

Paul Stone  
Office of Rail Regulation  
1 Kemble Street  
London  
WC2B 4AN

Dear Paul,

**Re: 2014 High Speed 1 Periodic Review**

Thank you for the opportunity to respond to the ORR's First Consultation on the 2014 High Speed One Periodic Review.

This is the response of Go-Ahead Group and Southeastern. No part of this response is confidential and it may be published in full.

I will answer your questions in the order that you raise them:

**2.16 Do you agree that CP2 outputs should balance HS1's vision, contractual requirements and customer views? Are there any other relevant considerations?**

We agree with this statement. We firmly agree that the views of both the operators and the end customers should be a consideration in the CP2 outputs. We believe that consideration should also be given to whole industry cost including environmental cost such as carbon emissions, to cover issues like ability to use regenerative braking and reduction in transmission losses from the AC power supply.

**2.21 Do you agree that a wholesale review of the contractual incentives mechanism is not necessary? In your experience, are the existing performance regime and possessions regimes working well.**

We agree that there is no need for a wholesale review. The performance regime operates well and in our experience is better than the equivalent NRIL performance regime mechanism. We would struggle to comment on the possessions regime as we are not affected by it and would expect this to carry on with a CP2 that continues to deliver a 7 day railway.

**2.23 Do you have any further thoughts and ideas on the ways in which the parties can work with HS1 Ltd to improve efficiency, including comments related to the out-performance mechanism?**

As well as formalising out-performance benefit sharing mechanisms with operators in CP2 HS1 has to find a way to incentivise NR(HS). Our concern would be whether NR(HS) as the operator of the network can be incentivised to reduce costs given the contractual set up and company structure.

**2.25 Do you consider the existing structure of charges is consistent with the Railways Infrastructure (Access and Management) Regulations 2005? Do you consider that the existing structure of charges create efficiency incentives?**

The structure of the charges including the high investment recovery charges can be a barrier to stimulating growth, despite the existence of the Discount Policy. The PR14 process should examine how this can be addressed.

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If the charges set for the Control Period were to increase by less than RPI each year then we expect that an incentive for efficiency would be created. In addition to the points above on EC4T issues, we would also welcome an incentive for reducing whole industry costs and delivering power more efficiently by reducing transmission losses.

**2.35 Are there any other issues that we should take into account as we consider the operation of the escrow arrangements?**

It is important that the methodology balances the need for enough funding against the requirement that current operators are paying into a fund which effectively insures future operators. Consideration of this balance must be an open and transparent part of the PR14 process.

**2.41 Do you consider that there are gaps in the benchmarking programme put forward by HS1 Ltd?**

For operation, maintenance and renewal we would also hope to see benchmarking against railways and assets with similar characteristics and age.

**2.42 Do you agree that this document comprehensively covers those areas which should be considered as part of PR14? Are there any other areas which you consider we should be exploring?**

As above, plans and opportunities for efficiency should include whole industry efficiency as well as HS1 efficiency eg EC4T transmission losses.

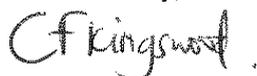
**3.12 Do you have any comments on the timescales set out in chapter 3?**

We do not understand how OMRC charges can be proposed in advance of the conclusion of the 5 Year Asset Management Strategy, as we thought the AMS was intended to inform the necessary spend and hence the OMRC costs.

However, we welcome the approach that High Speed 1 has taken to align the Stations Review with the publication of the final consultation on the 5 Year AMS. This acceleration of the stations process helps to avoid any double-counting or conflict for users of both parts of HS1's infrastructure and therefore helps to reduce financial uncertainty.

We will be actively participating in HS1's stakeholder sessions on PR14. In addition, if you wish to discuss any part of our response or the issues raised in it in further detail please do not hesitate to contact me.

Yours Sincerely,



Clare Kingswood

Access Contracts Team Manager

cc Richard Dean, Director Train Services, Southeastern

cc Richard Stuart, Director Rail Policy, Go-Ahead Group

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