



# Charging Methodology IV.

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## Preamble

In accordance with the Act CLXXXIII of 2005 on Railway Transport (hereinafter Railway Act) and the Joint Decree of the Minister of Development No. 58/2015 (IX.30.) NFM frameworks of the network access charging system, and basic regulations of determination of network access charges<sup>1</sup> (hereinafter Charging Decree), the rail capacity allocation body - as charging body - is assigned to settle network access charges to be applied by infrastructure managers (hereinafter IM) on the open access railway network.

In this document, rail capacity allocation body and charging body indicates VPE-Rail Capacity Allocation Office (hereinafter VPE).

According to the § 17<sup>2</sup> of the Charging Decree, to prepare a document on the methodology of assessing charges for every five timetable years is the task of VPE. The document is called Charging Methodology (hereinafter CM).

The actual access charges concerning the given timetable year are set out by VPE on the basis of the CM, the factual data of the IM's last closed business year, other data sources stated in the CM, and the value of expected central budgetary subsidy (hereinafter state contribution). The detailed calculations for determining the network access charges and the data on which the calculations are based are set out in the Charging Document (hereinafter CD).

The CM forms an annex to the Network Statement (hereinafter NS). There must be constant and total harmonization between the CM and the NS for the given period.

In compliance with § 67/O (1) of the Railway Act, CM shall be published in Hungarian and English languages. In the event of any legal dispute the CM published in Hungarian language shall prevail.

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<sup>1</sup> Network access charge: amounts payable in respect of each service.

<sup>2</sup> Charging Decree, § 17 (1): The CM is prepared by the charging body for 5 timetable years. The charging body shall prepare and publish the CM at least 25 months before the date of publication of the Network Statement of the first timetable year concerned by the CM.



## 1 General instructions

### 1.1 Validity of Charging Methodology

#### 1.1.1 Temporal force of CM

The provisions of CM IV shall apply for the 2025/2026 - 2029/2030 timetable periods.

In view of possible changes in the applicable legislation during the compilation of the CM, obligation for revision defined by § 67/J (2)<sup>3</sup> of the Railway Act as well as the fact that portfolio of services provided by IMs may vary from one timetable period to another and data or information related to the determination of charges must be updated every year, the CM shall be modified and as a result different versions of the CM are created.

#### 1.1.2 The territorial and material scope of CM

Rules of the CM shall apply to the national open access railway networks operated by MÁV Zrt. and GYSEV Zrt. when determining network access charges to be paid for the use of infrastructure and services.

### 1.2 Legal framework

The legal framework for the establishment of the infrastructure access charging system is made up of domestic laws and regulations which are harmonised with the rules of the European Union.

These rules are as follows:

- EU legislation
  - Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (recast)
  - Commission Implementing Regulation (EU) 2015/909 of 12 June 2015 on the modalities for the calculation of the cost that is directly incurred because of operating the train service (hereinafter direct cost regulation)
  - Commission Implementing Regulation (EU) 2017/2177 of 22 November 2017 on access to service facilities and rail-related services (hereinafter service facilities implementing regulation)
- National legislation
  - Act CLXXXIII 2005 on railway transportation (hereinafter Railway Act)

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<sup>3</sup> Railway Act § 67/J. (2) "The Charging Methodology shall be reviewed annually and amended as necessary in the light of international best practice."



- Joint Decree No 50/2007. (IV. 26.) GKM-PM on the separation of accounts of railway business segments within the railway company
- Joint Decree No 58/2015. (IX. 30.) NFM on frameworks of the network access charging system, and basic regulations of determination and implementation of network access charges (hereinafter Charging Decree)
- Decree No 55/2015 (XII. 22.) GKM on detailed regulations of open access to railway network
- Government Decree No 268/2009 (XII.1.) on the legal relationship between the Rail Capacity Allocation Office and the non-independent infrastructure manager.



## 2 Structure of the charging system

The elements of the charging system must comply with the provisions of § 67/B<sup>4</sup> of the Railway Act.

### 2.1 Elements of the charging system

Based on the legal rules, elements of the charging system can be distinguished as follows: mandatorily applied elements, elements applicable in case of occurrence, elements applicable on decision.

#### 2.1.1. Mandatorily applied elements

Mandatorily applied elements are those that are part of the charging system regardless of the decision of the IMs and VPE, or any other circumstances.

Mandatorily applied elements:

- charge of basic services<sup>5</sup>,
- charge of supplementary services<sup>6</sup>, including
  - charge of access to service facilities,
  - charge of services provided in service facilities,
- charge of additional services<sup>7</sup>,
- charge of ancillary services<sup>8</sup>,
- fee of ETCS<sup>9</sup>.

##### 2.1.1.1. Charge of services

Charges shall be determined in the same way for basic, supplementary, additional and ancillary services as follows:

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<sup>4</sup>Railway Act § 67/B. (1) The infrastructure manager shall ensure that.

a) the charging system set out in § 67/A(1) is based on the same principles for the whole railway infrastructure network, with the exception of the modification of charges set out in § 67/G(2),

(b) the application of the charging scheme results in equivalent and non-discriminatory charges for contracting railway undertakings providing the same type of rail services on a similar rail service market,

(c) the network access charges paid or accounted for comply with the charging scheme rules published in the network statement for the relevant timetabling year.

(2) Subject to the exceptions provided for in § 67/C(1) and (2) and § 67/E and § 67/G, the charges payable for the service specified in Annex 2(1) and for the use of the infrastructure network for access to the service facilities as specified in Annex 2(2) shall not exceed the costs directly incurred as a result of operating the train service.

<sup>5</sup> Services as defined in point 1 of Annex 2 to the Railway Act

<sup>6</sup> Services as defined in point 2 of Annex 2 to the Railway Act

<sup>7</sup> Services as defined in point 3 of Annex 2 to the Railway Act

<sup>8</sup> Services as defined in point 4 of Annex 2 to the Railway Act

<sup>9</sup> It is no longer a mandatory element under Directive 2016/2370 / EU of the European Parliament and of the Council. Member States are free to decide whether differentiated infrastructure charges are to be used to speed up the establishment of the ETCS system. However, under the current Railway Transport Act, the ETCS fee remains among the mandatory elements.



The plan values of the costs/expenditures/revenues (hereinafter cost) - on which the charges are based - shall be determined based on the costs data of the IMs for the last closed business year, as well as the plan values included in the IM's business plan for the charge year.

IMs shall define the value of performance indicators (with the corresponding unit of measurement) necessary to calculate charges based on fact data of the performance in the basis period, information gathered from the applicants and tendencies to be expected.

The network access charges of services of the IMs shall be set based on plan values of the costs relating to the services and based on planned performance data. For the formula relating to the determination of charges of services, see Annex 9.

#### 2.1.1.2. *Fee of ETCS*

In compliance with § 67/G (3) of the Railway Act, in order to stimulate applicants to equip their trains with on board ETCS devices, ETCS fee shall be established. ETCS fee is mandatory on the sections mentioned in § 67/G (3) of the Railway Act. In compliance with § 11 of the Charging Decree the application of ETCS fees can be extended to all those sections of the railway network where the track is equipped with ETCS device. Rules related to the use of ETCS fee shall be the same for all the sections where ETCS fee is applied.

