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Email: john.jellema@orr.gsi.gov.uk

Dear John,

Re: PR13: CONSULTATION ON ELECTRICITY FOR TRACTION CHARGES FOR CONTROL PERIOD 5 (CP5)

Thank you for the opportunity to comment on the proposed charges for electric current for traction (EC4T), the assumed transmission losses for CP5 and how the Office of Rail Regulation (ORR) proposes to reform the volume wash-up.

First has sought to be supportive of the pan industry steps taken to increase knowledge of EC4T and ways of cost-effectively monitoring and recording its consumption via the Traction Electricity Steering Group (TESG).

Consequently, most of the issues discussed are familiar to us and First is broadly supportive of the proposals.

However, we are particularly concerned about the proposals for the concept of Partial Fleet Metering (PFM). Particular effort and expense has been put into the quantitative evaluation of the percentage of an electric multiple unit (EMU) fleet which would need to be equipped with meters for a level of accuracy comparable with full metering of the fleet to be achieved. First's view was that TESG had accepted that metering of 30% of a fleet would achieve this end. It was surprising and disappointing, therefore, to read that "We believe that it is appropriate that the industry rather than we, devise the contractual framework PFM, just as it did for OTM (On Train Metering), subject to our approval." This has always been embraced by TESG, but, following its members' suggestions, ATOC deferred this (in order to avoid wastage of legal and other resources until the ORR more clearly made known their view). - and from December 2012 onwards made this clear at every subsequent TESG meeting.

First believes that having assimilated the Birmingham University work commissioned by ATOC, TESG accepted in the latter half of 2012, the principle of 30% being the percentage of a fleet that needed to be metered for effective PFM to be established and in the light of this expected this to be reflected in your proposals. Whilst Network Rail had always been of the view that they wanted this to be ratified by a practical fleet application, implementing TESG's collective view would have involved suggesting a way to do this. Had it been appreciated that the ORR were

uncomfortable with this we feel sure that TESG members would have been comfortable to have suggested a way forward.

The suggestion that PFM should be permitted only on the basis of a continuing exposure to the wash-up for the whole of CP5 comes as a surprise to FCC as does the expectation that the industry lead in determining the criteria by which PFM can be considered for billing purposes, which First believes TESG have already done. The principle of the former, we feel, will substantially reduce the incentive for the metering of the large 3rd rail direct current (DC) EMU fleets deployed in ESTA U. Having had no warning or opportunity to explore the rationale behind the mechanism proposed in Box A.2 of Annex A, First's view is that the power factor 4 in the proposed non-linear equation does not seem to show a significant wash-up benefit until a fleet rises above 40% PFM. This is out of line with the conclusions of the Birmingham University work, endorsed by TESG, which concluded that 30% PFM produced sufficiently accurate results, even for relatively small fleets, whereas 15-20% PFM did not. First supports the detailed analysis of this issue in the ATOC response.

Detailed responses to the specific questions posed in Annex A of Cathryn Ross's letter are attached.

This response is made on behalf of First ScotRail, First Capital Connect, First Great Western and First TransPennine Express. No objection is made to the contents of this response being placed in the public arena.

Yours sincerely

John Beer
Head of Access Contracts



Questions

1. We would like to know your views on all of the issues raised in this section of our letter. In particular, should we amend the traction electricity rules so that we take the decision on the DSLF as part of an access charges review (i.e. a periodic review or interim review), and remove the industry's ability to propose and vote on the same?

First agrees with the DSLF being reset as part of the Periodic Review process. However, we support ATOC's comments about the continuation of the ability of the industry to propose changes during CP5.

Questions

2. We would like to know your views on all of the issues raised in this section of our letter, in particular the questions below:

(a) we are minded to set a DSLF by ESTA and establish new ESTAs for new electrified infrastructure, at least for CP5. Do you agree with this policy? Please give reasons for your view. It would be useful if you could cite specific examples why you think this would or would not be appropriate;

This is sensible course of action. First also supports ATOC's comments.

(b) we propose to change the basis on which transmission losses for metered consumption are charged so that the DSLF is applied to the gross metered consumption, rather than metered consumption net of metered regenerative braking, as it is currently. Do you agree that this will deliver a more cost-reflective basis of charging for transmission losses? Please give reasons for your view; and

Following the examination of this issue at Traction Electricity Steering Group (TESG), First is happy to endorse the proposal.

(c) we propose to accept Network Rail's median estimate of the DSLF, subject to it being levied on gross consumption, but we do not accept Network Rail's assertion that losses would necessarily increase over CP5. Do you agree with our assessment? Please give reasons for your view.

Yes. First is aware of no rigorous rationale for assuming an increase in losses in CP5.

Questions

3. We would like to know your views on all of the issues raised in this section of our letter, in particular we propose that metered services be exempt from the volume wash-up, even in cases where more than 90% of consumption is metered, this reform would be coupled with Network Rail being exposed to the volume wash-up. We seek your views on this proposal.

First supports this proposal in line with the debate at TESG.

Questions

4. We would like to know your views on the issues raised in this section of our letter, in particular our proposed formulation for Network Rail to share the volume wash-up. We welcome your suggestions for specific alternative formulations.

First feels the principal of Network Rail sharing in the risk associated with the volume wash-up will incentivise the analysis of the wash-up and measures to reduce its fluctuations.

5. We also seek your comments on our assessment of risks and the incentive properties of the different options.

First believes that the ORR's analysis is sufficiently rigorous.

Questions

6. We would like to know your views on the issues raised in this section of our letter, in particular:

(a) do you agree with our views on PFM and the basis on which it should be charged?

First agrees with the findings of the Birmingham University work to determine the % of a given fleet which needed to be metered to produce sufficiently accurate results (viz: 30% of the fleet) and endorsed by TESG. Whilst there was concern at TESG from Network Rail that the Birmingham University findings be validated by a practical application, First believes that inclusion of any PFM scheme in the ESTA wash-up for the whole of CP5 will disincentivise metering of the large DC fleets. First believes the rationale behind the proposal for determining wash-up share to be unproven.

(b) what is your view of our suggested method for allocating the volume wash-up?

First does not feel that the rationale behind the proposition has been explained. We echo ATOC's view that the power factor 4 in the non-linear equation does not seem to show a significant wash-up benefit until a fleet rises above 40% PFM. This is out of line with the conclusions of the Birmingham University work, endorsed by TESG, which concluded that 30% PFM produced sufficiently accurate results, whereas 15-20% did not. First supports the detailed analysis of this issue in the ATOC response.

(a) do you have an alternative formulation that you wish to propose?

Until we understand the rationale behind the proposed formula and the issues identified above are addressed, it would not be appropriate to suggest an alternative.

In all cases, please give reasons for your views and/or proposals.

Questions

7. We would like to know your views on the issues raised in this section of our letter, in particular whether you agree that Network Rail's metered consumption should be treated on an equivalent basis to other metered consumption? What conditions do you think should apply to this? Please give reasons for your views.

First agrees with the ATOC view that Network Rail's metered consumption should be treated like all other metered consumption (so long as the meters meet equivalent accuracy targets and are subject to third party audit on ORR or operator request). First also echoes the ATOC proposal that Network Rail should be obligated to meter any consumption resulting from new, or enhanced network performance initiatives, e.g. points heaters, 3rd rail heaters, line-side power factor correction equipment, signalling equipment etc. For multiple instances of notionally similar, but low consumption, the concept of partial fleet metering could be extended to Network Rail by agreement.