

# PR23 final determination:

## Settlement document for the Wales & Western region

31 October 2023



# About this document

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This is the settlement document for the Wales & Western region. It describes our final control period 7 (CP7) decisions for the region.

PR23 determines what the infrastructure manager for the national rail network, Network Rail, is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during control period 7 (CP7), which will run from 1 April 2024 to 31 March 2029, and how the available funding should be best used to support this.

This strongly influences:

- the service that passengers and freight customers receive and, together with taxpayers, ultimately pay for; and
- the charges that Network Rail's passenger, freight and charter train operator customers pay to access its track and stations during CP7.

Our final determination sets out:

- our decisions on Network Rail's outcome delivery and its planned expenditure to secure the condition and reliability of the network;
- changes to access charges and the incentives framework; and
- relevant policies on the financial framework, managing change and holding to account.

In addition to **this document**, we have also published as part of our final determination:

| Document type                               | Details  |
|---|--|
| <b>Summary of conclusions and overviews</b> | <p>Our decisions on what Network Rail will need to deliver and how funding should be allocated:</p> <ul style="list-style-type: none"><li>• Summary of conclusions and overview for England &amp; Wales</li><li>• Summary of conclusions and settlement for Scotland</li></ul> |

| Document type                 | Details  |
|-------------------------------|--|
| <b>Consolidated decisions</b> | A summary of our final decisions across Great Britain  |
| <b>Introduction</b>           | An overview of PR23 and background to our final determination  |
| <b>Settlement documents</b>   | <p>Detailed final decisions for the System Operator and each of Network Rail's regions in England &amp; Wales:</p> <ul style="list-style-type: none"><li>• Eastern region</li><li>• North West &amp; Central region</li><li>• Southern region</li><li>• <b><u>Wales &amp; Western region</u></b></li></ul> <p>See our summary of conclusions and settlement document for detailed information for Scotland.</p>  |
| <b>Supporting documents</b>   | <p>Technical assessments of:</p> <ul style="list-style-type: none"><li>• Health and safety</li><li>• Outcomes</li><li>• Sustainable and efficient costs</li><li>• National Functions</li><li>• Other income</li></ul>  |
| <b>Policy positions</b>       | <p>How we intend to regulate Network Rail during CP7 in relation to:</p> <ul style="list-style-type: none"><li>• Financial framework</li><li>• Access charges</li><li>• Schedules 4 and 8 incentives regimes</li><li>• Managing change</li><li>• Holding to account</li></ul> <p>With the exceptions of managing change and holding to account, our policy position documents include our assessment of stakeholder views on our proposals. Stakeholder views for managing change and holding to account are published in a separate document.</p> |

| Document type      | Details  |
|--------------------|--|
| Impact assessments | A consolidated set of assessments of the impact of our final policies on access charges and contractual incentives on affected parties |

## Next steps

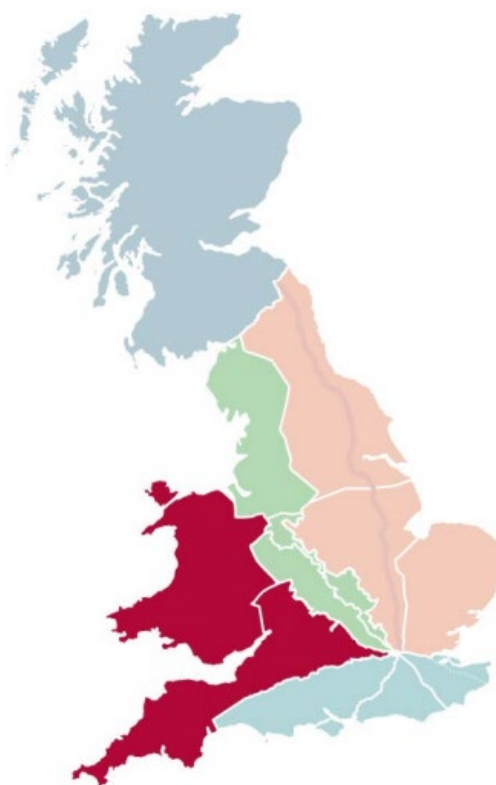
We will now implement our final determination. Implementation is the process through which we amend operators' track and station access contracts to give effect to new access charges and incentives (such as Schedule 8 benchmarks and payment rates) determined through the periodic review. We expect to issue our review notices in December 2023 and, subject to Network Rail's acceptance, issue notices of agreement and review implementation notices in time for CP7 to commence from of 1 April 2024.

