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Dear Joanna and Jonathan

## **Consent to a Supplement to the Traction Electricity Modelled Consumption Rates List: MTR Corporation (Crossrail) Limited**

1. The Office of Rail and Road (ORR) has today issued a notice of consent to a supplement to the Traction Electricity Consumption Rates List submitted to us by Network Rail Infrastructure Limited (Network Rail) and MTR Corporation (Crossrail) Limited (MTR Crossrail) (jointly, "the parties") on 10 May 2018 under Paragraph 9 of Part 2 of Schedule 7 to their Track Access Contract. The purpose of this letter is to set out the reasons for our decision.

### **Purpose of the change**

2. The purpose is to supplement the Traction Electricity Consumption Rates List to include a new Electric Current for Traction (EC4T) consumption rate for Class 345 vehicles operated by MTR Crossrail. A 15th supplemental agreement amending the parties' Track Access Contract has also been made in parallel to enable the consent of this application.

3. During the 2017/18 financial year, MTR Crossrail began operating class 345 vehicles. It was initially expected that these units would be billed based on meter readings. Consequently, a modelled consumption rate was not estimated for these vehicles. Instead, these vehicles were billed on the basis of a temporary consumption rate. Unfortunately, technical issues have prevented these vehicles from being opted-in to on-train metering. In addition, it has not been possible to estimate modelled consumption rates for these vehicles using the standard methodology due to complex technical issues.

4. Network Rail proposed to include a rate for Class 345 using the Class 315 rate as its proxy. The new rates are to be applied retrospectively to the 2017/2018 financial year only, for the purposes of the end-of-year EC4T volume reconciliation.

### **Consultation**

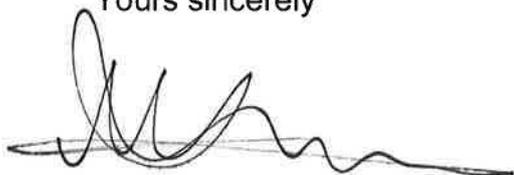
5. We asked Network Rail to undertake a short consultation with those operators sharing the same Energy Supply Tariff Areas (ESTAs) as the Class 345s given the potential financial impact an approved Class 345 rate may have on the EC4T end-of-year volume reconciliation. Virgin Trains asked if any metered data was available. Network Rail explained that no reliable metered data was available and instead, the modelled rate was derived by taking a modelled rate from a similar vehicle. Virgin Trains accepted this and confirmed no objections. Responses were also provided by c2c and Southeastern with no concerns raised.

### **ORR review**

6. In addition to asking Network Rail to consult other operators in the ESTAs, we asked it to provide estimates of the results of the wash-up assuming the Class 345 rates were approved. Network Rail provided this with a summary that showed that there would not be any material change to what other operators would otherwise be paying. Given this information and with the comments provided from the short consultation mentioned in paragraph 5, we were content to approve the rates for Class 345 vehicles.

7. Sub-paragraph 9.9 of Part 2 of Schedule 7 states that ORR's consent shall have effect from such date as ORR shall determine. The service code became operational on 13 June 2017 and we have agreed to the parties request to apply the supplemental retrospectively to that date.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Albon', written over a horizontal line.

**Michael Albon**