

Update on CP6 station charges

Aaren Healy, 27 September 2017

Context and purpose of this presentation

- ▶ In July 2017 Network Rail published its consultation on the methodology for calculating variable and station charges in CP6.
- ▶ The consultation focuses on our proposed methodology for calculating charges in CP6, rather than the level of these charges as result of updating them for PR18 cost data.
 - Our cost forecasts for CP6 will not be available until our SBP is published in December 2017.
 - We are aiming to publish draft price lists reflecting PR18 cost data in February 2018.
- ▶ ORR recently concluded on changes to charges and contractual incentives (June 2017). Our consultation follows on from these conclusions.
 - ORR concluded that there should be no changes to the structure of station charges.

- ▶ **Purpose of this presentation:** to raise awareness of the station charges' sections of our consultation.

Summary of our proposals

▶ Franchised station long term charge

- Proposal: to use a new methodology (based on modelling of average annual depreciation) to allocate CP6 route-level expenditure forecasts to individual franchised stations.
- We will not calculate long term charges for stations that are on full repairing and insuring leases.

▶ Managed station long term charge

- Proposals: to use a new methodology (based on modelling of average annual depreciation) to allocate annual average route-level expenditure forecasts to individual managed stations. Annual average expenditure is calculated over 100 years for operational property and 35 years for station information and security systems; and
- To improve our cost forecasts for managed station maintenance, repair and renewals.

▶ Qualifying expenditure management fee

- Proposals: to better align the management fee approval process with the rest of the Periodic Review; to make small amendments to the cost categories used in PR13 to reflect changes in our business; and to base the profit element on benchmarking analysis of other businesses providing similar services.
- Benchmarking of the profit element: We delivered a briefing paper to the Station Strategy Group in July 2017, proposing a range of 6 – 10%.

Responding and key milestones

- ▶ We are requesting responses to this consultation by close of play **20 October 2017**
- ▶ Please send responses to RegulatoryEconomics@networkrail.co.uk
- ▶ If you, or any colleague, have any questions in the meantime, please contact me (Aaren.Healy@NetworkRail.co.uk).

Key future milestones

| Key milestone | Information | Date |
|--------------------------------------|--|---------------|
| Network Rail SBP | Network Rail's CP6 business plan, including cost forecasts | December 2017 |
| Our conclusions on this consultation | Network Rail's conclusions on its proposed charging methodology for CP6 and draft price lists reflecting PR18 cost data | February 2018 |
| ORR Draft Determination | ORR's minded-to view in relation to setting structure of charges for CP6, including its views on our February 2018 conclusions | June 2018 |
| ORR Final Determination | ORR's final view which will ultimately set the structure of charges for CP6 | October 2018 |