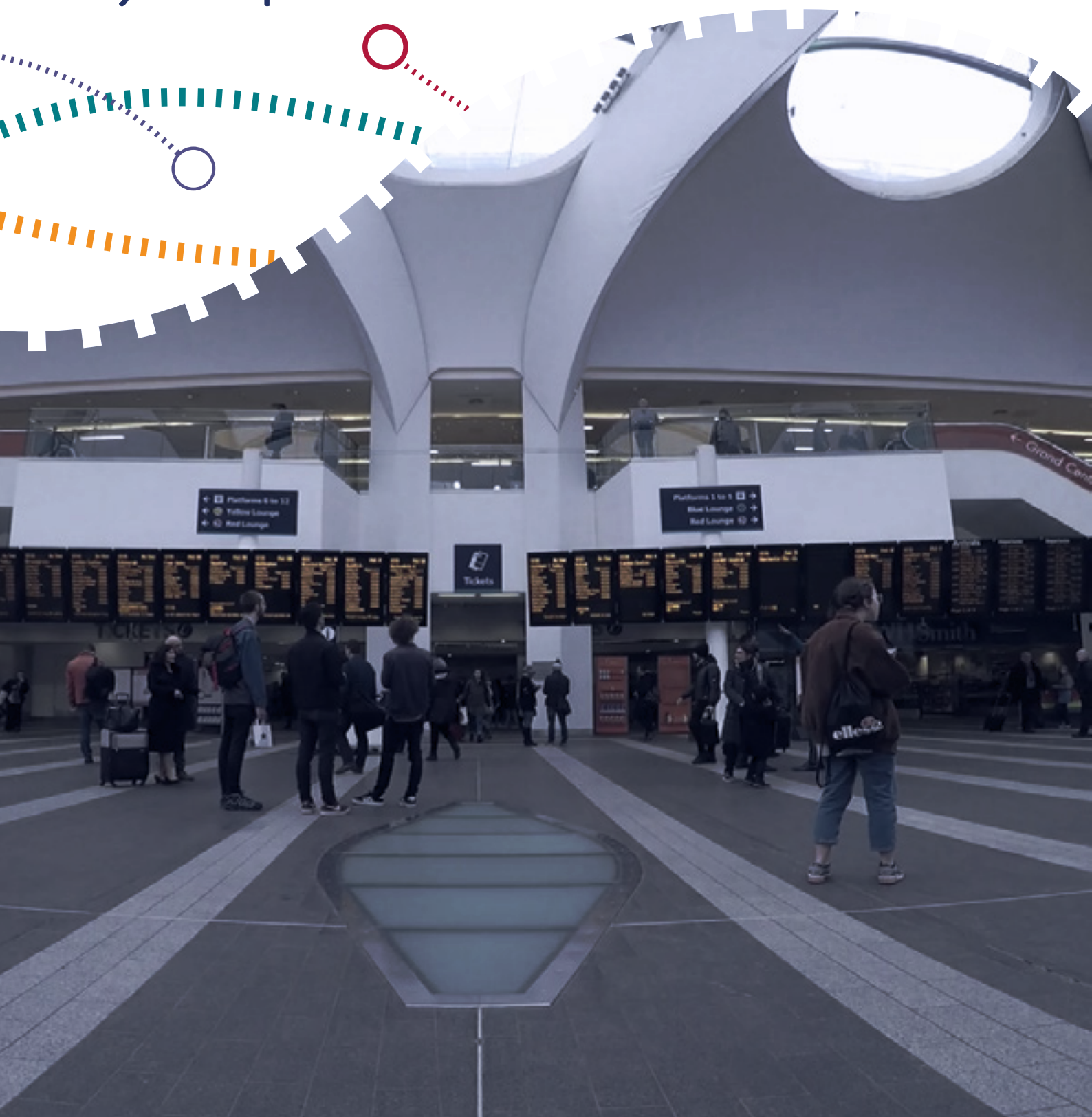# ORR
OFFICE OF RAIL AND ROAD

Annual assessment of Network Rail
April 2019 – March 2020
System Operator

9. Network Rail's System Operator function

9.1   Network Rail's System Operator carries out a range of vital network-wide functions, including:

- strategic planning – leading on the industry's long-term planning process;

- managing changes to what the network delivers, for example, working with the industry to prepare for major timetable changes;

- managing operator access to the network; and

- producing the timetable.

