



## Scorecards and requirements: impact assessments

October 2018

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# 1. Introduction

- 1.1 This document supports our final determination [supplementary document on scorecards and requirements](#), which is part of our [2018 Periodic Review \(PR18\) final determination](#). It contains our updated impact assessments (IAs) that were previously consulted on as part of our [route requirements and scorecards consultation](#), under the overall framework for regulating Network Rail, and again as part of our PR18 draft determination.
- 1.2 We did not receive any consultation responses which specifically addressed our impact assessments, but we have updated these to reflect the comments we received on wider policy points and to reflect our final decisions.
- 1.3 Each IA option was assessed against the PR18 outcomes, as specified in our [PR18 initial consultation](#) and shown in the table below.

PR18 outcome	Description
<b>MORE EFFICIENT</b>	Taking cost-effective decisions on operating, maintaining and renewing the network.
<b>BETTER USED</b>	Finding ways of improving performance and accommodating more services on the current network.
<b>EXPANDED EFFECTIVELY</b>	Informing decisions on enhancements and delivering agreed projects in a safe, timely and cost-effective way.
<b>SAFER</b>	Maintaining, and finding ways to improve, safety standards on the current network and as it is enhanced.
<b>AVAILABLE</b>	Taking effective decisions on possessions, mitigating the overall impact of these on end users.
<b>RELIABLE</b>	Taking effective decisions to limit delays and cancellations, and their impact on end users.

## 2. Scorecards policy

In September 2017, we published a [draft impact assessment for our policy on outputs and scorecards](#), alongside our Overall Framework consultation. We published an updated policy impact assessment in June 2018 (as part of our [PR18 draft determination](#)). This document further updates this assessment, reflecting on the points raised in response to our draft determination.

Policy	Scorecards policy
<p><b>Background</b></p>	<p>ORR’s role and purpose in setting a framework for what Network Rail should deliver is not formally established in the Railways Act 2005.</p> <p>Setting this framework enables us to regulate effectively and to be clear with Network Rail where we might step in to take action.</p> <p>In the 2013 Periodic Review (PR13) we set an outputs framework consisting of outputs, indicators and enablers. We have however identified weaknesses with this approach.</p> <p>In Control Period 5 (CP5), Network Rail has deepened its route devolution, separated the system operator (SO) out as a business unit and introduced scorecards to manage its business and allow it to become more closely aligned with its customers.</p>
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>The scorecards policy for Control Period 6 (CP6) should support delivery of each of the PR18 outcomes, and in particular delivery of a network that is ‘reliable’, ‘better used’ and ‘available’.</p>
<p><b>The problem under consideration</b></p> <p>The CP5 outputs framework has weaknesses:</p> <ul style="list-style-type: none"> <li>■ it is seen to encourage Network Rail to focus on the regulator rather than on its customers, funders, and end users;</li> <li>■ this approach relies on there being reasonably accurate forecasts for the targets used, with end of control period targets being set seven years in advance; and</li> <li>■ Network Rail’s reclassification as a public sector body has reduced the likely effectiveness of certain financial incentives on the company, including the imposition of financial penalties.</li> </ul> <p>There are other important changes in context, including:</p>	

- the creation of more distinct route businesses, which are now responsible for more of the decisions in their geographic areas, and are now better placed to involve customers in the decisions that affect their use of the network; and
- Network Rail has also created a more distinct system operator (SO) which is responsible for a range of functions.

Our scorecards policy should support and reflect our PR18 focus on route-level regulation and improved regulation of the SO.

**What is the scale of the issue and who is impacted?**

The scorecards policy affects Network Rail and ORR because it is about what ORR holds Network Rail to account for during CP6, and how, and therefore the relationship between the two organisations.

However, it also has significant impacts on:

- *funders*, because they will wish to see that their High Level Output Specifications (HLOSs) are effectively secured by the regulator in return for the funding they provide;
- Network Rail’s *customers*, because the policy will impact on Network Rail’s priorities, which will impact on the service they receive from Network Rail;
- *end users* of the rail network, because the effectiveness of Network Rail (combined with the effectiveness of operators) impacts the experience that end users have of using the network; and
- Network Rail’s wider *stakeholders*, because the policy may affect Network Rail’s priorities and effectiveness.

