ORR's annual assessment of Network Rail's Eastern region 2024 to 2025

Letter

17 July 2025

Dear Ellie,

Subject: ORR's annual assessment of Network Rail's Eastern region

I am writing to you, separately to our 2024-25 Annual Assessment of Network Rail to summarise our assessment of Eastern region's performance in 2024-25 and look ahead to delivery in the remainder of control period 7 (CP7). We have worked well with your predecessor and the wider Eastern region team over the course of year 1 of CP7 and look forward to that continuing going forward.

As set out in our final determination, due to constrained funding in CP7 Network Rail will be relying on life-extending repairs and maintenance over renewals over the course of CP7 as compared to CP6. We are therefore increasing our focus on these activities.

Delivering a reliable and punctual service for passengers and freight

Passengers and freight have experienced a challenging year of train performance in the Eastern region. Passenger On Time performance declined from 69.4% to 67.7% and Cancellations increased from 3.7% to 3.9%. Freight cancellations remained at 1.6%.

Normalised Network Rail delay minutes per thousand miles improved slightly to 28.4, however there was a significant rise in delay from external incidents, including trespass and fatalities. This was much higher in Eastern than the average rise in external delay across the network.

Following our letter in October 2024 to your predecessor, Eastern produced a refreshed train performance improvement plan in December 2024. We requested some further assurance on the plan and you provided that in April 2025. In our view the plan is credible, with schemes aimed at addressing each route's specific concerns. At the end of year 1, benefits from the plan were yet to result in improved performance, particularly for punctuality. Reviewing delivery of your plan and its effectiveness in improving train service performance will remain a key focus for ORR over the coming year.

The implementation of the December 2025 timetable change poses a key challenge for the region, involving a re-write of the East Coast Mainline timetable and significant timetable updates on the East Midlands route as well as connected routes. Network Rail is forecasting a significant decline in punctuality as a result. This estimated decline is being considered by ORR as we set out the new performance targets for the years 3 to 5 as part of the Periodic Review 2023 process. Network Rail must now focus on readiness activities to optimise the timetable change implementation and minimise negative impacts on train performance.

Growth for freight

Freight growth in Eastern has been strong since the start of CP7 and the region has exceeded the year-end target set of 1.5%. Its 9.3% freight growth has been driven by new traffic and an upturn in market conditions particularly in East Coast and East Midlands.

Improving asset reliability

Eastern delivered 99% of its planned renewals (effective) volumes, with over delivery in structures, overhead line equipment, and track renewals but under delivery in earthworks and signalling. The region has reduced its planned renewal volumes for the remaining years in the control period in track, earthworks, signalling and structures to fund Schedule 8 payments. This will affect the region's future asset reliability. This is leading to an increased risk to asset sustainability, financial stability and train performance in both CP7 and future control periods. ORR will continue to scrutinise how the region prioritises its plans to optimise outcomes in its upcoming business plan reforecasting.

There is a significant non-compliance with structural assessment across Eastern's structures and operational property portfolios. In February 2025, ORR wrote to Network Rail requiring risk assessments to be in place for all non-complaint assets by end of April 2025 and this was achieved

by Eastern. We also set the deadline of end of February 2026 for the completion of all assessments for assets with no recorded capacity. We have received the proposed recovery plan to address non-compliance; we are currently reviewing this and engaging an independent reporter on the matter.

Enhancing the network

With the opening of three stations, the North & East route has reintroduced passenger services to the Northumberland line. Northumberland County Council and Network Rail are now seeking to complete further station works in CP7. In Anglia, I note works have progressed to enable the new stations at Cambridge South and Beaulieu Park to be authorised and opened in year 2.

I also note that the East Coast Digital Programme progressed well in year 1, completing the full switch to digital in-cab signalling on trains operating between Moorgate and Finsbury Park in May 2025. However, the associated strategic renewals saw rephasing of funding into future years of the control period primarily due to slippage of the freight fitment programme. ORR will be closely monitoring the impact of this rephasing in year 2.

The Midland Mainline also progressed well in year 1, with the line between Kettering and Wigston South Junction electrified. Network Rail also successfully delivered strategic renewal works south of Bedford, which should allow faster electric trains to operate by August 2025.

The Transpennine Route Upgrade programme governance and management has returned to Eastern from year 2. Diversionary routes in the west of Leeds area, electrification between York and Church Fenton and the track and station work during the 30-day blockade at Huddersfield are key deliverables within year 2. We will work with the region to monitor delivery going forward as well as any performance impact.

Delivering better environmental outcomes

According to Network Rail's latest reporting, Eastern achieved its forecast 3.8% reduction in carbon emissions. The reduction was primarily in scope 1 carbon emissions, which relates to direct emissions from Network Rail's activities and in Eastern's case this was mainly in vehicle fuel use. Electricity consumption also declined, though this may be partly due to Network Rail overestimates in the year 5 CP6 baseline. We are in ongoing discussions with Network Rail about the quality of its scope 1 and 2 data from year 1 and we expect this to be corrected. With much of the future scope 1 emissions reduction expected to come from the shift to zero emission vehicles,

Eastern has made modest progress with 2% of its fleet being electric vehicles and 9% of required charging infrastructure installed. Eastern region has also published its CP7 sustainability strategy in year 1 which includes its plans for decarbonisation.

The region is taking steps to meet its objective for net gain in biodiversity by the end of the control period, but it lags behind other regions in the development of detailed habitat management plans. I expect to see progress reporting on the production of the habitat management plans together with accelerated completion.

Delivering value for money

Eastern made significant progress in its efficiency delivery, reporting £112 million of savings based on draft financial information. This compares to the year 1 delivery plan target of £65 million. Closer working with Route Services led to additional efficiencies from reduced supply chain operations (SCO) costs and enhanced contracting strategies with suppliers.

As highlighted in our independent reporter efficiency planning review, additional effort to over deliver in the earlier years of CP7 is key to the region delivering its control period efficiency plans. This would ease the pressure in future years, where the efficiency target increases substantially. This proactive approach has already delivered £47 million in additional efficiency savings and will support the region's plans to deliver its £921 million efficiency target in CP7.

Year 1 saw Eastern report a financial underperformance of £73 million based on draft financial information. Some of this was due to the additional costs of delays and underutilisation charges arising from prolongation of renewal projects. Additionally, there were increased Schedule 8 compensation payments to train operators due to poor train performance levels and disruptions however, these were partially offset by gains in the schedule 4 possession planning regime. These challenges have highlighted that Eastern needs to place additional focus on risk management and operational planning to minimise cost increases that may arise in forthcoming years.

Eastern's efficiency leading indicators at year 1 end demonstrated that it was well prepared for its renewals delivery in year 2, with the indicators comparing well to other regions. Given the potential financial risks that could drive up costs within the renewals portfolio, it is important that the region continues to closely monitor and manage its plans.

Looking ahead to year 2

Going forward, key priorities for the region are improving train service performance for passengers and freight, preparing for and delivering the new timetable in December 2025 and minimising any negative impacts on train service performance from the Transpennine Route Upgrade programme work. Planned effective volume renewals reductions by the region may reduce future asset reliability and impact performance; the region should continue to refine its plans and mitigate any negative impacts. Eastern should continue to focus on delivering its efficiency plans to meet its targets in future years of the control period.

Yours sincerely,

[signed]

Carl Hetherington

Deputy Director, Regulatory FInance and Economics