OFFICE OF RAIL AND ROAD

PR18: Schedule 8 - Draft impact assessment on Schedule 8 and passenger compensation

December 2016

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Summary Sheet

Summary

Which charging/incentive regime is this impact assessment looking at?

This draft impact assessment considers options for improving the way that Schedule 8 holds passenger operators neutral to the cost of compensating passenger for delays and the incentives the regime provides for Network Rail to improve its peformance in relation to passenger services. The freight operator Schedule 8 regime is not considered in this impact assessment.

This document has been published alongside 'Improving incentives on Network Rail and train operators: A consultation on changes to charges and contractual incentives' (http://orr.gov.uk/consultations/pr18-consultations/consultation-on-changes-to-charges-and-contractual-incentives/)

Which of the PR18 outcomes does this charge/incentive deliver against?

High level PR18 outcomes	**Description of outcomes**
Reliable	Network Rail delivers the optimal level of reliability for every service
	Operators minimise the delay they cause to the efficient level
	The impact of delay on operators, passengers and freight customers is minimised

What can ORR do to deliver the intended outcomes?

Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*
Network Rail delivers the optimal level of reliability for each service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation

How does the current charge/incentive achieve its objectives?

1. The payments Network Rail makes for poor performance (and the bonuses they receive for good performance) under Schedule 8 provides it with a financial incentive to improve its performance to all services.

2. Under Schedule 8 passenger operators, like Network Rail, make payments for poor performance and receive bonus payments for good performance, providing them with a financial incentive to improve their performance on all services.

3. The payments passenger operators receive under Schedule 8, in relation to delay they experience, increases the degree to which operators are held neutral to the financial impacts of delay or cancellation.

What is the current problem under consideration?

The Schedule 8 payment rates do not include all of the impacts of delay (e.g. they do not include financial impacts on passengers). This means that Network Rail and operators do not have fully accurate incentives to deliver the optimal level of reliability for every service.

In addition, the Schedule 8 payment rates do not hold passenger operators neutral to all of the financial impacts of delay or cancellation caused by Network Rail or another operator. The payment rates do not cover the costs for operators of paying for passenger compensation for delays that Network Rail or another operator are responsible for. While the long-term financial impacts used to calculate Schedule 8 impacts may not match the financial impacts of franchised operators, due to the time-limited nature of franchise agreements.

What options have been considered? Please justify preferred option (further details in Evidence Base)

Option 0 ('do nothing'):	Schedule 8 is intended to hold passenger operators neutral to the long run revenue risk that result from delay and cancellation caused by Network Rail or another operator. It also provides financial incentives to operators and Network Rail to reduce delays and cancellations.

Option 1:	Passenger compensation recovery - Passenger operators would recover from Network Rail the passenger compensation they pay out as a result of Network Rail caused delay.

Option 2:	Transparency of liability - The amount of passenger compensation paid out due to Network Rail caused delays would be reported on a regular basis. No sums would be paid under this option.

Option 3:	Liquidated damages settlement - Incorporate passenger compensation into the Schedule 8 payment rates. Passenger operators would recover through the Schedule 8 liquidated sums regime (i.e. payments made between parties are determined by a formula set in advance) the compensation it pays to its passengers as a result of delay caused by

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'Do nothing'

'Do Nothing'

Summary of the current arrangements

Schedule 8 is intended to hold passenger operators neutral to the long run revenue risk that result from delay and cancellation caused by Network Rail or another operator. It also provides financial incentives to operators and Network Rail to reduce delays and cancellations.

Description of the 'do nothing' option

Schedule 8 is a benchmarked regime. This means that payments are only made if performance deviates from a pre-determined benchmark. Network Rail and operators have their own benchmarks and payment rates. If Network Rail or a train operator performs worse than their benchmark they have to make a payment to the other party, while if they perform better than their benchmark they receive a bonus payment.

The payment rates for passenger operators are set to hold them neutral to the long-run revenue impacts of delay. The payment rates are set at the service group level (collection of train services with similar characteristics) and calculated based on estimates of the elasticity of demand for an operator's services, which is used to estimate the impact of changes in the level of performance of a service on the operator's farebox revenue. The benchmarks for passenger services are also set at the service group level to reflect differences in performance across the network.

How does the current charge/incentive achieve its objectives?

1. The payments Network Rail makes for poor performance (and the bonuses they receive for good performance) under Schedule 8 provides it with a financial incentive to improve its performance to all services.

2. Under Schedule 8 passenger operators, like Network Rail, make payments for poor performance and receive bonus payments for good performance, providing them with a financial incentive to improve their performance on all services.

3. The payments passenger operators receive under Schedule 8, in relation to delay they experience, increases the degree to which operators are held neutral to the financial impacts of delay or cancellation.

Assessment of 'do nothing' option

Assessment key

The existing regime does not meet its objectives	✘✘
The existing regime partially meets its objectives	✘
The existing regime does meet its objectives	✓

Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**'Do nothing'**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✘
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	✘
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	✘

Summary of the problem under consideration

The Schedule 8 payment rates do not include all of the impacts of delay (e.g. they do not include financial impacts on passengers). This means that Network Rail and operators do not have fully accurate incentives to deliver the optimal level of reliability for every service.

