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Dear Steven and Rob

Consent to a Supplement to the Traction Electricity Modelled Consumption Rates List: First Greater Western 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) on 31 May 2018 under Paragraph 9 of Part 2 of Schedule 7 to the Track Access Contract (TAC) between Network Rail and First Greater Western Limited (GWR). 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 800 vehicles operated by GWR. A 27th supplemental agreement amending the parties' Track Access Contract has also been made in parallel to enable the consent of this application.

3. During the 2017/2018 financial year, GWR began operating class 800 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 800 based on modelled consumption rates that have been calculated by the vehicle manufacturer, Hitachi. 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 800s given the potential financial impact an approved Class 800 rate may have on the EC4T end-of-year volume reconciliation. Heathrow Express Limited (Hex) commented requesting more details on the modelled rate and whether it could challenge any significant cost incurred to its share of the wash-up. Network Rail responded to all the queries raised using information that had been provided by Hitachi. Following this, Hex confirmed it was agreeable with Network Rail's approach.

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 800 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 800 vehicles.

ORR's consent

6. Sub-paragraph 9.9 states that consent by ORR shall have effect from such date as ORR shall determine. The service code became operational on 5 August 2017 and we have agreed to the parties request to apply the supplemental retrospectively to that date.

Yours sincerely



Michael Albon