We expect Network Rail to publish a delivery plan for CP7 that is consistent with our final determination. We have published [a notice](#) alongside our final determination which sets out expectations for the scope and timing of the delivery plan.

# 1. Overview

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- 1.1 For CP7, the Wales & Western region has its own settlement as part of Network Rail's determination. Wales & Western will report separately on what it is delivering and will have its own budget to fund its activities. The purpose of this document is to set out the funding that will be allocated and the outputs the region will be required to deliver in CP7.
- 1.2 Network Rail's Wales & Western region extends from London Paddington to Penzance via Reading, Swindon, Bristol, Exeter and Plymouth in the Western route and transports commuters to key locations such as Cardiff and Swansea in the Wales route. It represents 17% of Network Rail's railway infrastructure. Network Rail is a key stakeholder in supporting the delivery of Transport for Wales' plans to transform the railway in Wales and Borders.
- 1.3 The region serves popular leisure and tourism destinations in Wales and the South West which have seen increased demand following the Coronavirus (COVID-19) pandemic. Metro frequency services are an increasing focus for the region with the arrival of the Elizabeth line running through the Thames Valley into London. The region provides the rail link to London Heathrow. Rail freight services are also critical, particularly the movement of aggregates.



## 2. Our decisions for the Wales & Western region

- 2.1 We set out at the start of our periodic review (PR23) in our [June 2021 launch letter](#) that our focus during the process would remain on four objectives of safety; performance; asset sustainability and efficiency.
- 2.2 Our CP7 decisions for the Wales & Western region for each of the above areas and other important areas such as environmental sustainability and accessibility are set out below. Within each section we summarise key decisions. More detailed information is available in our supporting documents.
- 2.3 Within this document we set baseline trajectories for each of the success measures listed in Table 2.1 below. In Table 2.10 at the end of this chapter, we set out CP7 trajectories for each measure. We will use these measures to publicly hold Wales & Western to account in CP7. These baseline trajectories quantify the performance levels that we expect Wales & Western to deliver, in line with the England & Wales high level output specification (HLOS) and available funding.
- 2.4 Where relevant, we also set out other measures that we will use in our monitoring of Wales & Western's overall performance throughout CP7.

**Table 2.1 Success measures – CP7 outcomes framework**

| Outcome area                                | Success measures   |
|---|--|
| <b>Train performance: passenger</b>         | On Time<br>Cancellations   |
| <b>Train performance: freight</b>           | Freight Cancellations  |
| <b>Freight growth</b>                       | Freight net tonne kilometres moved                                       |
| <b>Asset sustainability</b>                 | Composite Sustainability Index (CSI)                                     |
| <b>Environmental sustainability</b>         | Carbon emissions scope 1 and 2<br>Biodiversity Units                     |
| <b>Efficiency and financial performance</b> | Financial Performance Measure (FPM) (opex/capex split)<br>Efficiency (£) |

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2.5 Wales & Western's projected expenditure on operations, support, maintenance and renewals in CP7 is £6.3 billion (including National Functions). This is 2% less compared to CP6 in 2023-24 prices when adjusted for inflation. See Table 2.11 at the end of this chapter for an income and expenditure table for Wales & Western over the control period.