In addition, the Schedule 8 payment rates do not hold passenger operators neutral to all of the financial impacts of delay or cancellation caused by Network Rail or another operator. The payment rates do not cover the costs for operators of paying for passenger compensation for delays that Network Rail or another operator are responsible for. While the long-term financial impacts used to calculate Schedule 8 impacts may not match the financial impacts of franchised operators, due to the time-limited nature of franchise agreements.

Problem under consideration with the current charge/incentive

The existing Schedule 8 regime does not fully meet the objectives of providing accurate and effective incentives for Network Rail and operators to deliver the optimal level of reliability for every service and ensuring operators are held appropriately neutral to the financial impacts of delay and cancellation.

The Schedule 8 payment rates for Network Rail only covers the long run revenue impacts that delay or cancellation has on passenger train operators. As a result Network Rail is not incentivised to consider the impact on end users or society as a whole. This can lead to Network Rail being under-incentivised to improve performance on some areas of the network. For instance, around London where a large proportion of passengers are commuting to work the impact of lateness is high for both passengers and the economy. The Schedule 8 Network Rail payment rates for such services do not reflect these impacts and are relativley low because of the inelastic demand of passengers commuting to work. For such services the Schedule 8 payment may under-incentivise Network Rail to deliver the optimal level of reliability to every service.

For the same reasons, the financial incentives on operators are also likely not to fully reflect the impact on end users or society as a whole.

A further issue is that the current Schedule 8 payment rates for passenger operators are only intended to hold them neutral to the long-run revenue impacts of their services being delayed or cancelled. When a passenger service is delayed or cancelled they also incur other costs, such as passenger compensation. Currently if a passenger operator's service is delayed they are liable to pay compensation to passengers who use their service, even if the delay is caused by Network Rail or another operator. Schedule 8 does not hold passenger operators neutral to this financial impact of delay or cancellation. In addition, the long-term financial impacts used to calculate Schedule 8 impacts may not match the financial impacts of franchised operators, due to the time-limited nature of franchise agreements.

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Option 1

Option assessment - Option 1

Summary of Option 1

Passenger compensation recovery - Passenger operators would recover from Network Rail the passenger compensation they pay out as a result of Network Rail caused delay.

Description of Option 1

Under this option passenger operators would recover from Network Rail the compensation they pay to their passengers for delays caused by Network Rail. Passenger operators would not be able to recover compensation they pay for delays that they cause to their own passengers or delays caused by other operators.

For instance at the end of each railway period (every four weeks), or on some other frequency, passenger operators could provide Network Rail with evidence of the amount of passenger compensation they have paid out as a result of delays caused by Network Rail and Network Rail would pay that amount. A dispute resolution system may be needed as Network Rail might not always agree with the claims made by operators.

If passenger operators were able to recover from Network Rail a proportion of the passenger compensation they pay out it would reduce passenger operators' exposure to the financial impact of delays or cancellations that they are not responsible for. This option would remove the cost to passenger operators of having to pay out compensation to passengers for delays caused by Network Rail.

The existing Schedule 8 liquidated damages regime would remain in place. This option would add to the costs that passenger operators are held neutral to. It would not require any changes to the Schedule 8 liquidated damages regime or the passenger compensation regimes the operators have in place.

This option would also mean that when Network Rail delays a passenger train the cost to Network Rail would reflect both the long run revenue impact on the operator and to some extent the shorter-term impact on passengers. This would add to Network Rail's incentives to consider the impact of delay they cause on passengers.

Assessment

Assessment key

Much worse than the do nothing	✖✖
Slightly worse than the do nothing	✖
No change relative to the do nothing	•
Meeting objectives / incremental improvement on the do nothing	✓
Meeting objectives / significant improvement on the do nothing	✓✓

Objectives specific to charge or incentive regime being assessed

Outcome: **Reliable**

Objective: **Provide accurate incentives for Network Rail to deliver the optimal level of reliability**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

Passenger operators would recover from Network Rail the actual amount of passenger compensation that they pay out as a result of delay caused by Network Rail. This would mean that under this option the cost to Network Rail of delaying a passenger operator's service would reflect some of the short-term impact on passengers, as well as the long run revenue impact on the operators. Therefore, relative to the do nothing option, this option would provide more accurate incentives for Network Rail to deliver the optimal level of reliability for every service.

Outcome: **Reliable**

Objective: **Provide operators with accurate incentives to limit the delay they cause**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

The cost to passenger operators of delaying another operators' service would not change under this option. As a result, compared to the do nothing option it would not improve the accuracy of the incentives operators have to deliver the optimal level of reliability to every service.

It may, however, reduce the overall financial incentive on operators to support improvements in performance, particularly if the combination of Schedule 8 payments and reimbursement of passenger compensation means that the compensation for delays and cancellations is greater than the actual cost to an individual operator. This might be the case, for example, when an operator is near to the end of its franchise term.

