FINAL – AGREED

RDG PR18 system operation working group

Note of meeting held on 7 July 2016 at RDG's offices

Attendees: Garry White (Network Rail) (chair), Alexandra Bobocica (ORR), Siobhan Carty (ORR), Lindsay Durham (Freightliner), Matthew Lutz (Network Rail), Richard McClean (Arriva) (by phone), Chantal Pagram (Go-Ahead), Guy Woodroffe (RSSB), Andy Wylie (First Group)

Apologies/not present: Martin Baynham-Knight (Keolis), Bill Davidson (RDG), Graeme Hampshire (SWT), Chris Peaker (Go Ahead), Jonathan Pugh (Network Rail), Nigel Jones (DBS), Tom Norris (Abellio), Dean Johnson (National Task Force)

Introduction

1. **This note summarises the main points of discussion at the meeting. It is not intended to represent the position of RDG or its individual members. It is provided for those not present and, potentially, as a way to help gather RDG's formal thoughts for feeding into responses/position papers.**

2. The focus of the meeting was to discuss stakeholders' views regarding ORR's initial views on the potential issues and opportunities associated with system operation, as set out in its June 2016 working paper 2.

3. ORR began the meeting by summarising its work to date on this topic and explained its next steps (i.e. a consultation in November 2016 that would set out firm proposals). It then structured its discussion around the meaning of system operation and the issues and opportunities associated short-term, medium-term and long-term system operation.

General points and actions from the last meeting

4. Reflecting the point above, the group agreed that it was helpful to have some detail in the notes of the meetings, but that it should be clear that this does not represent formal RDG policy. ORR agreed that this would be captured in all notes of the meetings.

5. ORR also agreed to correct some of the names of attendees listed in a note of the 2nd working group meeting.

The meaning of system operation

The relationship between system operation and the determination of safety/technical standards

6. Some attendees suggested that safety/technical standards need to be responsive to system operation and, therefore, the two functions should be considered together.

7. Regarding the possible problems with the determination of safety/technical standards, there were comments from the group that:

   a. While some revisions to safety/technical standards have been made to drive performance and/or increase capacity, it is not a typical driver for the industry;

   b. Network Rail is not appropriately incentivised to consider safety/technical standards in the context of improved performance / increased capacity / greater efficiency; and

   c. It is not always clear who/where within Network Rail an operator should approach if it wishes to discuss a revision to a safety/technical standard that might improve its operations;

   d. Similarly, Network Rail does not always provide operators with adequate technical information (e.g. regarding dwell times, driver advisory systems) relevant to its operations; and

   e. This may suggest that Network Rail is insufficiently resourced in this area and/or is too process driven.

8. The group discussed possible solutions to these problems. Some suggested that routes could play a more significant role in this area, though others suggested that it was important that safety/technical standards were considered centrally (especially if that central party was incentivised to increase capacity). One party suggested that the centre could hold the routes to account in ensuring that they undertake the necessary reviews, in order to unlock capacity / improve performance.

9. It was noted that it was for Network Rail to determine where the safely/technical standards setting function should sit, and that the regulatory regime should focus on the efficiency of the inputs to system operation.

Other comments

10. Some attendees suggested that the commercial role of operators should be better reflected in the activities relating to coordinating the long-term decisions on

the shape and size of the rail network, so the emphasis is not solely on governments' role in franchising. It was also stressed that government does not allocate capacity through franchising.

11. Some attendees also suggested that, as an input to developing proposals for changes to the network, the emphasis should be on *assessing* the cost of delivering network change, rather than the cost *per se*.

Possible issues and opportunities in short-term system operation

12. ORR introduced its initial views on the possible issues and opportunities. It said that it has not identified significant or systematic issues around short-term system operation functions, but suggested that in some instances performance issues could be a symptom of issues in medium-term system operation.