9.2   It carries out its activities in collaboration with Network Rail's regions and the broader industry.

9.3   In 2019-20, we focused our monitoring of the System Operator on:

- delivery of the timetabling process, and the development of the Industry Timetable Change Assurance Programme Management Office (PMO);

- ensuring that the System Operator's capital improvement programmes to support better timetabling and capacity allocation are delivered effectively and efficiently to realise industry-wide benefits; and

- improvements to the process for agreeing access to the network with operators (the 'sale of access rights' process).

9.4   Since the start of Control Period 6 (CP6), the Putting Passengers First transformation programme has resulted in some of the System Operator's responsibilities being transferred to the Network Rail regions. These are:

- the early stages of timetable planning;

- advice to funders on passenger franchise specifications; and

- early stages of enhancement projects and the coordination of changes to the network.

9.5   In addition, the strategic assessment of long-term network need and options analysis was also transferred to Network Rail's Scotland region. This activity remains with the System Operator for other regions. These changes have not impacted on the requirement for Network Rail as a whole to deliver on the requirements of the final determination for CP6.

The System Operator's governance and accountability have improved

9.6   Effective governance and stakeholder engagement is vital for the System Operator. Our Periodic Review 2018 (PR18) final determination included requirements for an external governance framework and transparent reporting through a published 'scorecard' of performance and an annual report.

9.7   Network Rail is meeting these requirements. It has established an Advisory Board to hold the System Operator to account for the development and delivery of its business plan on behalf of its funders, customers and end users. The System Operator has published its scorecard, annual report, and a summary of its Advisory Board meetings online.

9.8   The System Operator also undertakes an annual survey of its customers. It uses the results from this to improve its activities, including developing its future plans.

The System Operator's scorecard performance was good in 2019-20

9.9   Network Rail uses scorecards to align its priorities with those of its customers and help it incentivise its management to deliver those priorities. The System Operator's scorecard includes measures on:

- delivering an improved timetable service;

- safety;

- timetable performance;

- strategic planning;

- managing output changes to the network;

- customer advocacy;

- improvement programmes; and

- finance.

9.10   Its scorecard performance this year has been good, with a weighted achievement of 85.4%.

The System Operator has responded quickly and decisively to the impact of the coronavirus pandemic

The System Operator made an exceptional effort to deliver an emergency timetable in response to the impact of the coronavirus pandemic. It was delivered quickly with collaboration across the industry.

9.11   The System Operator's response to the coronavirus pandemic was excellent. It successfully developed and delivered the contingency timetable at very short notice, and facilitated strong cross-industry collaboration.

9.12   Social distancing measures presented the System Operator with a significant resourcing problem due to the challenges of timetable planners working from home. It sensibly prioritised limited resources on delivering the contingency timetable to support critical workers and freight.

9.13   The System Operator and PMO identified the impact this approach would have on the delivery of the May 2020 and December 2020 timetable changes, and communicated effectively with industry and government. The PMO facilitated a collective industry decision that when normal service was resumed, it would be restored to the May 2020 timetable. For the December 2020 timetable change, the PMO facilitated discussions which recommended that the change be scaled back to focus the limited timetable planning resource on performance improvement work packages.

9.14   The work to prepare for May 2021 and December 2021 will mostly be undertaken by the System Operator and the PMO during 2020-21. However, we have been pleased to note that the PMO is already considering the impact of the coronavirus pandemic on these forthcoming timetable changes.

9.15   The System Operator aims to confirm timetables 12 weeks ahead of travel to open up ticket bookings. It achieved this for all operators in 2019-20, but these timescales have been impacted by the response to the coronavirus pandemic as Network Rail rightly focuses on contingency timetables while protecting its workforce from harm.