Basis of calculation for ETCS fee is data supplied by the IMs. When establishing data, IMs shall use data of the basis period, but they shall take into consideration the expected change both in respect of rail track data and data of running of trains in the status of the installation of ETCS equipment in the charge year.

The ETCS fee can be a bonus that reduces the amount to be paid or a penalty (malus) that increases the amount to be paid.

The ETCS fee shall not lead to an overall change in the revenue of the IM, and therefore the value of payments related to the bonus or the malus items resulting from the ETCS fee shall be in balance.

If the difference between the bonus and the malus amounts exceeds the amount which was specified in the NS, the IM will settle the difference with the relevant railway undertakings after the timetable period, until the end of the business year.

To ensure this equilibrium, cash flow related to ETCS fees shall be examined once at the end of each timetable year.

IMs shall provide the necessary data to VPE available. VPE shall examine the total values of the bonus or malus items related to a given timetable year and establish the balance for the given timetable year.



### ***2.1.2. Elements applicable in case of occurrence***

Elements that are applicable upon occurrence:

- mark-up,
- state contribution,
- general discount,
- individual discount,
- countervailing benefit,
- congestion fee.

The elements can be introduced in cases where the conditions for the application of the given elements arise, therefore this can happen after the start of the timetable period.

#### ***2.1.2.1. Mark-up***

In compliance with § 67/E (1) 10 of the Railway Act, if the network access charges are not expected to cover all the eligible costs and expenses of the IM that may be included in the charges, the charges for the services may be increased by a general mark-up to cover all eligible costs and expenses related to that service.

Mark-up can be interpreted only if it is directly connected to the fee of a service, as described in point 2.1.1. The calculation of the mark-up may in all cases be documented, based on the data provided by the IM.

The level of network access charges increased by a mark-up shall not exclude the use of infrastructure by market segments that can cover at least the costs that is directly incurred by the use of the railway service plus a rate of return which the market can bear, but it must be able to pay the charges described in point 2.1.1.<sup>11</sup>

When determining a mark-up, it shall be considered that it may not distort competition among railway undertakings.

When applying a mark-up, VPE is obliged to examine whether certain segments can pay the network access charges increased by mark-up as regards basic services, access services of supplementary services, and access service part of complex supplementary services. If based on the examination the fulfilment of conditions defined by legal rules cannot be ensured, it is not possible to levy a mark-up. The related methodology is presented in Annex 10.

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<sup>10</sup> Railway Act 67/E. § (1) Where the market for rail services allows and network access charges are not expected to cover all eligible costs and expenses of the infrastructure manager operating the open rail network, the charges for the services set out in Annex 2 may be increased by a mark-up which shall not exceed the level of coverage of all eligible costs and expenses. It also must consider

- a) the increase in productivity of the contracting railway undertakings,
- b) the requirements of efficient use of the railway network,
- c) the requirements of optimal competitiveness of railway market segments, and
- d) the principles of transparency and equal treatment.”

<sup>11</sup> Article 31(3) of the Directive requires that the charges payable for the minimum access package must be equal to the cost directly incurred for the provision of train services



#### 2.1.2.2. *State contribution*

In compliance with Articles (4)-(6) § 28 of the Railway Act, the Minister responsible for transport on behalf of the State may define such budget support in the rail infrastructure operation contract that occurs in the charging system as an element reducing the amount to be paid. Point 6 of the CM shall specify rules related to state contributions.

#### 2.1.2.3. *Discounts*

In compliance with § 67/H (1) and (2) of the Railway Act, general and individual discounts may be granted in respect of network access charges, subject to the requirements of equal treatment, in such a way that they do not distort competition among railway undertakings. Discounts can only be granted for specific, clearly defined sections of the open access railway track network in such a way that similar discounts must apply to similar services.

A discount shall only be interpreted as being directly linked to the amount payable for a service.

The discount may only be granted on a definitive section of an open access railway network that must unambiguously be defined; the entire open access network operated by one IM cannot be considered as a defined section.

The calculation of discounts shall always be documented and based on data provided by the IM. The relevant sections are published as annexes to the CD.

#### General discount

In compliance with § 67/H (1)-(3)<sup>12</sup> of the Railway Act and § 12 of Charging Decree<sup>13</sup> the application of a general discount may be possible.

The level of the general discount shall not exceed the actual administrative cost savings achieved by the IM.

A general discount may be granted on the initiative of the IM, by sending the necessary information (documents, data and calculations) to determine the level of the discount to VPE.

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<sup>12</sup> Railway Act § 67/H: (1) General and specific discounts may be granted in respect of network access charges, subject to the requirements of equal treatment, in such a way that they do not distort competition between railway undertakings.

(2) The infrastructure manager may grant discounts only for specific sections of the open access rail network in such a way that similar discounts must apply to similar services.

(3) The level of the general discount shall not exceed the actual administrative cost savings achieved by the infrastructure manager. In determining the level of discount, no account shall be taken of any cost savings already built into the charges levied.

(4) The infrastructure manager may grant specific discounts on heavily under-utilised railway infrastructure sections to increase traffic or to develop new rail services on specific railway infrastructure sections on a temporary basis.

<sup>13</sup> Charging Decree § 12: The charging body may only grant a general discount pursuant to § 67/H(1) and (3) of the Act if the amount of the network access charges expected to be paid and accounted for by capacity applicants and the amount of the state aid granted covers all reasonable costs and expenses incurred by the infrastructure manager in connection with its activities for the provision of the services specified in Annex 2 of the Act.



There is a general coverage principle in relation to the provision of a general discount for the open access railway network. In this case equality shall be demonstrated between the network access charges to be expectedly paid by and accounted to applicants plus the amount of state contribution on the one hand, and all eligible items of the IM incurred to the IM in relation of providing of the given service, on the other hand.

### Individual discount

In compliance with § 67/H (4) of the Railway Act and § 13 (1)-(2) of Charging Decree<sup>14</sup> the application of an individual discount may be possible.

Individual discount:

- reduction charging system for specific traffic, to support the development of new railway services, or
- a discount encouraging the use of considerably underutilised lines.

Individual discount may be granted after the negotiations regarding the elements of the charging system, in compliance with § 15 of Charging Decree, have been conducted.<sup>15</sup> The negotiation may be initiated by the applicant, VPE, the IM and the regulatory body.

A request or a proposal for an individual discount shall clearly include which individual discount type and which track section it relates to.

It shall also indicate the volume of traffic growth to be expected on considerably underutilised railway sections. If it is possible, additional model calculations or a justifying documentation shall also be attached.

The development of new services does not only mean services provided by the IM. The services that the applicants want to introduce may be taken into account, provided that the discount may not be limited to a single railway undertaking, discount must apply to the service. Including the case where the discount helps divert existing traffic from another mode of transport to the railway.

