



ORR's annual assessment of Network Rail's System Operator 2025 to 2026

Letter

14 July 2026

Dear Anit,

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

I am writing to you, separately to our 2025-26 Annual Assessment of Network Rail, to summarise our assessment of the System Operator's (SO) performance in 2025-26 and look ahead to delivery in Year 3 and in advance of Great British Railways (GBR) stand up.

In Year 2, the SO continued to make good progress against its deliverables in many areas, but focus should continue in those areas where your delivery has fallen short of the targets set. The SO continues to provide effective governance on capital and strategic projects, including programmes such as Keeping Trains Safely Moving and management of network capability, where you have now agreed reporting on certain metrics proposed by our independent reporter review of network capability, published in June 2023. However, the current capacity allocation process remains an area of concern for your customers. We consider it is possible for Network Rail to be more decisive and prompt in agreeing long-term access to its network.

Delivering an effective timetable

The SO continues to provide effective planning and implementation for timetable changes. The SO was instrumental to the preparation and execution of the December 2025 timetable change, which saw significant increases in traffic and changes to timetables across the whole East Coast Main Line (ECML) route. The change was well prepared for and executed, with evidence of significant

involvement with affected train operators and stakeholders prior to the change. Since its introduction, effective monitoring and intervention have continued where necessary. The timetable has been performing broadly as expected and has continued to deliver well since the full service pattern was introduced in late March. We continue to monitor this closely. It is also important that funders and industry accurately understand the revenue impacts of the change, given this was the principal motivation for recasting the timetable. Separately, the Industry PMO Steering Group continues to be effective in its assurance, management and communication of timetable risk to all stakeholders.

Throughout 2025 we directed use of the network, or refused access requests, for an unprecedented number of applications by public operators, freight and open access because Network Rail was opposed or unable to agree a sale to an operator. Network Rail did ultimately work effectively with ORR to provide robust capacity and performance evidence to enable us to successfully complete our decisions on these. Following completion of that exercise, we emphasised and Network Rail agreed on the importance of returning to "business as usual". Network Rail has since updated its approach and set out the circumstances in which it is prepared to agree long-term access. However, we still do not think its new approach is sufficient and consider that Network Rail could do more to maximise the opportunity to agree long-term rather than short-term access.

There also continue to be too many capacity decisions made after tickets go on sale to passengers. We look to the SO to work with the Routes' customer teams to accelerate the pace on the work with operators and applicants to bring sales and supplemental agreements forward. While we accept that some of Network Rail's decisions are affected by a range of access applications that are still under consideration by ORR, we have not always been satisfied that you have progressed support for long-term access sufficiently. This creates undue uncertainty for some of your customers, particularly freight operators, and introduces risk to the planned approach to transitioning to the GBR-led access framework during 2027.

As articulated in your proposals for GBR's Access & Use Policy, current access rights will form the basis of GBR's initial capacity plans and commitments. The capacity allocation process you have proposed for GBR also sensibly envisages access decisions being made consistently in advance of timetable production. The industry is not in this position today, which means further work is needed to resolve outstanding uncertainty in the capacity sold on the network and improve delivery of today's capacity allocation processes to support the longer-term improvements the reformed railway is expected to make. That is why we will continue to work at pace with Network

Rail to issue decisions and will challenge you to support more long-term access and provide evidence earlier. We wrote separately to your team about this on 30 June 2026 in our access rights approach letter.

Delivery for freight

Freight train cancellations ended Year 2 at 1.0%, better than the year-end target set of 1.3%. All regions, except North West & Central, met the end of year targets set for freight cancellations. The reduction in cancellations across the network was largely driven by a reduction in severe weather such as storms, fixed infrastructure failures such as track faults, and external factors such as fatalities.

Network Rail did not meet the Year 2 freight growth targets set in England & Wales or in Scotland. Freight growth in England & Wales was 2.2%, against the year-end target of 3.0%. In Scotland, freight moved decreased by 1.6%, compared with the year-end target set of 4.3% growth.

Freight growth varied across regions. Eastern and Southern saw comparatively strong growth and were better than the targets set. However, this was offset by North West & Central and Wales & Western missing growth targets. The downturn in the construction and steel markets has had a pronounced effect on freight volumes, particularly in Wales & Western and North West & Central. Scotland also continues to be impacted by reducing volumes in its dominant commodities, such as petroleum and construction materials. Overall, we consider that the underperformance against targets is largely driven by macroeconomic conditions outside of Network Rail's control.

The SO continues to provide good leadership in engaging stakeholders on freight growth. You have worked well with the regions to set up freight growth boards and overall these are functioning well, though they continue to be developed. The SO is also involved in co-ordinating wider external engagement with the freight industry and took the lead in Network Rail's acquisition of Barking Eurohub allowing for the return of regular Channel Tunnel intermodal freight services.

Network Rail's delivery of planned activities in its CP7 freight growth plans is good, having delivered 91% of initiatives planned for Year 2. During 2025-26 we challenged you on the effectiveness of the steps you are taking to grow rail freight across the network, including your freight growth initiatives and engagement with stakeholders, to ensure that you continue to do everything reasonably practicable. We conducted deep dive sessions with Wales & Western and Scotland, which provided key areas for you to focus on such as safeguarding capacity and

developing and progressing future freight growth opportunities. This should continue to be a focus in Year 3 and beyond.

Delivery for Caledonian Sleeper and CrossCountry

The SO's delivery for Caledonian Sleeper Right Time punctuality continues to be consistently better than its punctuality target. Cancellations have worsened over the year and this in part is because Caledonian Sleeper operates a small number of trains each night and any unplanned cancellation can have a disproportionate impact on its overall cancellation rate compared to other operators. The increase in cancellations has also been driven by increases in both Network Rail and operator-attributed causes led by fleet related issues and external factors such as trespass and fatalities.

In Year 2, delays attributable to Network Rail increased for CrossCountry services. Key contributors included fixed infrastructure, for example points and axle counter failures, external factors such as fatalities and trespass, and people-related causes such as Network Rail signalling operations. Network Rail and CrossCountry are working together to drive improvements on the Bournemouth to Manchester line of route, which is a challenging corridor for punctuality. We were encouraged to see you progress this work in Year 2 and look forward to seeing the improvements that this delivers for passengers in Year 3 and beyond.

Delivering value for money

The SO made good progress in its efficiency delivery in Year 2, achieving £10 million of efficiency savings, 100% above its revised delivery plan target and 80% above the original CP7 Year 2 delivery plan. Performance in the year benefitted from effective resource management. The SO delivered a £10 million financial outperformance against its annual budget largely driven by better management of projects and resources.

Looking ahead to Year 3 and beyond

Your team has a critical programme of work to deliver in advance of GBR stand up. You will need to work at pace to implement the changes needed, including demonstrating that you are engaging effectively with your stakeholders on deliverables that are critical to success, such as the Access and Use Policy and the transition to new access contracts and codes. I will continue to work collaboratively with you and your team to ensure this happens.

Yours sincerely,

[signed]

Martin Jones

Deputy Director, Access, Licensing and International