Outcome: **Reliable**

Objective: **Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would address the issue of passenger operators paying out compensation for delays caused by Network Rail. This option would therefore be an improvement on the do nothing option in respect of the passenger compensation element of overall payments between Network Rail and operators.

However, Schedule 8 payments may not accurately reflect the actual financial impact on an operator - for example when it is close to the end of its franchise term - and so could over-compensate relative to the actual financial cost. This option would reduce costs to such an operator and so could increase such 'over-compensation' in some circumstances.

General objectives and criteria

Impact on operators

Group	How each group is affected
Franchised train operators	Franchised train operators would benefit from not facing the risk of paying out compensation to passengers for delays caused by Network Rail. However the franchise change process should ensure that franchised operators' subsidy or premia is adjusted to reflect the additional money they would receive under this option, thus holding franchised operators financially neutral under this option.
Open access operators	Open access operators would benefit from being able to recover the passenger compensation they pay out for delays caused by Network Rail . This would improve the financial position for open access operators.
Freight operators	This option would have no impact on freight operators.
Charter operators	This option would have no impact on charter operators.

Objective:	Promote positive impacts on funders/customers
Criteria:	Positive impact on the funds of Secretary of State and other funders

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option is unlikely to have a significant impact on the impact of the Secretary of State's funds or those of other franchise authorities. Although Network Rail's funds would be reduced, in line with what they paid out for passenger compensation, the consequent saving to operators would likely be passed back to franchise authorities through the franchise change process, leading to a minimal overall change in financial position of funders.

Objective:	Promote positive impacts on funders/customers
Criteria:	Passenger benefits

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

This option could arguably improve the passenger compensation paid by operators, as it reduces the financial disincentive to promote compensation in circumstances where Network Rail has caused the delay/cancellation. However, it may in practice be difficult for operators to change their behaviour between delays/cancellations that they have caused versus those caused by Network Rail. This might reduce any positive impacts that might arise from this change.

Objective:	Promote positive impacts on funders/customers
Criteria:	Freight customer benefits

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not have any impact on freight customers.

Objective:	Promote competition on the railway
Criteria:	Likely to increase the number of suppliers in passenger services rail market

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would remove the financial risk for passenger operators of having to pay compensation to passengers for delays caused by Network Rail. It is possible that this may encourage more suppliers to enter the passengers services rail market. However it is likely that the impact would be neglible as it is expected that only a small proportion of a new entrant's total costs are accounted for by passenger compensation for delays caused by Network Rail

Objective:	**Promote competition on the railway**
Criteria:	**Likely to increase the number of suppliers in freight rail market**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

As this option would not impact freight operators' costs for causing delay or compensation for incurring delay it would not impact the number of suppliers in the freight rail market.

Objective:	**Promote competition on the railway**
Criteria:	**Unlikely to threaten the sustainability of a sector**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not threaten the sustainability of any sector of the rail industry.

Other general objectives and criteria

Other general objectives and criteria	Assessment rating	Assessment under the baseline state of the world
Promote positive wider external impacts		
Benefits the environment	●	Compared to the do nothing option this option would have no impact on the environment.
Benefits for rural proofing	●	Compared to the do nothing option this option would have no impact on rural proofing.
Beneficial distributional impacts	●	Compared to the do nothing option this option would have no distributional impacts.
Improvements in safety	●	Compared to the do nothing option this option would have no impact on safety in the rail industry.
Limit transitional impacts (i.e. impact of change from "do nothing" to new option)		
Low information requirements	✘✘	This option would require passenger operators to collect information on the amount of passenger compensation that they pay out for Network Rail caused delay. Although the existing delay attribution processes should make this relatively straightforward.
Low transitional costs on operators (e.g. related to administrative change)	✘	There would be transitional costs for passenger operators to set up a process to collect information on passenger compensation they pay out for Network Rail caused delay and then provide this information to Network Rail on a regular basis.
Low volatility for operators (i.e. avoiding large step changes in levels of charge)	●	The level of charges would not change for any operators because of this option.
Low implementation difficulties for operators	✘	Operators would have to set up a process to make claims and recover passenger compensation from Network Rail.
Low transitional costs on Network Rail (including billing system costs)	✘	Network Rail would face the transitional cost of setting up internal processes to assess operator's claims for passenger compensation and make payments.
Low implementation difficulties for Network Rail	✘	Network Rail would have to set up a process to deal with claims from operators.
Low transitional costs on franchise authorities and funders (including billing system costs)	✘✘	Franchise authorities and funders would face significant transitional costs to make adjustments hold franchised operators financially neutral to any changes under this option.
Limit transaction costs (i.e. cost of operating the new option)		
Low transaction costs for operators of administration/participation in the charge or incentive	✘	Compared to the do nothing option this option would increase transaction costs for passenger operators in relation to passenger compensation. This is because of the additional administrative process of providing evidence of passenger compensation payments to Network Rail.
Low transaction costs for Network Rail of administration/participation in the charge or incentive	✘	Network Rail would also have the additional administrative process of checking the evidence provided to them on the amount of passenger compensation that they have paid out for Network Rail caused delay.
Low transaction costs for funders of administration/participation in the charge or incentive	●	This option would not change transaction costs for franchise authorities or funders.
Ensure that the regulatory framework complies with the law		
The option can be implemented under existing legislation	●	This option can be implemented under existing legislation.
The option is consistent with any expected changes to legislation	●	This option is consistent with any expected changes to legislation.

