

**Subject:** *HS1 Ltd response to ORR PR18 reviews of Schedules 4 and 8 of track access contracts*

**Date:** *29 January 2016*

## 1. Context & overview

HS1 Ltd holds the 30 year concession from the Government to operate, manage and maintain High Speed 1, the 109 kilometre high speed rail line connecting St Pancras International to the Channel Tunnel. The line is used for international passenger services to destinations in continental Europe, including Paris and Brussels; high speed domestic services throughout Kent; and for freight traffic. The concession includes the stations along the route: St Pancras International, Stratford International, Ebbsfleet International and Ashford International.

We support ORR's work to investigate this issue in advance of the Periodic Review for Network Rail (PR18). While we are not directly affected by the performance and possessions regimes in operation on NRIL, we do have an interest:

- We are an adjacent IM with a keen interest in the efficient and customer focussed operation of the railway network generally. The domestic high-speed train services use NRIL infrastructure as well as HS1 and we are interested in the end-to-end journey for the passenger irrespective of whose track they are on.
- While the HS1 possessions and performance regimes are distinct from those for NRIL, they are related and use some of the same concepts and calculations. We are keen to be involved in the debate to make sure that the impact on HS1 is considered as part of any changes to NRIL approaches.

The remainder of this response briefly summarises key elements of our regimes, and highlights key issues we consider important for the review. No aspect of this response is confidential.

## 2. HS1 regimes

Our performance regime is structured so that payments are made only in the event of major delays and cancellations. We have a band of performance in which payments are **not** made which is different to the NRIL approach. However we do not receive an allowance in our Periodic Review for expected levels of payments. The following table summarises key elements, and further details are set out in our Network Statement.

HS1 Poor Performance Threshold (minutes)	HS1 Ltd pays a penalty to the TOC if performance is worse than the HS1 Poor Performance Threshold and the TOC pays HS1 Ltd a bonus if performance is better than the HS1 Good Performance Threshold.
HS1 Good Performance Threshold (minutes)	No payments are made for performance that falls in the band between these two thresholds.  The HS1 Poor Performance Threshold was calculated as the average HS1 caused delay per train plus 1 standard deviation and the HS1 Good Performance Threshold was calculated as the average HS1 + TOC-on-TOC delay per train minus 1 standard deviation.

Payment Rate (per minute)	The rate at which payments are made to the affected TOC by HS1 Ltd and other TOCs. The payment rate was calculated as 60% of the Marginal Revenue Effect (MRE). The purpose of this was to limit the expected liability to of all parties under the regime. 60% was chosen as the proportion which ensured that payments would only exceed 1/13 of the annual cap in a very extreme period. Current payment rates are £611.25 per minute for delay to Eurostar, and £53.84 per minute for delay to LSER.
Bonus Payment Rate (per minute)	The rate at which bonus payments to HS1 Ltd are made. This rate is 25% of the Payment Rate.
Cancellation Minutes	The factor by which a cancellation is converted to delay minutes for performance regime calculations
TOC on TOC Receipt Benchmark	TOC on TOC payments are made if the performance experienced by the affected TOC is worse than its TOC on TOC Receipt Benchmark.
Train Operator's Performance Benchmark	These benchmarks are not payment triggers but are used to determine when a performance improvement plan is required. The Train Operator's Performance Benchmark was calculated as the average TOC-on-TOC delay per train caused by the train operator plus 1 standard deviation.
HS1 Ltd Performance Benchmark	

The HS1 Passenger Access Terms and HS1 Freight Access Terms contain a possessions regime by which we compensate train operators for the direct costs they incur as a result of possessions taken outside the possessions allowance. Direct costs include bus and taxi hire costs, publicity costs, train planning and diagramming costs and other costs directly related to the organisation and management of the train operator's response to a restriction of use.

Clearly this is far simpler than the NRIL arrangements, reflecting the lack of disruptive possessions on HS1 – we have not paid out under the possessions regime. It will become more important as we undertake more renewal work as the infrastructure ages.

### 3. Key issues

ORR is looking for views and accompanying evidence of: *“the effectiveness of the current regimes, including aspects that are working well, the scale of any potential problem, and what the priority areas for improvement should be.”* A number of more detailed headings are included in the consultation document to guide responses.

We can't speak to the detailed aspects of how the regimes work in practice as we are not party to them. We note the concerns that have been raised via RDG and other fora. Our comments relate to challenges that need to be addressed:

- There needs to be a strong link between this review and the system operator / system operation workstream. In order to properly align incentives and make sure that the regimes achieve the intended outcomes, it will need to reflect the role of the body undertaking timetabling.
- Ideally, Schedule 4 should work in a way that the renewal work required can be identified at franchising and a fixed price determined in advance. This would clearly require a step-change in possessions planning but this is necessary to optimise the overall system.
- It is unlikely that there is a “perfect” regime and a lot of time and effort could be wasted designing an even more complex system – the key is does it incentivise all parties (not just Network Rail) to do the right thing for the customer and work together.

As noted above, we are also keen to avoid any unintended consequences on the HS1 approach arising from changes to the NRIL approach. Not least because we rely on the NRIL TRUST and other systems in operating our regimes.

#### **4. Concluding remarks**

HS1 Ltd looks forward to being involved in this important discussion. Should you have any queries or wish to discuss our response in more detail please do not hesitate to contact me (ph: ☒ or email: ☒

Geoff Jones  
**Head of Regulation**