



Graham Richards
Director Planning and Performance
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5 June 2020

Dear Graham,

I am writing to inform you of an improvement to the accuracy and reliability of our train performance system which will impact CRM-P and to seek ORR approval of the revised CRM-P target, forecasts and CP6 regional regulatory baselines and floors.

Rationale for change

Our performance data warehouse (PSS) has long-standing issues with the calculation of actual train kilometres run within a geographical area due to how it handles trains crossing route boundaries when an estimation of the split of miles is required. PSS only contains an estimate of train mileage to provide an input to allow for normalisation of performance data (including CRM-P). The data is not used for any official mileage reporting. ORR is aware of these issues and recognised this in the definition of CRM-P from its outset so that our current reporting aligns to the agreed definition.

During the work required to implement Putting Passengers First, we have identified improvements that can be made to the calculation of mileage within our performance system, improving the accuracy of the data and the system reliability. One impact of implementing the improvements would be a change in the reported level of CRM-P and we therefore believe that we will need to agree adjustments to forecasts, CRM-P baselines and regulatory minimum floors for the remainder of CP6.

Impact of the change

Improving the capture of train kilometres run within PSS would result in a reduction to reported CRM-P and corresponding regional in-year targets and CP6 forecasts. We have estimated that if we were to implement the changes to the system, the regional level reported CRM-P would improve by around three percent (on average) as the reported mileage would increase whilst the delay remains the same. We have also estimated that the impact on CP6 trajectories would result in a change in CRM-P by around the same level. A table summarising the changes to the period 13 2019/20 Moving Annual Average mileage by region is set out below. Please note that this data is subject to a very small further change on completion of the allocation of the remaining 0.2 % kilometers.

Impact on 2019/20 P13 MAA

	Reported KMs	Reported Delay	Reported CRM-P	Adjusted KMs	Adjusted CRM-P	Change in CRM-P
Eastern	156,845,481	2,576,542	1.64	159,155,835	1.62	1.2 %
North West and Central	119,602,297	2,456,496	2.05	125,689,950	1.95	4.9 %
Scotland	54,219,628	671,949	1.24	56,196,783	1.20	3.2 %
Southern	111,869,069	2,995,687	2.68	114,911,423	2.61	2.6 %
Wales and Western	68,398,589	1,110,184	1.62	70,746,732	1.57	3.1 %

We will also update our in-year targets and long-term forecasts and consider that CRM-P regulatory baselines and minimum floors should be updated at the same time to ensure a consistent basis to monitor and report on performance. We would also propose to restate our Year 1 CRM-P outturn to ensure consistency of reporting across the control period and would report the restated data in our 2021 Annual Return.

The tables below set out the proposed revised CRM-P baseline trajectories (which align with Delivery Plan forecasts for years 2-5) and regulatory minimum floors for each region from years 1 – 5 (with the June 2019 regional baselines and floors indicated in brackets, per ORR’s letter of 19 June 2019).

Regional CRM-P baseline trajectories for CP6

BASELINE TRAJECTORIES

	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern	1.40 (1.50)	1.34 (1.36)	1.28 (1.31)	1.26 (1.28)	1.25 (1.27)
North West and Central	1.65 (1.71)	1.57 (1.62)	1.53 (1.58)	1.51 (1.55)	1.48 (1.52)
Scotland	1.03 (1.06)	0.93 (0.96)	0.86 (0.89)	0.86 (0.89)	0.86 (0.88)
Southern	2.86 (2.90)	2.82 (2.88)	2.76 (2.82)	2.68 (2.74)	2.65 (2.70)
Wales and Western	1.83 (1.88)	1.78 (1.84)	1.70 (1.68)	1.63 (1.64)	1.60 (1.64)

Regional CRM-P floors for CP6

REGULATORY FLOOR

	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern	1.66 (1.70)	1.60 (1.63)	1.54 (1.57)	1.52 (1.55)	1.51 (1.54)
North West and Central	1.96 (2.02)	1.88 (1.94)	1.84 (1.90)	1.82 (1.88)	1.79 (1.85)
Scotland	1.21 (1.25)	1.11 (1.15)	1.04 (1.08)	1.04 (1.08)	1.04 (1.07)
Southern	3.41 (3.49)	3.37 (3.44)	3.31 (3.38)	3.23 (3.30)	3.20 (3.26)
Wales and Western	2.17 (2.23)	2.12 (2.19)	2.04 (2.10)	1.97 (2.02)	1.94 (1.99)

It should be noted, that these changes do not include any element of reforecast and have been recut solely based of the improvement to the mileage calculation. While the change impacts regulatory baselines and floors that were set, the original level of challenge is maintained. Your team has informally reviewed the methodology and confirmed it is satisfied with the changes we propose to implement and the resulting impact on reported and forecast CRM-P.