Option assessment summary - Option 1

Outcomes and objectives specific to charge or incentive regime being assessed						
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✓	✓	✓	✓	✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	●	●	●	●	●
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	●	●	●

General charging and incentive objectives						
Objectives	**Criteria**	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●	●	●
	Passenger benefits	✓	✓	✓	✓	✓
	Freight customer benefits	●	●	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●	●	●
Promote positive wider external impacts	Benefits the environment	●				
	Benefits for rural proofing	●				
	Beneficial distributional impacts	●				
	Improvements in safety	●				
Limit transitional impacts	Low information requirements	✗✗				
	Low transitional costs on operators (e.g. related to administrative change)	✗				
	Low volatility for operators (i.e. avoiding large step changes in levels of charge)	●				
	Low implementation difficulties for operators	✗				
	Low transitional costs on Network Rail (including billing system costs)	✗				
	Low implementation difficulties for Network Rail	✗				
	Low transitional costs on franchise authorities and funders (including billing system costs)	✗✗				
Limit transaction costs (i.e. cost of operating the new option)	Low transaction costs for operators of administration/participation in the charge or incentive	✗				
	Low transaction costs for Network Rail of administration/participation in the charge or incentive	✗				
	Low transaction costs for funders of administration/participation in the charge or incentive	●				
Ensure that the regulatory framework complies with the law	The option can be implemented under existing legislation	●				
	The option is consistent with any expected changes to legislation	●				

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Option 2

Option assessment - Option 2

Summary of Option 2

Transparency of liability - The amount of passenger compensation paid out due to Network Rail caused delays would be reported on a regular basis. No sums would be paid under this option.

Description of Option 2

Under this option the amount of passenger compensation operators pay out as a result of Network Rail caused delay would be published on a regular basis, such as at the end of each railway period. The figures could be published at the operator level.

This option differs from option 1 as it would not involve any sums being paid from Network Rail to passenger operators. This option would consequently not hold passenger operators neutral to any additional financial impacts of delay. The Schedule 8 regimes for passenger and freight operators would remain the unchanged.

It would provide a reputational incentive to Network Rail to consider the impact of delay they cause on passengers.

Assessment

Assessment key

Much worse than the do nothing	✖✖
Slightly worse than the do nothing	✖
No change relative to the do nothing	•
Meeting objectives / incremental improvement on the do nothing	✓
Meeting objectives / significant improvement on the do nothing	✓✓

Objectives specific to charge or incentive regime being assessed

Outcome: **Reliable**

Objective: **Provide accurate incentives for Network Rail to deliver the optimal level of reliability**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

Under this option Network Rail would have a reputational incentive to consider the impact of delay on passengers. When Network Rail causes a delay to a passenger service some of the impact on passengers would be public knowledge which could lead to negative publicity for Network Rail. It would provide Network Rail with an additional incentive to deliver the optimal level of reliability for every service and they would still be incentivised to consider the long run revenue impact on the operators through Schedule 8.

Outcome: **Reliable**

Objective: **Provide operators with accurate incentives to limit the delay they cause**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
•	•	•	•	•

Assessment under the baseline scenario

This option would not change the financial incentives for operators to consider the impact of delay on passengers, meaning it would not change the accuracy of the incentives operators have to deliver the optimal level of reliability to every service. There could be some improvement in the balance of reputational incentives, by improving the information available about the relative causes of delay.

Outcome:	**Reliable**
Objective:	**Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

Under this option no sums would be paid to passenger operators, therefore there would be no change to the degree to which they are held neutral to the financial impacts of delay.

General objectives and criteria

Impact on operators

Group	How each group is affected
Franchised train operators	The amount of passenger compensation franchised operators pay out for Network Rail caused delay would be published. However, as no sums would be paid to operators there would be no financial impact on them.
Open access operators	The amount of passenger compensation open access operators pay out for Network Rail caused delay would be published. However, as no sums would be paid to operators there would be no financial impact on them.
Freight operators	This option would have no impact on freight operators.
Charter operators	This option would have no impact on charter operators.

Objective:	**Promote positive impacts on funders/customers**
Criteria:	**Positive impact on the funds of Secretary of State and other funders**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

There would be no impact on the funds of the Secretary of State and other funders from this option, as it would not result in any additional payments being made between franchised operators and Network Rail.

Objective:	**Promote positive impacts on funders/customers**
Criteria:	**Passenger benefits**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not improve the passenger compensation arrangements operators currently have in place and would not change the financial incentives on operators to pay compensation. Therefore this option would not improve the situation for passengers in respect of compensation relative to the do nothing option.

However, to the extent that the reputational impacts on Network Rail are effective, this could improve passenger outcomes. In light of the indirect nature of these impacts, we have not recorded these positive impacts as being sufficent to warrant one or two 'ticks', but would welcome views on this point.

