

Wales & Western's response to ORR's Draft Determination

31st August 2023

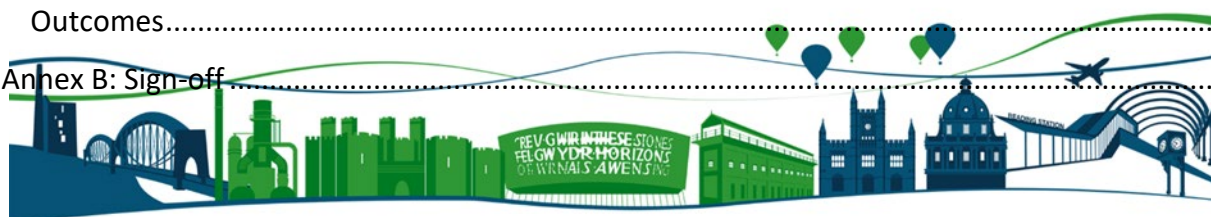
For a Greater Railway



Wales and
Western

Contents

Executive summary	2
Wales & Western’s response to ORR’s PR23 draft determination settlement document.....	4
1. Introduction	4
2. Safety.....	4
Asset safety and sustainability	4
Market-led approach and safety	6
Maintenance capability	6
Level crossings	7
Track worker safety	8
Workforce health and wellbeing	9
Electrical safety delivery	11
3. Performance.....	11
4. Freight growth.....	14
5. Asset sustainability.....	16
Asset expenditure and sustainability.....	16
Maintenance capability	19
Environmental sustainability	19
6. Accessibility.....	21
7. Efficiency	21
8. Financial risk.....	22
9. Stakeholder engagement.....	23
10. Other relevant information for our response.....	23
Operations and support costs	23
Outcomes.....	26
Income	26
Schedule 8 payment rates	27
Inflation.....	27
Annex A: Updated financials and outcomes	28
Financial information.....	28
Outcomes.....	30
Annex B: Sign-off	32





Executive summary

In Wales & Western, our purpose is to deliver the best and safest railway for our passengers and freight users, our local communities and stakeholders, and we take enormous pride in this responsibility.

We are undertaking significant work throughout Control Period 7 to provide a greater railway for our region every year. We are striving to fulfil our purpose with an innovative mindset, challenging ourselves on how we can continuously improve, to deliver a better, safer and more cost-effective business.

Given the challenging economic, political and social context we are operating in, we are seizing the opportunity of adversity to be agile, and open to new ways of working, to deliver greater cost efficiencies, remove complexity and bureaucracy and focus on initiatives that deliver the greatest value for our people, customers, stakeholders and funders.

We note ORR's draft determination and their review of our CP7 strategic business plan. This response to the draft determination represents a further step in our planning. We have provided additional information on a number of areas of our plan, setting out in more detail our approach to maintaining safety on our railway, how we are modernising our maintenance organisation and how this will help to deliver the increased activity required in CP7, and how we are continuing to challenge ourselves and our industry partners on train service performance delivery. We also provide more information on our approach to freight growth, asset sustainability, accessibility, and financial risk. Our submission continues to be grounded in significant stakeholder engagement, with further engagement held to inform our response.

Principal changes to our plan which we have made through this process are as follows:

- We have moved to the risk-adjusted plan
- We have increased expenditure for track, structures and earthworks
- We have reviewed and updated the phasing of our core workbank in CP7
- We have applied overlays to address issues of affordability in our plan, the impact of inflation in CP6 and the continued uncertainty into CP7. This is consistent with the approaches across the England and Wales regions
- We have reforecast our headwinds and efficiencies in the light of the above changes to the plan
- We have moved provision for input price inflation to general risk.

Following the revisions to our plan we are now forecasting the following changes to outcomes in CP7:

- Passenger on time
- Passenger cancellations



- Freight cancellations
- Composite sustainability index
- Service affecting failures
- Efficiency delivery.

All other outcomes currently remain in line with our strategic business plan; however, these may change following ORR’s Final Determination and further work to understand the implication of the affordability overlays on our plan.

The principal financial movements in our draft determination response are as follows:

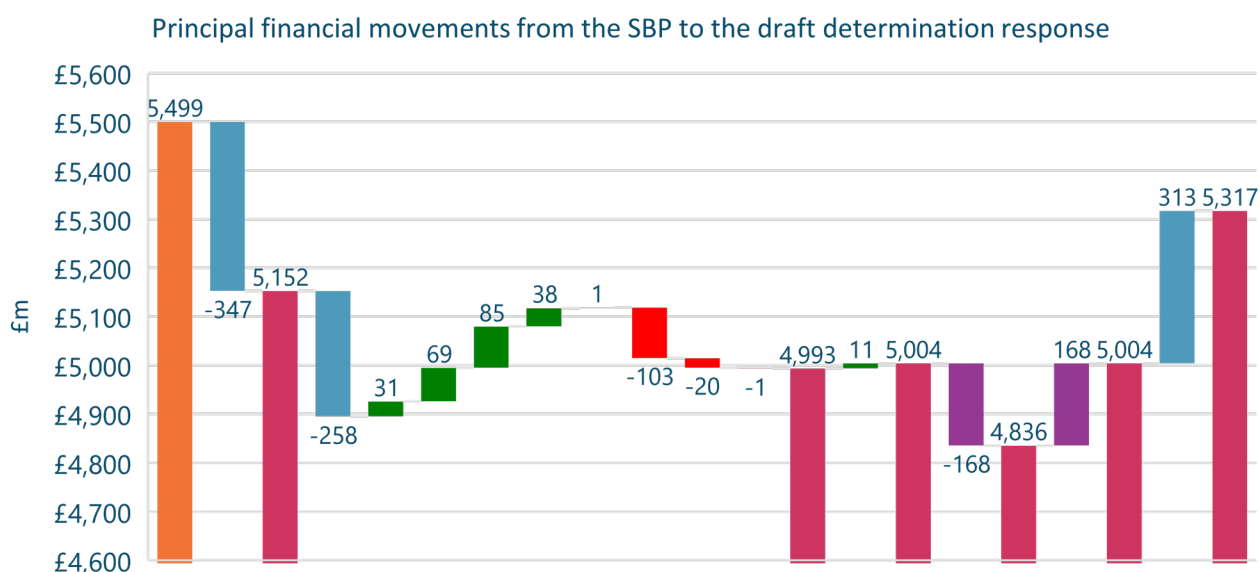


Figure 1: waterfall chart showing principal financial movements from the SBP to the draft determination response

We continue to iterate our plans to develop a compelling proposition and choices for funders and stakeholders. We will demonstrate how we will drive greater value, using our investor mindset sustainably, with a credible, achievable and believable plan.

Wales & Western's response to ORR's PR23 draft determination settlement document

1. Introduction

This document is Wales & Western region's response to ORR's PR23 draft determination settlement document for our region, issued as part of its overall 15th June 2023 draft determination on CP7.

Following the publication of ORR's draft determination, we have reviewed and considered ORR's draft proposals, decisions and actions, and this document sets out our response on these areas specifically in relation to Wales & Western region. To inform this response, we have undertaken a targeted review of our CP7 strategic business plan (SBP), as part of our iterative CP7 plan development process. This update has also been reviewed and assured by subject matter experts. Recognising the limited time available to update, assure and consolidate CP7 plans, our approach has been necessarily targeted and high-level.

2. Safety

The purpose of this section is to respond to ORR's findings in relation to safety, as set out in ORR's Wales & Western settlement document.

ORR's draft determination set out that it expects Network Rail to demonstrate how it will manage the change in risk profile which results from conducting fewer renewals and taking a more maintenance-based approach to management of the infrastructure.

Alongside all other regions, we have provided input to and support the approach to developing the bow tie risk assessment framework developed by our Technical Authority. This framework will allow us to assess and monitor the change in risk profile in CP7. We have also used it to demonstrate the alignment between our maintenance and renewals plans in CP7 which we discuss in more detail in the section on maintenance capability, below. Further information on the safety bow tie risk assessment is in the England and Wales overall response. As discussed in that response, fully developing and populating the bow tie risk assessments at a national and regional level will take time. Therefore, we will continue to iterate and populate the safety bow tie risk assessment framework after our draft determination response, and this will be developed as part of our CP7 delivery plan.

Asset safety and sustainability

Our plan continues to deliver in no overall decline in safety for our customers and people in CP7. Our asset assurance regime and increases in maintenance activity mitigate any potential risk increases arising from our revised approach to asset management in CP7, which will deliver more minimal viable product (MVP) interventions and life extension schemes rather than the best whole-life cost solutions. We are contributing to wider Network Rail work on our safety risk



profile to demonstrate how our controls and mitigations continue to deliver safety risk so far as is reasonably practicable.

We continue to align to Lord Robert Mair and Dame Julia Slingo's recommendations with investment in earthworks, including earthwork failure detection and remote condition monitoring. Our expenditure on drainage increases by 22% with dedicated drainage maintenance teams in place from 2022/23, delivering benefits in CP6 and this will continue in CP7. In CP7, volumes of earthworks drainage refurbishment or renewal will total c. 24,000m, with over 100,000m of drainage maintenance planned. We have adopted a cross-asset approach to drainage, with our geotechnical, drainage and lineside assets managed within the same asset organisation alongside our track asset, so that all components of the railway drainage system are managed under a single technical leadership. This cross-asset approach, coupled with the increase in drainage expenditure demonstrates that we are sufficiently funding drainage activity.