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<sup>14</sup> Charging Decree § 13: (1) The individual discount granted by the charging body for the development of new railway services pursuant to § 67/H (1)-(4) of the Railway Act may apply to no more than two consecutive timetable years. A service which has been provided, discontinued, and then reintroduced in the 5 timetable years preceding the determining of charges shall not be considered as a new service.

(2) The charging body may grant an individual discount only if the additional revenue expected to be collected and charged from the railway undertakings exceeds the additional costs and expenses expected to be incurred as a result of granting the discount.

<sup>15</sup> Charging Decree, “§ 15. The capacity applicant, the VPSZ (rail capacity allocation body), the infrastructure manager and the railway administration are entitled to initiate negotiations on the elements of the charging system. The request for capacity shall be initiated in writing by the capacity applicant, the infrastructure manager, and the railway administration, stating the reason for the negotiation, with the charging body. ... ”



#### 2.1.2.4. *Countervailing benefit*

In compliance with § 67/I (1) of the Railway Act, a countervailing benefit may be granted to the IM. The IM shall reduce the network access charges to the same extent as the countervailing benefit.

In compliance with § 67 / I (3) of the Railway Act, the entity entitled that receives the countervailing benefit - that pays a reduced network access charge - is obliged to reduce its own service charges to the same extent.

In compliance with § 14 of the Charging Decree, the Minister responsible for transport shall publish on the website of the ministry the methodology for determining the costs to be taken into account, on the basis of which the IM shall determine the value of the reduction in the charges in proportion to the countervailing benefit.

Within 1 month after the publication of the referenced methodology<sup>16</sup>, VPE will perform the calculations regarding the reduction of network access charges and as described in point 2.3 of the CM, it shall be published in the CD.

#### 2.1.2.5. *Congestion fee*

In compliance with § 62 and § 67/C (1) of the Railway Act congestion fee may be applied.

A precondition for the introduction of this fee is the availability of a capacity analysis and capacity enhancement plan in compliance with § 64 (1)-(3) of the Railway Act.

Where the congestion fee is introduced, VPE shall designate a period for the levying of the congestion fee in accordance with the final date for the measures set out in the capacity enhancement plan, subject to the following conditions:

- If a replacement track section corresponding to the track section classified as congested is available, the value of the network access charges on the congested track section plus the congestion fee shall not exceed the value of the charges payable if the substitute track section is used.<sup>17</sup>
- If no replacement track section corresponding to the section of track identified as congested is available, the value of the congestion fee shall not exceed the value of the additional costs incurred by the IM because of the congestion.<sup>18</sup>

The congestion fee shall be determined on the initiative of the IM, which shall be published in the CD by VPE after the IM has provided the necessary data and calculations for the determination, as described in point 2.3 of the CM.

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<sup>16</sup> Charging Decree § 14 (3) The calculation of the value of the charge reduction shall be carried out no later than 1 month after the publication of the methodology referred to in paragraph 1 and the calculations shall be published in the CD.

<sup>17</sup> Charging Decree § 6 (2)

<sup>18</sup> Charging Decree § 6 (3)



The fee may be applied during the period specified in the capacity enhancement plan. In compliance with § 64 (5) of the Railway Act, with the approval of the regulatory body the fee may also be applied in a period other than that specified in the capacity enhancement plan.

### ***2.1.3. Elements applicable upon decision***

During the compilation of the CM, VPE and the IMs shall jointly decide on the introduction of the elements that can be applied upon decision. If one of these elements is used, the regulations applicable to the method of determining the given element will be recorded in the CM.

Elements applicable upon decision:

- fee of environmental protection, including
  - noise pollution fee,
  - other environmental protection fee,
- track network maintenance fee,
- fee for a different gauge,
- investment fee.

During the validity of CM IV, no element is used that can be applied upon decision.

### ***2.1.4. Amount to be paid<sup>19</sup>***

Amount to be paid shall be determined on the basis of elements used in the given timetable period by taking into account infrastructure and services used for running of trains and their parameters.

The following items can increase the amount to be paid:

- charge of basic services,
- charge of access part of supplementary services,
- charge of supply part of supplementary services,
- charge of additional services,
- charge of ancillary services,
- fee of ETCS (malus),
- mark-up,
- congestion fee,
- environment protection fee, including
  - noise pollution fee,
  - other environmental protection fee,
- track network maintenance fee,
- fee of a different gauge,
- investment fee.

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<sup>19</sup> Amount to be paid is the sum of the fees and mark up associated with the service, i.e., the total value of the service.



The following items can decrease the amount to be paid:

- fee of ETCS (bonus),
- state contribution,
- general discount,
- individual discount,
- countervailing benefit,
- environment protection fee, including
  - noise pollution fee,
  - other environmental protection fee.

In the CD the value of every element affecting the value of the amount to be paid related to the given timetable period shall be individually presented.

The basic elements of the amount to be paid are the following:

|                                       | Charges of access part | Charges of supply part | Mark-up |
|---------------------------------------|------------------------|------------------------|---------|
| Basic services                        | X                      |                        | X       |
| Complex-supplementary services        | X                      | X                      | X       |
| Supply part of supplementary services |                        | X                      |         |
| Additional services                   |                        | X                      |         |
| Ancillary services                    |                        | X                      |         |

## 2.2 Logical steps of formation of the charging system

In compliance with § 17 (4) of the Charges Decree, for IMs falling under the scope of the CM, in order to unify the domestic system of network access charges, the basic principles of the network access charge formation are recorded in this CM.

The basis of the charging system is the clear definition of basic, supplementary, additional and ancillary services provided by IMs. Definitions of the services comply with the regulations of the Appendix 2 of the Railway Act. The content of the services is defined in Annex 2 of the CM.

The structure of the network access charges will be determined according to the services provided by the IMs, their technical content, and the characteristics of the use, in other words, the amount to be accounted for the use of each service, fixed in terms of its name and unit of measure.

The next step in the formation of the charging system is to record the eligible costs and expenses of services provided by the IMs and the range of revenues to be considered as reduction items, and the presentation of connected data sources.



Elements that must be considered when identifying the element of the charging system and elements that cannot be involved in the charging system, shall be demonstrated separately.

Determination of the calculation methodology of concrete amount to be paid is based on the charges structure, the definition of the eligible costs to be taken into account in the network access charges for each service and the planned performance of each service for the charge year. These formulas for determining the amount to be paid for the services are included in Annex 9.

Differences between the IMs which may come, as for instance, from differences in registration systems, are handled in separate annexes in case of each IM.

When establishing the CM, the charging practices of neighbouring European countries and those identified as good practice are presented, their main characteristics are summarized in Annex 1.

## **2.3. Review and modification of the charging system**

### ***2.3.1. General rules of the modification of the charging system***

VPE has the right to modify the charging system. In compliance with § 3 of Governmental Decree No 268/2009, the IM is obliged to provide without delay to VPE as basis for the modification provide data and information related to the services.

The declarations made by the railway undertakings and the IMs on this subject may be taken into account when providing the data.

VPE shall examine the data provided by the IM (consistency checks) and develop and finalize the recalculated charges together with the IM.