Objective:	Promote positive impacts on funders/customers
Criteria:	Freight customer benefits

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would have no impact on freight customers.

Objective:	Promote competition on the railway
Criteria:	Likely to increase the number of suppliers in passenger services rail market

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not remove the risk to passenger operators of having to pay passenger compensation for delays they are not responsible for, therefore it would not encourage any additional suppliers to enter the passenger services rail market.

Objective:	Promote competition on the railway
Criteria:	Likely to increase the number of suppliers in freight rail market

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

The number of suppliers in the freight market will not change as a result of this option.

Objective:	Promote competition on the railway
Criteria:	Unlikely to threaten the sustainability of a sector

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not threaten the sustainability of any sector of the rail industry.

Other general objectives and criteria

Other general objectives and criteria	Assessment rating	Assessment under the baseline state of the world
Promote positive wider external impacts		
Benefits the environment	●	Compared to the do nothing option this option would have no impact on the environment.
Benefits for rural proofing	●	Compared to the do nothing option this option would have no impact on rural proofing.
Beneficial distributional impacts	●	Compared to the do nothing option this option would have no distributional impacts.
Improvements in safety	●	Compared to the do nothing option this option would have no impact on safety in the rail industry.
Limit transitional impacts (i.e. impact of change from "do nothing" to new option)		
Low information requirements	✘	This option would require passenger operators to collect information on the amount of passenger compensation that they pay out for Network Rail caused delay. Although the existing delay attribution processes should make this relatively straightforward.
Low transitional costs on operators (e.g. related to administrative change)	✘	There would be transitional costs for passenger operators to set up a process to collect information on passenger compensation they pay out for Network Rail caused delay.
Low volatility for operators (i.e. avoiding large step changes in levels of charge)	●	This option would have no impact on the level of charges for operators.
Low implementation difficulties for operators	●	No input from operators would be required to implement this option.
Low transitional costs on Network Rail (including billing system costs)	●	Unless Network Rail was required to collect and publish this information there would not be any transitional costs for them.
Low implementation difficulties for Network Rail	●	Network Rail would not have to do anything to implement this option.
Low transitional costs on franchise authorities and funders (including billing system costs)	●	There would be no transitional costs on franchise authorities and funders.
Limit transaction costs (i.e. cost of operating the new option)		
Low transaction costs for operators of administration/participation in the charge or incentive	●	There may some additional transaction costs for operators to collect information on passenger compensation they pay out for Network Rail caused delay, however they aren't likely to be significant.
Low transaction costs for Network Rail of administration/participation in the charge or incentive	✘	Network Rail may want to check the information provided to them by operators.
Low transaction costs for funders of administration/participation in the charge or incentive	●	This option would not impose any transaction costs on franchise authorities and funders.
Ensure that the regulatory framework complies with the law		
The option can be implemented under existing legislation	●	This option can be implemented under existing legislation.
The option is consistent with any expected changes to legislation	●	This option is consistent with any expected changes to legislation.

Option assessment summary - Option 2

Outcomes and objectives specific to charge or incentive regime being assessed						
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✓	✓	✓	✓	✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	●	●	●	●	●
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	●	●	●

General charging and incentive objectives						
Objectives	**Criteria**	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●	●	●
	Passenger benefits	●	●	●	●	●
	Freight customer benefits	●	●	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●	●	●
Promote positive wider external impacts	Benefits the environment	●				
	Benefits for rural proofing	●				
	Beneficial distributional impacts	●				
	Improvements in safety	●				
Limit transitional impacts	Low information requirements	✘				
	Low transitional costs on operators (e.g. related to administrative change)	✘				
	Low volatility for operators (i.e. avoiding large step changes in levels of charge)	●				
	Low implementation difficulties for operators	●				
	Low transitional costs on Network Rail (including billing system costs)	●				
	Low implementation difficulties for Network Rail	●				
	Low transitional costs on franchise authorities and funders (including billing system costs)	●				
Limit transaction costs (i.e. cost of operating the new option)	Low transaction costs for operators of administration/participation in the charge or incentive	●				
	Low transaction costs for Network Rail of administration/participation in the charge or incentive	✘				
	Low transaction costs for funders of administration/participation in the charge or incentive	●				
Ensure that the regulatory framework complies with the law	The option can be implemented under existing legislation	●				
	The option is consistent with any expected changes to legislation	●				

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Option 3

Option assessment - Option 3

Summary of Option 3

Liquidated damages settlement - Incorporate passenger compensation into the Schedule 8 payment rates. Passenger operators would recover through the Schedule 8 liquidated sums regime (i.e. payments made between parties are determined by a formula set in advance) the compensation it pays to its passengers as a result of delay caused by Network Rail or other passenger operators.

Description of Option 3

Under this option passenger operators would recover the compensation they pay to their passengers for delays caused by Network Rail or passenger operators through Schedule 8.

The Schedule 8 payment rates, for both Network Rail and passenger operators, would be updated to include a component for the compensation passenger operators pay to passengers when one of their services is delayed, in addition to the long run revenue impacts. The component for passenger compensation may need to reflect the fact that the amount operators pay out in passenger compensation varies according to the type and length of delay and other factors, such as the ease of which passengers are able to claim compensation from different operators.