Our overall safety profile also improves compared to the SBP with increases in asset expenditure in our track, structures and earthworks assets which allows for a greater number of assets to receive an intervention, and is consistent with ORR's draft determination proposals. This additional investment has improved the Technical Authority assurance for these assets to a more tolerable level, with gross increases in expenditure on track (£31m), structures (£69m) and earthworks (£85m, which means that total spend for this asset will be 28% increased on CP6, and increases volumes by 8% compared to our SBP). These changes are described in further detail in section 5.

Expenditure in all our assets is above the minimum levels ("red lines") identified by Technical Authority, based on an assessment of the required levels of asset renewals to maintain a safe railway during CP7 and are at a sufficient level to not require an undeliverable step up in activities in CP8 and beyond to continue to deliver safe asset performance.

In making adjustments to our strategic business plan we have continued to conduct our usual assurance and change processes to confirm that health and safety matters are operating correctly. This includes peer review of asset plans by the Heads of Engineering and Asset Management, and independent review by the regional Head of Engineering and Assurance.

Our asset and maintenance teams have been working together to maintain our safety risk profile at CP6 exit levels, and the bow tie risk assessment framework described above will support the continued monitoring of this risk profile during CP7. Our SBP increased maintenance expenditure to allow for additional inspection and maintenance works arising from any renewals reprioritisation, which has been retained.

We retain the ability to use operational risk controls to manage the overall safety of the network, including the use of temporary speed restrictions. These have been the subject of considerable focus by our maintenance teams to reduce the number of temporary speed restrictions (TSRs) on the region during CP6 and as such we do not presently envisage TSR numbers rising above peak levels experienced in this control period. Advance publication of TSRs and use of GSM-R cell broadcast (for weather-related blanket speed restrictions) provide additional information to

drivers. Should a TSR need to be imposed for a significant period of time, short-term network change is a mechanism we can use to reduce the reliance on drivers sighting TSR boards. We also have automatic train protection installed on the mainline from Paddington – Bristol, and ETCS between Shrewsbury – Aberystwyth / Pwllheli which provides speed supervision for trains on these lines of route. As such, we do not consider that the use of TSRs will adversely affect our safety risk profile.

Market-led approach and safety

We continue to take a market-led approach to further developing our CP7 plans. This approach aims to align the outcomes that we plan to deliver in CP7 to what the market values. Delivering a safe railway is paramount and is prioritised in our planning approach.

Within our planning for CP7 we adopted a model of “Value of Service” so that we could understand the market demand for our infrastructure in a structured manner. We used this to inform our expenditure decisions, after first prioritising expenditure to maintain the safety of our railway across the region. We used the framework to challenge our intervention methodologies and reprioritised some activity to focus on the highest revenue generating lines of route (as identified through “value of service”), while all the time recognising the need to provide a good level of service across the region. We also considered the wider social and economic value of our railway, including those lines where the railway fulfils a vital social function, or helps to support freight flows, in making sure there is appropriate intervention on assets across the region.

Maintenance capability

We recognise that the changes in our asset intervention methodology result in the need for additional maintenance volumes. We are making good progress implementing maintenance modernisation which will improve our ability to manage this additional activity.

Our asset management and maintenance teams have worked closely to maintain alignment between these parts of our plan. We have undertaken detailed analysis to understand the headcount and competence requirements for maintenance taking into account the additional volumes of work required as a result of changes to the renewals plan, which has included comparative analysis of the impact of CP6 renewals activity on maintenance volumes at standard job level and then using that information to identify necessary increases in CP7. We also factored expected improvements in productivity through the implementation of Modernising Maintenance, the adoption of additional risk-based and reliability-centred maintenance practices, with the purpose of reducing unnecessary inspections.

ORR’s draft determination states that it requires Network Rail to demonstrate that it will deliver the necessary efficiencies within the resources available and sustain the required capability to maintain the assets. By the end of CP6 we will have made changes to deliver annual savings of £14.4m. This is enabled by a number of changes including reviewing our resource requirements and reducing reliance on sub-contractors and overtime. We think the benefits that we have identified for maintenance modernisation are stretching but realistic. As discussed in our overall



response, we do not think there are any further, material opportunities from the maintenance modernisation programme in CP7, over and above the savings already identified to be delivered in CP6 (and these efficiencies have been factored into our CP7 starting position).

Alongside this, as part of the voluntary redundancy process, retaining the right knowledge, capabilities and expertise in CP7 and beyond was a key part of the selection panel process. Where experienced individuals are leaving the organisation through the voluntary redundancy programme, the go-live criteria include having a clear plan in place to address any capability gaps before going ahead with the proposal under modernising maintenance.

Additionally, the deployment of advanced technologies serves to enable proactive maintenance strategies and promote a "fix first time" approach. Examples of the technologies being developed and deployed by the Intelligent Infrastructure programme for use in CP7 include:

- Insight: an intelligent infrastructure platform supporting front line maintenance teams which helps them to make evidence-based decisions when planning and prioritising work, by helping to identify defects earlier and predict when they will impact services, giving teams the time to proactively fix developing issues
- Digital Lineside Inspection: a decision support tool that offer a common automated method for inspection of vegetation, enabling improved assessment of inspection data and identification of high-risk sites, improving the planning of interventions and maintenance of lineside vegetation and enabling the prioritisation based upon improvements to safety, efficiency and reliability
- eSMTH: a digital approach to our signalling maintenance activity which provides increased accuracy, consistency and visibility in recording maintenance work information.

We have improvement programmes in place to optimise our use of time in possessions to maximise the amount of productive time available for work. We also have robust competence management processes in place for our maintenance colleagues, with regular competence assessments in place and access to a range of training resources to address any gaps identified.

Collectively, these initiatives are anticipated to provide sufficient capacity in our maintenance teams to be able to deliver additional volumes of activity arising from our asset renewals intervention approach for CP7. We also retain the ability to bolster maintenance team capacity through the use of sub-contract resource to manage any peaks in workload through the control period.

Our asset management and maintenance teams will continue to work together to maintain alignment on our plans as we further iterate our maintenance activity-based planning for the Delivery Plan. Section 5 provides more detail on the alignment of our maintenance and renewals plans in CP7.

Level crossings



Our plans for level crossings continue as set out in our SBP. In addition to renewal of active level crossings we have provided funding for overlay miniature stoplight fitment programme to passive crossings as well as for signage improvements at user worked crossings and to support level crossing closures. In planning our level crossing activities we have taken a risk-based approach within the funding available.

Track worker safety

Our track worker safety plans for CP7 are well defined and continue to build on the commitments given to ORR via the national trackworker safety taskforce which have also been written into our route charters.

We have plans to continue with our significant investment in new infrastructure works (including access points, provision of safe ccess and lighting). The intention is to continue to “open up” the lineside to make gaining safe access easier and to continue to reduce our reliance on line blockages and possessions where either the work itself, or the walking to site, could be completed separated from the operational railway. This crucial activity seeks to alleviate signaller workloads and provide safer walking and working conditions for all works deliverers on the infrastructure.

We also intend to continue with the installation of remote disconnection devices, providing simpler and safer options for taking additional protection. Following device product approval, initial installations are expected to commence in CP6.

Whilst maintaining a principle that all work should be delivered in possessions or line blockages (with additional protection), we recognise that our future timetable demands may not always be able to accommodate this so we will continue to explore and develop semi- and fully automatic warning systems to support locations with ongoing access limitations and to provide future scope for potential timetable changes.

We have also committed to the continued development of the NR-RailHub safe system of work and planning system to provide improvements in information and planning for our frontline colleagues. NR-RailHub has been delivered in a way that additional functionality will continue to be implemented, including incident response, which we intend to exploit.

We also plan to extend the use of geo-fencing via a joined up regional strategy, based on the pilot scheme learning presently being gathered during CP6. This technology is expected to provide improved situational awareness and avoid team members from straying beyond the safe limits of their access.

Our safe and effective working teams on both routes will remain throughout the control period and will work across all areas of the business to promote safer methods of working as well as seeking opportunities that may exist to remove the activities from the lineside itself. This will include continued work with the Technical Authority and research, development and technology

teams to develop further technology and innovation, working to the ERIC-PD principles for the hierarchy of hazard control¹.

Workforce health and wellbeing

We have established arrangements in our health and safety management system for the management of workforce health and wellbeing (including managing ill health risk) which we will continue to apply in CP7.

We will continually monitor and improve these arrangements as we further develop our health risk management framework. This framework will improve our understanding of health hazards and the risk to the individuals and the organisation (arising from issues such as exposure to silica, musculoskeletal conditions, hand-arm vibration syndrome, noise and welding fumes). The framework will eliminate, mitigate and control health hazards using exposure monitoring to monitor compliance and develop further opportunities.

- Health framework development

In collaboration with the Technical Authority, Phase 1 will assess the strength of the health control framework, producing recommendations by March 2024. Reviews are planned for the management of asbestos, Legionella, infectious diseases, silica, control of substances hazardous to health (general, welding fumes, and diesel engine exhaust emissions), radon gas, vibration and noise.

Phase 2, at the start of CP7, will see us implementing improvement plans for each subject so that gaps are met with a proportionate response. This will include plans for improving competence and for providing guidance to our teams based on the latest analysis of the risks.

Phase 3 of our occupational health framework reviews will improve assurance activities across all three levels of control that will provide line of sight to the Technical Authority and ORR. This will cover metrics on risk assessment, control, training and health surveillance. Level 3 safety procedures will be defined nationally so all regions (including Wales & Western) will be positioned to demonstrate compliance with level 2 corporate plans in the management of occupational health hazards.