In the event of a request that affects more than one day, the elements of the charging items for the services affected by the modified charging items will be calculated based on the values in force on the day of allocation and on the day of transport, taking into account Decree V of 2013 of the Civil Code Act (hereinafter CCA) relating to binding offers<sup>20</sup>.

#### In case of an increase in charges

If the values of the recalculated charging elements increase compared to the values of the published elements, the modified charging elements shall enter into force and apply from 3 months after the publication of the NS in accordance with § 16(3)<sup>21</sup> of the Charging Decree.

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<sup>20</sup> V of 2013 Civil Code Act: biding offers

(1) A person who makes a legal declaration clearly expressing his intention to conclude a contract and covering the essential matters remains bound by that declaration. The tenderer may fix the duration of his commitment.

(2) The period for which the offer is binding starts when the offer becomes effective.

<sup>21</sup> Charging Decree § 16 (3)

If the charging body intends to modify the elements of the charging system in such a way that the amount to be paid by applicants for the services which them used would increase, the modified elements of the charges shall enter into force 3 months after the publication of the Network Statement.



For services requested in the period between the publication of recalculated elements and their entering into force recalculated elements shall apply if requests relate to the period that begins after those recalculated elements had entered into force. The new elements have no effect on the charges of previously allocated train paths, their application is possible from the entry into force of the NS. However, the modification of the previously allocated train paths may also result in a modification of the price offer if it is relevant based on the provisions of the first sentence.

#### In case of decrease in charges

If the values of the recalculated charging elements decrease compared to the values of the published elements, the modified charging elements shall enter into force at the earliest on the thirty-first day following the publication of the NS, in compliance with § 5 (1) of the 55/2015 Ministry Decree<sup>22</sup>. Based on the decision of the IM concerned, they can also be introduced ex-post. If the IM uses the right of ex-post implementation, it may deviate from the price offer given by VPE with the capacity allocation based on the CCA, which constitutes a binding offer for the IM, during the settlement, even without special notification.

The recalculated elements shall apply to all services provided by the IM from the date of their entry into force, including requests previously allocated for the relevant timetable period.

#### **2.3.2. The modification of the charging system**

- 1) VPE shall modify the elements of the charging system if it is necessary in order to comply with § 16 of the Charging Decree or as a result of it.

In accordance with § 16 (1), the considerable extent is determined by VPE as follows:

- 10%, regarding the change in the amount of state contribution granted to the IM,
  - 5%, regarding the change in the size of the open access railway network operated by the IM.
- 2) If the amount of the state contribution changes from HUF 0 to any amount, the amount is classified as considerable amount.
  - 3) The change of the state contribution is declared significant by the statement of the IM.
  - 4) Beyond the above, VPE is obliged to carry out the modification of the charging system:
    - a) if modification becomes necessary because elements are used which are applicable upon occurrence as defined in point 2.1.2,

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<sup>22</sup> Ministry Decree 55/2015.(IX.30.) §5 (1): The draft amendment to the Network Statutes shall, with the exceptions set out in § 2, be published on the website of the capacity distribution organisation at least 30 days before its publication in order to ensure the possibility of consultation, and capacity applicants shall be informed of the fact of publication by electronic means. Interested parties shall have 10 days from the publication to comment on the draft amendment, which shall be taken into account by the capacity allocation body when finalising the amendment. For the purposes of this paragraph, the Hungarian language shall prevail. Since § 5 (2) refers to network access charges as an exception, based on this, in the event of a decrease in network access charges, according to § 5 (1), the related NS must be made public 30 days before publication.



- b) or IM decides to modify services that were taken into account when the charging system was established.

### **2.3.3. Full scale revision of the charging system**

For those described in point 1, 2, and 3, of point 2.3.2 of the CM, basis of the revision shall be costs and performance data deriving from the business plans of the IMs accepted for the year of charge prior to the revision. VPE shall take the above into consideration and shall identify the elements of the charging system in compliance with the following principles:

- The performance included in the charges review corresponds to the planned performance of all services provided by the IM for the period after the recalculated elements come into force.
- Based on the recalculated elements taking account of the planned performances relating to the given period, calculated revenues, revenues from trains that run until the date when recalculated elements entered into force and calculated on the basis of elements already published, as well as state contribution shall cover the costs received from data supply for the given timetable period.

The result of the revision will be published in the CD.

### **2.3.4. Partial revision of the charging system**

#### *2.3.4.1. Revision due to the introduction of (a) new service(s)*

A partial review will take place on the basis of point 4.b) of point 2.3.2. of the CM.

If the revision takes place due to the introduction of (a) new service(s), revision may not affect elements already published. In this case all the costs delivered by the IM as regards services shall be considered as direct costs in the network access charge of the new service. The already distributed dividable direct costs, the indirect costs and the state contribution, if that value remains unchanged, shall not be distributed again.

The result of the revision will be published in the CD.

#### *2.3.4.2. Revision due to a service that was involved in the charging process ceases*

A partial review will take place on the basis of point 4.b) of point 2.3.2. of the CM.

If the revision of the network access charges takes place due to a service that was involved in the charging process ceases, revision may affect the already published elements only if the service is discontinued as an individual service, but it can be used further on within the framework of another earlier published service, only in this case the revision can affect the elements of the already published charging system.

- In this case all the costs connected to the discontinued service shall be ranked into the costs of the integrating service by keeping the former cost ranking, so the affected elements of the integrating service shall change.



- The value of the state contribution distributed to the service that is being discontinued shall be ranked into the integrating service value of state contribution.

If the revision of network access charges takes place due to a service involved in the charging process ceases in that way that it is not integrated into another service, costs connected to the service and involved in charging shall be ranked into costs not involved in the charging process. The value of state contribution in the discontinued service shall be allocated to other services.

The result of the revision will be published in the CD.

#### 2.3.4.3. *Revision in case of targeted state contribution*

- a) Revision if the targeted state contribution is not significant compared to the value of the original state distribution:

If the change in the value of the targeted state contribution in addition to the original data provided for a specific purpose does not reach the considerable extent described in point of 2.3.2 of the CM, it is not necessary to request data for the review. The review shall be carried out using the data of the original reporting. The modification may be introduced retrospectively for the relevant timetable period.

The result of the revision will be published in the CD.

- b) Revision if the targeted state contribution is significant compared to the value of the original state contribution:

If the change in the value of the targeted state contribution reaches or exceeds the considerable extent, the actual eligible cost and related planned performance data available during the review period must be taken into account, based on data provided by IMs, as follows:

- If the relevant timetable period has not yet begun, the data of the IMs will be provided on the basis of the last closed business year, based on the last known business plan.
- If the review takes place during the relevant timetable period, then on the basis of the last closed business year, in the data of the IMs the data of the last known business plan will be adjusted for the review with the available actual data of the given period.

If the state contribution is to be accounted for a service that includes a combined tariff for several train types and the targeted state contribution is only established for a subset of it, the review will establish charges for the service, in accordance with the purpose of the targeted state contribution. The division between each subset is in proportion to the performance of the service, which is provided to VPE by the IM.