This option would only apply to passenger operators. The payment rate freight operators are required to pay when they delay a passenger operator would not be updated to include passenger compensation costs.

This option would also require changes to the passenger compensation regime. In the assessment of this option we have assumed that there would be significantly greater harmonisation between the Schedule 8 and passenger compensation regimes and across operators' passenger compensation arrangements. For instance, a common unit of measurement would be needed to align the Schedule 8 and passenger compensation regimes, passenger compensation could change from a threshold based entitlement regime to being paid out on per minute of lateness. In addition, measures would be needed to ensure that operators do not receive money through Schedule 8 for passenger compensation costs that they do not pass onto passengers, this could involve a separate body being set up to administer passenger compensation payments or a contractual agreement between passenger operators and funders.

Updating the Schedule 8 passenger operator payment rates to include a passenger compensation element would hold operators neutral to the risk of having to compensate passengers for delays they are not responsible for.

This option would also provide Network Rail and operators with a greater incentive to consider the impact of delay they cause on passengers.

We note that this option was also assessed by RDG in their review of charges, which concluded in 2015. While we do not assess this option against exactly the same assessment criteria as RDG did, our assessment has been informed by the RDG review.

Assessment

Assessment key

Much worse than the do nothing	✖✖
Slightly worse than the do nothing	✖
No change relative to the do nothing	•
Meeting objectives / incremental improvement on the do nothing	✓
Meeting objectives / significant improvement on the do nothing	✓✓

Objectives specific to charge or incentive regime being assessed

Outcome: **Reliable**

Objective: **Provide accurate incentives for Network Rail to deliver the optimal level of reliability**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓✓	✓✓	✓✓	✓✓	✓✓

Assessment under the baseline scenario

Passenger operators would recover passenger compensation they pay out through the Schedule 8 liquidated sums regime. This would mean the cost to Network Rail of delaying a passenger would reflect some measure of the short-term impact on passengers, in addition to the long run revenue impact on the operator. This would provide Network Rail with an incentive to consider the impact that delay has on passengers. Therefore relative to the do nothing this option would mean Schedule 8 provides significantly more accurate incentives for Network Rail to deliver the optimal level of reliability for every service.

Outcome: **Reliable**

Objective: **Provide operators with accurate incentives to limit the delay they cause**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

As with Network Rail, the cost to passenger operators of delaying another passenger operator would reflect some of the impact on passengers. This would provide passenger operators with an incentive to consider the impact of delay on passengers using other operators' services. As a result this option would provide passenger operators with significantly more accurate incentives to deliver the optimal level of reliability to every service.

It may, however, reduce the overall financial incentive on operators to support improvements in performance, particularly if the combination of Schedule 8 payments and reimbursement of passenger compensation means that the compensation for delays and cancellations is greater than the actual cost to an individual operator. This might be the case, for example, when an operator is near to the end of its franchise term.

On balance, the fact that operators would face improved incentives in relation to operator-on-operator delay looks likley to lead to an overall improvement against this objective.

Outcome: **Reliable**

Objective: **Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

This option would address the issue of passenger operators having to pay out passenger compensation for delay they are not responsible for, as they would recover this cost through Schedule 8. This option would therefore be an improvement on the do nothing option in respect of the passenger compensation element of overall payments between Network Rail and operators.

However, Schedule 8 payments may not accurately reflect the actual financial impact on an operator - for example when it is close to the end of its franchise term - and so could over-compensate relative to the actual financial cost. This option would reduce costs to such an operator and so could increase such 'over-compensation' in some circumstances.

General objectives and criteria

Impact on operators

Group	How each group is affected
Franchised train operators	Franchised train operators would benefit from not facing the risk of paying out compensation to passengers for delays caused by Network Rail or another passenger operator, but would have higher Schedule 8 costs when they cause another passenger operator to be delayed. The franchise change process would ensure that franchised operators' subsidy or premia is adjusted to reflect the additional money they would receive under this option, thus holding franchised operators financially neutral under this option.
Open access operators	Open access train operators would benefit from being able to recover the passenger compensation they pay out for delays caused by Network Rail or other operators. However the Schedule 8 costs for open access operators when they cause another passenger operator to be delayed would increase.
Freight operators	The passenger compensation element would not be included in the Schedule 8 payment rates that freight operators pay when they delay a passenger operator. This means that this option may not have any financial impact on freight operators.
Charter operators	The passenger compensation element would not be included in the Schedule 8 payment rates that charter operators pay when they delay a passenger operator. This means that this option may not have any financial impact on charter operators.

Objective: **Promote positive impacts on funders/customers**

Criteria: **Positive impact on the funds of Secretary of State and other funders**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option is unlikely to have a significant impact on the impact of the Secretary of State's funds or those of other franchise authorities. Although Network Rail's funds would be reduced, in line with what they paid out for passenger compensation, the consequent saving to operators would likely be passed back to franchise authorities through the franchise change process, leading to a minimal overall change in financial position of funders.