- Fatigue

For fatigue management, we continue to support national initiatives, such as the plan to revise the fatigue standard with a view to moving away from purely using hours to manage fatigue risk. We also plan to change the emphasis away from “fatigue awareness” towards more positive messaging of “alertness management”. Workshops are planned to review the fatigue blueprint, in conjunction with Dr Paul Jackson, trade union safety reps, along with representation from the industry safety leadership group (ISLG) and ORR.

¹ Eliminate, Reduce, Isolate, Control, Personal protective equipment, Discipline

Within the region, we will also be implementing the MyRoster tool to enable users to have improved visibility of exceedances and fatigue risk index data, to allow them to take appropriate actions. Fatigue training is being delivered to roster clerks across the region through the Technical Authority to realise a reduction in fatigue through more effective roster planning and learning.

For education, we are increasing awareness and understanding, with fatigue awareness e-learning available to colleagues across the region. This will empower our staff to feel comfortable and confident to raise concerns when they feel unfit to work safely. From our data we are seeing some evidence of a reduction in exceedances in some areas of the business.

A review of the outputs from fatigue exceedance and management plans will help identify hotspots and trends, linking to close call and near miss data, to determine where fatigue may have been a contributing factor in an incident to target further improvement activities.

Our regional plan for CP7 also includes additional expenditure to address fatigue issues notably in our operations delivery teams.

- Asbestos

In CP7 we will build on the successes of our previous asbestos management programme and will widen our risk management to cover all areas asbestos is found. We will review the relevant standards and move from prescriptive controls to work-specific task risk assessments and method statements. We will continue to monitor metrics for on-site maintenance and remediation, expanding this to cover lower risk site information following the mitigation of the majority of higher risk locations. We will review including assets presumed to include asbestos containing materials in future safety KPIs, and expanding our assurance in this area.

- Air monitoring

We will continue to apply the new air monitoring standard to support the identification of any higher risk locations. These will be assessed and where necessary, additional controls will be implemented. We currently do not foresee the need to make significant investment in engineering controls, which are a lower control in the risk management hierarchy and potentially environmentally unfriendly. There may be the need to implement task specific controls on major capital delivery schemes and these will be considered as part of our general construction design and management (CDM) arrangements.

- Polychlorinated biphenyls (PCBs)

We will continue to have robust arrangements in place for the identification and removal of polychlorinated biphenyls (PCBs) contaminated electrical equipment in CP7 and are compliant with this requirement with sites eliminated through progressive asset renewals. Our plans assume that the proposals set out in the Department for Environment Food and

Rural Affairs consultation on proposed amendments to The Environmental Protection (Disposal of PCBs and other dangerous substances) Regulations are not implemented without a further national impact assessment, including any incremental funding that would be required to implement them.

Electrical safety delivery

We note the changes to the national electrical safety delivery (ESD) programme in the SBP in relation to low voltage earthing and bonding. However, this did not impact on the Wales & Western region as we have used our renewals funding to cover SIN 119 works in CP6 and have provision for the completion of the small number of works remaining in our CP7 renewals plan. We continue to work closely with the national ESD programme on the development of the ESD programme for CP7.

3. Performance

The purpose of this section is to respond to ORR's findings and draft decisions in relation to train performance, as set out in the Wales & Western settlement document.

In our England & Wales Strategic Business Plan (SBP) we clearly set out the uncertainties the industry faces and the challenges surrounding forecasting train performance. Improved and sustained train performance is crucial for passenger satisfaction, revenue growth and stakeholder confidence. We continue to be completely committed to improving performance in 2023/24 and delivering the best performance possible in CP7, but will need industry collaboration to do this.

Train performance is a whole system outcome that Network Rail can't deliver alone, and CP7 targets must be realistic to incentivise and enable the industry to collectively meet this challenge. This becomes even more important given the likelihood of delay in establishing Great British Railways and realising benefits from that.

The nature of train operators' annual business planning (ABP) cycle means that we do not currently have robust and agreed joint Network Rail and operator plans covering all of CP7. This means we do not have a clear and detailed view of operator contributions and thus of all the levers that will impact performance in CP7.

As train performance is a whole system outcome, it is essential that performance plans and targets are built from an understanding of the industry's operating context for CP7. This includes clarity on the operator contribution to performance, as well as the funding, infrastructure and operational context. Assessment of ambition must reflect the opportunities and risks we are facing in CP7. Notwithstanding that we are all focused on improving train performance, we do not believe it is rational to base future targets on comparison to historic performance levels which have been achieved in very different operating contexts, may only have been achieved a handful of times or have been achieved in different geographic areas.

We consider that ORR has not justified its proposed regulatory baselines with sufficient evidence and analysis, and it has not set out the assumptions it has made on operator contributions or on external factors.

We believe that ORR has set out an unreasonable and unfounded expectation for a step change in performance, or for a flat performance trajectory despite expected and evidenced risks to performance, such as the known impact of changes to rolling stock and the introduction of enhanced timetables in Wales, and major engineering works for the construction of the Great Western Mainline / HS2 interchange station at Old Oak Common on our Western route². In both of these the phasing of new fleet improvement (and the associated reliability growth expectation) and the phasing of the construction programme and major engineering works is expected to impact performance, based on historic examples of TOC fleet performance during new fleet introduction, and similar enhancements construction while the railway remains operational around the construction stageworks, such as during the Reading station remodelling.

We know from experience, and have clearly demonstrated in our SBP, that accurately forecasting train performance is extremely challenging, and that the further out we forecast, it becomes impossible to forecast accurately. The uncertainties the industry faces make forecasting industry-wide performance for the whole of CP7 even more difficult, particularly without a clear view on the contributions we should assume from operators. We have written to ORR to set out our concerns with the draft determination approach, metrics and baselines.

ORR has proposed an alternative approach to train performance target setting which would set point values for the first two years of CP7 and indicative trajectories for the final three years which are subject to a 'reset', codified in the Final Determination. Whilst this approach does not mitigate all the challenges and significant uncertainties remain, we recognise it as an improvement over the approach in the Draft Determination and we are working with ORR to provide the information required. Given the approach has only emerged in the last few weeks we have agreed with ORR that we will provide evidence to support credible passenger performance trajectories as an addendum to this document on 14th September.

It is absolutely critical that we continue to work with operators to build robust train performance plans. We have reviewed and scrutinised our train performance plans, continuing to work with operators and to reflect updated assumptions on the CP7 operating context to develop refined train performance ranges. The outcomes of this engagement include more information on fleet reliability assumptions for Transport for Wales, and greater detail on the GWR-on-self contribution to performance. This has improved the robustness of our forecast but has also continued to highlight the uncertainty in forecasting and has given greater confidence in the performance ranges we set out in the SBP.

Our current forecast for passenger On Time is as follows:

² This enhancement programme will construct an eight-platform station with associated junctions on the current four track plain line section of the GWML at Old Oak Common, just west of London Paddington