**Options considered:**

<p>Option 0: Do nothing</p>	<p>We would set outputs, indicators and enablers as we did in PR13.</p> <p>Outputs in particular would be set as ‘challenging but achievable’ targets at the periodic review, relying on analysis and projections seven years in advance of the final year of CP6.</p> <p>We would specify in the final determination further additional indicators and enablers similarly based on analysis undertaken as part of the periodic review.</p>
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<p>Option 1: Use scorecards but also set requirements alongside scorecards where appropriate</p>	<p>To support regulation of Network Rail’s geographic route scorecards we would:</p> <ul style="list-style-type: none"> <li>■ require Network Rail to create balanced route scorecards which reflect the HLOSs;</li> <li>■ require Network Rail to include a small number of measures to both support the creation of balanced scorecards, and encourage comparison and competition between routes, and throughout the control period;</li> <li>■ set regulatory minimum floors for four measures (two relating to route contribution to train performance, one for Great Britain freight performance and one in relation to route management of asset sustainability).</li> </ul> <p>To recognise the role of the Freight and National Passenger Operators (FNPO) route, we would:</p> <ul style="list-style-type: none"> <li>■ require Network Rail to create a balanced FNPO scorecard which reflects the HLOSs;</li> <li>■ require Network Rail to include a Freight Delivery Metric (FDM) on the FNPO route scorecard; and</li> <li>■ set a regulatory minimum floor for the national FDM on the FNPO route scorecard.</li> </ul> <p>To support regulation of the SO we would:</p> <ul style="list-style-type: none"> <li>■ require Network Rail to create a balanced SO scorecard, and to include specific measures on its SO scorecard throughout the control period;</li> <li>■ place reliance on Network Rail’s creation of a balanced SO scorecard which reflects the HLOSs; and</li> <li>■ make qualitative requirements of the SO, which may not necessarily be included on the scorecard.</li> </ul> <p>We would also look to place reliance on Network Rail’s governance arrangements, which determine:</p> <ul style="list-style-type: none"> <li>■ how and whether Network Rail agrees stretching yet realistic scorecard targets with its customers to reflect their businesses, both as part of PR18 and for each year</li> </ul>
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	<p>of CP6 through a high quality stakeholder engagement process; and</p> <ul style="list-style-type: none"> <li>■ which scorecard measures are linked to Network Rail's management incentive plans.</li> </ul> <p>Our monitoring and enforcement policy for CP6 would reflect the ways we could use scorecards to hold Network Rail to account including that:</p> <ul style="list-style-type: none"> <li>■ in our routine publications we would rely on assessing Network Rail's performance against the CP6 baselines; and</li> <li>■ we would continue to receive monitoring information.</li> </ul> <p>We would not expect to make requirements for the scorecards of other parts of Network Rail, unless this was deemed necessary to address material issues following assessment of the SBP.</p>
<b>Assessment of options</b>	(options assessed relative to do nothing)
Option 1	<p>This option enables us to wrap our regulatory approach around Network Rail's scorecard framework and processes. It allows for the following:</p> <ul style="list-style-type: none"> <li>■ closer alignment between Network Rail and its customers through the use of route and customer scorecards, and the SO scorecard;</li> <li>■ scorecards that capture what each route and the SO plans to deliver over (at least) the next year. This would provide a vehicle for recording what each customer wants, agreeing how it should be measured and what level of performance is reasonable;</li> <li>■ supporting improved stakeholder engagement, including between each route, the SO and their customers. This would build on the use of scorecards and the improved levels of engagement in the PR18 route strategic plans (RSPs);</li> <li>■ making greater use of comparison between routes when we monitor and report on performance. This would</li> </ul>

	<p>sharpen incentives on each route and provide a stimulus to sharing best practice across Network Rail;</p> <ul style="list-style-type: none"> <li>■ an approach which is consistent with the greater role that reputation will probably play over CP6. This will be supported through the use of comparisons of route progress against a common set of measures, and against each of the route scorecards; and</li> <li>■ inclusion within the framework for the measurement of the performance of Network Rail’s route teams, which then feeds through into the remuneration of relevant managers. and</li> </ul> <p>This approach reflects the difficulty involved in forecasting trajectories and targets in advance of the control period, and supports Network Rail and its customers by providing flexibility for the industry to adapt to customer needs.</p> <p>Potential disbenefits would be:</p> <ul style="list-style-type: none"> <li>■ there is potentially less clarity at the start of the control period as to what Network Rail’s performance will be measured against over the duration of the control period (as some of this detail would be agreed or amended during the control period), and how this might affect what the company delivers; and</li> <li>■ operators may feel uncomfortable (or unable) to agree trajectories and targets with Network Rail which do not reflect their franchise targets.</li> </ul>
<p><b>Recommendation</b></p>	<p>Option 1: use scorecards but set requirements alongside scorecards where appropriate, for example with regard to availability of the network.</p> <p>This approach represents the best option to reflect Network Rail’s status and current performance levels.</p>



### 3. Network sustainability

Issue	Route management of network sustainability
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>The network is <b>more efficient</b>:</p> <ul style="list-style-type: none"> <li>■ Providing transparency about whether Network Rail is storing up future costs in its approach to renewals.</li> </ul> <p>The network is <b>safer</b>:</p> <ul style="list-style-type: none"> <li>■ Maintaining and improving the safety of the network now and in the future relies upon Network Rail delivering sufficient renewals.</li> </ul> <p>The network is <b>more reliable</b>:</p> <ul style="list-style-type: none"> <li>■ Ensuring that Network Rail delivers sufficient renewals to sustain the network assets during CP6, which will help ensure that the reliability of the network is maintained and improved in the future.</li> </ul>

#### The problem under consideration

Maintaining and renewing the network in the short, medium and long term is one of Network Rail’s key obligations, as set out in its Network Licence (LC1).

As Network Rail sets, and then subsequently adapts, its maintenance and renewals plans for a control period, there may be long-term impacts on the sustainability of the network. This may particularly be the case if, having ensured compliance with safety legislation, it is driven to disproportionately prioritise short-term performance and enhancements at the expense of longer term asset stewardship. If it did so, this could result in excessive future costs in subsequent control periods, to the detriment of future passengers.

