

RDG PR18 working group

Note of meeting held on 22 06 2017 at RDG's offices

Attendees: Lindsay Durham (Freightliner), Richard Clarke (DB), Richard McClean (Arriva), Russell Evans (First), Mark Thompson (DfT), Christine Johnson (AECOM), Gayner Mather (CEPA), Ivan Viehoff (CEPA), Peter Swatridge (Network Rail), Helen McAllister (Network Rail), Philippa Andell (Network Rail), Tom Wood (RDG), James Mackay (RDG), Bill Davidson (RDG), Chris Hemsley (ORR), Emily Bulman (ORR), Alexandra Bobocica (ORR), Yasmine Ghozzi (ORR)

Agenda Item	Lead
1. Update on Network Rail plans for its charges consultations	RDG
2. Forward timetable for PR18 (Chris Hemsley)	ORR
3. Discussion on ORR thinking for its July consultation on the PR18 framework including outputs	ORR
4. Update on the market can bear test (Alexandra Bobocica)	ORR/CEPA
5. Item on passenger awareness of planned disruption (Emily Bulman/Christine Johnson)	ORR/AECOM

1. Update on NR plans for its charges consultations

1. Network Rail will carry out a consultation at the end of July 2017 on the methodology for calculating charges, reflecting ORR's policy decisions as set out in its June letter to Industry. Network Rail will also carry out a consultation mid-September 2017 on its proposed new methodology for allocation of costs to operators in CP6.

2. Forward timetable for PR18

2. ORR set out its high level timetable for PR18 as follows:
 - a. End of June 2017, ORR to publish its conclusions document on charges and contractual incentives. It is a twenty-page document supported by impact assessments setting out reasons for its decision. Legally, it is not a final decision rather it is a statement to close down some of the options. ORR noted that the conclusion document would also include ORR's conclusions on Schedule 8 passenger operator regime.
 - b. July 2017 has lots of publications; the deadline for HLOS and SOFA documents is 20 July 2017 alongside the advice letter to DfT and Transport Scotland. ORR is also consulting end of July on the proposed framework for regulating Network Rail's route and system operation (SO), including incentives and SO outputs (overall PR18 framework).

- c. End of September 2017, ORR to publish consultation on Schedule 4 and market can bear test as well as consultation on an updated financial framework.
- d. December 2017, Network Rail to publish its strategic business plans including its strategic plans for each route and for the system operator (SO).
- e. January 2018, ORR to publish its conclusions on the overall framework for PR18.
- f. February 2018, Network Rail to produce draft price lists for charges based on its SBPs.
- g. June 2018, ORR to consult on its draft determination for CP6.

3. Discussion of the outputs working paper's conclusions

- 3. Consultation documents to be published end of July 2017 encompasses 4 documents:
 - a. Overview/description of how many parts fit together, including monitoring and governance proposals.
 - b. Design framework (route book focused) to provide brevity and intended audience to show how pieces fit together. The document will be live and constantly updated.
 - c. Output measure to be in route scorecards.
 - d. Output measures to be in NSO scorecard.
- 4. The consultation will describe what Network Rail is expected to deliver and how it will be monitored and held to account by ORR. The legal framework for Network Rail did not change; it continues to be one legal entity with a single licence and two determinations: one for England and Wales and one for Scotland.
- 5. Scorecards have the following role, for example:
 - a. CP6 scorecards will set out expectations over CP6 and part of the final determinations. In particular, they will contain a number of key outcomes that Network Rail will be expected to deliver against over the five control period, and which ORR will determine as part of PR18 - a consistent measures of passenger and freight performance (ORR- determined measures).
 - b. CP6 scorecards will be part of ORR monitoring and enforcement activities. As ORR monitors Network Rail through CP6, consideration for how the company is delivering against the ORR - determined measures contained in the scorecards.

6. Regarding the routes (including FNPO), individual settlements for each route will be set and will be held to account for delivery. However, if for example a route is struggling, funding will not be ring fenced and there will be flexibility to move resources if required.
7. Routes and SO should take responsibility of all aspects of their delivery. This includes holding their suppliers to account, whether this is an external supplier or another part of Network Rail (such as Infrastructure Projects or the technical authority). There were concerns on clarifying the relationship between the Routes and suppliers and if there are disputes what is the process of escalation. Operators highlighted that the process and transparency for the Route to follow should be clarified.
8. The operator role is not to monitor Network Rail rather Routes and SO would hold internal suppliers to account on the Route and not to replace ORR in holding Network Rail to account.
9. ORR highlighted that engagement with customers and other key stakeholders plays an important role and we expect Routes and SO to involve those parties in the annual business planning process.

4. Update on the market can bear test

10. ORR/CEPA presented an update on market can bear test (MCB), the following comments were raised:
 - a. There was a point raised that the market can bear analysis should consider the long run impact on market segments. ORR confirmed that the analysis will look at demand over time (i.e. traffic forecast).
 - b. Regarding freight findings, it was proposed that the emerging results should be compared with data from shipping lines.
 - c. It was highlighted that the decline in demand for coal means that freight operators have a surplus of assets.
 - d. Passenger operators raised the point that when setting any possible mark-ups to recover fixed costs, ORR should be careful about Network Rail's ability to bill such charges (e.g. defining market segments by time of day might not be practical in terms of billing).
 - e. ORR clarified that no conclusions have been reached regarding ability to bear, and there will be ongoing engagement with Industry until September 2017 when ORR plans to consult on market segmentation based on the CEPA / Systra analysis.

Action- RDG to arrange two separate meetings between ORR/CEPA/passenger operators and ORR/CEPA/freight operators to explain in detail the methodology for market can bear (MCB) test.

5. Item on passenger awareness of planned disruption

11. ORR presented slides on Schedule 4 notification discount factor (NDFs). There was a comment regarding the passenger Schedule 4 CP5 NDF and thresholds table that the first column is not accurate as the passengers did not see the first working timetable. The thresholds in the NDF are based on industry processes; therefore it would only make sense to change them if those industry processes were first to change.
12. AECOM presented slides on its research into passenger awareness of planned disruption. Comments raised included:
 - a. It would be useful to extract advance purchase from the collected data.
 - b. In the Schedule 4 CP5 NDF table, two elements need to be considered: propensity of travellers that know in advance and Network Rail incentive to provide information on timetable.
 - c. Network Rail books many possessions far in advance to benefit from lower Schedule 4 compensation.
 - d. Operators wanted further clarity on what changes ORR is considering as a result of the AECOM research.

Action- RDG to analyse long-term ticketing data

Next meeting

The next scheduled meetings will be on 24th July