

Pedro Abrantes
Head of Analysis and Rail Economics

25 October 2018

Dear Freight and Charter Recalibration Working Group,

Schedule 4 & 8 Recalibration: Approval of CP6 Schedule 4 & 8 parameters in the freight and charter regimes

1. This letter provides, in response to your requests, our formal approval of a number of parameters for use in the freight and charter Schedule 4 & 8 regimes (as appropriate) for CP6.
2. In your letter of 27 June 2018 you requested our approval of the following parameters:
 - the Network Rail payment rate in the freight regime;
 - the service variation sum in the freight regime;
 - the disruption sum in the freight regime;
 - the Network Rail payment rate in the charter regime; and
 - the service variation sum in the charter regime.
3. In addition, in your letter of 13 July 2018 you requested our approval of the freight operator benchmark and the charter operator benchmark.
4. Moreover, in your letter of 13 September 2018 you requested our approval of the following parameters:
 - the cancellation sum in freight regime (above threshold);
 - the cancellation sum in freight regime (below threshold);
 - the late notice cancellation sum;
 - the prolonged disruption sum;
 - the normal planned disruption sum;
 - the enhanced planned disruption sum;
 - the small and new entrant annual caps (Network Rail);
 - the small and new entrant annual caps (train operator);
 - the Network Rail benchmark in the charter regime;

- the joint cancellation sum in the charter regime;
 - the cancellation sum in the charter regime;
 - the annual caps in the charter regime (Network Rail); and
 - the annual caps in the charter regime (train operator).
5. We note that, through the Working Group, operators and Network Rail have had the opportunity to review and challenge the recalibration of each of the parameters referred to above. In particular, we note that no party has objected to the proposed recalibration, as set out in your letters to us, of any of the above parameters.
6. Moreover, we note that the recalibration has been independently audited by Steer, and that they have confirmed that they have no concerns that need to be addressed.
7. Thus, in light of the above, and having reviewed both the methodology and audit report for each parameter, we approve the recalibration of all the parameters listed in paragraphs 2, 3 and 4 above for use in CP6.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Pedro Abrantes', written over a light blue horizontal line.

Pedro Abrantes