13. The group broadly agreed that there were no structural issues associated with short-term system operation.

14. While relatively less significant, some members of the group highlighted the problems that have been caused, in some cases, by Network Rail putting freight trains into service (that have been allocated under 'very short term plan' (VSTP)) without validating them. One attendee cited the example of an unvalidated freight service (nicknamed 'the destroyer') that caused serious delays to Oxford and Birmingham passenger services in an evening peak.

15. One attendee suggested that the obligation (under the network code) on Network Rail to respond to a request for a new path within five days is insufficient, and that it would favour an obligation that provided Network Rail with more time and an incentive to secure the path.

Possible issues and opportunities in medium-term system operation

16. Generally, the group agreed that Network Rail's incentives were focused on performance rather than capacity.

Determining capacity from the physical network

17. In the context of the TRIP programme (to review timetable planning rules (TPRs)), attendees said that the routes differ in their approach: while some have been proactive and collaborative, others have been less inclined to revise them (possibly because the path is not a well-performing one, making it (even more) difficult).

18. One attendee commented on the interaction between TRIP and the franchising programme, where DfT suggested that recently-proposed changes to the TPRs

for a particular route should be ignored for the purposes of bidding into the franchise.

19. One attendee said that the best way to incentivise the provision of capacity (as Railtrack did in its early days) was to provide the incentive through the charging regime, suggesting a "pay per path" approach.

Allocating capacity and performance

20. Related to the above, stakeholders suggested that Network Rail should be better incentivised (and measured against) the extent to which its allocation of capacity to operators is timely and accurate, and of sufficient quality.

21. Regarding the data Network Rail needs to improve aspects of capacity allocation, one operator said that this should not need to include TOC-held data on passenger numbers/revenue, stressing that this was commercial information that, if shared, could undermine the franchising programme. It was also stated that the ring-fencing arrangements within Network Rail (and between governments) was unlikely to be sufficient. However, it was suggested that Network Rail as the system operator could develop /improve its own data and modelling to strengthen its capability in capacity allocation.

22. Stakeholders suggested that Network Rail has insufficient incentives to allocate engineering access in such a way that optimises rail services and (at the same time) minimises the cost of engineering access. It was suggested that these decisions should be made in a more collaborative and holistic way, but currently the process was slow.

23. Similarly, some stakeholders highlighted a recent franchising ITT that prohibited bidders from proposing changes to freight services to accommodate passenger services. They argued that a more flexible and holistic approach was necessary, and suggested that the system operator could play a role in considering such issues on a regular basis, in order to ensure the right outcome of services is delivered.

Possible issues and opportunities in long-term system operation

24. The group did not discuss in detail the issues and opportunities with long-term system operation, though the following points made elsewhere fall under this:

   a. It was suggested that the system operator could play a more significant role in the long-term planning process. It could, for example, help identify necessary investment that could benefit the wider network and/or operational solutions;

   b. One attendee said that the system operator tends to be too focused on making capital investments to deliver additional capacity; and

    c. Reflecting the above, another attendee said that it was important that the long-term planning function remained part of the system operator.

Possible role for the system operator in the industry

25. Some stakeholders said that their impression was that the system operator business unit was not considered an attractive place to work and that staff turn-over was too high. They suggested that this should not be the case, highlighting the critical role it plays in the industry.

26. They highlighted the role the system operator could play in providing high-quality and timely information to funders and industry on the current and possible future uses of the network. This could enable better decision-making, for example:

    a. For ORR in its decisions on track access applications;

    b. For funders in their consideration of the costs of achieving different objectives relating to the role of different services (e.g. freight or commuter services); and/or

    c. For industry, in its exploration of possible commercial opportunities. Where such decisions require more difficult trade-offs to be made with respect to allocating that capacity, which could then be referred to ORR.

In this context, one attendee highlighted the important role the operational research unit within British Rail played in acting as a 'centre of excellence' in network capability.

27. Some attendees said there was a case for the system operator to be given more funding, so that it could better invest in the right staff and systems.

Future meetings

28. It was agreed that the next meeting on 19 July 2016 would focus on the high-level messages and structure of RDG's response to ORR's working papers.