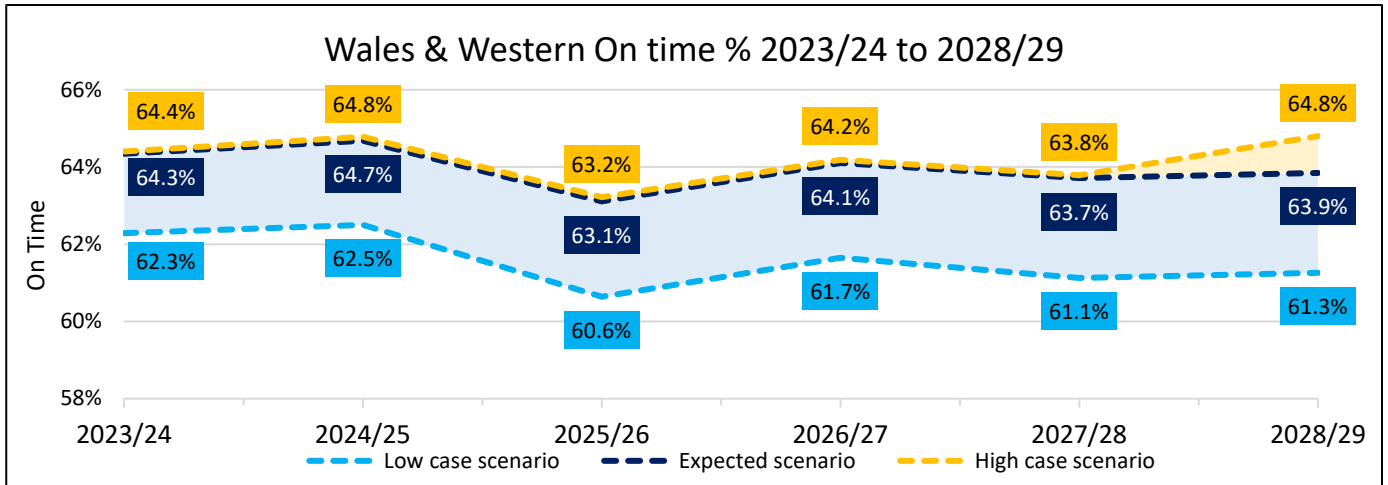


Figure 2: Wales & Western passenger On Time forecast for CP7

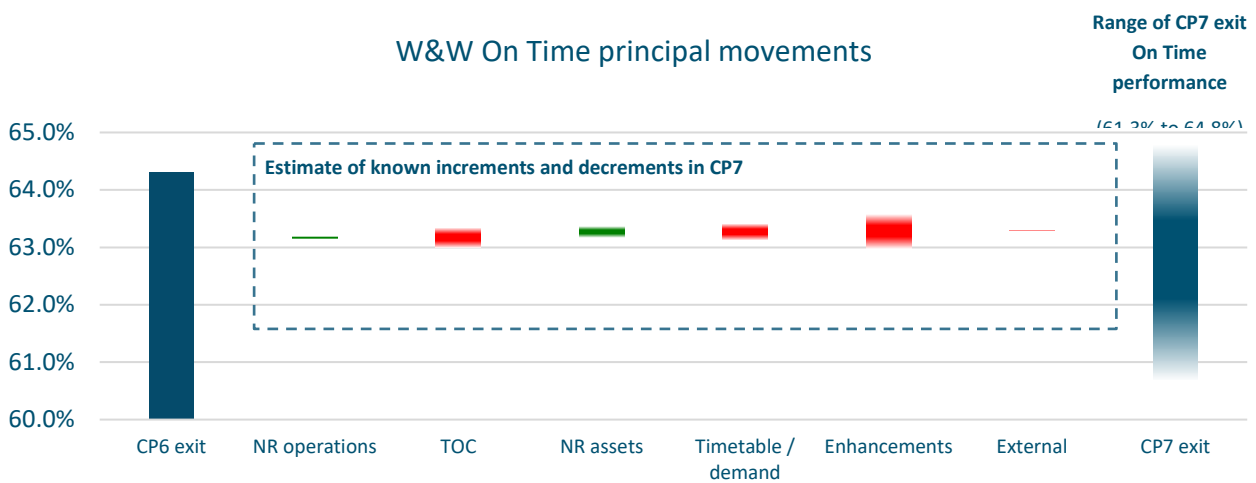


Figure 3: Waterfall chart of the principal movements in W&W passenger On Time in CP7

Our current forecast for passenger cancellations is as follows:



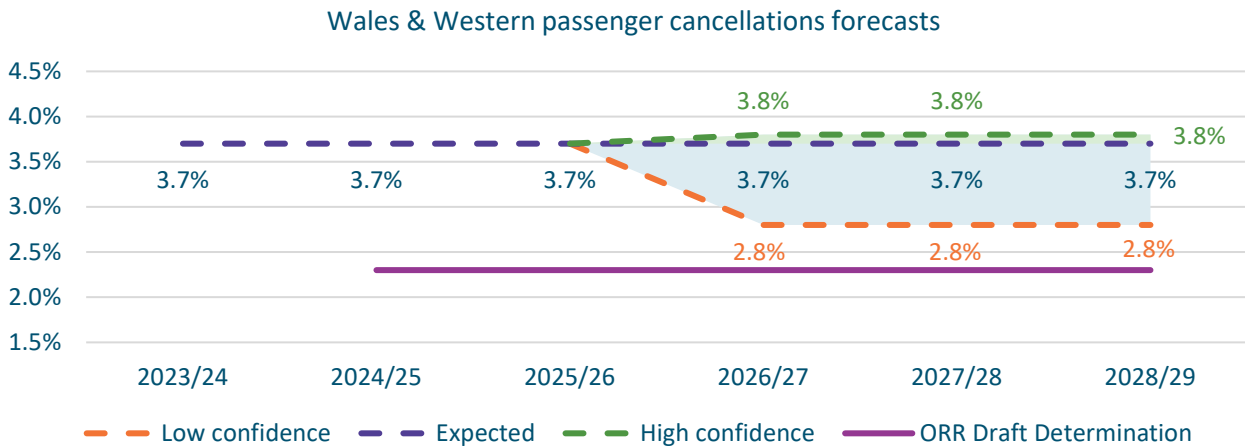


Figure 4: Wales & Western passenger cancellations forecast for CP7

Our current forecast for freight cancellations is as follows:

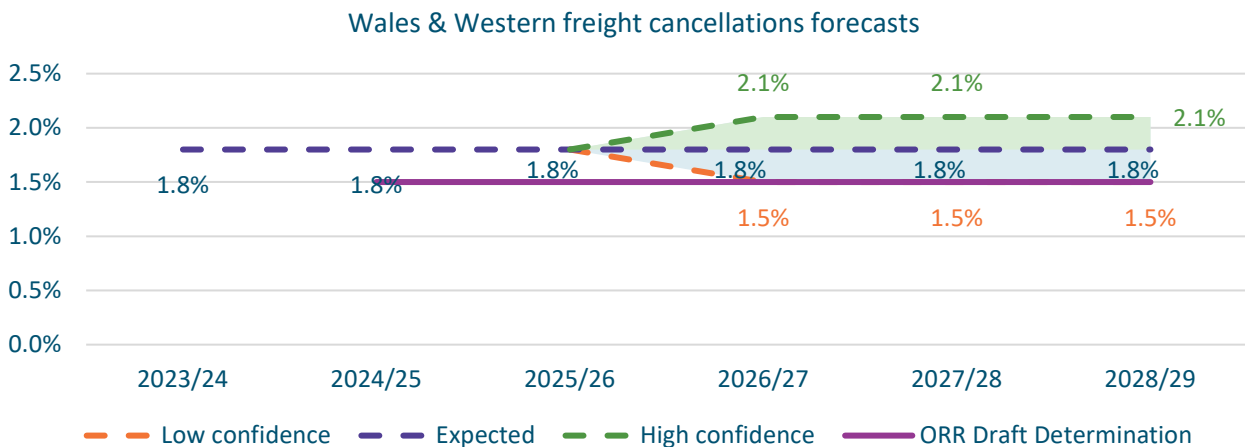


Figure 5: Wales & Western freight cancellations forecast for CP7

ORR’s approach must incentivise appropriate behaviours, including how it uses metrics (such as the balance of On Time performance and revenue generating services, and the balance of On Time and Cancellations as a network management approach) and setting realistic baselines.

It is absolutely critical that we continue to work with operators to build robust train performance plans and we are committed to doing this. As the assumptions and plans will continue to evolve, flexibility is essential in CP7. This is wider than the Managing Change Policy, but it is likely that we will need to trigger Managing Change as operator and external assumptions impacting performance forecasts evolve, including reflecting any changes to operator performance contributions agreed through the DfT’s annual business planning process.

4. Freight growth

We note ORR’s agreement around freight growth target of 6.9% by the end of CP7. As stated in our SBP, we are committed to supporting the growth of rail freight in the region.

Delivering our freight growth targets requires a combination of making sufficient paths available to freight operators and also that demand is there for these paths from freight users. The wider funding pressures we face in our plan mean that we are reviewing how we deliver the outcomes we set out in our SBP, and we will work with stakeholders to understand how best to deliver the freight target we have set ourselves, including understanding how changes to our engineering access can support freight growth and how asset renewals can help to facilitate removing gauge constraint.

Driving modal shift from existing rail customers along with new to rail customers is key to the delivery of freight growth during CP7. To meet the growth target, rail must be an efficient, economical and reliable mode of delivery, to provide customers with confidence. The ongoing focus on improving the performance of freight services, such as the removal of TSRs on freight only branch lines, will provide a high performing network that will deliver for our customers on time, in full.

A strong relationship with all freight stakeholders is imperative to ensuring we remain aligned with our customers' aspirations. We undertake regular stakeholder engagement workshops, whereby stakeholders from the freight community are invited to update, feedback and challenge the region on future plans. As many of our customers' future business plans are commercially sensitive, due to the competitive markets that they operate in, the regional and national freight teams hold regular meetings and site visits on a one-to-one basis with both freight operating companies and freight end users. This relationship is crucial to understanding where our customers foresee growth in their markets, allowing the region to align our plans for maintenance and renewals.

Through alignment with our national colleagues and the GBR transition team, we continue to gather information, from customers and the market, to create a detailed delivery plan for the delivery of freight growth in CP7. This will involve further detail on how the 6.9% will be achieved, and detail about changes in flows and likely growth areas on the region. The regional freight team will continue to work with customers to identify existing flows that are able to run longer and heavier, ensuring that each freight train conveys its full capability and reducing the amount of CO² per tonne.

In our stakeholder engagement on the draft determination we discussed with the freight operator and end user community the opportunity to grow freight traffic in line with the target. Following the suggestion of one of our stakeholders, we will be convening a growth target workshop with our freight stakeholders later in the year to discuss opportunities to meet this target in more detail.

To support freight growth we are continuing to focus on addressing heavy axle weight (HAW) restrictions, recognising the constraints this places on traffic. Steel and aggregates are among the largest commodities moved by rail on our region, thus making the safeguarding of heavy axle weight capability crucial to regional freight growth. Clear and regular communication between the regional freight team and structures team is key to seeing that any uplifts or changes to traffic are identified, alongside any potential impact on structures.

We have analysed the structures on the region with potential HAW concerns, and these have been included in our CP7 plan, including utilising £1.5m from the HAW additional fund to target Clare Road Bridge, a key structure in south Wales. Focus was given to structures that are critical to providing heavy axle weight capability, where diversionary routes would require a download in tonnages due to route availability restrictions, therefore safeguarding volumes for freight customers.

Overall, the situation with bridge heavy axle weight capability is generally good and we do not expect to see deterioration resulting in a systematic impact on capability in CP7.

5. Asset sustainability

The purpose of this section is to respond to ORR's findings and draft decisions in relation to asset sustainability, as set out in the Wales & Western settlement document.

Asset expenditure and sustainability

We have carefully considered ORR's draft decisions on expenditure adjustments on core asset renewals for our region.

As set out in the overall Network Rail response, we agree that there should be more spend on core asset renewals and across England & Wales. We have worked closely with the Technical Authority to review ORR's recommended increase in core asset renewals expenditure and our plans, to identify where further expenditure is required based on the latest asset information, and have also considered the ability of our supply chain colleagues to deliver additional work, particularly at the beginning of the control period.

