

Stagecoach South Western Trains Limited
Friars Bridge Court
41-45 Blackfriars Road
London
SE1 8NZ

John Jellema
Office of Rail Regulation
2<sup>nd</sup> Floor
Tara House
46 Bath Street
Glasgow
G2 1HJ

8 May 2013

Dear John

## PR13: consultation on EC4T charges for CP5

This letter provides the response of Stagecoach South Western Trains Limited (SSWT) to the above consultation.

We support the proposal for all metered consumption to remain outside of the volume element of the EC4T wash up in CP5. This strengthens the business case and incentive for TOCs to opt in to on train metering.

We also support the proposal that modelled operators will be protected from the risk that transmission losses have been set too low for metered operators by Network Rail sharing in the volume wash up over and above its current exposure in the form of its own use of EC4T. However, we are not convinced by the proposal to remove the ability of the industry to propose and vote on changes to the DSLF through the metering rules. We favour an alternative proposal whereby either:

- the DSLF is fixed for the first three years of CP5 with the industry being able to propose a change through the metering rules thereafter; or
- the DSLF is fixed subject to a material change threshold being set, which if breached would enable the industry to propose a change through the metering rules.

We believe this proposal would strike a balance between giving TOCs the certainty required to invest in on-train metering and ensuring that the mark up is set at a level reflective of actual manageable losses. We would be concerned if the situation arose whereby the transmission losses

Stagecoach South Western Trains Limited
Registered in England and Wales no. 5599788
Registered office: Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ
DX 119558 Blackfriars 2
A part of the Stagecoach Group plc



mark up applied to metered operators in the DC area was fixed for CP5 and it proved to be higher than actual losses. In this scenario metered TOCs would effectively be subsidising Network Rail if it was sharing in the volume wash up.

As we have indicated in our responses to previous consultations on EC4T, we are strongly in favour of the industry being able to develop proposals which would enable the billing of EC4T on the basis of metered consumption from a partial fleet. The cost of meter fitment has acted as a barrier to investment, particularly for TOCs in the DC area, and we think that partial metering offers a solution which would improve the business case for metering whilst offering an excellent degree of statistical uncertainty for billing purposes. With regard to the exposure to the wash up for partial fleet metering, we are unsure how ORR has derived the exponential factor 4 in its proposed calculation formula, apart from the stated need to have a non-linear relationship between the metered fleet percentage and residual volume wash-up share. If the value of the exponential factor is not underpinned by a theoretical basis, but has been chosen arbitrarily, then it should be set at such a level that creates further incentives. For example, 30% fleet metering should be significantly incentivised over 20% fleet metering.

Yours sincerely,

Sam Gibbins

Track Access Manager

**Stagecoach South Western Trains Limited**