Access charging framework for use of Network Rail infrastructure: user guide

Infrastructure Cost Charges (ICCs) for open access services

What is the purpose of this charge?

We introduced an ICC for open access services in PR18 to ensure that operators that could afford to contribute to Network Rail's fixed costs do so. It also aimed to facilitate increased on-rail competition between passenger services over the longer-term by allowing open access operators to benefit from potentially greater access to the network in return for paying the ICC.

Who is subject to this charge?

Based on our market-can-bear analysis we have defined three market segments for the purpose of levying an ICC:

- interurban open access services
- airport services
- all other services

As with freight operators, Network Rail can only levy 'mark-ups' (i.e. charges which recover costs in excess of those directly incurred) on open access services which can bear those charges.

To determine which open access services can bear this charge, we apply a market-can-bear test.

This involves defining the market segments and then determining the level of the ICC these market segments can bear. Our assessment of market segments and the ability to pay is currently based on the profitably of operators within each market segment.

We define our market segments with reference to the threshold of the number of passengers using a station and the distance between stations. For CP7, the market segments we determined as having the ability to pay an ICC were set based on the following thresholds:

Inter-urban services

1. at least one station served has average entries / exits above 15 million passengers per year, or is within two miles of a station meeting that criterion
2. at least one other station served has average entries / exits above 10 million passengers, or is within two miles of a station meeting that criterion
3. and two of the stations meeting these demand thresholds are at least 40 miles apart

Airport services

1. at least one station served has average entries / exits above 15 million passengers per year, or is within two miles of a station meeting that criterion
2. at least one station (or stations(s)) that directly serves an airport has average entries / exits above 5 million passengers

We currently levy the ICC on new interurban services only. However, if an existing operator proposes significant variations to their services, and that service falls within the interurban market segment, these services are then subject to an ICC. Currently, only Lumo pays an ICC on its London to Edinburgh services. ORR has approved access rights for Grand Union Trains (GUT) to run services between London and South Wales from December 2027 and this would be liable for an ICC on a portion of this service. Both are in the interurban market segment.

What costs are recovered through this charge?

The ICC for open access services recovers a proportion of Network Rail's fixed costs. As with the ICC for freight services, the charge is based on an assessment of what contribution to fixed network costs open access services can bear. Currently, the total traffic-related avoidable fixed costs allocated to open access services by Network Rail's fixed cost model is used to determine the

maximum level. In practice, the assessment of ability to bear means that the existing ICC does not fully recover these traffic-related avoidable fixed costs.

How is the charge structured?

The charge is levied on open access services as a flat rate of £5 per train mile (in 2023 to 2024 prices) for both the interurban and airport market segments.

For services which operate partly (but not fully) in the interurban market segment, the rate is adjusted accordingly. For example, for a 200-mile journey, if 100 miles falls into the interurban market segment and the remaining 100 miles is in the other segment, then the overall charge for the service would be half of the full ICC rate per train mile.

How is the level of the charge calculated?

The level of the interurban ICC is based on the following factors:

- the updated market-can-bear analysis, which indicates that the majority of interurban services would be capable of generating net revenues (after accounting for the impact of the Coronavirus (COVID-19) pandemic)
- consistency with our decision in PR18 to set the charge conservatively but for a rail passenger market which was less challenging than that faced by open access operators today
- balancing the risks of setting a charge too high (in terms of deterring open access applicants) against the drawbacks of setting it too low (primarily the impact on Secretary of State funds)

The airport services ICC was set in-line with the inter-urban ICC.

The ICC for new open access services is phased in over the first five years of the operation of relevant new services according to the phasing profile set out in Table 2.

Table 2: Phase-in arrangements for new entrants operating interurban and airport services liable for an ICC in CP7

Year of operation of new entrant	Year 1	Year 2	Year 3	Year 4	Year 5
% of ICC set at periodic review prior to start of operations	0%	0%	25%	50%	100%

- ← Previous Infrastructure Cost Charges (ICCs) for freight services
- → Next Variable Usage Charge (VUC)