### Safety

2.6 Wales & Western's business plan for CP7 maintains current levels of safety risk control. Some aspects of its plan could deliver improvements in management of safety and health risks.

2.7 The region has accepted our recommendation to increase expenditure on earthworks, track and structure renewals.

2.8 While the region has committed to increase expenditure on its core renewals in response to our draft determination, there will be a modest reduction in asset condition over the control period with implications for how the region sustains effective controls of safety and health risks. As a result, Network Rail has developed a model to analyse the factors relevant to the safe delivery of its business plan. We are satisfied that this approach addresses the concerns we expressed in our draft determination and has the potential to identify the best means to safely manage risks so far as is reasonably practicable. However, this approach is not yet mature and there remain cost-driven pressures and uncertainties with the potential to compromise outcomes. We are seeking greater maturity and certainty by the delivery plan.

2.9 The region submitted plans stating that the 'Modernising Maintenance' programme will be fully enabled by the start of CP7. This will remain an important dependency in CP7 as the delivery of increased maintenance activities relies on changes introduced by modernising maintenance.

2.10 In our draft determination we asked the region for more details on how it would deliver planned improvements to work-related ill health and workforce fatigue management. We have received further evidence from the region. The region also provided us with well-developed trackworker safety plans with firm commitments. We will work with the region on how it addresses these areas in its CP7 delivery plan.

2.11 We expect Wales & Western to provide forecasts for all three health and safety supporting measures, shown in Table 2.2 below, in the CP7 delivery plan. We also expect the region to report this for each year of CP7.

**Table 2.2 Health and safety outcomes**

| Tier                          | Measure  |
|-------------------------------|--|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"> <li>• None, as there are clear obligations under health and safety legislation</li> </ul>   |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"> <li>• Fatalities and Weighted Injuries (FWI) for workforce, passengers and the public</li> <li>• Train Accident Risk Reduction (TARR)</li> <li>• Personal Accountability for Safety (PAFS)</li> </ul> |

## Passenger train performance

- 2.12 The business planning and budgeting cycles for Network Rail and the publicly contracted train operators in England & Wales are currently different which makes setting whole industry expectations beyond the current financial year challenging. It means we do not have committed medium-term plans for the contribution of these passenger train operators to performance and so do not have the evidence required to assume a stretching contribution from them in our train performance trajectories for CP7. A joined-up approach to longer-term business planning is vital to ensure that the network and those running services over it deliver for passengers.
- 2.13 Whole industry performance is also affected by factors such as changes in passenger demand following the pandemic. Therefore, for this control period, our final determination commits to reset passenger train performance trajectories for England & Wales in advance of year 3 of CP7. This two-year window provides an opportunity for Network Rail to work with operators and funders, to improve the industry processes for aligning longer term performance expectations.
- 2.14 This mid-control period reset will only apply to passenger train performance measures and trajectories and not to freight train performance or other outcome measures from our final determination.
- 2.15 Train operating companies who responded to our consultation on the draft determination were supportive of ORR setting more challenging performance trajectories. In the case of MTR UK, it would like Wales & Western to be set an On Time trajectory nearer to or at the same level as the Eastern region, which has a higher trajectory.