The System Operator has taken steps to embed lessons learnt from May 2018

9.16   Our PR18 final determination required the System Operator to ensure the delivery of an accurate and resilient timetable. We required it to ensure it implemented the lessons learnt from the unsuccessful May 2018 timetable including the recommendations from ORR's independent inquiry into the timetable disruption (known as 'the Glaister Review')[78] and the requirements of our Final Order[79].

9.17   We are satisfied that the System Operator has taken steps to learn lessons from May 2018. We consider that the establishment of the PMO has helped manage the industry risks associated with timetable change and the System Operator has taken steps to improve its timetabling capacity and capability through initiating a number of improvement programmes. Both these aspects are discussed further below.

9.18   As recommended in the Glaister Review, during the year the System Operator has also completed a review of the industry processes for establishing the timetable (contained in Part D of the Network Code[80]). This has resulted in a number of changes in the process and has formalised the role of the PMO. The System Operator has also identified areas for further consideration, and it intends to continue a regular process of review. We support this approach of continuous improvement.

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[78] ORR's Independent Inquiry into the timetable disruption in May 2018:
https://orr.gov.uk/rail/consumers/inquiry-into-may-2018-network-disruption
[79] ORR's final order in respect of Network Rail's contravention of license conditions 1.23 and 2.7:
https://orr.gov.uk/__data/assets/pdf_file/0020/40385/network-rail-timetable-final-order-2019-01-30.pdf
[80] Network Code: https://www.networkrail.co.uk/industry-and-commercial/information-for-operators/network-code/

The timetable changes in May 2019 and December 2019 were introduced smoothly and the industry PMO continues to mature and evolve

9.19   The System Operator is responsible for developing the timetable. This includes the base timetable which changes twice a year in May and December, the rolling weekly updates to the timetable and any additional changes required at short notice.[81]

9.20   The purpose of the PMO is to provide a robust and collaborative joint industry mechanism to identify and address risks and issues that arise in relation to timetable change. Although the PMO is based in the System Operator, it acts independently to provide assurance across the industry that timetable change can be successfully delivered. In July 2019[82] we set out our view that the PMO had increased confidence in the delivery of the timetable, based on evidence from the December 2018 and May 2019 timetable change. Since then, the role of the PMO has continued to mature.

9.21   The May 2019 and December 2019 timetables were successfully delivered and have introduced many benefits for passengers. For example, improvements to services operated by GWR were delivered through the December 2019 timetable – and are the result of significant investment on the Great Western Mainline in recent years. In other areas of the country, timetable changes delivered benefits from the introduction of new rolling stock or from new services as a result of investment on the network, such as the electrification of the line between Glasgow and Edinburgh.

9.22   However, while many passengers benefited from the changes introduced in May 2019 and December 2019, in some areas of the country passengers experienced a decline in performance.

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[81] Note that, as part of the Putting Passenger First programme, responsibility for timetable planning activity more than forty weeks prior to the timetable change has been transferred from the System Operator to the regions.

[82] ORR's letter setting out our view that Network Rail met the terms of the final order made on 30 January 2019: https://orr.gov.uk/__data/assets/pdf_file/0004/41548/breach-of-timetabling-conditions-in-network-rails-network-licence-letter-2019-07-25.pdf

9.23   In particular, passengers in North West & Central experienced a decline in performance following the introduction of the May 2019 timetable. This formed part of the scope of the ORR investigation into the causes of poor performance in North West & Central this year. We concluded that aspects of the timetable, principally the introduction of splitting and joining of services at Birmingham New Street together with West Midlands Train's insufficiently robust train plan, contributed to poor performance.

9.24   While it is the train operating companies who are responsible for their train plans, we consider that the System Operator could have done more to ensure that the performance implications of a timetable change were considered in advance of starting the detailed timetable development process. However, we have been pleased to see that since May 2019 the System Operator has increased its capacity to undertake performance modelling, including developing a new team which is undertaking modelling work which has been prioritised by the National Performance Board[83].

