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To: all electric charter operators

2 March 2020

Dear colleague,

Notification of the overall EC4T tariffs applicable to charter operators in 2020/21

1. Purpose of this letter

This letter notifies you of the pence per kWh tariff that will apply to charter EC4T usage in the financial year 2020/21.

2. Background

On 20 January 2014, we wrote to all charter train operators and ORR setting out the methodology we would use to calculate the pence per kWh tariff that would apply to charter operators' EC4T (electric current for traction) usage from the start of CP5.

We categorise EC4T tariffs in to two key components - the energy component and the delivery component. These are explained below:

- Delivery tariffs recover the costs incurred by Network Rail, in respect of which, the rate charged to Network Rail varies by ESTA. These include costs associated with electricity supply industry transmission and distribution; and
- Energy tariffs recover all EC4T costs that are not recovered via delivery tariffs.

In our 20 January letter, we informed the industry that from the start of CP5, we would charge charter operators the same energy tariff which applies to Network Rail's consumption. This tariff would be blended with a delivery tariff which would be calculated based on the forecast average delivery costs per kWh. This delivery tariff would then be combined with the energy tariff to be used for charter billing. The same arrangements will apply in Control Period 6 (CP6).

3. Charter EC4T tariff for 2020/21

The tariff applicable to charter EC4T usage in 2020/21 will be **11.757 pence per kWh**. The calculation of this tariff is set out below.

3.1. *Energy tariff*

The energy tariff has now been locked by Network Rail on behalf of small users of EC4T. This tariff has been locked at 9.623 pence per kWh for 2020/21. We consider this tariff to be reasonable, despite the fact that it can be difficult to negotiate tariffs where consumption demand is complex to predict. This tariff will be used to calculate the blended charter tariff (explained below).

3.2. *Delivery tariff*

We have calculated an average delivery tariff consistent with the methodology we set out in our 20 January 2014 letter. The formula used to calculate the charter delivery tariff is:

$$\text{Charter delivery tariff (pence / kwh)} = \frac{\text{Total Expected Delivery Cost (pence)}}{\text{Total Expected Consumption (kWh)}}$$

The total expected delivery cost for 2020/21 is £91,954,498, and the total expected consumption in 2020/21 is 4,309,885,793kWh. Therefore, the charter delivery tariff = 2.134 p/kWh.

3.3. *Blended charter tariff*

The final blended average tariff is simply an addition of the national average delivery tariff and the energy tariff locked by Network Rail.

$$\begin{array}{rccccccc} 9.623 & & + & & 2.134 & & = & & 11.757 \text{ pence per kWh} \\ \text{energy tariff} & & & & \text{delivery tariff} & & & & \end{array}$$

This tariff shall apply from 1 April 2020 until 31 March 2021.

4. **Next steps**

The next notification will be sent in March 2021 in relation to the tariff applicable in 2021/22.

If you would like to discuss any of the issues raised in this letter, please do not hesitate to contact me using the details above.

Yours sincerely,

Alan Bullock