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- 2.16 Wales & Western revised its On Time forecast in its draft determination response with a lower proposed forecast than it originally provided in its strategic business plan. All other England & Wales regions' revised forecasts were far closer to our draft determination trajectories. We challenged the region's original draft determination response forecast to test the accuracy of its modelling and to make sure that poor levels of CP6 train performance in the region were not perpetuated and to ensure no deterioration of year-on-year performance during CP7. The region updated its forecast as a result. We have tested the evidence provided by the region and welcome the ambition from the region to ensure no dip in performance during the control period.
- 2.17 We have set the region's On Time trajectory at 60.4% for years 1 and 2 in line with the region's latest forecast. The On Time trajectory for years 1 and 2 is an improvement on Network Rail's CP6 exit forecast. We have set an indicative On Time trajectory for further improvement for Wales & Western of 61.7% for years 3 and 4, and 61.8% for year 5.
- 2.18 The region's lower On Time trajectory for years 1 and 2 of CP7 compared to the strategic business plan and other regions is driven by an improved understanding of the impact of Elizabeth Line services, the South Wales Metro and significant HS2 works at Old Oak Common. We will monitor these factors over the first two years of CP7 and review updated evidence of the impacts of these on performance at the reset for years 3 to 5.
- 2.19 We have carried out a robust assessment of the region's revised passenger cancellations forecast. We consider that the region's draft determination response forecast for years one and two of CP7 are a credible balance of being ambitious and realistic, as required by the HLOS. We are setting trajectories that align with the region's proposals for years 1 and 2 of CP7 (3.8%) and which provide a clear baseline against which we can measure its performance. We have set an indicative passenger cancellations trajectory of 3.6% for year 3, 3.5% for year 4 and 3.3% for year 5 of CP7. More detailed information is available in our [PR23 final determination: supporting document on outcomes](#).

**Table 2.3 Passenger train performance outcomes**

| Tier                          | Measure  |
|-------------------------------|--|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"> <li>On Time trajectory is set at 60.4% for years 1 and 2, 61.7% for years 3 and 4, and 61.8% for year 5 of CP7 (years 3 to 5 are an indicative trajectory)</li> <li>Passenger cancellations trajectory is set at 3.8% for years 1 and 2, 3.6% for year 3, 3.5% for year 4 and 3.3% for year 5 of CP7 (years 3 to 5 are an indicative trajectory)</li> </ul> |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"> <li>Delay minutes per 1,000 miles train travel (track/train split)</li> <li>Time to 15</li> <li>Average Passenger Lateness (APL)</li> </ul>   |

## Freight train performance

2.20 We have based the freight cancellations trajectory on an average historical performance and have adjusted Network Rail’s draft determination response forecast to remove recent poor performance from its calculations.

**Table 2.4 Freight train performance outcomes**

| Tier                          | Measure  |
|-------------------------------|--|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"> <li>Freight cancellations (flat) trajectory is set at 1.6% for each year of CP7</li> </ul>  |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"> <li>Freight Cancellations and Lateness (FCaL)</li> <li>Arrivals to Fifteen (A2F)</li> </ul> |

## Freight growth

2.21 Freight growth is an important outcome area given the context of changing industry demand as well as securing environmental and economic benefits. Reflecting this, the HLOS for England & Wales sets out a requirement for a freight growth target in CP7.

2.22 We have reviewed the evidence and methodologies relied on by Network Rail to set its freight growth forecasts and we are satisfied that they provide a robust basis for us to set freight growth targets.

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- 2.23 Freight operators who responded to our consultation on the draft determination welcomed that ORR was setting a freight growth trajectory. However, GB Railfreight noted that the region's freight growth trajectory was lower than several other regions and that the region's plan lacked detail on how it would achieve this growth.
- 2.24 There are a range of factors which will influence future rail freight growth, some outside of Network Rail's control. But there are steps that each region can and should be taking, beyond the commitment to invest in heavy axle weight capability (see below).
- 2.25 In CP7 we will hold Wales & Western to account for the delivery of its contribution to delivering freight growth. To do this, we require it to set out how it will deliver against its freight growth targets and report on these commitments throughout the control period. Having clear actions to deliver will provide assurance to stakeholders and funders that Network Rail is working closely with the freight industry to identify and deliver on opportunities for growth. We are also requiring the System Operator to produce an overarching CP7 freight growth plan as part of its delivery plan. Please see the [PR23 final determination: settlement document for the System Operator](#) for more details.
- 2.26 The region has stated that it is committed to addressing critical heavy axle weight restrictions in CP7, recognising the constraints they place on freight traffic. We will monitor expenditure on heavy axle weight capability throughout the control period and have set an explicit supporting measure to do this.

