section to Ayr & Largs.
F	Scotland WCML	Comprises the electrified routes in Scotland between the neutral sections at Penrith, Garstairs and Auchengray (between Edinburgh & Garstairs).
T	West Coast Main Line South	Comprises the West Coast Main Line routes from Euston to the neutral sections at Berkswell and Nuneaton; the third rail electrified lines from Euston to Watford Junction; the West London Line to the North Pole junction; the North London Line between South Acton and York Way (north of Kings Cross) and the route between the Primrose Hill tunnels and Camden Road
G	West Coast Main Line Central	Comprises the West Coast Main Line routes between Nuneaton and Liverpool bounded by the neutral sections at Nuneaton, Queensville (Stafford), Stone Colwich, Stone - Norton Bridge, Kidsgrove, Chelford and Weaver Junction.
H	West Coast Main Line West Midlands	Comprises the West Coast Main Line routes around Birmingham between the neutral sections at Berkswell and Queensville (Stafford).
I	West Coast Main Line Manchester	Comprises the West Coast Main Line routes between Manchester and Stone bounded by the neutral sections at Stone Colwich, Stone Norton Bridge, Kidsgrove, Chelford

ESTA	Traction electricity Geographic Area / Tariff Zone	Description
J	West Coast Main Line North	Comprises the West Coast Main Line routes between Weaver Junction and Penrith (neutral sections).
U	Southern	Comprises all third rail electrified routes south from Farringdon, Cannon Street, Charing Cross, London Bridge, Waterloo and Victoria, covering the international route as far as the Network Rail/Eurotunnel boundary; the West London Line to the south of North Pole junction; and the North London Line between Richmond and Acton Central
V	Great Western	Comprises the electrified route from Paddington to Heathrow Airport

#### 4. Route-Level Efficiency Benefit Share Mechanism

##### Calculation of the Route-Level Efficiency Benefit Share

4.1 The Route Level Efficiency Benefit Share for Relevant Year t (“O<sub>t</sub>” or “U<sub>t</sub>” as the case may be) is the amount (if any) that is payable by Network Rail to the Train Operator or by the Train Operator to Network Rail, as the case may be, in respect of a REBS Route, derived from the following formula:

(a) in the case of a REBS Outperformance:

$$O_t = \frac{V_{ct}}{AV_{ct}} \cdot \left[ \frac{25 \cdot ORB_t}{100} \right]$$

and

(b) in the case of a REBS Underperformance:

$$U_t = \frac{V_{ct}}{AV_{ct}} \cdot \left[ \frac{10 \cdot URB_t}{100} \right]$$

where:

O<sub>t</sub> means the amount that is payable by Network Rail to the Train Operator in respect of the REBS Route in Relevant Year t;

V<sub>ct</sub> means the amounts payable under items 1 to 4 of the Variable Charge paid by the Train Operator in respect of the REBS Route for Relevant Year t;

AV<sub>ct</sub> means the aggregate amounts payable under items 1 to 4 of the Variable Charge paid by all train operators providing services for the carriage of freight in respect of the REBS Route in Relevant Year t (and calculated by summing the amounts payable under items 1 to 4 of the Variable Charge under paragraph 2.2.1 and the corresponding provisions of each relevant train operator's access agreement) and the aggregate Variable Usage Charge paid by all train operators providing services for the carriage of passengers in respect of the REBS Route

in Relevant Year t (and calculated by summing the amount  $V_t$  under paragraph 3 of Part 2 of Schedule 7 of each relevant train operator's access agreement); and

ORB<sub>t</sub> means the lower of:

- (i) the Outperformance Sum; and
- (ii) an amount equal to 10% of the Route Baseline in respect of the REBS Route in Relevant Year t;

U<sub>t</sub> means the amount that is payable or by the Train Operator to Network Rail in respect of the REBS Route in Relevant Year t; and

URB<sub>t</sub> means the lower of:

- (i) the Underperformance Sum; and
- (ii) an amount equal to 10% of the Route Baseline in respect of the REBS Route in Relevant Year t.