During the revisions described in points a) and b), in order to divide the state contribution, it is necessary to establish at the beginning of the review the procedure to be followed in the case of train types and segments not involved in the use of the targeted state contribution. In the case of the published network access charges related to these types of trains and segments, it is expected that



- the value of the state contribution taken into account, or
- the published payable amounts assigned to the services,

remain unchanged during the review.

This provision is important information for the determination of the time, when the revision of charges takes effect.

The result of the revision will be published in the CD.

The rules described in point 6 do not apply for the division of targeted state contribution.

**2.3.4.4. *Revision due to the introduction of elements applicable in case of occurrence - discount, countervailing benefit, congestion fee***

If it becomes necessary to introduce discount, countervailing benefit or congestion fee described in point 2.1.2, a partial revision will be carried out in connection with the affected services in case of occurrence.



### **3. Segment analysis related to the determination of the elements of the charging system**

#### **3.1. Examination of relevant segments**

In accordance with § 67/E (2) of the Railway Act, the degree of mark-ups cannot reach that level that some market segments are not able to use the infrastructure and not able to pay the costs that is directly incurred as a result of operating the railway service and a rate of return which the market can bear.

Based on § 9 (2) of the Charging Decree, before calculating the mark-ups it must be examined whether there is a market segment that is not able to pay, or only partially able to pay the mark-up to be paid for the basic service or the service of 'access to infrastructures and facilities.

Accordingly, in case of the charges described in point 2.1.4, the charge of the supply part of service in case of the complex ancillary services are not included in the examination.

The examination to be carried out by VPE is based on the methodology of the segment analysis (Annex 10). The list of the relevant<sup>23</sup> segments can be found in the annex of the NS.

VPE publishes the results of the examination 90 days before the NS is published on the VPE website. VPE then uses the results for the distribution of the state contribution and the process is summarized in the related CD when the NS is published.

#### **3.2. Potential segments**

Based on § 9 (5) of the Charging Decree the market segments in which the IMs are expected to provide services during the segment list's five years validity must be determined. These segments are also published in the list of relevant segments as potential segments. For the potential segments, if they are introduced, mark-up cannot be charged.

Potential segments will not be deleted from the segment list during the 5 year validity period of the list, even if the service is provided during this period.

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<sup>23</sup> According to the methodology of the segment analysis, "a relevant segment is defined as a set of activities of a railway undertaking, where under the level of the mark-ups, a significant reduction in pre-existing performance can be expected as a result of the mark-ups and can be expected to be balanced by lower mark-ups, or where a reduction in mark-ups can be expected to attract new rail performance, in such a way that the reduction in mark-ups in a relevant segment does not drastically change the existing market conditions."



## 4. Data supply and liability of data supply

In accordance with § 19 (1) of the Charging Decree, IMs are bound to deliver to VPE all data and information necessary to prepare the CM and the CD with the required content and in the required form.

VPE sends the information required for the preparation of the CD to the relevant IMs before the preparation of the CD.

Each IM and applicant - that is obliged to provide data for VPE inspections - is responsible for the accuracy and appropriateness of the content of the provided information. VPE is entitled to review the information provided and to ask for completion or modification of data. Furthermore, VPE is entitled to ask for justification in case of costs of the basic services and costs of the access part of service connected to supplementary and complex-supplementary services if the variable cost component of these costs exceeds 35% of the total cost that can be considered at a particular service.

Should data supply be based on the business plan of the IM, the IM shall make its last accepted business plan available as part of data supply. Data supply and data of the delivered business plan shall correspond to each other. The IM is responsible for ensuring consistency.

Should the modification of categories or services established during the charging process become necessary due to the provision on state contribution laid down in point 2.3.6 and 6, VPE is entitled to request at short notice from the IM further data supply besides data already at its disposal for charging, in order to comply with rules related to the distribution of state contribution. The IM is obliged to make available additional data required for a proper distribution of state contribution as soon as possible.

In order to perform analysis and calculation related to segment examinations specified in point 3, as regards certain basic and supplementary services, a break-down of values of performances to train types may become necessary, consequently IMs shall deliver it to VPE in their data supply performances of basic services, access services and complex supplementary services in a break-down to train types, if it is necessary.

VPE is not responsible for damages due to incorrect information supplied by IMs and applicants. Data provided to VPE after the fixed deadline assigned for data supply cannot be taken into consideration in the calculation process.

VPE is responsible for the calculation of the network access charges on the basis of information provided by IMs and keeping methodology set out in the CM in compliance with regulations in force.



## 5. Costs that can be involved in charging of the services of the IMs and the related charging rules

### 5.1. Separation of revenues, costs, and expenditures

To determine the elements of the charging system, set out in point 2 by the CM, costs related to open and not open access railway networks must be unambiguously separated in the accounting system of the IMs.

This separation must be done by the affected IMs:

- as appropriate, regarding costs which may unambiguously be connected to open and not open access railway networks, and
- regarding costs which may not unambiguously be connected to open and not open access railway networks, on an 'in-kind basis', arising from unambiguous and verifiable data sources.

### 5.2. Classification of eligible costs that can be involved in charging

Revenues, costs and expenditures that can be included in the charging of the basic services, access part of supplementary services and access part of complex-supplementary services shall be determined based on the following groupings, in accordance with the direct cost regulation:

| Cost content of services |                            | Variable cost component | Fixed cost component |
|--------------------------|----------------------------|-------------------------|----------------------|
| Direct costs             | Connected to one service   | C1                      | C3                   |
|                          | Connected to more services | C2                      | C4                   |
| Indirect costs           | Operational costs          | -                       | C5                   |

C1 - variable cost component of direct costs: costs to be clearly and directly assigned to certain services directly arising from the operation of trains and the use of services,

C2 - variable cost component of direct costs to be divided: costs directly arising from the provision of railway infrastructure services, but arising in order to facilitate several services concurrently and thus to be divided among these services on an in-kind basis, and which are directly attributable to the operation of trains and the use of services,



C3 - fixed cost component of direct costs: costs to be clearly and directly assigned to certain services that do not directly arise from the operation of trains and the use of services,

C4 - fixed cost component of direct costs to be divided: costs directly relatable to the provision of railway infrastructure services but arising in order to facilitate several of these services concurrently and thus to be divided among these services on an in-kind basis, and which are directly not attributable to the operation of trains and the use of services,

C5 - indirect costs: indirect costs to be divided among all affected services arising at IM's side.

Revenues, costs and expenditures that can be included in the charging of the supply part of supplementary and complex-supplementary services as well as additional and ancillary services shall be determined based on the following groupings:

- direct costs - items to be clearly and directly assigned to certain services
- direct costs to be divided - items directly related to the provision of railway infrastructure services but arising in order to facilitate these services concurrently and thus to be divided among these services on an in-kind basis.
- indirect costs - indirect cost items to be divided among all services arising with IMs.