**Table 2.5 Freight growth outcomes**

| Tier                          | Measure  |
|-------------------------------|--|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"><li>Freight net tonne kilometres moved, growth trajectory of 6.9% for the end of CP7</li></ul>                                     |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"><li>Freight growth plans – key enabling activities</li><li>Strategic projects delivery - Heavy Axle Weight (HAW) project</li></ul> |

## Performance innovation

2.27 The final determination includes a national performance improvement and innovation fund (PIIF) for England & Wales regions, similar to that included in CP6. There will be £40 million available in this fund. Throughout CP7 we expect Wales & Western to make best use of this fund, identifying opportunities to improve passenger and freight performance.

## Asset sustainability

2.28 The region now plans to spend £3.1 billion on renewals in CP7 (including any National Function spend). This is 9% less compared to CP6 expenditure on renewals. Maintenance expenditure is set to decrease to £1.59 billion, which represents a decrease of 2% from CP6.

2.29 Our draft determination identified that there was insufficient expenditure in Wales & Western for earthworks, track and structures renewals. We recommended that the region spend an additional £250 million to address core renewal areas identified as high risk by Network Rail's Technical Authority and of concern to ORR.

2.30 In its draft determination response, the region agreed to additional expenditure of £185 million on core renewals. We are content that this additional expenditure addresses our concerns as set out in table 2.6 below.

**Table 2.6 Additional core asset renewal expenditure**

| Asset area                    | Network Rail draft determination response | Rationale   |
|-------------------------------|---|---|
| <b>Earthworks</b>             | £85 million                               | The region acknowledged the concerns identified in our draft determination, but the latest detailed plans indicate £85 million of additional spend should be sufficient to mitigate the high-risk items. We are satisfied with the justification for this level of additional spend.  |
| <b>Track</b>                  | £31 million                               | The region acknowledged the concerns identified in our draft determination, but the latest detailed plans indicate £31 million of additional spend should be sufficient to mitigate the high-risk items (providing a 4% increase in volume). We are satisfied with the justification for this level of additional spend, noting the dependency on increased track maintenance in CP7.   |
| <b>Structures and tunnels</b> | £69 million                               | The region acknowledged the concerns identified in our draft determination, but the latest plans indicate £69 million of additional spend should be sufficient to mitigate the high-risk items (providing a 64% increase in volume). We are satisfied with the justification for this level of additional spend, but we expect to see further detail on the region’s approach (rather than just principles) in the delivery plan. |
| <b>Total</b>                  | <b>£185 million</b>                       |   |

2.31 It is important that the region delivers an appropriate level of effective volumes of renewals with the additional spend set out above. It will need to set this out in its delivery plan. Delivery of effective volumes will form a key part of our CP7 monitoring activity.

2.32 The additional expenditure on core renewals supports better asset management outcomes and as a result Wales & Western’s Composite Sustainability Index (CSI) forecast will reduce by less than in its strategic business plan (SBP) (-3.1 percentage points), with a -2.0 percentage points change by the end of CP7 compared to CP6 exit. We have reviewed the methodologies used by Network Rail for this forecast and agree with its proposed forecast.

**Table 2.7 Asset sustainability outcomes**

| Tier                   | Measure   |
|------------------------|---|
| 1: Success measures    | <ul style="list-style-type: none"> <li>• Composite Sustainability Index (CSI) trajectory of -2.0 percentage points change in CP7</li> </ul>   |
| 2: Supporting measures | <ul style="list-style-type: none"> <li>• Composite Reliability Index (CRI)</li> <li>• Effective volumes</li> <li>• Service Affecting Failures (SAFs)</li> <li>• Delivery against high priority areas:                             <ul style="list-style-type: none"> <li>○ Lineside vegetation – compliance</li> <li>○ Structures examinations – site examination and reporting compliance</li> <li>○ Earthworks examinations – non-compliance</li> <li>○ Buildings examinations – detailed and visual examinations</li> <li>○ Drainage examinations – compliance</li> <li>○ Maintenance – plan vs. actual volume hours</li> <li>○ Resilience and adaptation – key WRCCA activities</li> </ul> </li> <li>• Asset data quality – timebound obligations to meet asset data standards</li> </ul> |