Objective: **Promote positive impacts on funders/customers**

Criteria: **Passenger benefits**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
✓	✓	✓	✓	✓

Assessment under the baseline scenario

The changes to the passenger compensation regime that would be required under this option would yield direct benefits to passengers.

In addition this option could arguably improve the passenger compensation paid by operators, as it reduces the financial disincentive to promote compensation in circumstances where Network Rail or another operator has caused the delay/cancellation. However, it may in practice be difficult for operators to change their behaviour between delays/cancellations that they have caused versus those caused by Network Rail or another operator. This might reduce any positive impacts that might arise from this change.

Objective: **Promote positive impacts on funders/customers**

Criteria: **Freight customer benefits**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not have any impact on freight customers.

Objective: **Promote competition on the railway**

Criteria: **Likely to increase the number of suppliers in passenger services rail market**

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

Potential new entrants to the passenger rail market would be protected from the financial risk of paying passenger compensation for delays they are not responsible for. However it is likely that this option would be significant enough on its own to increase the number of suppliers in the market.

Objective:	Promote competition on the railway
Criteria:	Likely to increase the number of suppliers in freight rail market

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

As this option would not change the level of the payments freight operators are required to make when they delay another operator it would not change the barriers to entry to the freight market. This means this option would be unlikely to change the number of suppliers in the freight market.

Objective:	Promote competition on the railway
Criteria:	Unlikely to threaten the sustainability of a sector

Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
●	●	●	●	●

Assessment under the baseline scenario

This option would not threaten the sustainability of any sector of the rail industry.

Other general objectives and criteria

Other general objectives and criteria	Assessment rating	Assessment under the baseline state of the world
Promote positive wider external impacts		
Benefits the environment	●	Compared to the do nothing option this option would have no impact on the environment.
Benefits for rural proofing	●	Compared to the do nothing option this option would have no impact on rural proofing.
Beneficial distributional impacts	●	Compared to the do nothing option this option would have no distributional impacts.
Improvements in safety	●	Compared to the do nothing option this option would have no impact on safety in the rail industry.
Limit transitional impacts (i.e. impact of change from "do nothing" to new option)		
Low information requirements	✘✘	Information would be required on current passenger compensation payments operators make and also what they are expected to pay in the future. It would be difficult to estimate future passenger compensation payments as many operators are expected to make significant changes to their compensation arrangements for passengers in light of the ORR response to the recent Which? super complaint.
Low transitional costs on operators (e.g. related to administrative change)	✘✘	Passenger operators would face the significant transitional cost of making changes to their passenger compensation regimes. All operators' passenger compensation regimes would have to have the same structure and they would need to be aligned with the Schedule 8 liquidated sums regime.
Low volatility for operators (i.e. avoiding large step changes in levels of charge)	✘	This option would change the Schedule 8 payment rates for passenger operators.
Low implementation difficulties for operators	✘✘	Pasenger operators would face difficulties in making changes to their passenger compensation regimes to implement this option. Freight operators would not have to make any changes to implement this option.
Low transitional costs on Network Rail (including billing system costs)	✘	This option may require changes to who is responsible for paying passenger compensation which may require chagnes to the 'star model'. No changes would be required to how Network Rail measures or attributes delay.
Low implementation difficulties for Network Rail	✘	Network Rail may be required to make changes to how Schedule 8 payments are administered.
Low transitional costs on franchise authorities and funders (including billing system costs)	✘✘	Franchise authorities or funders are likely to be involved in making changes to operators' passenger compensation regimes. In addition franchise authorities and funders would face significant transitional costs to make adjustments hold franchised operators financially neutral to any changes under this option.
Limit transaction costs (i.e. cost of operating the new option)		
Low transaction costs for operators of administration/participation in the charge or incentive	✘	There will be an increase in transaction costs for passenger operartors if passenger compensation moves to per minute rate.
Low transaction costs for Network Rail of administration/participation in the charge or incentive	✘	Network Rail could face higher transaction costs if there are changes to the star model to administer passenger compensation payments.
Low transaction costs for funders of administration/participation in the charge or incentive	✘✘	If an independent body is set up responsible for paying passenger compensation this will have costs for funders.
Ensure that the regulatory framework complies with the law		
The option can be implemented under existing legislation	●	This option can be implemented under existing legislation.
The option is consistent with any expected changes to legislation	●	This option is consistent with any expected changes to legislation.