Due to the range of provided services, the deviating organisational structures and the various registration systems, the detailed rules for gathering the data of IMs shall be determined individually. Costs belonging to certain services and the methodology applied when preparing CD (to ensure the monitoring process) can be seen in Annex 3 (MÁV Zrt.) and Annex 4 (GYSEV Zrt.). If the registering system of the IMs is developed or modified, Annexes 3 and 4 shall be revised, and if necessary, shall be modified.

As a consequence of existing differences between organisations of IMs, it may occur that one IM's certain costs can directly be linked to the service provided by this IM, while in case of the other IM these costs must be divided on an in-kind basis among several services.

### 5.3. Determination of eligible costs

The § 2(j)<sup>24</sup> of the Charging Decree defines the term of eligible costs. VPE is determining the values of network access charges based on the data received from the IMs and the state contribution.

In accordance with § 19 b) of the Charging Decree controlling of the eligible costs taken into account when determining the network access charges is not VPE's responsibility.

When determining the eligible costs that can be accounted in the network access charges, the IM shall take into consideration the followings:

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<sup>24</sup> The eligible cost according to § 2.j) of the Charging Decree is the cost and expenditure corresponding to the lowest price available on the market for the materials, labour and services strictly necessary to provide the service and to ensure the given technological service level, as well as other items modifying these.



- coherency between fact data of the last closed business year and fact data of the previous terms, and trends resulting from this coherency,
- data of approved business plan provided by the IM,
- comparative market prices of products and services that are also available on the market,
- other domestic and international benchmark data, information.

In accordance with § 16 (4) of the Charging Decree, a value other than 0 may be taken into account as an eligible cost if there is a difference between the revenue (revenue and state contribution) generated from network access charges for the charge year and the planned costs taken into account in the calculation of network access charges (based on a comparison of the revenue paid from network access charges for the charge year and the costs of the calculation for the same year).

The values which can be considered and the rules regarding the division of those values are recorded in the CD of the affected timetable period. Further rules are described in section 5.6.5.1.

#### **5.4. Costs that may not be taken into account during the charging process**

The following costs are not included in the calculation of the charges:

- costs that are connected to services, but cannot be involved in charging
- costs related to activities that are not included in the services listed in point I-IV of Annex 2 of the Railway Act, as well as
- every cost element that the regulatory body qualifies as cost that shall not be involved in charging.

#### **5.5. Taking into account the effect of the period between the basis and the charge year period in case of determining costs**

In accordance with § 3 of the Charging Decree, identification of costs that can be considered during the determination of charges shall be carried out on the basis of the last closed fiscal year (i.e. on the basis of data of the basis period). In line with regulations related to the publication of charges, three years<sup>25</sup> may pass between the basis period and the charge year, therefore regarding costs that can be taken into account, it is necessary to determine expected values for the charge year.

##### ***5.5.1. Based on business plan***

Determination of probable values for the charge year shall be carried out on the basis of values defined in the business plan specified in the infrastructure operation contract concluded in compliance with Article (1) of § 28 of the Railway Act.

Should the infrastructure operation contract be not available or should not a business plan for the charge year be included, or the business plan specified in the infrastructure operation

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<sup>25</sup> Fees valid in timetable year T must be announced at the end of year T-2, ie year T-3 can be considered as the last closed year.



contract be delivered for supervision and acceptance as stipulated in § 12 of the Railway Act, the basis of charging shall be the last accepted business plan of the IM.

If the business plan in the infrastructure operation contract or the approved business plan of the IM is the basis for the calculation of the charge, the IM may not modify the costs established based on these principles with further corrections.

### ***5.5.2. Based on the base period adjustment***

If the determination of costs related to each service that can be included in the calculation of charges is based on the actual data of the base period, the change in the price level (partly based on fact data, partly planned) between the base period and the charge year is taken into account as follows:

Related to individual services, as base rule, the rate of price level changing that may be taken into account is the following:

- the consumer price index given by KSH (Central Statistics Office) for the period from the basis period up to the end of the quarter<sup>26</sup> prior to the month of determination of charges
- the consumer price index forecasted by MNB (Hungarian National Bank) for the period from the end of the quarter prior to the month of determination of charges until the end of the charge year.

The rate of price level changing that may be taken into consideration in case of staff costs:

- for the year following the basis period (year of charge calculation) is the degree of wage-increase set out in the collective agreement or, in absence of this, degree of wage-increase approved by National Economic and Social Council.
- for the period from the year after the basis period (year of charge calculation) to the charge year, is the degree of national economic gross income-increase forecast by MNB.

No price level changing may be taken into consideration:

- to the costs of depreciation and loss in value,
- to the revenues and expenditures of financial transactions,
- to provisions for liabilities and charges.

Beyond the above mentioned, in case of determination of network access charges the following modifications influencing the fact data of the basis period may be taken into account:

- Changes to the tax and contributions system fixed by legislation, until the month prior to the calculation of charges
- Activated investments, sorting outs, derecognising up to the end of the quarter prior to the month of calculation of charges in the course of determination of cost depreciations and losses in value
- Regarding state contribution, instead of fact data the value planned for the year of charge shall be based on the agreement concluded between the state and the IM, and in the absence of that, based on the statement of the minister responsible for transport.

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<sup>26</sup> If charges are calculated in December, until the end of the third quarter.



The correction of the base period to the planned data can only be applied through a specific request of the IM, which request shall state why the IM does not request the application of the business plan.

## **5.6. Rules applied to the distribution of costs involved in charging**

### ***5.6.1. Distribution of direct costs related to multiple services***

Distribution of direct costs assigned to several services are divided according to common principles in case of affected IMs by the CM.

Consequently, distribution of direct costs to be assigned to several services carried out based on the degree of fact “in-kind performances”, which possibly form the basis of invoicing and are registered and planned for the charge year and are derived from unambiguous and controllable resources. Planning must be performed based on data of the basis period, information gathered from the applicants and trends to be expected.

If costs must be divided among services that can be characterised by diverging “in-kind performances”, a so-called projecting equivalent must be defined as a projecting basis of the distribution, and parameters of exchanging of measured “in-kind performances” to this equivalent shall be determined based on the experimental characteristics of technology in the past periods.

Detailed rules for the distribution of direct costs to be distributed shall be laid down separately for each company due to differences in their service portfolio, cost structure, register systems. These detailed methodological rules (inclusive of determination of exchanging ratios between certain „in-kind performances” and projecting equivalents) can be seen in Annexes 3 and 4.

Costs in connection with the operative control shall be divided among activities guided by operative control in proportion of man hours linked to the individual activity codes.

### ***5.6.2. Division of indirect costs involved in charging***

Division of eligible indirect costs occurred to the services provided by the IM - regarding running of trains, and within distribution of indirect costs concerning charges proportional to gross ton kilometres on the one hand and concerning proportional to train kilometres on the other hand - shall take place proportionately in the sum of direct costs and direct costs to be divided.

Should the IM provide other services beyond services subject to the CM, indirect costs listed in Annex 5 shall be first divided among these services and activities and among services listed in CM in proportion to direct costs, and then in the second phase, the part falling on services listed in CM shall be broken down further to individual services as described in the first paragraph of this point. Indirect costs for non-CM services must be reported as costs not included in the calculation of charges in the data provision of the IMs.

