

Ms Hazel Walker
Group Company Secretary
Network Rail Infrastructure Limited
40 Melton Street
London NW1 2EE

19 July 2006

Regulatory Accounting Guidelines

1. Network Rail Infrastructure Limited (described below as "Network Rail") has been granted a network licence under section 8 of the Railways Act 1993 subject to the conditions contained in that licence.
2. In accordance with paragraph 8 of Condition 22 of Network Rail's Network Licence (Condition 22), ORR may from time to time issue to Network Rail, Regulatory Accounting Guidelines (Guidelines). The attached Guidelines are issued under paragraph 8 of Condition 22 such that they take effect from 18 July 2006 and will apply to Network Rail's 2005/06 regulatory accounts.
3. Under paragraph 2 of Condition 22, Network Rail is required to prepare the regulatory financial statements in accordance with any Regulatory Accounting Guidelines from time to time issued by ORR under Condition 22, as well as in accordance with Condition 22 generally.
4. Having regard to the processes followed in previous years for submission of the regulatory accounts and as previously discussed with Network Rail, under paragraph 12 of Condition 22 I approve, on behalf of ORR, an extension of the timescale for delivery of the regulatory accounts until 31 July 2006.
5. Over the next few months we intend to discuss with Paul Plummer and Peter Duff's teams (in consultation as appropriate with other industry parties) the changes likely to be required to the Guidelines in order to ensure that from 2006/07 onwards the regulatory accounts will provide more detail on maintenance, operations and operating costs.
6. In addition, we also expect to further update the Guidelines as part of the 2008 periodic review, this is likely to reflect the way information is collected and analysed during the review.
7. I have copied this letter to Paul Plummer and Peter Duff at Network Rail.

John Thomas

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