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Dear Network Rail and Train Operators,

FTAC annual adjustment ('wash-up') mechanism in Control Period 6

I am writing to you regarding the fixed track access charge (FTAC) wash-up mechanism, a charging mechanism created in our 2018 periodic review (PR18) for control period 6 (CP6)¹.

I indicated in my letter of 12 August 2020 that ORR was minded to suspend the mechanism for the remainder of CP6 due to the effect of the on-going exceptional circumstances in the industry. We set out why this had significantly changed the effects of the mechanism compared to what had been expected at the time of PR18.

We are now formally confirming our decision not to apply the FTAC wash-up mechanism during CP6.

Responses to our letter, from Network Rail and TOCs, were mostly in support of the minded to position, reiterating that the industry's changed circumstances had reduced the mechanism's expected effects and made implementation very challenging. This broad message was in line with the informal engagement we had carried out in advance of writing the minded to letter.

One operator raised a concern that, without the mechanism in place, Network Rail lacked a financial incentive to accommodate new services during the control period; the operator gave an example of where it believes this to be a concern. We acknowledge this general issue – indeed it is consistent with the original purpose of the mechanism. However, on balance this does not change the analysis underpinning the minded to position, which had taken account of the expected (but now reduced) effects of the policy. In addition, in a context of lower traffic and the effect on the network, it is not clear how significant the additional financial incentive of the wash-up mechanism would be in Network Rail's considerations.

I stress that, in our 2023 periodic review (PR23), we will consider the value of the mechanism within our work on charges and incentives: our decision does not prejudice any future policy work on the mechanism.

¹ Control Period 6 runs from 2019-20 to 2023-24. The wash-up mechanism is another name for the 'annual adjustment' referenced in ORR's [final determination](#) (e.g. paragraphs 3.119 and 3.120).



I attach to this letter a Schedule of Baseline Timetabled Traffic, which ORR has determined pursuant to paragraph 2A of Part 2 of Schedule 7 of each operator's track access agreement. The determination results in no payments being made by any party under the mechanism for CP6.

In closing I would like to thank all parties for the considerable work undertaken to try to determine traffic baselines over a number of months before the onset of Covid-19.

Yours sincerely,

A handwritten signature in black ink that reads 'Carl Hetherington'. The signature is written in a cursive style.

Carl Hetherington



Schedule of Baseline Timetabled Traffic

For the purposes of Paragraph 2A of Part 2 Schedule 7, the Baseline timetabled traffic miles in Relevant Year t shall be equal to the Timetabled train miles in that Relevant Year t .

The intention of this determination is that there will be no difference between baseline traffic and timetabled traffic, and therefore that the amount in respect of the Fixed Track Charge Wash-Up in Relevant Year t shall be zero.