

13 April 2023

Dear Stakeholder

PR23 policy framework: consultation on updating the Holding Network Rail to Account policy for CP7

Today, we are consulting on an updated version of our Holding Network Rail to Account policy for Control Period 7 (CP7). Our [PR23 policy framework consultation conclusions](#) in December 2022 confirmed that we would refresh and update the policy for CP7. We would not, however, make significant changes to the underlying principles, tools and approach, reflecting that we consider them fit for purpose in the current context and ahead of rail reform.

The updated policy sets out how we will hold Network Rail to account for delivery of the commitments in our PR23 final determination and the obligations in its network licence. We will continue to hold Network Rail to account as one organisation and one licence holder, including its regions, System Operator (SO) and other business units. Our policy explains how we will monitor performance, escalate and investigate potential issues and where necessary, take enforcement action. In doing so we seek to secure the best possible outcomes for passengers, freight end-users and taxpayers across the network.

Separately, the policy contains the penalties statement required by section 57B of the Railways Act 1993 (the Act), that we must have regard to when deciding whether or not to impose financial penalties and in determining their amount.

PR23 progress

In February, we received Network Rail's Strategic Business Plans (SBPs) for CP7, which we are currently assessing, including against the requirements and funding set out by the UK Government (for England & Wales) and the Scottish Government (for Scotland) in their respective High Level Output Specifications (HLOS) and Statements of Funds Available (SoFA). Our assessment will establish Network Rail's PR23 commitments, charges, incentives and financial framework for CP7, which we will set out in our draft determination. We expect to consult on our draft determination in June 2023. Having consulted with stakeholders, we expect to issue



our final determination by 31 October 2023, which will set out our decisions on Network Rail's delivery and funding for CP7.

There is more information on the wider programme, publications and timeline available [on our website](#). If you have any views on the information set out in this letter, please contact us via pr23@orr.gov.uk.

Changes to the Holding to Account policy

We are particularly seeking stakeholders' views on how the updated document reflects areas that we have already consulted on as part of our new policy approach for CP7:

- **Our new outcomes framework:** We have introduced a new tiered outcomes framework for CP7, with a set of headline success measures that we will use to publicly report against Network Rail's performance. We will reduce our focus and reliance on Network Rail's scorecard measures and targets as part of this approach to monitoring and reporting in CP7.
- **New non-exhaustive indicative criteria:** The criteria will replace Regulatory Minimum Floors and will be used when assessing performance against success measure baseline trajectories, supporting measure forecasts and any other measures of performance/expectations. If any of the criteria are met, we will consider whether we need to increase monitoring in an area or escalate this to a more informal/formal investigation into whether or not Network Rail has breached its licence. We have proposed minor amendments to the list of criteria presented in our July 2022 policy framework consultation.
- **General structure and wording of the document:** We have updated and refreshed terminology throughout the policy and sought to streamline the document and clarify our processes.

Holding to Account and rail reform

We anticipate the implementation of the UK Government's plans for rail reform during the CP7 period. In recognition of these developments, and with the aim of providing regulatory stability, we have taken an incremental approach to the design of the policy frameworks for PR23 and will implement our PR23 policy in a way that is adaptive to the changes anticipated from rail reform.

Network Rail will continue in its role as infrastructure manager in the early part of the next control period, during which time we will use our updated Holding to Account policy. We consider that much of our approach would be appropriate for Great British Railways (GBR), when it is established. This includes using comparative regulation,



providing strong reputational incentives, and taking a proportionate approach to regulation that aims to resolve issues early and promote improvement.

When GBR is established, we will review and update our holding to account policy to reflect a new, whole-system approach, and to reflect any changes in the legislative framework and GBR's future licence.

Responding to this consultation

We welcome your feedback and responses to the [draft policy document](#). Please send responses by **Friday 9 June 2023** to pr23@orr.gov.uk.

Next steps

We will publish our revised policy after we have taken your feedback into account and the publication of our final determination, which we expect to publish in October 2023.

Yours faithfully

Will Godfrey