4.2 The Route-Level Efficiency Benefit Share (if any) calculated under paragraph 4.1 shall be payable for each REBS Route for Relevant Year t, unless the Train Operator has exercised a right to opt out in respect of a particular REBS Route in accordance with paragraph 4.3 or 4.4. Where the Train Operator has exercised such a right, no Route-Level Efficiency Benefit Share shall be payable in respect of that REBS Route for the Relevant Year in the course of which the notice referred to in paragraph 4.3 was served and all subsequent Relevant Years up to 31 March 2019.

#### *Train Operator right to opt out of the Route-Level Efficiency Benefit Share Mechanism*

4.3 The Train Operator may serve a notice, in the form set out in Appendix 2, on Network Rail (and shall provide a copy to ORR) informing Network Rail that the Route-Level Efficiency Benefit Share Mechanism shall not apply to the Train Operator in respect of one or more REBS Routes specified in the notice for the Relevant Year in the course of which the notice was served and all subsequent Relevant Years up to 31 March 2019 (an "**Opt-out Notice**"). Unless paragraph 4.4 applies, an Opt-out Notice may be served only before 1 June 2014.

4.4 If either of the following circumstances apply, the Train Operator may serve an Opt-out Notice at any time until 31 March 2019:

(a) the Train Operator commences operating services for the carriage of passengers or freight by railway on one or more REBS Routes on which it did not previously operate such services, whether as a result of entering into a new franchise agreement or a new access agreement or otherwise, and such Opt-out Notice may be served only in respect of the REBS Routes on which the Train Operator commences operating those services; or

(b) Network Rail notifies the Train Operator that it has entered into an Alliance Agreement with another train operator in respect of a REBS Route or part thereof on which the Train Operator operates Services, and the Train Operator has obtained written confirmation from ORR that the Alliance Agreement is likely to have a material direct financial impact on Network Rail's performance on that REBS Route as assessed by ORR in its annual efficiency and financial assessment of Network Rail, and such Opt-out Notice may only be served in respect of the REBS Route to which the Alliance Agreement applies.

and in either circumstance, the Opt-out Notice must be served within two months after:

(i) the date on which the Train Operator commences operating the services described in paragraph 4.4(a); or

(ii) the date of receipt of written confirmation from ORR under paragraph 4.4(b).

as the case may be.

4.5 Network Rail shall serve notice on the Train Operator (copied to ORR) that it has entered into an Alliance Agreement with another train operator in respect of a REBS Route or part thereof on which the Train Operator operates Services within 14 days after entering into that Alliance Agreement.



4.6 Network Rail shall provide such information to the Train Operator as the Train operator may reasonably request in order to determine whether to serve an Opt-out Notice, and such information shall be provided within 14 days of the request.

Obligation to pay the Route-Level Efficiency Benefit Share

4.7 If, pursuant to paragraph 4.1, a party is entitled to payment from the other of a Route-Level Efficiency Benefit Share in Relevant Year t, then, subject to paragraph 4.8, such payment shall be made to the party entitled to the payment by the other party as a lump sum payment within 28 days after the date of publication of ORR's annual efficiency and finance assessment of Network Rail for Relevant Year t.

4.8 If, in respect of any Relevant Year t, a Route-Level Efficiency Benefit Share is payable in accordance with paragraph 4.7 and this contract has either commenced or expired or otherwise been terminated during the course of that Relevant Year t, the party entitled to payment shall be entitled to a pro rata payment of the Route-Level Efficiency Benefit Share payable in respect of that REBS Route for Relevant Year t. Such pro rata payment (which shall be payable in accordance with paragraph 4.9) shall be calculated as follows:

$$\text{Pro rata REBS}_t = \left( \frac{\text{REBS}}{13} \right) \times \text{CP}$$

where:

REBS means either  $O_t$  or  $U_t$  as the case may be; and

CP means the number of Charging Periods during that Relevant Year t either:

(a) where this contract commences during the course of that Relevant Year t, following commencement of this contract; or

(b) where this contract expires or is otherwise terminated during the course of that