There are three assets where additional expenditure is proposed:

- Track: additional expenditure proposed by ORR: £50m, additional expenditure in draft determination response: £31m
- Structures (including tunnels): additional expenditure proposed by ORR: £100m, additional expenditure in draft determination response: £69m
- Earthworks: additional expenditure proposed by ORR: £100m, additional expenditure in draft determination response: £85m

The additional expenditure will enable us to invest in further asset renewals, and addresses the concerns raised by Technical Authority's assurance of our SBP risk adjusted plan, particularly for our track assets. The proposed level of additional expenditure is lower than that suggested by ORR but is reflective of wider network prioritisation and is in line with guidance set out by TA and supported by their assurance, which confirms that the concerns they had previously identified have been addressed and moved to a more tolerable level. For earthworks, the lower level of proposed additional expenditure also reflects the capacity of the supply chain to deliver additional levels of activity in CP7 (particularly considering lead times to mobilise for additional activity in CP7 Year 1).

The additional expenditure enables increases in volume activity across each asset as follows:

- Track: 4% increase in volumes overall, including 20 additional S&C units planned for intervention
- Structures (including tunnels): 64% increase in volume with 18,527m² additional volume planned
- Earthworks: 8% increase in overall volume, with particular increases in cuttings interventions.

The additional activity supports better asset management outcomes across all three assets, including in our structures asset. As part of our structures examination process, asset reviews are undertaken to further understand the risks posed by asset condition, including site visits where appropriate and the use of additional examinations to target specific risks, including the risks of structural collapse, and of falling debris. We continue to review our approach to identify and implement improvements, and the bow tie risk assessment referred to above will also support our understanding and monitoring of the safety risk profile across all assets in CP7. In CP7 we plan additional minor works expenditure compared to CP6 to support structures risk management arising from examinations. Our overall examinations position is favourable, with site examinations compliance at over 99%.

ORR estimated the impact of increases to core renewals expenditure on the composite sustainability index (CSI) in draft baselines in the Draft Determination, and ORR asked that in our draft determination response that we provide more accurate forecasts. Having reflected changes to our renewals expenditure in our cost and volume plans for CP7, and we are now able to provide a more accurate forecast of CSI. This is based on:

1. Updated renewals volumes submitted by regions
2. Revised changes in inventory and expected condition at the end of CP6
3. Recalibrated model results.

The reforecast composite sustainability index improves to -2.0% (from -2.7%). This continues to reflect the fact that despite the additional expenditure, asset condition will worsen in CP7.

We have also reforecast the level of service affecting failures expected in CP7. Our forecasting has followed a bottom-up approach, with asset managers, reliability improvement specialists and maintenance engineers and delivery unit managers inputting into the forecast, against a methodology endorsed by our asset and maintenance leadership.

This has used asset trending and significant changes along with local engineering detail to gather full detail on trend and causation analysis, planned work and renewals, changes in policy and standards, and traffic, fleet and timetable changes. It is also supported by Technical Authority modelling of remaining asset life.

We have reviewed our assumptions across all assets, challenging to stretch on improvements and to reflect the benefits of additional expenditure. We have worked with Technical Authority



colleagues and aligned assumptions on the impact of timetable and fleet changes. With the assumption of a continuation of current incident attribution practices continuing in CP7, and that construction of the Great Western Mainline / HS2 interchange station at Old Oak Common does not adversely impact on asset reliability, this has led to an improvement in our forecast of level of service affecting failures to 6.5% (from 8.5%).

We have also reviewed the phasing of works in our plan, to reflect the impact of changes from CP6 and further work on identifying delivery opportunities for our planned works arising from our early engagement with our supply chain colleagues. The overall impact is to increase our base plan by £0.97m, which is covered by a compensatory stretch on our plan. The impact of the rephasing is shown in Figure 6, below:

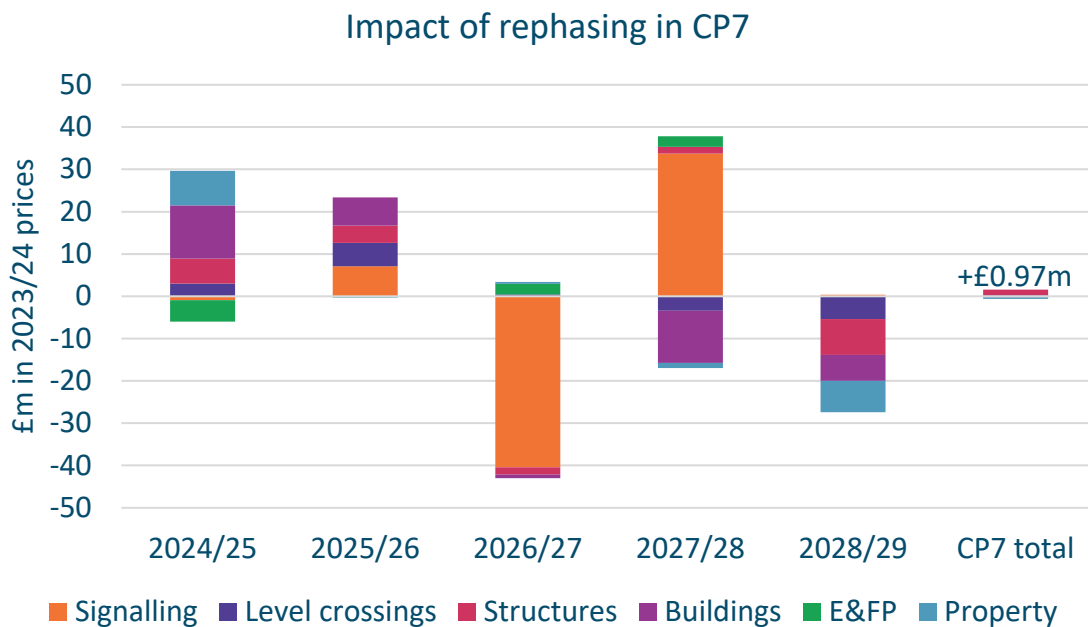


Figure 6: Impact of base workbank rephasing in CP7

The main movements are within the signalling asset where some signalling commissionings have been rephased to align with other schemes and the deployment of new technology.

As discussed in the overall Network Rail response to ORR's draft determination, we have made some changes to our plans to fund the additional core asset renewals activity (across the relevant England and Wales regions). We have continued to protect safety and train performance whilst retaining “right-sized” strategic priorities in our plan for the longer-term benefit of the network. Additionally, we do not want to be overly reliant on a small number of areas of our plan to deliver savings, and it is important to maintain as much flexibility as possible in our overall plan to respond to risk and uncertainty during CP7.

Therefore, as set out in our overall response, this additional asset expenditure will be funded through a range of savings across our plan, including a modest overlay to regional plans, which for our region is a £124m overlay. Including a modest overlay to regional plans at this stage in the

planning process provides us, along with all other regions, additional time to identify which activities could be de-scoped or deferred (and any resultant impacts on outcomes), and to identify further market-led and whole industry initiatives, to fund additional expenditure. This will support us in considering how we address the overlays for our delivery plans.

Maintenance capability

ORR's draft determination did not account for our latest maintenance plan submission to ORR, provided in April 2023, which showed greater alignment between our maintenance and renewals plan but recognised that further work was required.

Our asset management and maintenance teams have been working together so that there is alignment between our renewals and maintenance plans for CP7, which will be a key area of focus to the CP7 Delivery Plan.

More broadly, and as discussed in our overall England and Wales response, we have used the safety bow tie risk assessment to demonstrate the alignment between our maintenance and renewals plans in CP7. We have answered the 25 questions developed by Technical Authority which enables us to assess the level of alignment between our maintenance and renewals plans (including that the funding provisions for maintenance activities in CP7 are scaled appropriately) and identify any gaps which we will seek to address as part of the development of the Delivery Plan and into CP7.

Further details of our plans to develop our maintenance capability to respond to the changes in our asset management approach in CP7 can be found in section 2.

Environmental sustainability

We note ORR's comments on our carbon scope 1 and 2 emissions reduction and biodiversity improvement targets.

Our key initiative to achieve the carbon scope 1 and 2 emissions reduction is the transition to a zero emissions road fleet during CP7, with 66% of the improvement forecast attributable to this initiative, as shown in Figures 7 and 8. The transition to zero emissions vehicles will see 1,238 new vehicles introduced and 201 charging points installed. The non zero emissions road fleet contribution to carbon reduction accrues from initiatives including installation of solar panels on our buildings, improvements to heating, ventilation, and air conditioning systems, building fabric and other energy efficiency measures, with further detail to be provided in the Delivery Plan.