9.25   We also note that some TPE passengers experienced significant disruption to their service immediately after the introduction of the December 2019 timetable. This was due to delays to rolling stock introduction and the subsequent impact on driver training. TPE informed passengers of service cancellations in November and December. However, the PMO had carried out deep dive reviews of the readiness of TPE to deliver the timetable earlier in the year, but TPE had not flagged this issue as a material risk to the delivery of the timetable. We consider that the PMO could have done more on this occasion to ensure the risks of the timetable were understood. We note that the PMO has carried out its own lessons learnt exercise to identify how it can improve its assurance activity for future timetable changes.

The System Operator has delivered early work on vital improvement programmes

The System Operator is at an early stage of developing and delivering high priority improvement programmes to support timetable development. During 2019-20, it has been working to define the outputs from these programmes. Some quick wins have been delivered, such as upgrades to train planning software.

9.26   The System Operator has a significant portfolio of capital and operational improvement programmes to deliver over the course of CP6 to support better timetabling and capacity allocation. In total there is £100 million of funding allocated to these programmes during CP6 and we are monitoring delivery closely. This includes funding for the recommendation in the Glaister Review that a strategy should be developed to address underlying technical issues which had limited the industry's ability to plan effectively.

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[83] The Network Performance Board:
https://www.raildeliverygroup.com/about-us/governance/strategic-boards/network-performance-board.html

9.27   These capital programmes had not been scoped prior to CP6, and so the System Operator spent the first year of the control period working to define what the programmes would deliver. It has now developed the programmes to the point where they have a business case and defined benefits. We have been pleased to see that the System Operator has delivered on some quick wins alongside its work on the broader programmes, including:

- delivering hardware and software upgrades to the train planning system;

- releasing 5,000 hours of planner time by improving the software for platform planning; and

- releasing 7,000 hours of planner time by introducing machine reading of signalling scheme plans.

9.28   To provide assurance that the System Operator was well equipped to deliver its capital expenditure programme in CP6, ORR and Network Rail commissioned an independent reporter to review its process and controls for capital expenditure. This review generated a number of recommendations, and the final determination required the System Operator to address these. The System Operator has been tracking these recommendations and they were adequately addressed over the first year of CP6.

9.29   The System Operator is also improving its operational delivery through a People Plan. It has developed a robust plan to ensure it maintains timetable planner resource and capability. Its targets for the operational planner vacancy gap and capacity planning capability have been exceeded this year.

Improvements are needed in the timescales for agreeing access to the network

The System Operator runs the process to agree train operators' access to the network. Too many applications are being approved late. It is working with industry to bring applications for access rights forward, but more work is needed across the industry to make sure applications are agreed on time.

9.30   Passenger and freight operators need a track access contract to run services on Network Rail's network. ORR approves access agreements between Network Rail and train operators in accordance with our statutory duties[84].

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[84] ORR's track access factsheet: https://orr.gov.uk/rail/access-to-the-network/track-access/track-access-factsheet

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9.31   We are concerned that applications for track access rights are being made too late, and this is limiting our ability to consider performance and capacity issues, including concerns raised by other operators, and reach a decision which can be reflected in the timetable. We wrote to the industry about the access rights process in May 2019.[85] Our letter asked the industry to commit to the following:

- operators to start the access rights process as soon as possible, with the aim of operators having approved access rights before the detailed timetable development processes starts;

- operators to engage early in order to understand access rights sought by other operators and how these may impact their own services in order to support early resolution of any objections. We also asked Network Rail to establish a clear process to ensure that operators are made aware of how plans of other operators may impact on their own plans; and

- Network Rail to facilitate a broader discussion of the reasons for the delay in submitting access rights applications and whether any changes are need in the process.

9.32   The System Operator has carried out analysis with the industry as to the reasons for delay and what changes may be required. However, we note that resolving this issue relies on the whole industry agreeing to changes in the way things are done and needs to be supported by early modelling of the performance implications of a timetable. The improvement programmes that the System Operator is undertaking during CP6 should help support this. We will continue to work with the industry to identify how current processes can be improved.

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[85] ORR's letter to industry on problems with the sale of access rights process:

https://orr.gov.uk/__data/assets/pdf_file/0013/41215/problems-with-sale-of-access-rights-process-letter-2019-05-30.pdf