We examined ways to improve our ability to identify future deterioration of network assets in response to decisions taken, and make these more transparent to stakeholders.

We want an effective network sustainability measure to be included on route scorecards, as this provides transparency and consistency across Network Rail routes. We define network sustainability as *‘delivering sufficient renewals to counter the on-going deterioration of network assets through ageing and wear-out in order to protect the interests of future users and funders’*.

Any sustainability measure should demonstrate that any underlying trends in the remaining life of Network Rail’s infrastructure are within manageable ‘boundaries’. The measure should contribute to Network Rail’s assurance of the effectiveness of its current asset management activity. This helps Network Rail demonstrate that it can sustain current assets and therefore network performance on the railway in future control periods. The measure should make use of existing data and be easily understood by all stakeholders.

Before the start of CP5, a sustainability measure was developed (the Composite Sustainability Index, (CSI)). This monitors changing patterns of asset life and some aspects of asset performance and risk against a baseline set at the end of Control Period 4. This measure uses models that track changing asset life by modelling patterns of degradation and improvement from interventions. The models are re-run annually using updated survey and work records.

**Options considered**

<p>Option 0: Do nothing</p>	<p>There would be no consistent route measure for network sustainability. We would continue to monitor asset residual life or the asset condition score, which is reported annually by Network Rail in the annual return, and continue to monitor the network-level CSI.</p>
<p>Option 1: To require CSI to be broken down to route level</p>	<p>There would be a consistent route measure for network sustainability: CSI at route level.</p> <p>We would require Network Rail to include a measure for network sustainability during CP6. A regulatory minimum floor would be set in relation to this measure, outlining the minimum level of network sustainability. The regulatory minimum floor represents the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence. We would set a floor instead of a hard target because of the modelled nature of CSI.</p>
<p>Option 2: To require a new consistent measure to be developed</p>	<p>The current CSI measure has some limitations;</p> <ul style="list-style-type: none"> <li>■ it is a slow-moving measure with a considerable lag between work activity being undertaken and the benefits being seen in any change in CSI;</li> <li>■ CSI only reflects around 80% of the total assets. Assets that are not included may be at a different state than</li> </ul>

	<p>those included. This means that if they were included they may influence the output score;</p> <ul style="list-style-type: none"> <li>■ within the CSIscoring there will be individual assets and groups of assets that will be in a significantly worse position that may be masked by the overall score;</li> <li>■ any modelled value is dependent on a number of assumptions; and</li> <li>■ the individual asset models that feed the CSI projections have varying levels of maturity. This may result in inaccuracy in any CSI forecast.</li> </ul> <p>We could therefore require Network Rail to develop a new measure for sustainability which overcomes these issues.</p>
<p><b>Assessment of options</b></p>	<p>(options assessed relative to do nothing)</p>
<p>Option 1</p>	<p>Introducing a consistent measure for network sustainability on route scorecards would:</p> <ul style="list-style-type: none"> <li>■ support our policy approach to managing network sustainability in CP6 which reflects governments' priorities in the HLOSs;</li> <li>■ enable transparent and consistent assessment of Network Rail's route contributions to network sustainability;</li> <li>■ sharpen incentives on each route to perform and provide a stimulus to sharing best practice across Network Rail; and</li> <li>■ support our requirements and enable us to take action where necessary.</li> </ul>

<p>Option 2</p>	<p>Although the CSI metric has a number of limitations, these can be addressed in part by undertaking additional monitoring of work volumes and the type of activities undertaken for all asset types within a route against its published plans.</p> <p>In addition, we would look to monitor routes' asset management processes to ensure that sustainability impacts are being considered when undertaking work-planning prioritisation.</p> <p>Network Rail agreed that it will work with us on the development of an improved measure of network sustainability, and has presented a plan to do this. The new measure remains in development by Network Rail, and we have made our determination in relation to route-level CSIs, and aim to implement a new measure of sustainability in the early part of CP6.</p>
<p><b>Recommendation</b></p>	<p>A combination of options 1 and 2: we require Network Rail to include a consistent measure on route scorecards for network sustainability. A regulatory minimum floor will be set for this measure due to the modelled nature of CSI. We also require Network Rail to develop a new measure for network sustainability for inclusion on route scorecards during CP6.</p>
<p><b>Published report</b></p>	<p>N/A</p>

## 4. Train performance – passenger market

Issue	Route contribution to train performance for the passenger market
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>The network is <b>reliable</b>:</p> <ul style="list-style-type: none"> <li>■ Network Rail is able to provide confidence that each route is doing everything reasonably practicable to deliver train performance and is limiting its impact on the network.</li> </ul> <p>The network is <b>better-used</b>:</p> <ul style="list-style-type: none"> <li>■ improved train performance for train operator customers should in turn deliver a better service to end users and taxpayers.</li> </ul>
<p><b>The problem under consideration</b></p> <p>Route scorecards in particular reflect the interests of Network Rail’s passenger train and freight-operating customers, through the inclusion of a number of customer-aligned and, ideally, customer-agreed measures and trajectories. These customer-agreed measures include high-level measures of train performance (e.g. Public Performance Measure (PPM) or On Time) as well as more focused measures (e.g. Right Time arrivals/departures at key stations).</p> <p>Currently (in CP5) there is no single performance measure common to all route scorecards. Network Rail’s national corporate scorecard compares the performance delivery of each route against customer-aligned measures and targets. This approach supports the customer focus for each route and enables Network Rail to understand how well it is delivering the requirements highlighted by its customers. Network Rail’s customers choose different measures in order to reflect their different businesses.</p> <p>As a result, it is difficult to compare objectively the relative levels of performance on each route. A single consistent measure will help enable these judgements to be made and enable route comparison and consistency.</p> <p>In February 2017, we commissioned consultants Steer Davis Gleave (SDG) to help develop a performance metric to be used in benchmarking the contribution of Network Rail’s routes to train performance.</p>	
<p><b>Options considered:</b></p>	