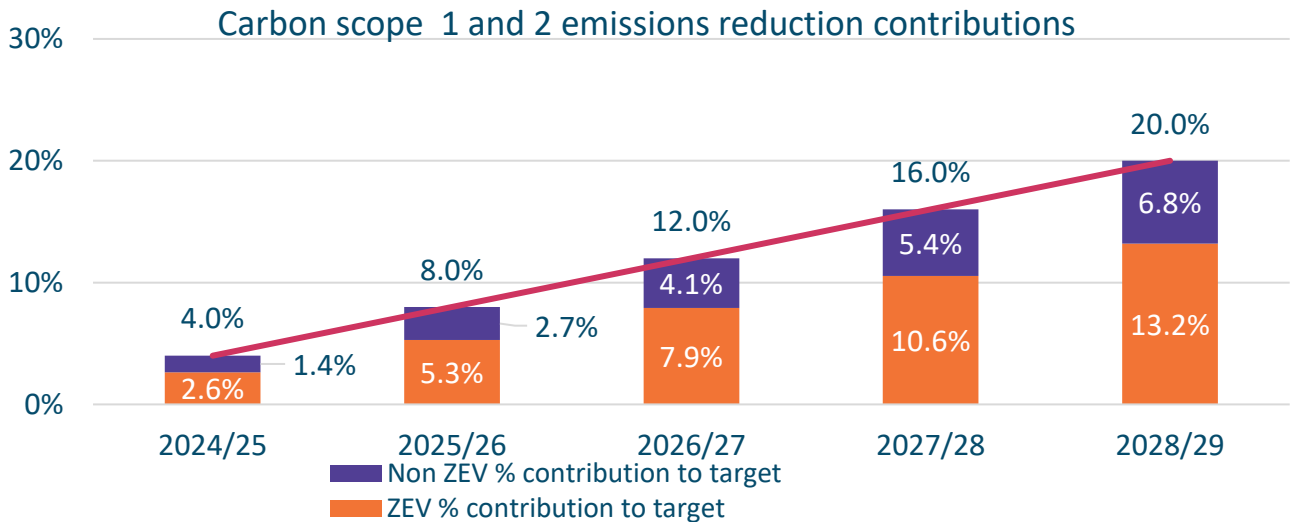


Figure 7: Carbon scope 1 and 2 emissions reduction contributions

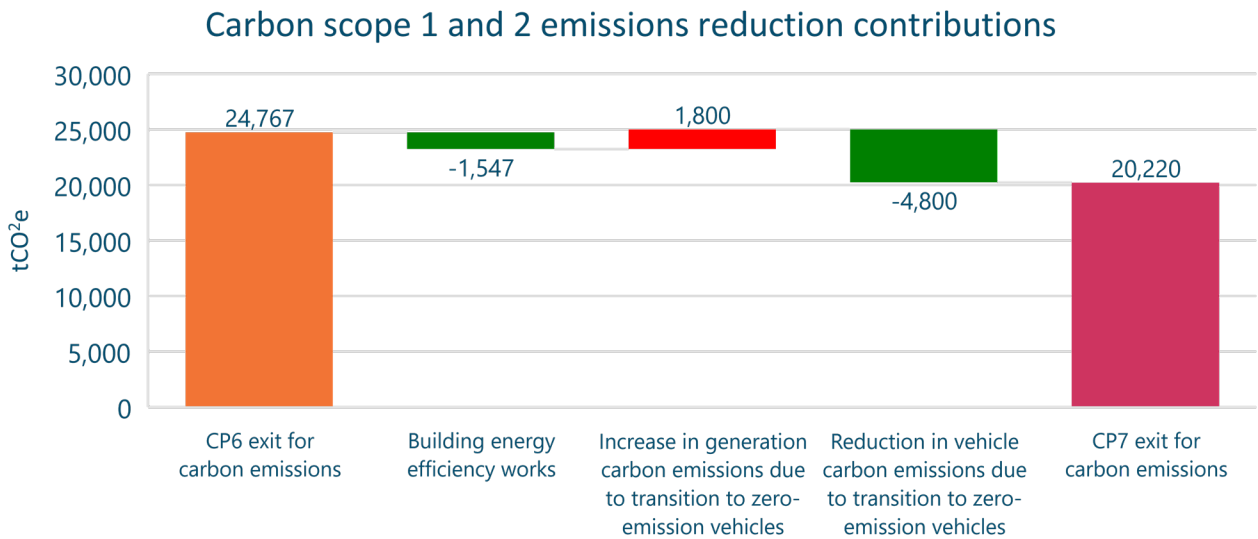


Figure 8: Carbon scope 1 and 2 emissions reduction contributions waterfall

In terms of biodiversity improvements, we have a number of initiatives in place to meet both our own timebound targets, alongside legal obligations in positively managing the lineside habitat and biodiversity. Our CP7 plan has a step change in our vegetation management strategy, including improvements in data management, accountabilities and localised organisational change. We will continue to build on our engagement with external stakeholders to aid the management of habitat impact and biodiversity compensation where looking outside the railway is key. Our plan also includes provision for land management and for improvements in biodiversity upon completion of earthwork renewals. Improvements in data management will drive improved decision making on habitat mapping, biodiversity baselines, surveys and licence management which will inform our

line of route habitat management plans which are at the heart of our biodiversity improvement plans for CP7. Further detail will be included in the CP7 Delivery Plan.

We are still embedding the new biodiversity measure. While we are using the best methodology available, there is a margin of error that must be considered in monitoring year-on-year percentage changes. Qualitative assessment will likely be an important part of ORR's monitoring in this area to provide a balanced assessment throughout the Control Period, and we will work with ORR to agree the right approach to this, including the development of supporting for the evaluation of progress in this area.

As noted in our strategic business plan, our plans for CP7 increase our activity on weather resilience and climate change adaption with the introduction of dedicated resilience funding, as well as the continuation of business as usual resilience activities. In CP7 we will look to increase the use of nature-based solutions when undertaking resilience improvements and will collaborate with third parties to support activities undertaken outside the railway boundary (e.g. catchment based flood management schemes). Our Weather Resilience and Climate Change Adaption (WRCCA) plan contains more information on our plans, and will be updated in line with the CP7 Delivery Plan.

Parts of our railway also form the sea defence in some coastal areas. As "maintenance on the same footprint" is not included in legislation in relation to coastal squeeze, there are no schemes currently planned in CP7 which would require extension outside of the existing sea defence footprint.

Our CP7 Delivery Plan will provide additional information on environmental sustainability, including circular economy and social value activities.

6. Accessibility

We note ORR's comments in relation to accessibility in the settlement document. We recognise the importance of accessibility to the railway, and as we discussed in the SBP, we aim to provide an accessible and inclusive railway for as many rail users as possible. However, we also note that widespread improvements to accessibility is not possible within the funding envelope and as such accessibility improvements in CP7 will need to be targeted and local to provide maximum benefit within the funding available.

7. Efficiency

We are committed to delivering the ambitious 10% opex and 15% capex efficiency targets for CP7 that we set out in our SBP. However, achieving this level of efficiency will be increasingly challenging. This is because of the uncertainty and challenges we face in CP7 including inflation and the impact this may have on our core workbanks.

We also note that around 30% of Network Rail's total CP7 efficiencies relates to our share of industry reform savings, and that this may be more challenging to achieve given delays to reform legislation. Not all reform initiatives require legislative reform (e.g. joint property strategies,

workforce modernisation and optimising access initiatives) and ORR support for driving forward / delivering these whole-system savings will be instrumental.

On the latest iteration of our CP7 regional plan this equates to £464m for Wales & Western overall. This comprises £164m of operating expenditure efficiency and £300m of capital expenditure efficiency.

We are already mobilising our business for CP7, making good progress on implementing our flagship efficiencies so we can deliver from 1st April 2024. Implementation of our maintenance modernisation programme is under way, with full implementation from October 2023.

Our Intelligent Client mobilisation has commenced with new contract arrangements in place and suppliers announced. We have been consulting on the linked changes to our Capital Delivery team structures, and implementation is now underway.

We are continuing our approach to efficiency identification, phasing and delivery as set out in the SBP. Our efficiency delivery mobilisation includes:

- Regularly updating our efficiency plans to reflect wider reviews of scope, delivery, input prices and efficiencies
- Planning for the delivery of national efficiency initiatives with our regional teams
- Continuing with our “Project on a Page” approach for all efficiency initiatives to enable robust programme management, which includes facilitating workshops on delivery milestone with accountable and responsible initiative leads
- Continuing to collaborate with other regions to identify further opportunities.

In addition, our Industry Efficiency Board continues to provide a forum to identify cross-industry efficiencies, and to challenge all parties to realise the benefits which can arise from improving industry collaboration.

8. Financial risk

Our SBP assumed £2bn of risk provisions in England & Wales based on £500m of funding in Group with £1.5bn held as contingent activity across region plans. The impact of recent higher inflation forecasts on our CP7 plans means that we have already had to absorb £1.5bn of additional cost through our move to the risk-adjusted plan (i.e. removing contingent activity from our plans by £258m for Wales & Western). This leads us to start CP7 with lower risk funding compared to the SBP.

We have, however, identified a proportion of our input price provisions to sit within risk funding to reflect that there is some uncertainty about whether the previously observed relationship between CPI inflation and our own costs will re-establish themselves after we move on from the high inflation environment that we are currently in.

We think the plan is currently deliverable. However, any material changes in future inflation, material Schedule 8 payments or other significant unplanned financial outlays will mean we need



to review of plans to further prioritise activity to live within the funding available for CP7. Changes to plans during CP7 would be taken through the managing change process.

We note that Schedule 4 and 8 costs are a significant driver of financial risk and the level of our exposure will depend on ORR's decision on payment rates, which will be decided as part of the final determination. Please see section 10 for further details of our response on Schedule 8 payment rates.

9. Stakeholder engagement

We note ORR's comments in relation to our stakeholder engagement on CP7, and recognise the continued importance of this as we refine our plans both over the remainder of CP7, and CP7 itself.

Since the publication of the draft determination we have continued our stakeholder engagement process, holding a further five workshops with a wide range of external stakeholders (including train and freight operators), as well as another meeting of our stakeholder challenge panel.

In these workshops we have shared details of ORR's draft determination and sought stakeholder views to help to shape this response. We welcomed stakeholder views on our engagement overall and how we can continue this both for the annual updates to the delivery plan and for PR28. We also invited all our stakeholders to participate in an online survey to seek their views.

