



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

Network Rail
1 Eversholt Street
London
NW1 2DN

16 March 2020

Dear Graham

Managing Change – FDM-R

In July 2020 we wrote to you to inform you of an improvement to the calculation of train mileage within our train performance system which impacted the calculation of the Freight Delivery Metric at a regional level (FDM-R). When the system changes went live, your team highlighted that the changes were not in line with forecasts developed in the system test environment. In addition, as our route operating models have been embedded, we have taken the opportunity to consider route boundary changes within the calculation. We have discussed the impact and calculation methodology with your team and are now 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 previously set out, our performance data warehouse (PSS) previously provided 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 provided more accurate geographical data on which to calculate train miles. As increased accuracy of location data impacted how the train count is split at a regional and route level, FDM-R actuals and forecasts were impacted by this change. We engaged with your team in July 2020 to forecast the impact of these system changes, however the actual impact was not in line with our expectation. The updated forecasts in this letter account for the full impact of the change.

Additionally, our Eastern Region reviewed and amended the East Coast Mainline and North East Route boundary. Again, this impacted how the train count is split at a route level and therefore had to be considered in setting regions forecasts to achieve the CP6 FDM-R target. We have now concluded that the Eastern route boundary change does not impact regional FDM-R. This letter does not include changes as a result of the Worcester boundary change, where the Worcester area is transferring from Wales & Western region to North West & Central region. We are writing separately to explain the rationale and impact of that change.

As the system changes have improved the accuracy of the underlying data used to calculate FDM-R, we are seeking to formally agree adjustments to baseline trajectories and regulatory floors to retain a consistent level of challenge with the Final Determination for CP6. We have engaged with your team throughout this process to transparently explain the rationale and impact of the change and they have agreed that the methodology to develop new baseline trajectories and regulatory floors is appropriate.

Impact of the change

While national FDM-R remains stable, for the reasons outlined above, some baseline trajectories have marginally increased while others have reduced. The tables below sets out our proposed revised FDM-R targets and Regulatory Floors for each region 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 scorecards. Our regions have been engaged about the technical change to FDM-R and are satisfied with the proposed changes and timeline for implementation. After engaging with Transport Scotland in 2020 about the impact of the change, the Scotland baseline trajectory and regulatory floors are unchanged to continue to align with the High-Level Output Specification for CP6. We continue to work with freight operators to set appropriate operator level targets within our customer scorecards.

FDM-R baseline trajectories for CP6

	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern	94.1 % (94.0 %)	94.1 % (94.0 %)	94.1 % (94.0 %)	94.1 % (94.0 %)	94.1 % (94.0 %)
North West and Central	94.6 % (94.6 %)	94.6 % (94.6 %)	94.6 % (94.6 %)	94.6 % (94.6 %)	94.6 % (94.6 %)
Scotland	93.0 % (93.0 %)	Staged improvements			94.5 % (94.5 %)
Southern	91.6 % (92.8 %)	91.6 % (92.8 %)	91.6 % (92.8 %)	91.6 % (92.8 %)	91.6 % (92.8 %)
Wales and Western	94.0 % (93.4 %)	94.0 % (93.4 %)	94.0 % (93.4 %)	94.0 % (93.4 %)	94.0 % (93.4 %)
National	94.0 % (94.0 %)	94.0 % (94.0 %)	94.0 % (94.0 %)	94.0 % (94.0 %)	94.0 % (94.0 %)

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	93.2 % (93.5 %)				
Scotland	92.5 % (92.5 %)				
Southern	89.3 % (90.0 %)				
Wales and Western	92.5 % (91.9 %)				
National	92.5 % (92.5 %)				

Due to the timing of this letter, some regions have not reflected these updated baseline trajectories and regulatory floors within the long-term scorecards supplied to ORR at RF11. We will be following our internal change control process to ensure all scorecards reflect the updated position for 2021/22 onwards and will keep ORR updated through our periodic scorecard meetings. We also 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.

In line with ORR's Managing Change policy, we have assessed that this change is a level III change because it impacts the baselines and regulatory minimum floors of a key regulatory measure of comparison. I ask ORR to approve the proposed FDM-R baselines and regulatory floors.

Proposed timeline for implementation

We propose to implement these changes for the 2021/22 scorecards and the remaining years of CP6, as well as restating performance to date in the Annual Return 2021. We would therefore be grateful for ORR's opinion on this change by 31 March 2021.

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 the proposed outputs and will keep you informed 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 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,

A handwritten signature in black ink, appearing to read 'Charlene Wallace', written in a cursive style.

Charlene Wallace
Director, National Passenger and Customer Experience