

Carl Hetherington
Deputy director, Railway markets and economics



29 March 2019

South Yorkshire Supertram Limited
c/o Keith Swallow

Network Rail Infrastructure Limited
c/o Karen Byatt

Dear Mr Swallow and Ms Byatt

Our determination of the CP6 Schedule 4 parameters for South Yorkshire Supertram

1. This letter sets out our determination of certain parameters in Schedule 4 to the track access contract ("the contract") between Network Rail Infrastructure Limited (Network Rail) and South Yorkshire Supertram Limited (SYST) (together "the parties") for control period 6 (CP6)¹.

Background

2. Following our final determination on the 2018 periodic review (PR18)², we became aware that SYST had not been included in the industry's recalibration process for PR18. As a result, there was insufficient time to conclude appropriate Schedule 4 parameters for SYST's services before we issued our review notice setting out the changes that would be applied to the contract to implement PR18. These parameters were:
 - the Defined Service Group Revenue, relating to Sustained Planned Disruption (DSGR);
 - the Notification Factors; and
 - the Train Mileage Payment Rate (TMPR).
3. Accordingly, we wrote to both parties on 4 December 2018 stating, among other things, that we proposed to determine these Schedule 4 parameters early in 2019 after further discussion with them. The parties agreed with this and we included provision for us to make this determination in the review notice that we issued on 20 December 2018³.
4. Following discussion with the parties earlier this year on our proposed approach to determining the parameters, this letter sets out our determination in respect of Notification Factors and DSGR. It also notes the interim agreement of the parties and the next steps in respect of the determination of the TMPR.

¹ CP6 will run from 1 April 2019 to 31 March 2024.

² Our final determination documentation is available from [here](#).

³ Review notice: [Open Access Passenger Operator Track Access Agreements](#), ORR, 20 December 2018.





Our decision on Notification Factors and DSGR

5. For Defined Service Group Revenue and Notification Factors in Schedule 4, we have determined the parameters consistent with the approach we took for other train operators, as set out in our PR18 final determination.
6. Accordingly, through this letter we determine the following in the contract to apply on and from 1 April 2019:
 - (a) The contents of Annex A to Part 3 of Schedule 4 (Notification Factors) shall be as follows:

	A	B	C	D	E
Service Group Description	Service Group Code	Type	By D-26	By TW-22	After TW-22
South Yorkshire Supertram Ltd					
Tinsley North Junction – Rotherham Parkgate	SJ01	All Trains	0.6	0.6	0.88

- (b) In the table in Annex D to Part 3 of Schedule 4, the value of the Defined Service Group Revenue for Service Group SJ01 shall be: [REDACTED] (2017-18 prices).

Train mileage payment rate

7. Train mileage payment rates are derived from the variable usage charge (VUC) rate that applies to the respective vehicles and the respective traction fuel costs used by the train operator. On 8 March 2019, Network Rail informed ORR that it was not yet in a position to propose a CP6 VUC rate for SYST, as this had not yet been subject to Network Rail's quality assurance process. It had therefore been unable to calculate an appropriate CP6 TMPR at that time.
8. As an interim measure, Network Rail proposed using a notional VUC rate based on increasing the SYST's CP5 rate by the average of the increase in the CP6 VUC rate for passenger vehicles. This would enable it to calculate an interim CP6 TMPR. Then, once the CP6 VUC rate became available, it could calculate a final TMPR that could be agreed with SYST and approved by us. This would include provision for a financial adjustment, to ensure that the parties are in the same



position for payments under this provision, as they would have been in if the final TMPR had been in place from 1 April 2019.

9. Network Rail then proposed an interim rate of [REDACTED] pence per train mile (2017-18 prices). SYST has confirmed that it is content with the proposed approach and the interim rate.
10. We are content with this approach and expect that the parties will seek our approval to a supplemental agreement to apply the final rate, with retrospective effect from 1 April 2019. We would expect Network Rail to conclude its quality assurance process in April 2019, providing for the final rate to be applied shortly thereafter. If the parties are unable to agree the final rate, we reserve the power to determine the rate under the existing provision in Annex C to Part 3 of Schedule 4.
11. Accordingly, we are not formally determining the TMPR for CP6 at this time.
12. We will place a copy of this letter on our website and on our public register, in line with section 72(5) of the Railways Act 1993. However, consistent with our approach for other track access contracts, we will redact the DSGR and TMPR values before doing so.

Yours sincerely,

A handwritten signature in black ink that reads 'Carl Hetherington'.

Carl Hetherington