## Environmental sustainability

2.33 We expect Wales & Western to deliver environmental sustainability outcomes in CP7 which include contributing to meeting legislative requirements and government priorities. These include decarbonising the railway and its value chain, improving air quality, biodiversity on its estate, and reducing consumption of resources. We expect this increased emphasis on environmental sustainability in CP7 to be supported by wider environmental performance measures, and robust monitoring and reporting.

2.34 Confirmation of the environmental sustainability success and supporting measures we will use to monitor and hold Network Rail to account in CP7 is presented in Table 2.8 below. We agree with the success measure forecasts proposed by the region for carbon emissions scope 1 & 2 and biodiversity.

**Table 2.8 Environmental sustainability outcomes**

| Tier                          | Measure  |
|-------------------------------|--|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"> <li>• The region’s carbon emissions scope 1 &amp; 2 trajectory is set at -20 percentage points by the end of CP7</li> <li>• The region’s biodiversity trajectory is set at 4 percentage points improvement by the end of CP7</li> </ul> |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"> <li>• Whole life (infrastructure) carbon emissions</li> <li>• Air quality at stations</li> </ul>  |

## Accessibility

- 2.35 The rail network should be open to everyone, irrespective of disability. Wales & Western has an important role to play in delivering improvements within its region to the accessibility of the network and providing assistance for people with reduced mobility or disabilities in using the railway.
- 2.36 While we will not have any success or supporting measures for accessibility in PR23, we will work with Network Rail to secure appropriate reporting of supporting information, and will continue to hold it to account for its performance against the requirements of the Accessible Travel Policy licence condition.
- 2.37 We will monitor the delivery of the region’s plans to address accessibility through the installation or renewal of tactile paving, crossfall compliance, lift renewals, footbridge refurbishments and platform lighting, together with the plan to modernise customer information systems at Paddington and Reading stations and the improvement of wayfinding at Paddington.

## Efficiency and financial performance

- 2.38 Like other regions, Wales & Western has set itself an efficiency target for the end of CP7 of 10% in operating expenditure (operations, support and maintenance) and 15% in capital (renewals) expenditure in CP7. Please refer to our [PR23 final determination supporting document on sustainable and efficient costs](#) for further details.
- 2.39 We have set the efficiency requirements at the same level as Network Rail proposed in its SBP for the risk-adjusted plan. The region must deliver £575

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million of efficiencies, including the region's share of efficiencies in the network wide cost allocation by the end of CP7.

- 2.40 Based on discussions with Network Rail, and our challenge at draft determination we accept its revised headwinds forecast for CP7, i.e. unplanned cost increases due to external factors.
- 2.41 The Financial Performance Measure (or FPM) will compare Wales & Western's income and expenditure to its CP7 delivery plan. The efficiency improvements that Wales & Western is expected to achieve will be embedded in the financial assumptions in its CP7 delivery plan. FPM adjusts for the amount of work done and excludes income and expenditure that is not controllable by the region.
- 2.42 Wales & Western has included an FPM forecast of zero for every year of CP7, this is consistent with other regions. This means its net financial performance would be aligned to the assumptions in its delivery plan for income and controllable costs and after making adjustments for delivery. We agree this is the appropriate baseline to measure FPM against during CP7 and are setting this as the FPM baseline trajectory.