Option 0: Do nothing	No consistent measure for route contribution to performance for passengers on geographic route scorecards.
Option 1: Require a delay minutes based measure	<p>A consistent route measure for passenger performance, included on geographic route scorecards. This measure would reflect Network Rail-caused delay minutes to passenger trains from incidents occurring within the route.</p> <p>It would use train kilometres travelled on the route as a simple normalisation factor to enable comparison between routes. This would broadly reflect the different size and traffic volume of each route.</p> <p>A regulatory minimum floor would be set in relation to this measure, outlining the minimum level of passenger train performance. The regulatory minimum floor represents the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence.</p>
<b>Assessment of options</b>	(options assessed relative to do nothing)
Option 1	<p>Introducing a consistent measure for passenger performance on geographic route scorecards would:</p> <ul style="list-style-type: none"> <li>■ support our policy approach to managing performance in CP6 which reflects Network Rail’s customers’ individual priorities;</li> <li>■ enable transparent and consistent assessment of Network Rail’s route contributions to performance;</li> <li>■ sharpen incentives on each route to perform and provide a stimulus to sharing best practice across Network Rail; and</li> <li>■ support our requirements and enable us to take action where necessary.</li> </ul> <p>There are some risks with the proposed approach:</p> <p><b>Focus on ORR-determined measure</b></p> <p>Network Rail focuses on the ORR determined measure and not on its customer measures.</p>

This may be mitigated by the fact that Network Rail routes would focus on those measures linked to annual performance-related remuneration, which it sets itself and that for performance this will be focused on customer measures.

Also, if performance improves under other measures, this should translate into an improvement in delay minutes and vice versa – i.e. we do not consider that the measures work against each other.

We would continue to monitor Network Rail's performance in relation to the measures and trajectories which reflect its customers' interests.

### **Normalisation**

There is a risk that the normalisation factor will not be fit for purpose meaning the credibility of the measure could be undermined.

As the characteristics of each route can vary significantly, some form of normalisation is necessary to enable direct comparisons across routes.

There is a trade-off between simplicity and comparability when normalising for differences between routes:

- a simple normalisation factor, such as train kilometres may not account for all the differences between routes and therefore may not be fully representative of route performance. However, it would be easier to understand the management activity needed to improve performance; and
- a more complicated normalisation factor, such as service intensity, may be more representative. However, there is a risk of lack of industry engagement as it may be harder to understand.

The preferred option would be to use train kilometres travelled on the route as a simple normalisation factor. While this may not account for all differences between the routes, it benefits from being a more straightforward measure.

### **Reactionary delay caused by Train Operating Company (TOC) incidents**

	<p>This measure would not include reactionary delay caused by TOC incidents, which Network Rail ultimately has responsibility for managing. Therefore, we could require Network Rail to demonstrate how it would manage reactionary delays in CP6.</p> <p><b>Cancellations</b></p> <p>Cancellations are excluded from this measure, whether caused by Network Rail or an operator. There is a risk that Network Rail may cancel trains to reduce the number of delay minutes on the network. We could require Network Rail to demonstrate how it would manage cancellations in CP6.</p> <p>For both operator reactionary delay and cancellations, Network Rail remains subject to Condition 1 of the Network Rail Licence (i.e. the need to be a best practice operator). If not satisfied with performance in these areas, ORR could investigate whether or not Network Rail was in breach of its network licence on these points.</p>
<b>Recommendation</b>	<p>Option 1: A consistent route measure for passenger performance based on delay minutes should be included on geographic route scorecards. This measure has been identified as the consistent route measure for passenger performance (CRM-P).</p> <p>We require that a regulatory minimum floor should be set for passenger performance on geographic route scorecards in order to underpin this consistent route measure, and the measures agreed by Network Rail and its customers. This will indicate the level at which we would be highly likely to investigate formally.</p>
<b>Published report</b>	<p>Route Performance Measurement report (by SDG) (see <a href="#">here</a>). This sets out in more detail the options SDG considered for a consistent route measure of performance.</p>