Overall, our stakeholders were supportive of the draft decisions by ORR regarding asset expenditure and train service performance, and of our planned increases in investment and improved asset reliability. Noting our stakeholders' views on the importance of investment in weather resilience and climate change adaptation, and on the transition to net zero for NR's own activities, we have preserved our ambition in our updated plan responding to the draft determination. Reflecting ORR's survey results, our stakeholders were positive regarding our approach to engagement and made a number of suggestions as to how we can continue our engagement further, including convening a forum to specifically discuss achievement of the freight growth target.

To help to understand how we can best improve our engagement, we have also sought, but not yet received, further information from ORR on their survey to help us to develop our engagement proposition.

We are developing a proposal for an ongoing wider engagement programme in CP7, including extending our challenge panel. We will refine this over the autumn with our challenge panel before seeking wider stakeholder views.

10. Other relevant information for our response

Operations and support costs

In CP6 we have invested in our operations delivery to improve train service delivery and to make improvements in our management of fatigue amongst our operations workforce. We have shared



details of these improvements with ORR through their regular reviews of our business planning and performance delivery in CP6.

These changes have increased our operations headcount as we have strengthened our signalling teams to reduce performance disruption caused by operations staff absence, introduced new response teams and strengthened our control teams to reduce delay during times of service interruption and to protect train service operation for the Elizabeth line, and bolstered our performance measurement and improvement teams so we can better understand and mitigate the causes of delay. In addition, to address fatigue concerns, we have introduced additional headcount into our operations teams.

These changes have all been introduced part-way through CP6 and as such, headline comparisons of total CP7 operations expenditure and total CP6 operations expenditure are misleading as CP6 will only contain the part-control period impact of these changes, which are accounted for in full in CP7.

CP7 opex costs also bear the full control period impact of the pay awards agreed to resolve the recent industrial dispute which were not accounted for in the SBP. The impact of inflation on energy bills and other opex costs also flows into a full control period impact in CP7.

To further address performance and fatigue issues, there are a small number of additional increases in operating and support costs planned for CP7:

- We will continue to invest in our traffic management system in our operating centres in Cardiff and Didcot. These systems help to manage the train service more effectively through technology-enabled decision making to support reduction in reactionary delay
- We will address fatigue issues in our operations delivery (possession management) teams
- We are increasing our investment in operational security, to both meet legislative requirements in this area and to mitigate the performance impact of railway crime-related disruption
- We will increase the number of signallers in our Thames Valley Signalling Centre as a result of the additional signalling workstation required to be introduced as part of the construction of the GWML / HS2 interchange station at Old Oak Common
- We will make improvements to operations training and competence management and our costs also need to reflect changes in other operating income from the Heathrow Express maintenance contract and Transport for Wales' utilisation of the Wales railway operating centre
- We will invest in improved environmental management, with additional resource to manage biodiversity improvements and legislative compliance, as well as environmental management, decarbonisation and social value activities
- We will introduce a data management team to support our new possession optimisation system in CP7: this is a key enabler for possession-related efficiency delivery

- We will invest in closing level crossings to reduce safety risk.

The waterfall charts (Figures 9 and 10), below, set out the impact of these changes, including distinguishing between changes made in CP6 which will flow into CP7, and the additional changes being made for CP7 itself.

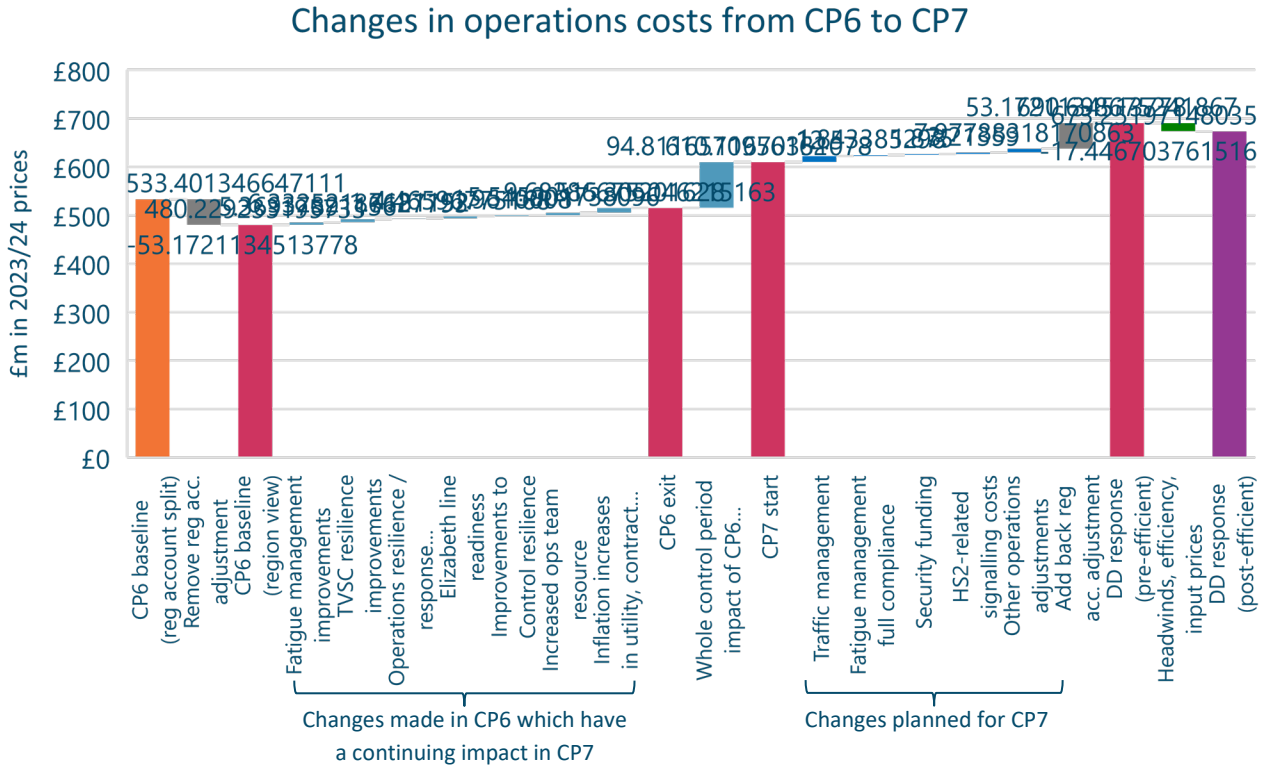


Figure 9: Changes in operations costs from CP6 to CP7

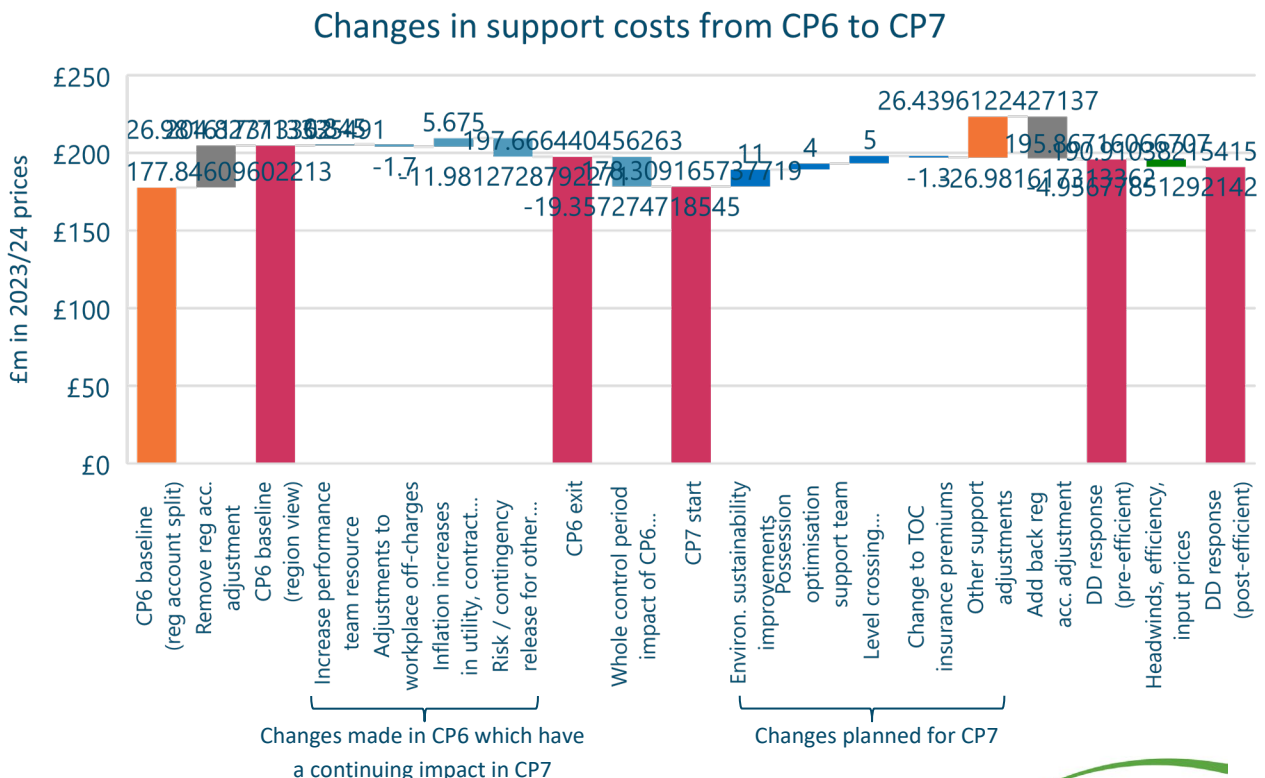


Figure 10: Changes in support costs from CP6 to CP7

We remain committed to delivering our operations and support activities as efficiently as possible, with our plan remaining compliant to the overall opex efficiency target of 10% by CP7 exit.

