



Graham Richards  
Director Planning and Performance  
Office of Rail and Road  
25 Cabot Square  
London  
E14 4QZ

17 July 2020

Dear Graham

### **Managing Change – FDM-R**

On 5 June 2020 Oliver Bratton wrote to you to inform you of an improvement to the calculation of train mileage within our train performance system. As train mileage from this system is only used in the calculation of CRM-P for regulatory reporting, our initial assessment was that no other metrics would be impacted by the change. As we have recently discussed with your team, we have now established that there is an impact on the calculation of the Freight Delivery Metric at a regional level (FDM-R) and are therefore seeking ORR's approval of revised CP6 regulatory baselines and floors for FDM-R, which we will reflect in our scorecards. The baseline and floor for national FDM is not affected by the system improvements.

### **Rationale for change**

As set out in Oliver's letter, our performance data warehouse (PSS) currently provides an estimation of the split of train miles when crossing route and region boundaries. Improvements identified during the work to implement our new Putting Passengers First structure will provide more accurate geographical data on which to calculate train miles. As FDM-R is calculated based on train count rather than mileage, our previous assessment was that there would be no impact on FDM-R. We now understand that accuracy of location data does impact how the train count is split at a regional route level.

As a result, we believe that we will need to agree adjustments to FDM-R baselines and regulatory minimum floors for the remainder of CP6.

### **Impact of the change**

While national FDM remains stable, improving the accuracy of regional train count causes some regional forecasts to marginally increase while others will reduce. A table summarising the changes to the 2019/20 period 13 Moving Annual Average train count by region is set out below.

## Impact on 2019/20 P13 MAA

	Reported train count	Reported FDM-R	Adjusted train count	Adjusted FDM-R	Change in FDM-R (percentage points)
Eastern	61,697	92.4 %	61,304	92.4 %	0.0
North West and Central	49,539	93.0 %	49,969	93.1 %	+0.1
Scotland	8,707	94.5 %	8,649	94.5 %	0.0
Southern	15,539	90.8 %	15,436	90.8 %	0.0
Wales and Western	29,389	93.8 %	29,453	93.8 %	0.0
National	164,871	92.8 %	164,811	92.8 %	0.0

We propose to restate our 2019/20 FDM-R outturn to ensure consistency of reporting across the control period and would report the restated data in our 2021 Annual Return.

As discussed with ORR, we also propose that the regulatory baselines and floors for FDM-R should be updated to reflect the more accurate train count for all regions except for Scotland. As the Scottish HLOS set specific requirements for Scotland, we are still in the process of consulting with Transport Scotland and ORR colleagues, so we do not propose to change these at this time. We will however reflect updated Scotland targets in our scorecards as required to contribute to national FDM targets.

The tables below set out our proposed revised FDM-R regulatory baselines and floors for each region (except Scotland) for all years of CP6 (with the June 2019 regional baselines and floors indicated in brackets, per ORR's letter of 19 June 2019). The baselines and floors we have proposed here will be reflected in the target ranges in our annual scorecards. I have also included reforecast Scotland targets for your awareness.

### Proposed FDM-R baselines for CP6

	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern	94.1 % (94.0 %)				
North West and Central	94.8 % (94.6 %)				
Southern	92.0 % (92.8 %)				
Wales and Western	93.5 % (93.4 %)				
National	94.0 % (94.0 %)				

### Proposed FDM-R regulatory floors for CP6

	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern	92.6 % (92.5 %)				
North West and Central	93.5 % (93.5 %)				
Southern	89.9 % (90.0 %)				
Wales and Western	91.9 % (91.9 %)				
National	92.5 % (92.5 %)				

### Scotland scorecard targets and lower tapers

	2020/21	2021/22	2022/23	2023/24
Scotland scorecard target	95.5 %	95.5 %	95.5 %	95.5 %
Scotland scorecard lower taper	94.4 %	94.4 %	94.4 %	94.4 %

It should be noted that these changes do not include any reforecast and have been recut solely based on the system improvement described. We have discussed the change with Lyndsey Melbourne in your team and I understand she is satisfied with the rationale for the change.

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 FDM-R, as described above.

### Proposed timeline for implementation

In light of Covid-19, the performance trajectories for year 2 (and possibly beyond) in the March 2020 Delivery Plan are likely to need to be updated to reflect the changed circumstances. The impact of this technical change on FDM-R is likely to be small in comparison to future Covid-19 related changes. Following careful consideration, we propose to implement these changes before our RF8 process commences. We think this approach offers greater transparency of the impact of the technical change. It will also enable regions to review the revised FDM-R data as part of updating 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
31 July	ORR confirms revised FDM-R baselines and regulatory floors
14 August	Provisional FDM-R reported on the new basis in period 4 reporting
14 August	RF8 guidance issued to regions (with the above system changes made)
11 September	Validated FDM-R reported on the new basis in period 5 reporting Historic data (from start year 5 CP5) available for comparison purposes
20 November	RF8 narrative submission deadline (including long-term scorecards)

Our regions have been engaged about the technical change to FDM-R and are satisfied with the proposed changes. I ask ORR to approve the proposed improvements to the accuracy and reliability of our train performance system and the resulting impact on FDM-R baselines and regulatory floors.

### Further considerations

The adjustment to trajectories does not alter the overall level of performance that Network Rail is committed to deliver over CP6. We are engaging with our customers on the impact of the change and will keep you informed if any concerns are raised. There is no impact on the safety of the railway as the mileage data within PSS will be used to reset regulatory baselines and reporting for FDM-R and is not used in any safety critical work.

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

Yours sincerely,



Andy Saunders  
Delivery Director, Freight and National Passenger Operators