Option assessment summary - Option 3

Outcomes and objectives specific to charge or incentive regime being assessed						
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✓✓	✓✓	✓✓	✓✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	✓	✓	✓	✓	✓
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	✓	✓	✓	✓	✓

General charging and incentive objectives						
Objectives	**Criteria**	Baseline	Greater on-rail competition	Reduction in franchise protection	Greater/lesser freight protection	Any other change to the current state of the world
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●	●	●
	Passenger benefits	✓	✓	✓	✓	✓
	Freight customer benefits	●	●	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●	●	●
Promote positive wider external impacts	Benefits the environment	●				
	Benefits for rural proofing	●				
	Beneficial distributional impacts	●				
	Improvements in safety	●				
Limit transitional impacts	Low information requirements	✗✗				
	Low transitional costs on operators (e.g. related to administrative change)	✗✗				
	Low volatility for operators (i.e. avoiding large step changes in levels of charge)	✗				
	Low implementation difficulties for operators	✗✗				
	Low transitional costs on Network Rail (including billing system costs)	✗				
	Low implementation difficulties for Network Rail	✗				
	Low transitional costs on franchise authorities and funders (including billing system costs)	✗✗				
Limit transaction costs (i.e. cost of operating the new option)	Low transaction costs for operators of administration/participation in the charge or incentive	✗				
	Low transaction costs for Network Rail of administration/participation in the charge or incentive	✗				
	Low transaction costs for funders of administration/participation in the charge or incentive	✗✗				
Ensure that the regulatory framework complies with the law	The option can be implemented under existing legislation	●				
	The option is consistent with any expected changes to legislation	●				

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Summary of option assessments

Option assessment summary - Baseline

Outcomes and objectives specific to charge or incentive regime being assessed				
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**Option 1**	**Option 2**	**Option 3**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✓	✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	●	●	✓
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	✓

General charging and incentive objectives				
Objectives	**Criteria**	**Option 1**	**Option 2**	**Option 3**
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●
	Passenger benefits	✓	●	✓
	Freight customer benefits	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●
Promote positive wider external impacts	Benefits the environment	●	●	●
	Benefits for rural proofing	●	●	●
	Beneficial distributional impacts	●	●	●
	Improvements in safety	●	●	●
Limit transitional impacts	Low information requirements	✘✘	✘	✘✘
	Low transitional costs on operators (e.g. related to administrative change)	✘	✘	✘✘
	Low volatility for operators (i.e. avoiding large step changes in levels of charge)	●	●	✘
	Low implementation difficulties for operators	✘	●	✘✘
	Low transitional costs on Network Rail (including billing system costs)	✘	●	✘
	Low implementation difficulties for Network Rail	✘	●	✘
	Low transitional costs on franchise authorities and funders (including billing system costs)	✘✘	●	✘✘
Limit transaction costs (i.e. cost of operating the new option)	Low transaction costs for operators of administration/participation in the charge or incentive	✘	●	✘
	Low transaction costs for Network Rail of administration/participation in the charge or incentive	✘	✘	✘
	Low transaction costs for funders of administration/participation in the charge or incentive	●	●	✘✘
Ensure that the regulatory framework complies with the law	The option can be implemented under existing legislation	●	●	●
	The option is consistent with any expected changes to legislation	●	●	●

Option assessment summary - Greater on-rail competition

Outcomes and objectives specific to charge or incentive regime being assessed				
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**Option 1**	**Option 2**	**Option 3**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level of reliability	✓	✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to limit the delay they cause	●	●	✓
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	✓

General charging and incentive objectives				
Objectives	**Criteria**	**Option 1**	**Option 2**	**Option 3**
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●
	Passenger benefits	✓	●	✓
	Freight customer benefits	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●

Option assessment summary - Reduction in franchise protection

Outcomes and objectives specific to charge or incentive regime being assessed				
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**Option 1**	**Option 2**	**Option 3**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level	✓	✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to deliver the optimal level	●	●	●
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	✓

General charging and incentive objectives				
Objectives	**Criteria**	**Option 1**	**Option 2**	**Option 3**
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●
	Passenger benefits	✓	●	✓
	Freight customer benefits	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●

Option assessment summary - Greater/lesser freight protection

Outcomes and objectives specific to charge or incentive regime being assessed				
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**Option 1**	**Option 2**	**Option 3**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level	✓	✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to deliver the optimal level	●	●	●
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	✓

General charging and incentive objectives				
Objectives	**Criteria**	**Option 1**	**Option 2**	**Option 3**
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●
	Passenger benefits	✓	●	✓
	Freight customer benefits	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●

Option assessment summary - Any other change to the current state of the world

Outcomes and objectives specific to charge or incentive regime being assessed				
Outcome *What does the outcome look like?*	**Objective** *What can ORR do to ensure delivery of this outcome?*	**Option 1**	**Option 2**	**Option 3**
Network Rail delivers the optimal level of reliability for every service	Provide accurate incentives for Network Rail to deliver the optimal level	✓	✓	✓✓
Operators minimise the delay they cause to the efficient level	Provide operators with accurate incentives to deliver the optimal level	●	●	●
The impact of delay on operators, passengers and freight customers is minimised	Ensure that operators are held appropriately neutral to the financial impacts of delay or cancellation	●	●	✓

General charging and incentive objectives				
Objectives	**Criteria**	**Option 1**	**Option 2**	**Option 3**
Promote positive impacts on funders/customers	Positive impact on the funds of Secretary of State and other funders	●	●	●
	Passenger benefits	✓	●	✓
	Freight customer benefits	●	●	●
Promote competition on the railway	Likely to increase the number of suppliers in passenger services rail market	●	●	●
	Likely to increase the number of suppliers in freight rail market	●	●	●
	Unlikely to threaten the sustainability of a sector	●	●	●