In line with ORR’s Managing Change policy, we believe that this change is a level III change because it impacts the baselines and regulatory minimum floors of a key regulatory measure of comparison. The policy requires that Network Rail must seek ORR’s opinion of level III changes, specifically the changes to regional regulatory baselines and floors for CRM-P, as described above.

Proposed timeline for implementation

In light of Covid-19, the performance trajectories for year 2 (and possibly beyond) are likely to need to be updated beyond those in the Delivery Plan to reflect the changed circumstances. The impact on CRM-P of the changes to PSS is likely to be small in comparison to the Covid-19 related changes. Following careful consideration, we propose to implement the relatively small changes to CRM-P that will arise as a result of the improvements to the train mileage accuracy and complete these changes before our RF8 process commences. We think this is approach offers greater transparency of the impact of the technical change. It will also enable regions to review the revised CRM-P data ahead of developing updated forecasts during the RF8 process.

To achieve this aim and to enable a shared understanding of the change process, the timeline below describes the key milestones to implement and approve changes alongside the availability of revised data. These dates have been discussed with your team.

Date	Action
Mid-June	ORR confirms revised CRM-P trajectories, regulatory baselines and floors
29 June	Network Rail commences updates to PSS
14 August	Provisional CRM-P reported on the new basis in period 4 reporting (including year 2 scorecards – actuals and targets)
11 September	Validated CRM-P reported on the new basis in period 5 reporting (including year 2 scorecards – actuals and targets) Historic data (from start year 5 CP5 available for comparison purposes)
14 August	RF8 guidance issued to regions (with the above system changes made)
20 November	RF8 narrative submission deadline (including long-term scorecards with revised year 2 – 5 forecasts reflecting an updated view of the impact of Covid-19)

Our route and regions have been engaged on an ongoing basis about the technical change to CRM-P and are satisfied with the proposed changes and timeline for implementation.

Ahead of commencing the planned update to PSS on 29 June, I ask ORR to approve the proposed improvements to the accuracy and reliability of our train performance system and the resulting impact on reported CRM-P, targets and forecasts, and the regional regulatory baselines and floors.

Further considerations

Our regions are continuing to engage with their customers on the technical change to CRM-P and the proposed outputs through their normal engagement channels. We will keep you informed of the status of these discussions, in particular if any concerns are raised.

There is no impact on the safety of the railway because the improvements to mileage data within PSS will be used to reset regulatory baselines and reporting for CRM-P and is not used in any safety critical work.

There is no impact on other metrics of this change in the mileage calculation within PSS because this data warehouse is only used in performance reporting and no other CP6 performance metrics involve mileage.

The adjustment to the CRM-P trajectories does not alter the level of performance that Network Rail is committed to deliver over CP6. It also has no impact on the measurement of performance minutes during CP6, as this does not use mileage figures nor CRM-P to calculate. Performance minutes is the measure of performance used within Schedule 8, so the way that Schedule 8 is measured during CP6 will not be impacted.

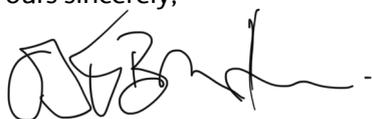
However, CRM-P was used within the PR18 Schedule 8 recalibration to inform the Network Rail Benchmarks for each year of CP6. It is technically possible that this recalibration may have produced different Network Rail Benchmark results had the corrected mileage data and adjusted CRM-P trajectories been used instead. As such, we have undertaken an analytical exercise to ensure that the correction to mileage does not impact on the Network Rail Benchmarks produced by the PR18 recalibration. Our analysis reproduces the 'regression' stage of the PR18 recalibration of the Network Rail Benchmarks, at a TOC level, in order to compare the results using the original mileage and the corrected mileage. Specifically, it produces a comparison of the following:

1. The CP6 Network Rail Benchmarks using the original mileage and original CRM-P trajectories; and
2. The CP6 Network Rail Benchmarks using the estimated new mileage and the proposed new CRM-P trajectories.

The analysis predicts results within 1.5 per cent of each other for all but two TOCsⁱ, with no consistent bias in the comparison. We would expect some slight variation between the two estimates as the models are only based on 26 data points, so the regression has a margin of error (as was the case during the PR18 recalibration work). Given that the variation is small, and that we would not expect these to perfectly align, we are confident that there would be minimal (if any) impact on the NR Benchmarks for CP6. We therefore do not propose to recalibrate benchmarks. This approach is a simplification of the actual approach used in the PR18 recalibration, which used Service Group regression models rather than TOC-level models and did not always include all 26 periods of calibration data. Therefore, we would not expect the results to perfectly align.

Should you have any questions about this letter or require any further information, please do not hesitate to contact me.

Yours sincerely,



Oliver Bratton
Director, Network Strategy & Operations

ⁱ The two TOCs where we see around a 4% difference are TPE and Chiltern. We will explore this further to try to determine the cause. We expect that running the model at a TOC level rather than a Service Group level contributes to this difference.