FINAL VERSION

RDG PR18 system operation working group

Note of meeting held on 7 August 2017 at Network Rail's offices

Attendees: Siobhán Carty (ORR), Richard Clarke (DB Cargo), Bill Davidson (RDG), Peter Graham (Freightliner), Rachel Kelley (DfT), Martin Leggett (ORR), Paul McMahon (Network Rail), Helen McAllister (Network Rail), Richard McClean (Arriva), Elaine Pocock (by phone, Network Rail), Steve Price (RDG), John Thomas (RDG), Garry White (Network Rail), Thomas Wood (RDG), Andy Wylie (First Group).

Introduction

1. This note summarises the main points of discussion at the meeting. It is not intended to represent the position of RDG or other attendees of the working group. Its purpose is to record key points to inform ORR's policy development and to provide transparency to interested stakeholders not present at the meeting.

2. The purpose of the meeting was to:

   - Discuss initial views on ORR's recent consultation on the overall framework for regulating Network Rail;

   - Discuss initial views on ORR's recent consultation on possible measures of the system operator's performance; and

   - Discuss the Sale of Access Rights process.

3. ORR publishes the minutes of RDG meetings on its website. The minutes of the meeting held on 28 June were shared with the group and agreed by those present.

4. The following actions were recorded at previous meetings and are outstanding:

Action	Owner
Share the access framework decision making process with the RDG working group	Network Rail

Initial views on ORR consultation on the overall framework for regulating Network Rail

5. Siobhán Carty (ORR) summarised at a high-level the contents of its recent publication on the overall framework for regulating Network Rail. She stressed that ORR's thinking about the design of the determination and settlements would

broadly apply in the same way to the System Operator (SO) as it does to the routes, though there may be some differences in certain areas (e.g. SO's financial framework).

6. Attendees noted that operators were keen that the various parts of Network Rail were rigorously held to account against the plans they commit to, and that stakeholders were able to share their views on whether the plans were effective or not.

7. With respect to change control arrangements for the SO, it was noted that these could be tailored to ensure that the SO's budget was protected in order to secure its vital role in the network. At the same time, it was noted that if change management arrangements were symmetrical then such arrangements could also make it harder to provide additional resources to the SO if/when it required them. Any changes in expected outputs also needed to be recorded and assessed to ensure the SO remains appropriately resourced.

Initial views on ORR consultation on possible SO measures

8. Attendees said there was a risk that the SO's scorecard could become too long if it tried to report against too many measures. However, it was also acknowledged that a balanced scorecard should be able to consolidate sufficiently to provide a reasonable assessment of the SO's performance. Helen McAllister (Network Rail) discussed the possible role of an SO 'Tier 2' scorecards, which the SO could use to report on its performance at each route level. She said this could enable the SO to include customer-specific measures in a more meaningful way, with the functional Tier 1 scorecard reflecting aggregated measures.

9. The long timescales associated with much of the SO's work (for instance long term plans look a generation into the future) meant that outcome based measures would be difficult. Attendees noted there was value in more qualitative reporting, and that most strategy departments in a private company would demonstrate their outputs in a qualitative rather than quantitative fashion.

10. Some attendees suggested that the SO should report against its resources, for instance the proportion of vacancies it has and/or its efficiency of delivering certain tasks. This could be comparable to what operators report on as part of the franchising process.

11. Attendees agreed that quality of output was more important than short term efficiency gains, given the nature of the SO's role. The group agreed that where improvement plans were proposed, there needed to be robust governance and milestones around these.

12. There was a brief discussion on the detail of the measures contained in the consultation. It was noted that measures which are quantifiable and which the SO

is accountable for are probably most suitable for inclusion on the SO scorecard. The group was also supportive of the idea of a dashboard (for those measures of system operation more broadly which the SO contributes to but isn't solely accountable) and of an SO-specific annual return.

13. Many of the quantifiable measures the SO is accountable for were within the area of timetable production however, but the importance of a balanced scorecard was noted so these shouldn't all be included just because they are easy to measure.

Sale of Access Rights discussion

14. The SoAR Panel is the decision making body for access rights sales, and consists of representatives from the routes, the SO, and the corporate centre of Network Rail. Paul McMahon (who is also Route Managing Director for the Freight and National Passenger Operator Route) is the chair of SoAR Panel.

15. Paul McMahon (Network Rail) shared a process map for making Sale of Access Rights (SoAR) decisions. It is also available on its [website]. He noted the following points:

   - There is only a single process for SoAR nationally, but different routes may have different priorities that could shape their views on applications;
   - The SO's role is substantial, and SoAR panel cannot approve any access sales without the head of timetable and capacity planning (currently Fiona Dolman) present;
   - If an operator would like to request additional access rights, it should speak to its Customer Relations Executive (CRE) in the route, who will act as its point of contact and facilitator within Network Rail;
   - The SO conducts analysis to determine whether there is sufficient capacity to accommodate the request, and what the potential impact would be on performance. This analysis is used to underpin the application;
   - Route Managing Directors (RMD) sign off applications if he/she agree with them, having considered the impact on their route with regards to asset management and performance. If RMDs do not sign off the request at this stage, then ORR is the first point of appeal;

16. Operators commented that there are many access right requests currently going through the Section 17 and Section 22 process, which mean that operators are appealing to ORR to decide and then instruct Network Rail to enter into contracts if applicable. This in turn is leading operators to make incremental or shorter term access requests.

17. On the point about ORR being the point of appeal if an RMD does not sign off a request for access, some operators noted that this precluded a wider discussion

on the merits of the application within Network Rail and/or at SoAR, which could be helpful. They suggested that it could be preferable for industry (e.g. via SoAR) to address any issues with access applications, at least initially and before resorting to ORR needing to take a view.

18. Operators suggested that routes had acted parochially in the early days of privatisation, for example rejecting applications from operators if they had a negative impact on the route. Hence the SO exists to promote the whole network view.

19. With respect to ORR's role as the appeal body if RMDs do not agree to a request for access, attendees noted that it would be preferable if operators could then appeal to the SoAR panel, where it was hoped the SO might provide more of a 'whole system' viewpoint. Currently, if an operator appeals to the ORR, SoAR panel has to approve Network Rail's response to the consultation. If SoAR panel is unable to reach a decision, then decisions are referred upwards to Investment Panel.

20. Garry White said that Network Rail would be looking to host an industry workshop in the coming months to discuss and identify if any alterations would improve the SoAR process. Potential areas included reducing the number of short term requests; moving towards an approach that defined overall train quantums rather being incremental in nature; and avoiding the impact that franchising decisions can have if they come at the wrong stage of the timetable development process.

Next meeting

21. The next meeting is scheduled for Wednesday 23 August.