**Table 2.9 Efficiency and financial performance outcomes**

| Tier                          | Measure   |
|-------------------------------|---|
| <b>1: Success measures</b>    | <ul style="list-style-type: none"> <li>• Efficiency (£) trajectory of £575 million</li> <li>• Financial Performance Measure (FPM) (opex/capex split) trajectory set as zero for every year of CP7</li> </ul>  |
| <b>2: Supporting measures</b> | <ul style="list-style-type: none"> <li>• Fishbone analysis of cost drivers</li> <li>• Leading indicators of efficient delivery               <ul style="list-style-type: none"> <li>○ Booking of disruptive access</li> <li>○ Workbank planning</li> <li>○ Efficiency plan quality</li> </ul> </li> </ul> |

## Financial risk

- 2.43 As our SBP review focussed on Wales & Western's risk-adjusted plan, we have already accounted for the spend associated with this plan within our draft determination. We also made allowance for the impact of inflation up until May



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2023. However, inflation continued to increase above expected levels since our draft determination.

- 2.44 As described in our [PR23 final determination: supporting document on sustainable and efficient costs](#), we have provided Network Rail with a suite of options to fund core renewals and increase the risk fund allocation which would allow it to enter CP7 with a risk fund of £1.5 billion in England & Wales. allocation which would allow it to enter CP7 with a risk fund of £1.5 billion in England & Wales.
- 2.45 Network Rail should consider these options and confirm allocations of risk funding for individual regions in its delivery plan. Network Rail has provided an indicative £264 million of risk funding to Wales & Western based on a share of the England & Wales risk fund pro-rated for the region's operations, support, maintenance and renewals costs.

### Operations and support costs

- 2.46 One of Network Rail's strategic cost options to rebalance the overall CP7 plan is to reduce support and operations costs.
- 2.47 Based on our assessment and a recent benchmarking report we have identified that up to £150 million may be able to be saved in these areas across the England & Wales regions and National Functions.
- 2.48 The bulk of any reduction is likely to be found in support areas, and result from strategic choices made about elements of regional devolution. We provide more information on this in our [PR23 final determination supporting document on sustainable and efficient costs](#).

Table 2.10 ORR success measure baseline trajectories for the Wales & Western region

|  | CP6 exit forecast | 2024-25 (year 1)  | 2025-26 (year 2) | 2026-27 (year 3) | 2027-28 (year 4) | 2028-29 (year 5) |
|--|-------------------|---|------------------|------------------|------------------|------------------|
| <b>Passenger On Time*</b>                                  | 58.7%             | 60.4%   | 60.4%            | 61.7%            | 61.7%            | 61.8%            |
| <b>Passenger Cancellations*</b>                            | 4.2%              | 3.8%  | 3.8%             | 3.6%             | 3.5%             | 3.3%             |
| <b>Freight Cancellations</b>                               | 1.9%              | 1.6%  | 1.6%             | 1.6%             | 1.6%             | 1.6%             |
| <b>Composite Sustainability Index (CSI)</b>                | n/a               | Measured only at CP7 exit. Difference in CSI from CP6 exit to CP7 exit. |                  |                  |                  | -2.0pp           |
| <b>Financial Performance Measure (FPM)</b>                 | n/a               | £0  | £0               | £0               | £0               | £0               |
| <b>Efficiency (£ million, 2023-24 prices)</b>              | n/a               | 58  | 92               | 127              | 155              | 144              |
| <b>Cumulative Efficiency (£ million, 2023-24 prices)</b>   | 527               | 58  | 150              | 277              | 432              | 575              |
| <b>Biodiversity Units</b>                                  | n/a               | 0.0pp   | 1.0pp            | 2.0pp            | 3.0pp            | 4.0pp            |
| <b>Carbon emissions scope 1 and 2</b>                      | n/a               | -4.0pp  | -8.0pp           | -12.0pp          | -16.0pp          | -20.0pp          |
| <b>Freight growth (Freight net tonne kilometres moved)</b> | n/a               | 1.4%  | 2.8%             | 4.1%             | 5.5%             | 6.9%             |

\* Years 3 to 5 On Time and Passenger Cancellations trajectories are indicative and subject to a reset in advance of year 3.

