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Dear Paul,

High Speed 1 periodic review - Network Rail's response to the first consultation

I am writing in response to ORR's first consultation on the 2014 Periodic Review of High Speed 1. We welcome the opportunity to respond and give below our comments:

Outputs (Q1)

We agree that CP2 outputs should balance HS1 Ltd's vision, contractual requirements and customer views, however, we think it would be helpful if ORR could say how it intends to assess whether a balance has been struck.

Incentives (Q2)

We agree that a wholesale review of contractual incentive mechanisms is not necessary but it is worth noting that the possession regime has not really been tested yet and so it may be sensible to consider a review once more experience of its operation is available.

Outperformance (Q3)

Based on our experience of the efficiency benefit sharing mechanism between NRIL and train operators we consider that some key principles in the design of any similar system for HS1 are: (1) simplicity, (2) care to avoid perverse or unexpected effects, (3) clarity of the baseline against which outperformance is measured, and (4) clarity on how outperformance is assessed such as the components of cost [and income] to be included in the mechanism.

Structure of charges (Q4)

We have no specific comment but note that HS1 Ltd is currently reviewing the structure of charges.

Escrow account (Q5)

The escrow account arrangements seem appropriate but as they have not really been tested yet it would be sensible to review this again at the next review.

Benchmarking (Q6)

We do not believe there are any gaps in the benchmarking proposals. In our experience getting comparable data on a like-for-like basis from other countries is extremely difficult and so results should be treated with caution.

Timescales and further comments (Q7, 8 and 9)

The timescales appear very tight but Network Rail (High Speed) is working constructively with HS1 Ltd and is fully committed to provide its inputs to review in the timescales required.

We confirm that we do not wish any of this letter to remain confidential

Yours sincerely



Bill Davidson
Head of Regulatory Policy