

Note of RDG route-level regulation working group meeting

Held on 5 December 2016

Participants

Bill Davidson, James Mackay, Steve Price (RDG), Richard McClean (Arriva), Martin Baynham-Knight (Keolis), Nigel Jones (DB Cargo), Lindsay Durham (Freightliner), Russell Evans (First Group), Hannah Deveson, Alexis Streeter (Network Rail), Dan Moore (DfT), Daniel Lafferty (Transport Scotland), Lanita Masi (East Midlands Trains), Emily Bulman, Nigel Fisher, Siobhan Carty, Sheona Mackenzie, James Tricker (ORR).

Purpose of discussion

1. This note summarises the main points of discussion at the meeting. It is not intended to represent the position of RDG or other attendees of the working group. Its purpose is to record key points to inform ORR's policy development and to provide transparency to interested stakeholders not present at the meeting.
2. The agenda for this meeting was:
 - Network Rail proposals for changes to Route Efficiency Benefit Sharing system (REBS). Presentation of proposals from Alexis Streeter and Hannah Deveson;
 - Discussion on the draft Strategic Business Plan (SBP) guidelines published by ORR on 23 November (see ORR consultation attached);
 - An update on Route governance proposals, delivered by Bill Davidson standing in for Denise Wetton; and
 - Proposed change to PR18 working groups (from Bill Davidson).

Network Rail proposals for changes to REBS

3. Hannah Deveson and Alexis Streeter at Network Rail talked the group through their slides. ORR is responsible for REBS policy, and it forms part of ORR's consultation on charges and incentives; Network Rail is seeking views to inform its response.
4. There was a high level discussion outlining the amounts payable in 14/15. It was noted that 15/16 amounts are still to be specified.
5. Network Rail asked operators for their views:
 - Some operators said that they could readily identify some areas where Network Rail could save money, but could do little to ensure that Network Rail acted on their suggestions. Examples of issues identified were Schedule 4 costs of different access schedules.
 - But operators did not have the expertise to advise on many of Network Rail's activities.

- Network Rail asked if the scope of costs and income covered by REBS was too wide. Some participants agreed with this. For example, operators were not able to influence property costs.
- Some participants stated that they had no sight of Network Rail's business plans, and therefore were unable to engage on it.
- The REBS baseline was not realistic or meaningful.
- Some participants felt that that REBS 'sharing' rules were complicated.
- Some operators felt that alliances were preferable.
- Discussion of an upside-only efficiency sharing scheme, and work done on this for freight during CP5.

Update on Route governance proposals

6. In place of Denise Wetton, Bill Davidson provided a short update on proposed changes to route governance.
 - The proposal is to set up Route Supervisory Boards whose objective is to improve the local engagement between Network Rail, customers and end users. It would be the most senior industry meeting at Route level;
 - Each board would comprise: independent chair, Network Rail Route Managing Director (MD), TOC MD(s), rep from the System Operator, rep from Transport Focus. The Chair will be nominated following an interview by both Mark Carne and (in the case of the Western route) Steve Montgomery (MD, First Group);
 - Proposed pilot for the Western Route to commence around February 2017 and then reviewed in the summer. If the pilot is successful then Supervisory Boards would be established for the other routes in a phased manner to be completed around April 2018;
 - For large routes, such as LNE and LNW, there will probably be more than one Board. For example, for LNE it is likely that there would be an East Midlands Board, and ECML Board, and a Northern Board;
 - An important next step is to consider the scope of what activities the Route Boards should cover, what powers they would have and how disagreements would be resolved and issues shared across the network. Network Rail is expected to set out some proposals in time for a discussion at the next PR18 meeting on 9 January.

Discussion on draft SBP guidance

Network Rail's approach to stakeholder engagement

7. There was general support for engaging with stakeholders in the preparation of Route SBPs as this helps align the industry behind shared plans. However, it was also suggested that:
 - operators do not have expertise in asset management and infrastructure design, making it difficult for them to engage in all parts of Network Rail's planning (for example, it was suggested that discussions could amount only to drainage and foliage management and scheduling of works);
 - there is a lack of choice over what Network Rail will be able to do over CP6, given the likely limitations in funding available;
 - stakeholder expectations will not always be able to be met; for example some operators may have franchise outputs that the Network Rail routes do not feel able to commit to or do not have the funding to deliver. Further clarity and discussion is needed on what will happen in these situations and how a mismatch will be resolved (or not) and explained in the Route Strategic Plans (RSPs).
8. There was support for the proposed stakeholder workshops in February but some concern that there had been very little engagement with operators to-date. It was also noted that timescales for engagement throughout the SBP process would be very tight and it would be helpful to set out a clear programme from February to October. This should describe how and when stakeholders would engage and when draft RSPs would be produced, allowing time for further iterations of each route plan to reflect stakeholder comments as necessary.
9. There was agreement that there is very little time and that industry (including ORR) need to be realistic about what can be achieved.

Other comments

10. Some attendees suggested that the relevant section on the NSO in Table 1 could be clarified to reflect the fact that the National System Operator (NSO) may have some enhancement schemes and that it will report on its own use of other central functions as part of its cost reporting. Clarity was needed on who within Network Rail was accountable for the delivery of enhancements.
11. Clarity was also needed on the link between outputs included in route scorecards, Network Rail's regulated outputs and other route objectives.
12. The group talked in terms of different sections for route scorecards, including:

- metrics that were internal to Network Rail whether at a Route level and/or being national objectives for Network Rail;
- metrics that were relevant to a customer, where there would be an expectation of engagement and agreement between the Network Rail Route and operator.

13. The industry would like RDG to facilitate discussion and co-ordinate a response to the SBP consultation as it had done for the earlier consultations.

Proposed change to PR18 working groups

14. Bill Davidson put forward a proposal to merge the working group on Outputs with the group on Route regulation. This was agreed.