

RDG PR18 Route-level regulation, charges & incentives and outputs working group: Scorecards and measures in CP6

Note of meeting held on 20 April 2017 at RDG's offices

Attendees: Chris Hemsley (Chair), Lynn Armstrong, Matt Durbin, Mark Morris (all ORR); Carl Chouler (for Nichols, ORR's consultant); Bill Davidson, Dan Boyde, Dean Johnson (all RDG), Russell Evans (First Group); Raj Patel (GTR); Dan Moore (DfT); Nigel Jones, Richard Clarke (both DB Cargo); Lindsay Durham (Freightliner); Phillippa Andell, Stephen Draper, Rachel Gilliland (all Network Rail); on the phone: Helen Cavanagh (Arriva); Maggie Simpson (RFG).

Item 1: Overview of scorecards and measures in CP6

1. ORR set out that if scorecards include measures that enable Network Rail to reflect the interests of funders, existing customers and future customers, then these could support a different approach to regulation in CP6. ORR was seeking to shift away from regulated outputs as used in CP5, towards setting some measures as requirements for Network Rail to include in their route and SO dashboards to create consistency of reporting, and giving greater reliance on the Network Rail/operator relationships, supported by scorecards.
2. A presentation was given on scorecards in CP6. ORR emphasised that it saw scorecards as supporting alignment between Network Rail and operators and enabling comparison and competition between routes. It was recognised that Network Rail is one organisation and will continue to be accountable under the terms of the licence. Participants were generally supportive of the proposals from ORR to align regulation with the customer focus brought about by scorecards. Some concern was raised that ORR should continue to have strong role in relation to a number of areas currently on the scorecard (e.g. financial performance, asset management) as these were not considered to be issues for operators to focus on.
3. It was raised that Network Rail currently uses scorecards for internal management and for route comparison but some attendees were concerned that promoting competition between routes may lead to a league table approach and stop routes from cooperating and sharing best practice.
4. ORR's slides included reference to the potential role that 'route level boards' could play in holding Network Rail to account. It was discussed that route level boards have not been approved by RDG as being the right approach and there is only one

model being trialled at present. There is also a challenge of the complexity of national operators operating across geographic areas and split across multiple routes, in terms of which operators might want to attend any such board.

5. It was also noted that ORR have been attending quarterly Network Rail performance review meetings as observers and that one model might be for ORR to attend any route level board meetings in order to support its regulation of Network Rail rather than operators taking this control.
6. Operators shared their perspective and raised some points for consideration including how scorecards reflect the existing contractual obligations, how scorecards are being used to provide supplementary evidence for holding Network Rail to account currently. Operators also suggested possible different groupings of scorecard measures including raising the prominence of customer-focused measures.
7. Participants accepted that customers cannot set all of the objectives/measures and that there needed to be alignment of objectives and incentives.
8. It was noted that the Network Rail scorecard development approach for 17/18 had improved on 16/17. There were differing views amongst participants on the extent to which this resulted in a fit-for-purpose set of scorecards, with a concern that the scorecards remained dominated by Network Rail measures and that there was insufficient focus on customer measures. It was also recognised that any organisation would want a balance of measures on its scorecard, but that Network Rail's customers were focused on a sub-set of the measures.
9. There was general consensus that there needed to be cross route governance although unclear at this stage if there is value in a route level board having a role in holding Network Rail to account.
10. There was a discussion of some example scenarios around how ORR would expect to operate in relation to the Network Rail/operator agreed measures as opposed to the proposed minimum performance level set by a consistent route measure. ORR outlined how its enforcement approach might adapt to incorporate performance against customer-agreed scorecard measures.
11. It was suggested that ORR would expect to comment on whether or not Network Rail was delivering the performance levels it agreed with its operators, and that this could be a factor ORR takes into account when considering the case for enforcement under the licence. If the minimum performance level (in terms of the route consistent measure) was not delivered then it would expect at that point to have a stronger impetus to take more formal intervention.

12. Operators asked what would happen if they were unable to agree performance targets with Network Rail. ORR suggested that it might need to be involved as a last resort, to consider the representations from the respective parties.

Item 2: Measures

13. Measures could include metrics, outputs, and other requirements.

14. Route performance (passenger)

- Consultants Steer Davies Gleaves (SDG) have evaluated measures and ORR has identified a preferred measure. The SDG report will be issued via RDG and also published on the ORR website.
- It was recognised at the meeting that there needs to be a comparable measure between routes but some concerns that there could be complexity in generating a number.
- The role of competition was debated with some participants expressing concern over behaviour and outcomes. Other participants thought competition was constructive.
- General consensus that routes need a self-accountable target and that the proposed measure would deliver this. Network Rail noted that there is a lot of existing information around performance at route level.
- Route performance managers are to be engaged and consulted as a next step.

15. Asset sustainability

- Presentation on asset sustainability with the measure options under consideration. These include a measure for each asset group comparing actual average asset condition or remaining life with planned, or alternatively the proportion of assets reaching end of life.
- It was remarked that this may be too much information on a dashboard and presentation would need to be carefully considered, but it was also noted that there were disbenefits of having a single composite measure.
- An alternative approach would be to consider deferred renewals spend, which is more easily understood by the industry although not a direct measure of sustainability, with the more complex measure under consideration being something that could sit behind the scorecard as part of ORR's wider monitoring.
- Next steps are for Network Rail and ORR to continue to develop the options. Operators noted that they felt this area was less directly relevant to them.

16. Freight

- FDM was widely supported.
- Freightliner said that there could be a focus on Delay Per Incident (DPI). The balance of measures between the Freight and National Passenger Operator (FNPO) and the routes is broadly working well, although there remain some concerns about how Network Rail's internal governance arrangements support the FNPO in being able to have an appropriate degree of leverage over the routes.
- The meeting suggested that the following could be given to focusing on Strategic Freight Corridors and emerging issues (although not necessarily in a performance measure):
 - An emerging issue is that longer, heavier trains are resulting in slower travelling speeds and there could be consideration of a measure of velocity;
 - There is currently no visibility of operations, maintenance & renewals (OMR) spending and how this impacts freight; and
 - The impact of enhancements on line of route need to be taken into consideration.

17. Availability

- The general consensus was that the passenger disruption measure PDI is not working and should be discontinued as an industry measure, and certainly not set as an 'output' or regulatory requirement.
- A considerable amount of work has been undertaken in recent years around access frameworks, although there were some concerns about the extent to which these had been successfully implemented. Processes have been produced but are not used because low maturity. It was felt there was a need for some regulatory oversight in this area, although it was not clear what this would look like. It was noted that access framework processes were supported by the Network Code.

18. In terms of next steps, ORR expects to take on board the feedback of the RDG working group and reflect this in its July Overall Framework consultation document.