



OFFICE OF RAIL AND ROAD

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Calvin Lloyd
Group Strategy: Planning and Funding
Network Rail Infrastructure Limited
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1 April 2016

Dear Calvin,

Enhancements Delivery Plan (EDP) change control: March 2016

I am writing to notify you of our decisions on the requests you made to amend the CP5 EDP under the change control mechanism established through the periodic review. This letter formally re-establishes the England & Wales (E&W) EDP to reflect the conclusions of the review by Sir Peter Hendy.

This letter also sets out our decision for Scotland change control submissions received since the June 2015 EDP. Scotland projects were outside the scope of Sir Peter Hendy's report.

Context

The quarterly change control process has been frozen since the June 2015 EDP, pending the outcome of the Hendy re-plan. The re-planning exercise was done at considerable pace between July and November 2015. Importantly, the re-plan was also in the same period of time when we concluded there were systemic weaknesses in Network Rail's ability to plan and deliver enhancements, resulting in our licence breach decision in October 2015. Therefore there is still recognised planning and delivery risks to Network Rail's revised obligations in the Hendy CP5 re-plan. These risks were also identified in the independent assurance of the Hendy review, carried out by our Independent Reporter Nichols¹. We have published its report to make clear the size of the challenge and the

¹ Nichols Independent assurance of Sir Peter Hendy review – summary report:

http://orr.gov.uk/data/assets/pdf_file/0016/20644/cp5-enhancements-independent-assurance-of-sir-peter-hendy-review-2015-11-30.pdf



improvements Network Rail still has to implement to improve confidence in its revised obligations following the Hendy re-plan.

Network Rail's successful implementation of the enhancement improvement programme (EIP) is material to addressing these risks, and we are holding Network Rail to account for delivery of these capability improvements, so the industry can get back to business as usual.

Although the Hendy re-plan concluded in December 2015, DfT has consulted on its proposals, and is now considering its response.

Therefore, this E&W change control is not following usual practice. The submission from Network Rail represents the Hendy re-plan in the form of a revised E&W EDP, and does not include the usual evidence that stakeholders and funders views have been taken into account for each change. These will come following the DfT conclusion of its consultation, which needs to consider the views of stakeholders together with the funds DfT has available. Once DfT concludes, Network Rail will need to submit change controls for any affected project in time for the next change control submission.

Although this sets a new baseline following the Hendy review, there are risks (identified in Nichols independent assurance report) and recommendations that we will be reviewing progress against, to improve confidence in dates.

Approval of changes to EDP

E&W projects

We accept the changes to E&W regulated outputs in your EDP March-16 version 1, submitted on 23rd March 2016.

There are some areas where NR's obligations could be clearer, but to be pragmatic and to ensure a baseline is quickly re-established following the Hendy review, we're approving changes. These clarifications largely do not impact regulatory milestones, but it is in everyone's interest that NR's regulatory obligations are clear. We will work with yourself and DfT to make these improvements in future change control submissions. We will discuss changes with your project teams in regular bilateral review meetings and expect to see improvements to EDP.

We note you have informed stakeholders via rail industry groups, such as route investment review groups, but recognise this has been done in parallel with the DfT consultation.

As usual, we will need to separately assess the impact on missed milestones on train operators and their customers. This will inform any financial adjustments to the RAB as per the financial framework established in PR13.

Scotland projects

You have submitted two requests to change the Scotland EDP since June 2015, as described below.

SC011 Motherwell Area Stabling

You have requested that the Phase 2 Motherwell Area Stabling project is closed down as further development of the facilities at Motherwell are no longer required by either Transport Scotland or ScotRail and the outputs delivered during Phase 1 are sufficient for current requirements in the area.

We acknowledge the support given by ScotRail, Transport Scotland and Direct Rail Services and approve the changes to the delivery plan which reflect the close down of Phase 2 of the project and the removal of the associated regulated output.

SC012 Motherwell Resignalling Enhancements

You have requested the GRIP 3 milestone for this project is changed from March to July 2016, following changes in the required scope. We accept this change to the delivery plan, however we will require further information from the project team to assess if the milestone should be classified as a missed regulatory milestone.

Historic milestones

We understand that you will no longer publish historic milestones with a status of revised or missed, in the EDP. Therefore, this letter has not approved the status of these milestones, as it has previously.

Instead, we will agree the status of historic milestones, and write to you separately confirming this list on a six-monthly basis – to align with publication of the Network Rail Monitor.

It is important to maintain an audit trail of how well NR adheres to its project milestone commitments. It is a key part of the principles of public accountability and our wider monitoring of NR's company-wide performance that is part of the regulatory incentive mechanism established as part of PR13.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Richards', written in a cursive style.

Graham Richards