## 5. Train performance – freight market

Issue	Route contribution to train performance for the freight market
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>A network that is <b>reliable</b>:</p> <ul style="list-style-type: none"> <li>■ Network Rail routes provide confidence that they are doing everything reasonably practicable to deliver freight train performance to their freight train operator customers.</li> </ul> <p>This should also result in a network that is <b>better used</b>:</p> <ul style="list-style-type: none"> <li>■ improved train performance for train operator customers should in turn deliver a better service to end users and taxpayers.</li> </ul>
<p><b>The problem under consideration</b></p> <p>Network Rail has introduced a FNPO route to manage the relationship with freight operators. In CP5, the geographic route scorecards include measures for freight performance (the Freight Delivery Metric by route, (FDM-R)).</p> <p>While freight travels across the whole country, the geographic routes make a large contribution to the performance level achieved for freight operators. We would like to make an assessment across the scorecards of how well each geographic route is delivering across a balanced set of measures.</p> <p>A single consistent freight measure across the routes would help enable route comparison and also allow for consistent measurement during the entire control period. It should also contribute to keeping geographic routes focused on delivering freight performance as well as passenger performance.</p>	
<p><b>Options considered:</b></p>	
<p>Option 0: Do nothing</p>	<p>There would be no freight measure on any scorecard, which would leave freight operators to negotiate targets with Network Rail.</p>

<p>Option 1: FNPO-only focus</p>	<p>There would be a requirement for a freight performance measure (FDM) on the FNPO scorecard at Great Britain level.</p> <p>A regulatory minimum floor would be set in relation to this measure. The regulatory minimum floor would represent the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence.</p>
<p>Option 2: FNPO + geographic route measure</p>	<p>There would be a requirement for a freight performance measure (FDM) on the FNPO scorecard at Great Britain level, and a measure of FDM-R on geographic route scorecards.</p> <p>A regulatory minimum floor would be set in relation to these measures. The regulatory minimum floor would represent the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence.</p>
<p>Option 3: Geographic route-only focus</p>	<p>There would be a requirement for a freight performance measure (FDM-R) on the geographic route scorecards.</p> <p>A regulatory minimum floor would be set in relation to this measure. The regulatory minimum floor would represent the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence.</p>
<p><b>Assessment of options:</b></p>	<p>(options assessed relative to do nothing)</p>
<p>Option 1</p>	<p>There is broad support among freight operators for continuing with FDM, as demonstrated via responses to our Outputs Working Paper, our consultation on the Overall Framework and our draft determination consultation.</p> <p>We could require FDM to be included on the FNPO scorecard and set a regulatory minimum floor in relation to the national level of performance to be achieved. This would mean there would be a clear point at which we would be highly likely to investigate formally, but freight operators could still negotiate more focused freight targets (including in relation to Strategic</p>

	<p>Freight Corridors) relative to each business under the customer sections of their scorecard.</p> <p>The main risk with this approach is that routes may not include a freight measure and may become more focused on passenger performance than freight performance.</p> <p>The FNPO would need to have strong governance arrangements with the geographic routes to prevent a loss of focus and potential deterioration of freight performance. This approach increases the risk of undue discrimination.</p>
Option 2	<p>We could take the same approach as outlined in Option 1 above but in addition require a consistently calculated freight measure (FDM-R) to be included on the geographic route scorecards as well.</p> <p>This would have the same benefits as above, but also allow greater visibility across the geographic routes and enable comparison of route contributions to freight performance.</p>
Option 3	<p>Under this option we would only set a route-level measure. This would have the benefit of supporting ORR's objectives for route comparison. However, it would be unlikely to support adequately the national and strategic freight route focus required by the freight industry and could undermine the role of the FNPO.</p>
<b>Recommendation</b>	<p>Option 2: a consistent measure of freight performance should be included on both the FNPO and geographic route scorecards (FDM and FDM-R respectively). We require that a regulatory minimum floor should be set for both national FDM on the FNPO scorecard and FDM-R on geographic route scorecards. This will indicate the level at which we would be highly likely to investigate formally whether or not Network Rail is in breach of its licence.</p>
<b>Published report</b>	N/A

## 6. End user experience

Issue	Route impact on end user experience
<b>Which of the PR18 outcomes does this deliver against?</b>	<p>The network is <b>reliable</b> and therefore <b>better-used</b>:</p> <ul style="list-style-type: none"> <li>■ Improving routes' focus on their impact on the experience of passengers.</li> <li>■ ORR also has an ongoing, long-term objective to increase the transparency of the rail passenger experience.</li> </ul>
<p><b>The problem under consideration</b></p> <p>Network Rail's scorecard process enables its operator customers to request tailored measures which focus on their priorities, including for their passengers. However, this results in a variety of measures being included on each route's scorecards. This means it is difficult for wider stakeholders to assess and compare how well each route is delivering in the interests of passengers on a consistent basis.</p> <p>One or more consistent measures reflecting end user experiences would provide some transparency around each route's performance in relation to aspects of their service delivery that underpin key passenger outcomes. The ability to compare performance across each route on each of the proposed measures below would also serve to increase competition between routes by encouraging them to focus on improving passenger outcomes.</p> <p>Freight end user interests are also important but with freight the nature of the commercial relationship is different. In CP5, Network Rail included a measure for freight end user (FEU) satisfaction on its FNPO route scorecard. This is measured quarterly. Freight end users are also represented by the Rail Freight Group (RFG) and members include logistics companies, ports, equipment suppliers and property developers.</p>	
<p><b>Options considered</b></p>	
<p>Option 0: Do nothing</p>	<p>There would be no route consistent end user-related measures on any scorecard.</p>
<p>Option 1: require consistent</p>	<p>Route consistent end user measures would be required (and could be included on the route comparison scorecard):</p>

