



PR18 Initial Consultation

RDG Working Group

19 May 2016

PR18 Initial Consultation

- We have published our first major document, preparing for the regulatory settlement for Network Rail.
 - This will likely cover the five-year period from 1 April 2019

- This document looks at how the context has changed, sets out our initial proposals for responding to these changes, and invites comments and ideas from stakeholders.

- Forthcoming working papers:
 - Route-level regulation and system operation
 - Outputs
 - Enhancements



Demands on the Network

Reclassification & Public Spending



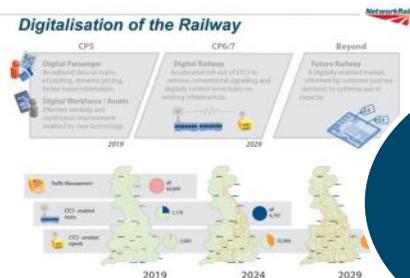
Efficiency & Performance



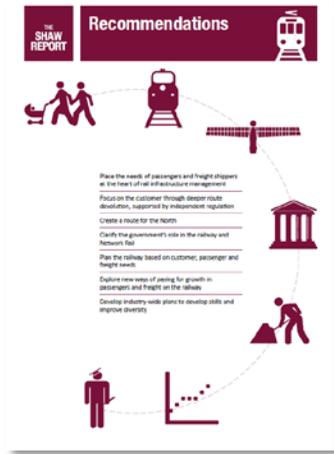
Political & Operational Devolution



Digital Railway



Shaw Review



Route-level Regulation

- Support the shift towards route-level decision making
- Encourages greater involvement from customers & regional funders
- Greater use of comparison between routes

System Operation

- Encourage better use of the network
- Support improved capability in terms of network analysis and planning
- Protect operators moving passengers and freight across route boundaries

New ways to treat enhancements

- Respond to the increased diversity of funders
- Provide flexibility to funders
- Implies some change to the periodic review to make this work

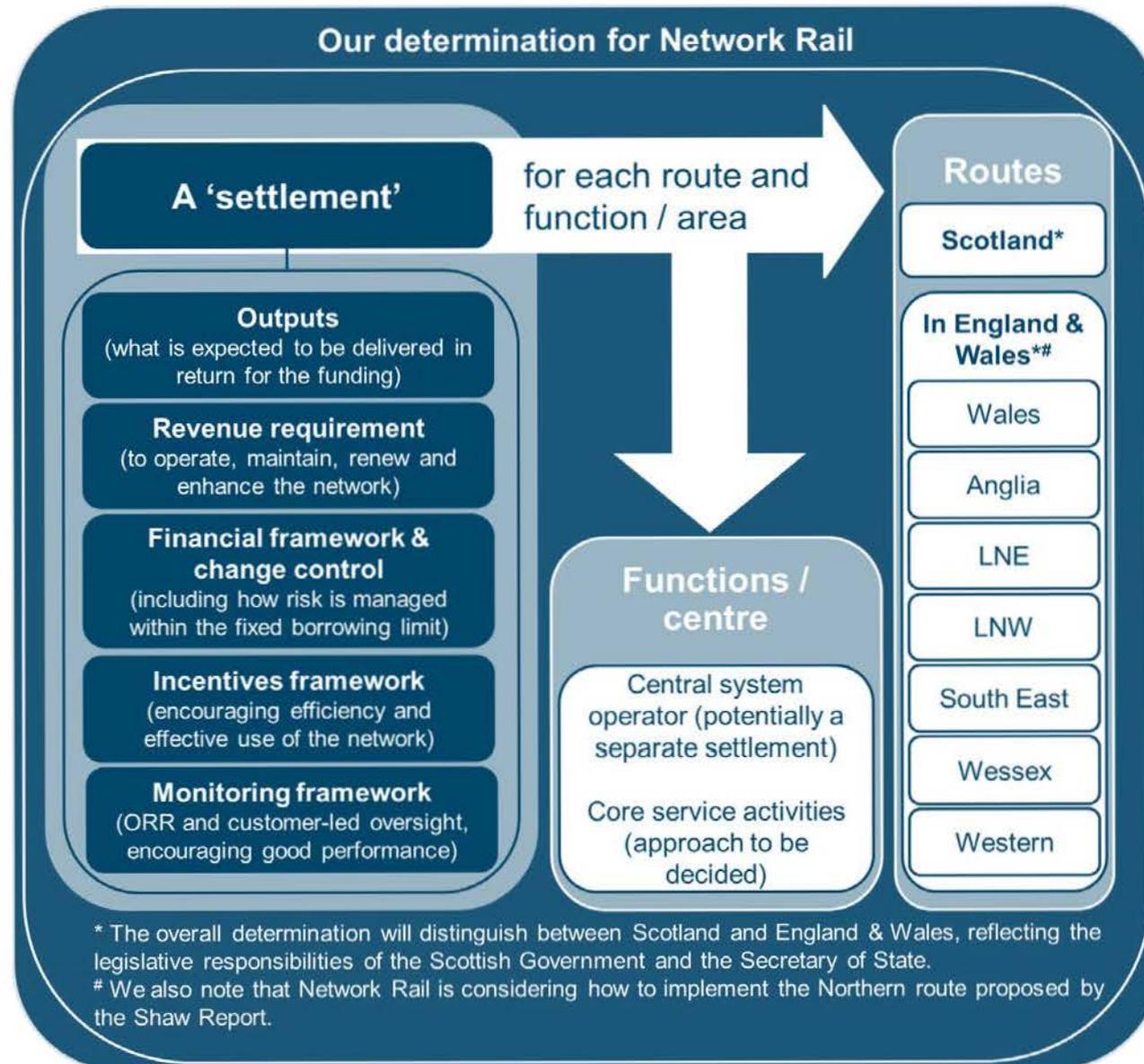
Outputs & Performance Monitoring

- Build on industry work to improve how we measure performance
- Increased route-level monitoring & transparency
- Continued protection of renewals volumes and asset condition

Cost transparency & improved incentives

- Improved information about what drives cost on the network
- Explore way to improve alignment of TOCs, FOCs and Network Rail incentives
- Incremental improvements to the performance and possessions regimes

Potential framework for the determination



Summary of key differences to PR13

| Element | PR13/CP5 | Proposed for PR18/CP6 |
|--|------------------------------|-------------------------|
| Route-level regulation | | |
| Business plans informed by route-level customer engagement | Partial ¹ | More substantial |
| Separate outputs for each route | No | Yes |
| Specific funding and RAB allocations | Indicative only ² | Yes |
| Incentive framework applying at route level | Partial ³ | Yes |
| Transparency over resource transfers between routes | Partial | Full |
| Charges reflect cost at route-level | Partial ⁴ | Consider scope for more |
| Monitoring at route-level | Partial ⁵ | Yes |

| Element | PR13/CP5 | Proposed for PR18/CP6 |
|---|------------------------------------|-----------------------|
| Regulation of system operator | | |
| Separate business plan (informed by customer engagement) | No | Yes |
| Separate outputs | No | Yes |
| Separate funding and RAB | No | Yes |
| Management incentives linked to system operator performance | Partial <i>(set nationally)</i> | Yes |
| Transparency and monitoring | Partial <i>(set nationally)</i> | Yes |

How to get in touch

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