Indirect costs to be divided among the services can be divided into four groups:

- central (general) and management costs of the IM,



- in case of integrated railway companies, it is possible to determine separately the internal costs of services provided by other organisations of the integrated railway company (excluding the costs of other services that were used for the sake of a given service which must be accounted among the costs of the concrete service),
- part of central and management costs in connection with the administration of the integrated railway company, divided to the infrastructure-operating activity,
- other indirect costs.

Indirect costs are presented in Annex 5.

Out of the services provided by the IM

- supply of traction current
- supply of transmitted electric energy for other than traction purposes
- supply of fuel for traction
- supply of fuel for other than traction purposes
- ensuring water for water supply

no indirect cost can be divided to the charge elements of the service.

### ***5.6.3. Breakdown of eligible costs to line sections***

In order to comply with § 17 (2) point c)<sup>27</sup> of the Charging Decree, costs related to basic services can also be broken down to line sections.

In order to establish an unambiguous break down, direct costs belonging to these services - where applicable - shall be registered linked to (statistical) track sections.

### ***5.6.4. Special rules related to newly provided or ceased services in the charge year compared to the base period***

The planned value of the eligible costs occurred in connection with the provision of the given service may be taken into consideration for calculating the costs of services mentioned by this CM, not provided in the base period (no cost effect), but to be published in the charge year.

Costs that may directly be connected to the service provided in the base period, but not to be published in the charge year and also the planned volume of use of the service must not be used for the calculation. This should be reported under costs not included in the charging.

### ***5.6.5. Determining the value of the cost difference according to §16 (4) of the Charging Decree***

#### ***5.6.5.1 Tasks arising from legislation of post-calculation***

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<sup>27</sup> Charging Decree § 17 (2) c) The CM "c) provides for the allocation of the eligible costs of services to the smallest units of the rail infrastructure network that allow the costs and expenditure of services on the open and non-open access rail infrastructure network to be separately identified even in the case of classification or exemption of any section of the rail infrastructure network as open access



Based on the § 16 (4)<sup>28</sup> of the Charging Decree, in connection with the various services' charges which are paid or declared income data by railway undertakings to the IMs, the data are compared with that closed business year data when the value of the planned year, planned services fee to the charging system as elements are taken into account and determined.

After the aggregation of individual values related to services it will be determined how the total values differ from each other.

If the two values differ by at least 10%, the IM is obliged to declare the validation in accordance with the infrastructure operation contract, in the eligible costs of data provision related to the ongoing charging process, as follows:

- if the closed business year actually accounted for all revenue paid on the basis of the elements of the charging system based on the railway undertakings or accounted for a higher value, then with a negative sign as a cost-reduction item,
- if the planned total cost of the examined charge year is higher, then with a positive sign as a cost-increasing item

this must be taken into account in the eligible costs of data provision related to the calculation process.

If the annual settlement clause of the infrastructure operation contract related to the closed business year contains a quantified value for the cost discrepancy, it shall be taken into account in the settlement.

The IM shall provide to VPE the data necessary for the calculation. The declaration of the validation of the cost discrepancy is the responsibility of the IM. In compliance with § 19 of the Charging Decree this declaration obliged to send to VPE within 30 calendar days after the data provision deadline of the preparation of the CD.

#### *5.6.5.2 The process of post-calculation and other related tasks*

- Data provision

The IMs shall send the values related to the post-calculation as part of the data provided for the determination of charges.

VPE forms the structure of the data provision of the post-calculation taking into account the termination of services and the introduction of new services in the relevant period.

The data is provided by the IM by entering the revenue related to the services.

- Data analysis

To examine the data, calculations are made using the data of performance and amount to be paid related to the year of the post-calculation.

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<sup>28</sup> Charging Decree §16(4): If, after the end of the business year, the fee paid or accounted for by infrastructure managers on the basis of the elements of the CM is found to differ from the costs taken into account in determining the elements of the charging scheme, the cost difference can be enforced in the eligible costs of the data provision related to the next fee calculation according to the rules described in the CM.



The calculations determine concerning all services: total cost-based amount to be paid, total amount to be paid when used a service and the deviation from the revenue of IMs.

The calculations may be supplemented by additional checks based on the decision of VPE.

After the examinations are concluded, it is determined whether there is a discrepancy that can be settled within the post-calculation. If there is a deviation, and this value exceeds +/- 10%, the IM will make a declaration in writing if they request the value to be accounted in the charge year.

Based on the declaration of the IM, VPE is obliged to take into account the established value among indirect costs in the calculation of the charge year.

### **5.7. Reasonable profit<sup>29</sup>**

Amount to be paid of supply services within supplementary services, amount to be paid of the supply part of complex supplementary services as well as amount to be paid of additional and ancillary services can be increased by a reasonable profit if these services are provided by one single supplier.

When determining reasonable profit, the revenue risk related to the provision of the service included by the IM shall be taken into account, or the lack of risk, and also the average rate of profit assessed in the sector over the last three years.

Should a reasonable profit be levied, charges of the basic services, charges of the access services within supplementary services, charges of the access part of complex supplementary services and the values of mark-ups can be reduced to such an extent which can be covered by the planned revenue arising from the imposed reasonable profit.

If the IM wishes to make a reasonable profit in the amount to be paid, it shall declare this intent to VPE, in accordance with the deadline for providing the information. Together with the declaration, the IM shall send the data and documents justifying the charging of a reasonable profit.

### **5.8. Ensuring return on projects for improving efficiency and for enhancing volumes**

Based on the decision of the IM, results of projects for improving efficiency and enhancing volumes shall not be taken into consideration in cost and performance data that can be involved into charging with the aim that projects have their effects in reality, as follows:

- costs savings of efficiency-improving investments from the beginning of the year following the year when the project has been completed to 10 subsequent years,

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<sup>29</sup> Railway Act § 2. „3.3. reasonable profit: for operators of service facilities, a rate of return on equity which takes into account the risk or lack of risk, including revenue, assumed by the operator of the service facility, and which is in line with the average profit of the last three years in the sector concerned;”



- performances related to volume-enhancing investments from the beginning of the year following the year when the project has been completed to 5 subsequent years.

Cost-savings and surplus performances that have not been taken into consideration when charging shall show in CD. IM shall enclose to its data provision project documentation equipped with an executive summary that demonstrates the project and the calculations regarding surplus performances and costs not involved in charging.

This possibility will cease if no unambiguously identified cost savings and/or performance-increase of projects can be demonstrated in the first half period of the determined period in case of efficiency-improving investments and volume-enhancing investments (i.e., for 10 years until the end of the fifth year, for 5 years until the end of the third year).

IM shall display these cost savings and surplus performances separately in its data provision for charging.

#### **5.9. Additional data in the reporting process**

VPE may request additional data during the charging process related to the costs, performance of services and includes additional breakdown information in basic data services.

Such data is particularly related to:

- achievement of ensuring train path in broken down by train category (passenger / freight / locomotive) - number of train paths
- data of train km
- use of catenary system in broken down by gender
- achievement of vehicles in broken down by train category (passenger / freight / locomotive)
- fee of ETCS costs, performance, etc.