Relevant Year t, prior to the expiry or other termination of this contract,

provided that, in each case:

(i) if this contract expires or is otherwise terminated on or before the fourteenth day of a Charging Period, such Charging Period shall not be included in the calculation of 'CP';

(ii) if this contract expires or is otherwise terminated on or after the fifteenth day of a Charging Period, such Charging Period shall be included in the calculation of 'CP';

(iii) if this contract commences on or before the fourteenth day of a Charging Period, such Charging Period shall be included in the calculation of 'CP'; and

(iv) if this contract commences on or after the fifteenth day of a Charging Period, such Charging Period shall not be included in the calculation of 'CP'.

4.9 Without prejudice to the generality of Clause 16.4.1, any payment of a Route-Level Efficiency Benefit Share (a "REBS payment") shall be made on the basis that it is to be treated as exclusive of VAT, so that where and to the extent that the REBS payment is consideration for a supply for VAT purposes the party making that REBS payment shall in addition pay to the party receiving the REBS payment an amount equal to the amount of VAT due in respect of that REBS payment and either:

(a) the party receiving the REBS Payment shall issue a VAT invoice to the party making such REBS payment in respect of the relevant amount; or

(b) if the parties so agree and have entered into an applicable self-billing agreement (within the meaning of regulation 13(3A) of the Value Added Tax Regulations 1995 (the "VAT Regulations")) that continues in force then the party making the REBS payment shall produce for itself a self-billed invoice (within the meaning of regulation 13(3) of the VAT Regulations) in respect of the relevant amount.

## APPENDIX 1 – REBS ROUTES TABLE

<u>Route</u>	<u>Route definition</u>
<u>Anglia</u>	<u>As defined in Network Rail's Delivery Plan supporting information</u>
<u>East Midlands</u>	
<u>Kent</u>	
<u>London North East</u>	
<u>London North West</u>	
<u>Scotland</u>	
<u>Sussex</u>	
<u>Wales</u>	
<u>Wessex</u>	
<u>Western</u>	

## APPENDIX 2 – ROUTE-LEVEL EFFICIENCY BENEFIT SHARE OPT-OUT NOTICE

1.

[Name of train operator representative],

[Position]

Telephone: [xxx]

E-mail: [xxx]

[Date]

Head of Regulatory Policy

Network Rail

Kings Place

90 York Way

London

N1 9AG

Dear Head of Regulatory Policy,

### Opt-out from the CP5 route-level efficiency benefit sharing (REBS) mechanism

Following the publication by Network Rail of the REBS baselines for CP5, Table 1 sets out the operating routes in relation to which [enter train operator name here] will not be participating in REBS for CP5 (2014-15 to 2018-19). [Enter train operator name here] hereby exercises its right to opt-out of REBS under its track access contract and accordingly no sums will be payable to or from Network Rail arising from REBS in CP5 for the routes identified in Table 1.

Table 1: REBS opt-out matrix

<u>Route</u>	<u>Route definition</u>	<u>Opt-out (please mark with an 'x')</u>
<u>Anglia</u>	<u>As defined in Network Rail's Delivery Plan supporting information</u>	
<u>East Midlands</u>		
<u>Kent</u>		
<u>London North East</u>		
<u>London North West</u>		
<u>Scotland</u>		
<u>Sussex</u>		

<u>Wales</u>		
<u>Wessex</u>		
<u>Western</u>		

I understand that unless [enter train operator name here] has provided a notification to ORR to opt-out of REBS in CP5 within two months of [the start of the control period] [the start of new operations on the network] [the date of receipt of written confirmation from ORR that Network Rail has entered into a material alliance agreement], [enter train operator name here] will be eligible to make and receive payments under REBS for the remainder of CP5.

I have also sent a copy of this notice to the Director of Railway Markets and Economics at ORR.

Yours sincerely

[Name of train operator representative]

**APPENDIX 3 – CATEGORIES OF METERED TRAINS FOR THE  
PURPOSES OF PARAGRAPH 2.4.1.1**