Outcomes

Our plans for CP7 and the outcomes we are aiming for are ambitious. There is significant uncertainty around CP7, in particular the financial / economic pressures to our plan which creates additional risk to delivering our outcomes. For example, in response to ORR's draft determination, we have identified that there are additional costs that we still need to reflect in our plans, which we have included as an overlay. Once we have fully reflected these additional costs in our plans, this will have an impact on the activity we are able to deliver in CP7. We will have to make difficult choices about how we manage the risk this creates to outcomes in our plans, but are committed to providing the best outcomes we can to passengers, freight and taxpayers. Flexibility in the regulatory framework must recognise the need to balance activity and outcomes across our plans.

Income

We have reviewed our CP7 income forecasts as part of the development of our draft determination response.

Access charging income reflects the draft price lists and our latest view of our traffic forecasts for CP7. We note this is higher than our SBP as charging rates are assumed to increase in real terms between CP6 and CP7. We assume that increases in income from DfT contracted train operators are offset by a reduction in FTAC to align to the SoFA.

We have also made the following changes to our income forecast:

- We have included £0.7m of open access income, following ORR's grant of track access rights to Grand Union Trains, assuming services start in December 2027, in line with the latest information from Grand Union Trains
- We note ORR's 1st August consultation on the introduction of an infrastructure cost charge (ICC) for open access services to major airports. We have included £45m of open access income in our plan in relation to Heathrow Express services, although the proposals set out in ORR's consultation would result in lower income during CP7. Network Rail is providing a separate response to this consultation, in which we set out our concerns around the basis for the proposed £5 per train mile ICC (in 2023/24 prices) being too low. This is based on the market segment for major airport services being too broad and that Heathrow Express can bear a higher charge which should be set equal to its allocation of Network Rail's avoidable fixed costs. It will also result in an income shortfall, placing further pressure on our CP7 plan of around £30m. Recognising that the consultation has not yet concluded, we

have retained the previously assumed £45m open access income, and will review following confirmation of ORR's final decision.

Schedule 8 payment rates

We strongly support the draft Schedule 8 Network Rail payment rate reductions (on which ORR was previously consulting the industry on a potential 75% average reduction in CP7 rates compared to CP6 rates). Whilst we recognise that the draft rates are materially lower than CP6 levels, they have been calculated in line with the new methodology previously agreed by the industry and is based on the latest evidence of passenger responses to train performance fluctuations.

As discussed in our overall response, we do not support ORR's decision to not fully implement the lower Network Rail Schedule 8 Payment Rates at the start of CP7. We believe the new proposal (average 45% reduction in CP7 rate compared to CP6) is not appropriate as it does not reflect the latest empirical evidence and economic best practice, as well as disregarding the previously industry-agreed methodology, resulting in train operators being overcompensated by delays caused by Network Rail.

We are not clear on ORR's justification for this proposal nor on how ORR have accounted for the risks of defunding vital infrastructure works that would arise from the overpayment to train operators as a result of unrealistic benchmarks and unjustified payment rates. Therefore, we think that the full reduction (75%) should be applied from the start of CP7.

Inflation

Increases in inflation forecasts since the start of the year mean that the cost of our CP7 plan is significantly higher than we assumed in our SBP (£1.5bn higher across England & Wales using May 2023 Bank of England forecasts). For Wales & Western, recent forecasts have increased the cost of our SBP by £310m in cash terms. Whilst we have not had time to reflect the latest August 2023 Bank of England inflation forecasts in our region's response, the forecast is similar to the May 2023 forecast. We set out the high-level assessment of the impact of this latest forecast on our CP7 plans in our overall Network Rail response.

Our overall Network Rail response explains how we are seeking to balance funding pressures, including inflation, across our CP7 plans, such as moving to the risk adjusted plan, which reduces the cash funding requirement. We will continue to monitor the impacts of inflation as we move towards the delivery plan as it is one of the major risks to the delivery of our CP7 plans.



Annex A: Updated financials and outcomes

Financial information

Table 1: Post-efficient CP7 expenditure (£m, 2023/24 prices)

	Direct costs			Allocated costs			Total costs		
	CP6 (RF3)	SBP	DD response	CP6 (RF3)	SBP	DD response	CP6 (RF3)	SBP	DD response
Operations	568	683	673	29	0	0	597	683	673
Maintenance	1,595	1,542	1,510	68	88	84	1,663	1,631	1,594
Support	171	175	191	506	531	506	677	706	696
Industry costs and rates (excl. BTP)	0	0	0	198	218	221	198	218	221
Electricity for Traction (EC4T)	0	0	0	294	356	397	294	356	397
Total operating expenditure (excl. EC4T)	2,334	2,400	2,374	802	837	811	3,135	3,237	3,185
Renewals	2,875	2,551	2,556	95	80	70	2,970	2,631	2,626
Other capital expenditure	86	201	74	282	365	287	368	566	361
Total capital expenditure	2,961	2,752	2,630	377	445	357	3,338	3,197	2,987
ETCS enablers	0	0	0	0	67	67	0	67	67
Risk funding	0	0	0	0	0	84	0	0	84
Total expenditure (excl. EC4T)	5,294	5,152	5,004	1,179	1,349	1,319	6,473	6,502	6,322
Input prices moved to risk funding			168			12			180

Wales & Western | CP7 draft determination response, 31st August 2023

Table 2: CP7 income (£m, 2023/24 prices)

	Direct costs			Allocated costs			Total costs		
	CP6 (RF3)	SBP	DD response	CP6 (RF3)	SBP	DD response	CP6 (RF3)	SBP	DD response
Passenger access charges (VUC, EAUC, FTAC)	-1,382	-1,249	-1,164	-712	-57	-57	-2,094	-1,307	-1,221
Stations and Depots: Station LTC, Stations Lease, QX and Depots	-304	-453	-538	0	0	0	-304	-453	-538
Freight and open access track access charges	-122	-73	-129	0	0	0	-123	-73	-129
Electricity for Traction (EC4T)	0	0	0	-304	-358	-397	-304	-358	-397
Property and other income	-123	-186	-180	-25	-90	-33	-148	-276	-213
Schedule 4 access charge supplement	-133	-141	-165	-45	-86	-82	-177	-227	-247
Schedule 4 and 8	380	152	176	-30	87	82	350	238	258
Network grant	0	0	0	-3,977	-4,404	-4,233	-3,977	-4,404	-4,233
Total Income	-1,684	-1,951	-2,000	-5,094	-4,909	-4,720	-6,777	-6,860	-6,720
Total Income (excl. EC4T)	-1,684	-1,951	-2,000	-4,789	-4,551	-4,322	-6,473	-6,502	-6,322

Outcomes

Following the revisions to our plan we are now forecasting the following outcomes in CP7:

Table 3: CP7 outcomes

Measure	2024/25			2025/26			2026/27			2027/28			2028/29			
	SBP	DD assump.	DD response	SBP	DD assump.	DD response	SBP	DD assump.	DD response	SBP	DD assump.	DD response	SBP	DD assump.	DD response	
Passenger On Time	62.3%- 64.0%	64.8%	64.7%	62.2%- 63.8%	64.8%	63.1%	63.2%- 64.8%	64.8%	61.7%- 64.2%	63.2%- 64.8%	64.8%	61.1%- 63.8%	63.2%- 64.7%	64.8%	61.3%- 64.8%	
Passenger cancellations	2.8%- 3.8%	2.3%	3.7%	2.8%- 3.8%	2.3%	3.7%	2.8%- 3.8%	2.3%	2.8%- 3.8%	2.8%- 3.8%	2.3%	2.8%- 3.8%	2.8%- 3.8%	2.3%	2.8%- 3.8%	
Freight cancellations	1.6%- 3.3%	1.5%	1.80%	1.6%- 3.3%	1.5%	1.80%	1.6%- 3.3%	1.5%	1.5%- 2.1%	1.6%- 3.3%	1.5%	1.5%- 2.1%	1.6%- 3.3%	1.5%	1.5%- 2.1%	
Composite sustainability index (change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-3.1%	-2.5%	-2.0%
Opex efficiencies	£10m	£10m	£10m	£22m	£22m	£23m	£34m	£34m	£35m	£44m	£44m	£45m	£49m	£49m	£51m	
Renewals efficiencies	£34m	£34m	£37m	£47m	£47m	£48m	£70m	£70m	£65m	£71m	£71m	£80m	£71m	£71m	£70m	
Financial performance measure	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	£0m	
Carbon emissions (scope 1 and 2 reduction)	-4.0%	-4.0%	-4.0%	-8.0%	-8.0%	-8.0%	-12.0%	-12.0%	-12.0%	-16.0%	-16.0%	-16.0%	-20.0%	-20.0%	-20.0%	
Biodiversity units net gain	0.0%	-	-	1.0%	-	-	2.0%	-	-	3.0%	-	-	4.0%	4.0%	4.0%	
Freight growth net tonne km	1.4%	1.4%	1.4%	2.8%	2.8%	2.8%	4.1%	4.1%	4.1%	5.5%	5.5%	5.5%	6.9%	6.9%	6.9%	

Wales & Western | CP7 draft determination response, 31st August 2023

All other outcomes currently remain in line with our strategic business plan; however, these may change following ORR's Final Determination and further work to understand the implication of the affordability overlays on our plan.



Annex B: Sign-off

Name	Job title
Michelle Handforth	Regional Managing Director
Mike Gurtenne	Regional Finance Director
Martin Taylor	Director, Engineering and Asset Management