Table 2.11 Network Rail's proposed CP7 income and expenditure in Wales &amp; Western

| £ million (2023-24 prices)                 | CP6           |               | CP7           |               |               |               |               |               |            |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
|  | 2023-24       | CP6 total     | 2024-25       | 2025-26       | 2026-27       | 2027-28       | 2028-29       | CP7 total     | % vs CP6   |
| Operations                                 | 111           | 515           | 138           | 136           | 134           | 133           | 133           | 673           | 31%        |
| Support                                    | 129           | 801           | 139           | 140           | 139           | 139           | 139           | 696           | -13%       |
| Maintenance                                | 326           | 1,621         | 328           | 325           | 316           | 312           | 313           | 1,594         | -2%        |
| Renewals                                   | 686           | 3,338         | 666           | 647           | 647           | 620           | 473           | 3,054         | -9%        |
| Industry costs, rates                      | 43            | 198           | 41            | 42            | 46            | 46            | 46            | 221           | 12%        |
| Electricity for Traction (EC4T)            | 99            | 294           | 85            | 78            | 76            | 78            | 80            | 397           | 35%        |
| <i>Adjustment to OSMR expenditure</i>      | <i>n/a</i>    | <i>n/a</i>    | <i>-20</i>    | <i>-32</i>    | <i>-39</i>    | <i>-47</i>    | <i>-43</i>    | <i>-180</i>   | <i>n/a</i> |
| Risk provision*                            | 0             | 0             | 30            | 46            | 57            | 66            | 64            | 264           | n/a        |
| <b>Gross revenue requirement</b>           | <b>1,394</b>  | <b>6,767</b>  | <b>1,408</b>  | <b>1,383</b>  | <b>1,376</b>  | <b>1,347</b>  | <b>1,205</b>  | <b>6,720</b>  | <b>-1%</b> |
| Other income                               | -176          | -1,351        | -161          | -167          | -170          | -172          | -173          | -843          | -38%       |
| <b>Net revenue requirement</b>             | <b>1,218</b>  | <b>5,416</b>  | <b>1,247</b>  | <b>1,215</b>  | <b>1,207</b>  | <b>1,175</b>  | <b>1,032</b>  | <b>5,877</b>  | <b>9%</b>  |
| Fixed Track Access                         | -259          | -1,457        | -127          | -127          | -127          | -126          | -127          | -634          | -57%       |
| Variable Charges                           | -94           | -462          | -122          | -123          | -125          | -126          | -127          | -623          | 35%        |
| Electricity for Traction (EC4T)            | -98           | -304          | -85           | -78           | -76           | -78           | -80           | -397          | 31%        |
| Schedule 4 and 8                           | 128           | 350           | 65            | 52            | 52            | 47            | 42            | 258           | -26%       |
| Schedule 4 access charge supplement        | -25           | -177          | -63           | -50           | -50           | -45           | -39           | -247          | 39%        |
| Network grant                              | -868          | -3,377        | -913          | -890          | -881          | -847          | -702          | -4,234        | 25%        |
| <b>Total regulated income</b>              | <b>-1,218</b> | <b>-5,427</b> | <b>-1,246</b> | <b>-1,216</b> | <b>-1,207</b> | <b>-1,175</b> | <b>-1,033</b> | <b>-5,877</b> | <b>8%</b>  |
| <b>Gross revenue requirement less EC4T</b> | <b>1,295</b>  | <b>6,473</b>  | <b>1,323</b>  | <b>1,305</b>  | <b>1,300</b>  | <b>1,269</b>  | <b>1,126</b>  | <b>6,322</b>  | <b>-2%</b> |

\*Note that Network Rail has proposed adjustments to its OSMR plans to enable an increase in the England & Wales risk provision.

This is to help offset higher input prices.



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