<p>passenger measures</p>	<p>a) Overall passenger satisfaction with the journey by route</p> <p>This data is generated from the twice-yearly Transport Focus National Rail Passenger Survey (NRPS). Respondents' performance ratings can be attributed to a route based on a passenger's originating station (even if the journey extended beyond a single route). The data is derived from question 16 of the current NRPS questionnaire.</p> <p>b) Passenger satisfaction with the managed station</p> <p>Network Rail estimates that four million passenger journeys a day originate, pass through or terminate in a Network Rail-managed station<sup>1</sup>. In this context, if such a large proportion of passengers in Great Britain are routinely using a managed station as part of their journeys it is important that there is greater transparency and accountability around their experiences of them.</p> <p>There is currently at least one managed station within each route (except Wales). The data would be derived from question 8 of the current NRPS questionnaire and would be an arithmetic average score for all managed stations within the route (where there is more than one). For example, if there are three managed stations within the Route then the metric would be based on a simple average score for those stations.</p>
<p>Option 2: require consistent passenger and freight user measures</p>	<p>The measures above could be included alongside one or more additional freight end user measures broken down by route to enable route comparison.</p>
<p><b>Assessment of options:</b></p>	<p>(options assessed relative to do nothing)</p>
<p>Option 1</p>	<p>Requiring two consistent route measures (passenger satisfaction with the journey by route, and passenger satisfaction with the managed station), would serve ORR's objective of increasing the transparency around the passenger experience of each route's</p>

<sup>1</sup><https://www.networkrail.co.uk/communities/passengers/our-stations/>

service delivery. Network Rail has confirmed that the data will be published twice yearly (when it is available) in its quarterly route comparison scorecard<sup>2</sup>. It would be presented on the scorecard as an absolute figure with the rate of change in brackets beside e.g. 85% (+3%). Our analysis of the historic data for these two measures also reveals some natural seasonal trends between spring and autumn waves. The rate of change would therefore be based on the difference in the absolute satisfaction score versus the published score for that season a year before, e.g. Autumn 2017 versus Autumn 2018. Network Rail has also expressed a preference for the rate of change to be colour coded (green = improvement, amber = no change, red = deterioration) which we would support and approve for inclusion.

The strength of these passenger measures is that they would allow for clear comparative analysis between routes. This would not only enable benchmarking but also offers opportunities to identify best practice. Over time, the inclusion of these measures could therefore help to incentivise incremental improvements in each route's service delivery.

ORR has an ongoing, long-term objective to increase the transparency of the rail passenger experience, and the inclusion of these measures would serve this by reporting on the impact and linkages between each of Network Rail route's service delivery and the effect it has upon passenger outcomes.

Because each route is not entirely responsible for the passenger impacts on each of the measures, this approach presents potential reputational risks if performance on one or both of these indicators is poor but analysis shows it was caused by factors somewhat beyond a route's control. An example would be a scenario where passenger journey satisfaction on a route declines significantly but analysis shows it was largely being driven by an underperforming TOC.

This would enable comparative analysis and benchmarking between routes, and offer added benefit by helping individual routes to identify their best and worst performing stations.

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<sup>2</sup> The data should be included in the Route Comparison Scorecard published immediately after the NRPS data becomes available.

	<p>This approach would also provide the ability to compare performance on these measures across routes, which should incrementally drive up standards of performance over time on all routes.</p>
Option 2	<p>This option would require a measure of existing freight end user satisfaction. This data is not currently disaggregated by route, therefore its inclusion would not allow comparison across routes.</p> <p>Additionally, freight end users have a different, more direct customer relationship with freight operators (than passengers do with passenger operators). Imposing consistent requirements in this area might impact unduly on this relationship.</p>
<b>Recommendation</b>	<p>Option 1: require measures of passenger satisfaction with the journey by route, and passenger satisfaction with the managed station. We welcome Network Rail’s commitment to including this on its route comparison scorecard.</p>
<b>Published report</b>	N/A

## 7. Use of the network – passenger and freight

Issue	Use of the network – passenger and freight
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>The network is <b>more efficient</b>:</p> <ul style="list-style-type: none"> <li>■ Network Rail routes demonstrate efficient management across all routes.</li> </ul> <p>The network is <b>better-used</b>:</p> <ul style="list-style-type: none"> <li>■ A route-based traffic growth measure (reflecting Network Rail’s customers’ network use requirements), will enable routes to assess their own performance in meeting customers’ needs.</li> <li>■ Allowing routes to compare performance against each other further acts as an incentive for routes to deliver best use of the network for customers.</li> </ul>
<p><b>The problem under consideration</b></p> <p>It is currently not clear how well Network Rail responds to its customers’ need for increased use of the network by delivering sufficient capacity consistently across all routes and all customers.</p> <p>We want a transparent view of how well each route is impacting on overall traffic growth.</p> <p>We propose using the existing volume incentive metrics as the basis for the use of the network measure. The volume incentive was designed to make Network Rail more responsive to unexpected demand for network capacity above baseline traffic growth rates, thereby making best use of available capacity in responding to customers’ needs.</p> <p>As part of PR18, we consulted on reform of the volume incentive in November 2017. In May 2018, we proposed to remove the incentive payments available to Network Rail under the volume incentive. As part of our final determination we have decided to remove the volume incentive including its reporting. Instead, we will focus on measures of traffic growth against baseline growth rates and use scorecards as the principal measure of how well Network Rail is delivering to its customers in this area.</p>	
<p><b>Options considered</b></p>	
<p>Option 0: Do nothing</p>	<p>There would be no route consistent measure on scorecards. This would mean that routes would be less conscious of the impact they</p>



