

## Members of the Schedules 4 and 8 Passenger Recalibration Working Group

06 April 2023

Dear all,

### Methodology and assumptions for PR23 updates of Schedule 4 parameters

As part of PR23, Network Rail is leading on updating the parameters and access charge supplements (ACS) for Schedule 4. We are writing to members of the Schedule 4 & 8 passenger recalibration working group to confirm the methodology for these updates. Having confirmed these points, Network Rail can start working on updating these parameters.

Network Rail will calculate these updates, through a process which will conclude shortly after the final determination. Network Rail will inform ORR and the recalibration working group on its progress as the work gets underway, and any unresolved methodology issues will be raised with the group.

### Summary of approach to recalibration

We have previously outlined our proposals for updating the Schedule 4 parameters at the meetings of the working group in August and September 2022. The table below summarises the approach.

### Schedule 4 assumptions

Aspect	Approach	Notes
Schedule 4 Access Charge Supplement	NR to recalibrate, as per methodology discussed with working group	1
Notification Thresholds	No change in PR23	2
Notification Factors	No change in PR23	2, 3
Estimated Bus Mileage Payment Rates	Uplift for CPI inflation (NR to complete)	4
Train Mileage Payment Rates	Uplift for CPI inflation (NR to complete)	

Aspect	Approach	Notes
Sustained Planned Disruption cost thresholds	Uplift for CPI inflation (NR to complete)	
Sustained Planned Disruption revenue thresholds	Updated thresholds based on new values for Defined Service Group Revenues set by the Schedule 8 recalibration	

## Notes

1. The ACS calculation will be completed by the final determination. Network Rail is finalising its ACS calculation methodology, as presented to the recalibration working group on 24 March 2023.
2. As part of its Better Timetabling for Passengers and Freight (BTPF) programme, Network Rail is proposing to move to up to three timetables per year. This will involve changes to the timetable planning stages in Part D of the Network Code which will impact on the Schedule 4 notification thresholds and factors. Of most relevance to Schedule 4 is the suggested reduction in the Informed Traveller Timetable (ITT) publication date from T-12 to T-8 weeks as this will require changes to notification factor levels, which in turn affects the ACS calculation.

Expected timescales mean that Network Rail will not be able to introduce BTPF until after the start of CP7, which in turn means that any changes to notification thresholds and factors will not be in place until after the start of CP7. We therefore intend that Network Rail will calculate the ACS for CP7 based on the existing notification thresholds and factors. To address the potential impact of BTPF on Schedule 4 payments, there may be the possibility of change during the control period. We will provide more information on this in due course.

3. Within the Schedule 8 recalibration work, the semi-elasticity approach being adopted may have some impact on the setting of Schedule 4 notification factors. We are currently confirming the Schedule 8 approach with the working group's revenue sub-group and will turn towards the impact on Schedule 4. The working group will be updated on this as work develops.
4. Our overall approach to the PR23 review of Schedule 4 is to make limited changes. This is in light of the opt-out proposal. Additionally, reviews of EBM rates in previous periodic reviews showed levels of bus cost compensation



broadly covered the cost of supplying replacement bus services. Moreover, the current high rate of inflation will result in a significant increase in EBM rates.

Yours sincerely,

**Joe Quill**