ORR's annual assessment of Network Rail's System Operator 2024 to 2025

Letter

17 July 2025

Dear Anit,

Subject: ORR's annual assessment of Network Rail's System Operator

I am writing to you, separately to our 2024-25 Annual Assessment of Network Rail, to summarise our assessment of the System Operator's (SO) performance in 2024-25 and look ahead to delivery in the remainder of the control period.

In Year 1 of CP7, the SO has outperformed its regulated target for growth in rail freight and only narrowly missed its target for freight cancellations. The SO continues to provide effective assurance and management of timetable risk, and its timetable production teams have led the industry to achieve and sustain the required return to compliance with regulated deadlines for producing the timetable. The SO has also made strides to improve the understanding of its role and governance and its co-ordination is starting to deliver a positive effect through capital projects and programmes such as Keeping Trains Safely Moving and Network Capability. However, the slow pace of handling of access applications remains an area of concern.

Following our 2023 Independent Reporter review of Network Rail's management of access applications, there has been significant work by the SO to improve processes and transparency, including good collaboration with ORR on the unprecedented number of track access applications received in May 2024.

I recognise the SO's efforts to work with routes and regions to manage applications more effectively, but this work has not proved to be resilient or sufficient to deal with the numerous interacting applications in a timely way. We are looking for recent improvements to continue, with a sustained effort being required to close out key decisions needed for implementation of the December 2025 timetable. Further detail is set out in our Network Rail Annual assessment, so I will not repeat it here.

The SO has successfully met the target we set to return timetable production to Network Code timescales by December 2024, and it has sustained this delivery across the rest of the year. This is good news for passengers, ensuring that timetables are developed such that they can buy tickets with confidence 12 weeks in advance of their travel. The SO also led significant cross-industry work at pace following the further deferral of the East Coast Main Line timetable recast in April 2024. This led to a workable timetable proposition that UK Ministers and most industry stakeholders were able to support (though we note that Scottish Ministers continue to have concerns, particularly around the performance impact). The ongoing work to improve Capacity Planning tools and systems has appeared to have made a positive contribution to achieving these milestones. The SO is leading several other projects that stand to realise significant benefits for the regions and Network Rail's customers, on Access Planning and on Network Capability. I am keen that such projects do not slip further.

Over the course of Year 1 freight grew by 5%, which is better than the target set of 1.5%. This was due to greater use of biomass (29% growth in Year 1), and maritime intermodal (9% growth in Year 1) from strong retail activity over Christmas and new year. Construction volumes experienced modest growth partially from HS2 traffic (3% growth in Year 1).

Performance on freight growth is encouraging in most regions. Freight growth in Eastern, North West & Central and Southern has been particularly strong since the start of CP7, and all these regions exceeded their year-end targets. Scotland missed the target set by 0.6 percentage points and freight has decreased on Wales & Western since the start of CP7. More information on regional freight growth is provided in our letters to the regions.

Although it has been a good start to CP7, the SO should continue to seek opportunities to stimulate growth. The challenging economic outlook is likely to require rail to continue to compete successfully with road for modal share, rather than benefitting from a growing market. Your CP7 Access Charge Discount Policy scheme has provided opportunities to grow rail freight during Year 1 and freight operators are keen to see this scheme continue into Year 2. During the year we

worked closely with you as you finalised your freight growth plans. Through this process, we saw evidence of you providing strong leadership and working closely with the Regions as they finalised their plans and established their CP7 freight growth boards. We challenged you to continually share the learnings from Network Rail Scotland's more established freight joint board. We were pleased to see representatives from your team at the most recent freight joint board in Scotland in Year 1. We encourage you to continue to share the learnings across the Regions as the freight growth boards mature throughout CP7.

Freight cancellations narrowly missed the target set (0.2 percentage points behind its year-end target of 1.3%). Freight performance has improved during control period 6 (CP6) and at the end of Year 1, overall freight cancellations were at their lowest level for the past four years. The SO led the production of a Freight Performance Strategy for CP7 and our view is that this has led to more targeted interventions by you and the Regions to improve performance through Year 1. We also observed you continuing to work closely with freight operators through regular engagement. We attend these meetings as observers, and our view is that these groups function well and stakeholder views are taken on board influencing decision making on the ground. More information on regional freight performance is provided in our letters to the regions.

The SO's delivery for Caledonian Sleeper has been consistently better than its own target. The SO's delivery for CrossCountry continues to improve, and you have taken steps to implement plans to support further improvements. We will continue to monitor closely delivery of this plan.

As this letter sets out, the SO has made a solid start to CP7 and achieved significant successes in many areas. Looking ahead to Year 2 of CP7, demands associated with rail reform will increase and the leadership and assurance activities of the SO are crucial in avoiding potential distractions from CP7 delivery. This is particularly important in continuing to improve train service performance, ensuring the implementation of key capital projects and improving responsiveness to access applications. I will continue to work collaboratively with you and your team to ensure focus on these areas of high stakeholder impact.

Yours sincerely,

[signed]

Martin Jones

Deputy Director, Access, Licensing and International