	can have on the use of the network and growth. This would impact the decision regarding the continuation of the volume incentive.
Option 1: Require a consistent measure	<p>There would be consistent measures for the passenger and freight markets, specified as:</p> <ul style="list-style-type: none"> <li>- passenger train miles; and</li> <li>- freight net tonne miles<sup>3</sup>.</li> </ul> <p>Routes could choose to include these measures on their geographic route scorecard or the FNPO scorecard.</p>
<b>Assessment of options</b>	(options assessed relative to do nothing)
Option 1	<p>This approach would enable each route’s performance on maximising available capacity for passenger operators to be measured against a consistent benchmark and for this to be transparent.</p> <p>Our choice of metric for passenger and freight would be based on the degree to which Network Rail can influence growth rates directly. For the passenger market, we consider train miles to be the appropriate metric. The freight metric should be freight net tonne miles, as this is a better measure of how efficiently rail freight trains are using the network.</p> <p>Network Rail’s performance with regard to traffic growth would be reported quarterly against annually-set growth forecasts. In order that the measure is clearly understood by all parties we propose that it is expressed in absolute terms i.e. comparing train miles and net freight tonne miles against their respective baseline growth targets.</p> <p>Network Rail has committed to including this on its route comparison scorecard.</p>
<b>Recommendation</b>	Option 1: require measures for passenger and freight use of the network. We welcome Network Rail’s commitment to including this on its route comparison scorecard.
<b>Published report</b>	N/A

<sup>3</sup> The amount of freight moved on the railway network, taking into account the weight of the load and the distance carried.

## 8. Network availability

Issue	Route management of network availability
<b>Which of the PR18 outcomes does this deliver against?</b>	A network that is <b>available</b> : <ul style="list-style-type: none"> <li>■ Network Rail achieves an efficient balance between the necessary maintenance, renewal and enhancement of the network and keeping the network open to business.</li> </ul>
<p><b>The problem under consideration</b></p> <p>Possession Disruption Index (PDI) targets for passenger and freight were set for CP5 on a national basis with end of control period targets. PDI is reported in arrears, meaning that it does not inform management decisions effectively.</p> <p>The system for producing this measure is unreliable and does not accurately reflect service group changes or produce a figure at route level. Making the system fit for purpose for CP6 would incur significant cost and time. Any such cost would need to be set against the benefits of continuing to report this measure, which the industry does not find informative or helpful..</p> <p>However, network availability remains an important outcome. To help inform our view of monitoring and assessing network availability in CP6 and CP7, we commissioned consultants SNC-Lavalin in February 2018 to help identify potential options for assessing Network Rail’s delivery of network availability.</p>	
<b>Options considered</b>	
Option 0: Do nothing	There would be no measure for network availability on scorecards. We would continue to receive Network Rail’s management data in relation to the availability of the network, and Schedule 4 would continue to operate to provide incentives to Network Rail around possessions.
Option 1a: Monitor network availability alongside scorecards	In 2017 Network Rail introduced two Early Warning Indicators (EWIs); <ul style="list-style-type: none"> <li>■ Level of access disputes raised</li> </ul>

	<ul style="list-style-type: none"> <li>■ Additional information relating to the notification discount factor</li> </ul> <p>Other metrics are also presented within Network Rail's Possession Indicator Report, including rail replacement bus hours and late notice possessions.</p>
Option 1b: Monitor network availability and customer feedback alongside scorecards	<p>Network Rail has continued to develop its 2017 proposal and in its draft determination response it proposed the following quantitative and qualitative measures:</p> <ul style="list-style-type: none"> <li>■ Late Notice Possession Changes</li> <li>■ The level of access disputes escalated to the Access Disputes Committee</li> <li>■ Annual customer survey</li> </ul>
Option 2: Develop a new consistent route measure of availability	<p>A new consistent measure or suite of measures at route level would be developed during CP6 (an updated version of PDI or a replacement for it).</p> <p>A regulatory minimum floor could be set in relation to this measure.</p>
Option 3: Develop a new consistent route measure of network availability, supported by a suite of other indicator measures	<p>As option 2 but including additional measures to monitor and assess network availability. SNC-Lavalin's recommended using Extended Journey Time (EJT) supported by a suite of measures, including delay and cancellation minutes due to possession overruns and bus-vehicle hours. Some of these measures currently exist within Network Rail's periodic Possession Indicator Report.</p>
<b>Assessment of options</b>	(options assessed relative to do nothing)
Option 1a	<p>This approach is likely to incur less cost as it is based on existing measures in the Possession Indicator Report plus Network Rail's newly developed EWIs. Schedule 4 will be working to incentivise industry decisions and in most cases this will incentivise Network Rail and operators to minimise the impact on end users.</p>