The additional data used in the calculation are described in the CD.

#### **5.10. Optional Deviation from Basis charges in case of train kilometre-based part of charge for running of trains**

The IM may deviate from any charges assigned to any line categories of train kilometre-based part of charge for running trains as follows:

Unit costs per line kilometre (hereinafter line km)

Direct costs of track section of category III/ train km of category III = unit cost per line km of category III

Direct costs of track section of category II / train km of category II = unit cost per line km of category II

Direct costs of track section of category I / train km of category I = unit cost per line km of category I



Calculations need the total of unit costs per line-km.

#### Ratio of unit costs

Ratio of unit cost rate for a category III track section shall be considered as a unit (one).

Unit cost per train km of track section of category II / unit cost per line km of track section of category III = ratio of unit cost of track section of category II.

Unit cost per line km of track section of category I / unit cost per line km of track section of category III = ratio of unit cost of track section of category I.

#### Weighted performances

Ratio of unit cost of track section category III (=1) \* line km performance of track section of category III = weighted performance of track section of category III

Ratio of per-unit cost of track section category II \* line km performance of track section of category II = weighted performance of track section of category II

Ratio of per-unit cost of track section category I \* line km performance of track section of category I = weighted performance of track section of category I

Calculations need the total of weighted performances.

#### Unit price (charge to be paid) per category

Direct costs of all track sections / total of weighted performance of all track sections = unit price of track section of category III

Unit price of track section of category III \* ratio of unit costs of track section of category II = unit price of track section of category II

Unit price of track section of category III \* ratio of unit costs of track section of category I = unit price of track section of category I

Format of data is the same as for direct cost pricing.

In the CD, both the calculated and the deviated charges must be presented.



## 6. Distribution of state contribution to services

In accordance with Article (6) § 28 of the Railway Act, infrastructure operation contract to be concluded between the state and the IM, includes among others the volume of state contribution (budget subsidy), title of granting of subsidy and the aim of utilisation.

The values of state contribution split by service are determined using the results of the infrastructure operation contract, the decree of the Minister responsible for transport, the train profile analysis, and the segment analysis with the involvement of the IMs.

### 6.1. State contribution shall be distributed as follows:

- (a) Based on infrastructure operation contract: if the valid infrastructure operation contract contains rules on the inclusion of state contribution in the charging scheme, the allocation of state contribution to services shall be set out in the contract.
- (b) Based on ministerial order: should the infrastructure operation contract be not available or should not contain the volume of the state contribution, or rules on taking state contribution into consideration in the charging system, Minister responsible for transport may define in another commitment document the volume of the state contribution and rules to be followed when taking state contribution into account in the charging system. In such cases stipulation of the commitment document (including the introduction of a targeted state contribution) shall apply.
- (c) In other cases: failing an infrastructure operation contract or the other ministerial regulation, state contribution shall be distributed as follows:

In the case of a state contribution defined in one sum amount of money, distribution of the state contribution between the IMs shall happen in proportion to the amount of all costs involved in charging and related to the given timetable year.

- Should the re-distribution of state contribution become necessary because of changes in the volume of state contribution defined in one sum amount of money, proportions may not change.

In the case of a state contribution did not define as a single amount, the fixed specific values cannot change, only the value of the state contribution allocated to the services of the given IM shall be reallocated.

### 6.2. Other information required for the distribution

Distribution of state contribution is only possible for a service that was established during the pricing process with a cost-based charge by the CM and based on the principles, cost and performance data was provided by the CM. A cost-based charge of a service in no case shall be broken down further by train types, categories, or segments in the process of state contribution's distribution. If the infrastructure operation contract specifies additional services, in that case the IMs are required to initiate the taking up of new services into the CM, which can be determined by cost-based fee for services in the expected breakdown.



The state contribution to a specific element of a charging scheme (e.g. ETCS fee) can only be allocated to that component.

In each calculation, the allocation of the state contribution is supported by the results of the model of train profile. The model of train profile is produced for each type of train, freight, passenger and locomotive. At the start of the analysis process, the average train profile data that can be associated with each type of train is requested from the IMs and railway undertakings. The data contains the parameters of the trains typically used by the railway undertakings. The data also includes the percentage of a given train profile in the railway undertakings' portfolio.

Based on the given parameters, the train profiles for each type of train will be determined in the study. If necessary, the train types identified by VPE on the basis of the ordering train path data may be added to the train profiles provided by IMs and railway undertakings to be included in the analysis.

With the train profile model, it is possible to analyse changes in fees, mark-ups and amounts to be paid comparing data with the previous timetable period. In the analysis, the percentages of change are compared to the expected or maximised values of change specified in the principles for the distribution of state contribution.

If the change of values of the train profile does not correspond to this expected change, in that case it may become necessary to modify the amounts to be paid in the calculation with the involvement of IMs.

The distribution of targeted state contribution is as described in point 2.3.4.3.

### **6.3. Taking into account the outcome of the segment analysis in the process**

The process of segment analysis is described in point 3.

Where the mandated segment analysis results in the ability of railway undertakings to bear the full cost of the mark-up for all segments, the amount of the state contribution will be reduced in case of the charges and mark-ups for basic and supplementary services, based on the principle that, if the volume of services used by applicants remains unchanged, and the mass of network access charge should not change as much as possible compared to the previous timetable period.

Where the segment analysis results in railway undertakings being unable to bear or only partially able to bear the costs of mark-up for a segment(s), the amount of the mark-ups in the basic services, in the supplementary services and in the access part of supplementary services by the amount of the state contribution shall be reduced in proportion to what the segment(s) can already bear on the basis of the segment analysis.

If there is not enough state contribution to fully cover the costs incurred as mark-ups for the basic and relevant supplementary services, or to the extent that each segment can still bear, then, for those services for which there is insufficient state contribution distributed, the maximum amount to be paid may be that - based on the segment analysis - which is eligible



to access and still able to be paid, but at least provides coverage for variable costs. In such a case, it should be examined how the costs related to these services, that are not covered by the network access charges revenue and cannot be claimed as mark-ups, are recovered from other revenue, taking into account the rules in case of full coverage under § 28(1)<sup>30</sup> of the Railway Act, the rules for procedures set out in the infrastructure operation contract and the provisions in compliance with point 3.

If the amount of the state contribution is still available after the distribution to cover the costs that appear as mark-ups, it will be distributed to the basic and supplementary services on the basis of VPE train profile models and the IM proposals, in such a way that the mass of network access charge will not be changed as much as possible compared to the previous timetable period, if the same service volume is used by the applicants.

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<sup>30</sup> Railway Act § 28 (1) (1) The Minister shall undertake on behalf of the State, with the consent of the Minister responsible for public finances, to reimburse the infrastructure manager operating the railway network containing railway lines of national importance for the costs incurred in connection with the operation of the railway network and not covered by the network access charge and other business activities of the railway company, which are recognised as justified, by means of a contract of at least five years.