

Martin Jones
Deputy Director, Access & International

Paul McMahon
The Quadrant
Elder Gate
Milton Keynes
MK9 1EN

12 October 2020

Dear Paul

SO transformation – Managing Change

Thank you for you and your team's continued engagement with us on your transformation programme. We appreciate the transparent and open approach to the discussions. This has greatly aided our understanding and provided us with assurance on the proposals.

I am writing now to confirm our view of how the Managing Change Policy¹ applies to these changes. As discussed with your team, we consider that this is a level II change. Although we do not always write you formally for every level II change, in this case we decided it was appropriate to confirm our understanding of the change and your proposed mitigations, as we did when you made broadly equivalent changes in relation to Scotland.

The SO transformation programme

The System Operator first shared initial thinking on the transformation proposals at our Director Level Meeting in June 2020. Further details, including finalised proposals and an analysis of licence implications, were presented and discussed at subsequent meetings.

¹ ORR's Managing Change Policy for CP6 is available here:
<https://www.orr.gov.uk/media/10672/download>



The scope of the change addressed in this letter is the devolution of strategic planning (or long term planning) and programme integration to the England and Wales regions from 12 October 2020.

In terms of strategic planning, we understand that this change amends line management responsibilities so that existing roles delivering strategic planning for the regions will transfer to the Regions from the System Operator. This mirrors the current situation in Scotland where strategic planning is already devolved and a Network Integration Board has been established. As in Scotland, you are proposing to establish Network Integration Boards for each of the regions in England and Wales.

You have explained that the SO will remain primarily responsible for ensuring the delivery of strategic planning, in accordance with the terms of Network Rail's network licence. In particular, the SO will retain control over the strategic planning framework, the long-term planning Core Business Process, the delivery of cross-cutting and network wide strategies, and the leadership of the strategic planning profession within Network Rail.

In terms of programme integration, you have explained that HS2 phases 1 and 2a integration roles will transfer to North West & Central region, and that in future other programme integration, such as East West Rail and the Trans-Pennine Route Upgrade, would be similarly devolved to the appropriate Region(s).

We are content that this devolution of programme integration is being delivered within a context of increased focus on network integrity by the System Operator, as reflected by your refreshed operating model.

Consideration under the Managing Change Policy

The System Operator has primary responsibility under Network Rail's network licence for "establishing and maintaining Long Term Plans to promote the Long Term Planning Objective². This condition reflects the need to ensure that Long Term Planning delivery is effective, coordinated and comprehensive.

Having reviewed the changes against Network Rail's licence obligations in relation to long term planning, we consider this to be a level II change. This reflects our assessment that without sufficient mitigation, the changes could impact on the SO's responsibility under your network licence for delivery of strategic planning, which would be a level III change. We are content that you have mitigated this risk by:

² Condition 2.6b



- the approach that you have taken to embedding the change you are making into the Business Planning and ultimately the GRAI framework
- the creation of Network Integration Boards for each of Network Rail's regions;
- the SO's development and maintenance of the strategic planning framework to be used by the regions;
- the SO's continued responsibility for network wide and cross-cutting plans, such as traction decarbonisation, electrification, and the forthcoming Whole Industry Strategic Plan;
- your commitment to deliver on the independent reporters' recommendations³ on the Scottish change, not only in Scotland but across all the Network Rail regions; and
- the SO's continued leadership of the strategic planning profession within Network Rail.

We understand that the SO is still in the process of establishing the remaining Network Integration Boards and they will not yet be operational when the change is made on 12 October 2020. We consider this an important element of the mitigation, and as such we expect that these will be fully established by the end of 2020. You will also need to ensure that the NIBs in England & Wales are appropriately resourced, as per the reporters' recommendation in relation to the Scotland NIB.

Next steps

The System Operator continues to be responsible for the delivery of strategic planning so we will continue to hold it to account under Network Rail's network licence and PR18 requirements. We will additionally ensure that discussions on strategic planning are undertaken with the regions so that we have a full picture. We will use our regular meetings to review the implementation of the change and to assure ourselves that the mitigations remain effective.

We note that consideration was given to further changes to the SO's operating model, but these have not been pursued in this change. Should you decide to make any further changes, we may need to consider these under our Managing Change Policy, and would take the cumulative impact of any changes into consideration. We have appreciated your proactive and transparent approach, and trust that we can continue any future discussions in the same spirit.

³ Review of the adequacy of the System Operator governance arrangements in Scotland for long term network planning is available here: <https://www.orr.gov.uk/sites/default/files/om/review-of-the-adequacy-of-the-system-operator-governance-arrangements-in-scotland-for-long-term-network-planning.pdf>



This letter concludes our formal consideration under the Managing Change Policy, although we expect you to update us on progress through our regular meetings. In particular, you must demonstrate your ongoing licence compliance by the delivery of the mitigating actions including the prompt establishment of the NIBs.

We will publish this letter, along with any response, on our website.

Yours sincerely

A handwritten signature in black ink that reads 'Martin Jones'. The signature is written in a cursive style with a long horizontal stroke at the end.

Martin Jones