	<p>We acknowledge that the measures Network Rail has proposed provide an appropriate balance; are straightforward to produce and are forward-looking.</p>
Option 1b	<p>This approach is likely to incur less cost as it is based on existing information already collated and published by Network Rail in its Possession Indicator Report. Schedule 4 will be working to incentivise industry decisions and in most cases this will incentivise Network Rail and operators to minimise the impact on end users.</p> <p>The measures Network Rail has proposed are straightforward to produce and are forward-looking.</p>
Option 2	<p>This approach would be likely to incur significant system redevelopment costs to address the service code issue. The data on which PDI is currently based is at operator level and would need to be converted to route level for CP6. It is not clear that adapting PDI at a route level would result in a more useful measure for Network Rail and operators, or provide us with greater insight in this area.</p> <p>We set a requirement for Network Rail to develop a new measure in PR13 but it was not delivered. Although there was agreement on the need to measure network availability, the industry did not identify a replacement measure for PDI during CP5. Development of a new measure for network availability would entail significant time and costs associated with its creation and implementation as well as developing industry engagement to communicate this new metric.</p>
Option 3	<p>As per Option 2, this approach may incur additional costs or changes to current reporting systems to ensure an appropriate suite of measures is in place to assess the efficiency of possessions and the impact on passenger and freight customers.</p> <p>Network Rail does not consider that EJT is a measure of network availability that would drive decisions or be intuitive or informative for customers or end users.</p>

<p><b>Recommendation</b></p>	<p>Option 1b: Monitor network availability alongside scorecards.</p> <p>Using the proposed measures set out below:</p> <ul style="list-style-type: none"> <li>■ Late Notice Possession Changes</li> <li>■ The level of access disputes escalated to the Access Disputes Committee</li> <li>■ Annual customer survey</li> </ul>
<p><b>Published reports</b></p>	<ul style="list-style-type: none"> <li>■ Availability output measures report (by Europe Economics) (see <a href="#">here</a>)</li> <li>■ Network Rail’s delivery of network availability in CP6 (by SNC-Lavalin) (see the following for the <a href="#">full report</a> or <a href="#">summary slides</a>)</li> </ul>

## 9. Third party investment

Issue	Route management of third party investment
<p><b>Which of the PR18 outcomes does this deliver against?</b></p>	<p>A network that is <b>expanded effectively</b>:</p> <ul style="list-style-type: none"> <li>■ Network Rail is able to encourage and facilitate third-party investment, meeting investors' requirements whilst managing the subsequent impact of incremental enhancements on its operations, maintenance and renewals.</li> </ul>
<p><b>The problem under consideration</b></p> <p>A key theme for CP6 is the requirement for greater and more sustainable levels of third party (i.e. not UK or Scottish Government funding) investment in the rail network. Network Rail has begun to set out how this will be delivered. This includes adopting the recommendations of the Hansford review, appointment of route business development directors, and behavioural changes. We are interested in a scorecard measure to provide additional transparency of Network Rail's performance in this area.</p> <p>Developing a valid metric that reflects the requirements of the Secretary of State, third parties and Network Rail is a significant challenge. The volume and value of potential third party investment varies significantly between routes and falls largely outside Network Rail's control.</p>	
<p><b>Options considered</b></p>	
<p>Option 0: Do nothing</p>	<p>There would not be a consistent route measure for third party investment, and ORR would hold Network Rail to account through other means.</p>
<p>Option 1: Develop a suitable consistent route measure for third party investment</p>	<p>A consistent route measure would be developed during CP6 that provides investors and potential investors with the transparency and independent objectivity they require in order to invest with confidence in the network.</p>
<p>Option 2: All routes to report on third party investment</p>	<p>All routes would report publicly on third party investment. This would reflect that the scale and type of third party investment will vary across routes.</p>

<b>Assessment of options</b>	(options assessed relative to do nothing)
Option 1	This area is not yet sufficiently mature to support a measure. Further work would need to be done on whether the metric we develop should reflect inputs (how Network Rail has engaged with and supported development of proposals), delivery (efficient and timely) and outputs (benefits realisation). The varying scale and type of third party investment between routes would make a scorecard measure difficult to interpret on face value.
Option 2	<p>This would meet the requirements of investors and the Secretary of State for Network Rail to place suitable emphasis on third-party investment.</p> <p>Any measures would need to provide transparency over Network Rail's performance in delivering for third parties and provide assurance to potential investors that sufficient challenge and scrutiny is in place.</p> <p>Reporting should:</p> <ul style="list-style-type: none"> <li>■ cover milestone and cost delivery by Network Rail; and</li> <li>■ be transparent to stakeholders, particularly investors (while taking appropriate account of commercial confidentiality).</li> </ul>
<b>Recommendation</b>	Option 2: while a measure for third party investment is not yet sufficiently mature to be included on route scorecards, Network Rail should continue to develop its thinking in this area. We accept Network Rail's proposal in its draft determination response to focus on qualitative reporting in its route scorecard reports, rather than a consistent scorecard measure.
<b>Published report</b>	N/A