



# Schedule 4 and Schedule 8

PR18 Stakeholder event  
27<sup>th</sup> November 2015

# Today's purpose

- An opportunity to learn more about the regimes and ask questions
- Discuss the purpose of the regimes
- Discuss problems with the existing regimes and things that work well
- Hear other people's views
  - To help inform your response to our letter

# What are we seeking views on?

- We would like your views on:
  - The effectiveness of the current regime, including aspects that are working well
  - The scale of any potential problem, and;
  - What the priority areas for improvement should be

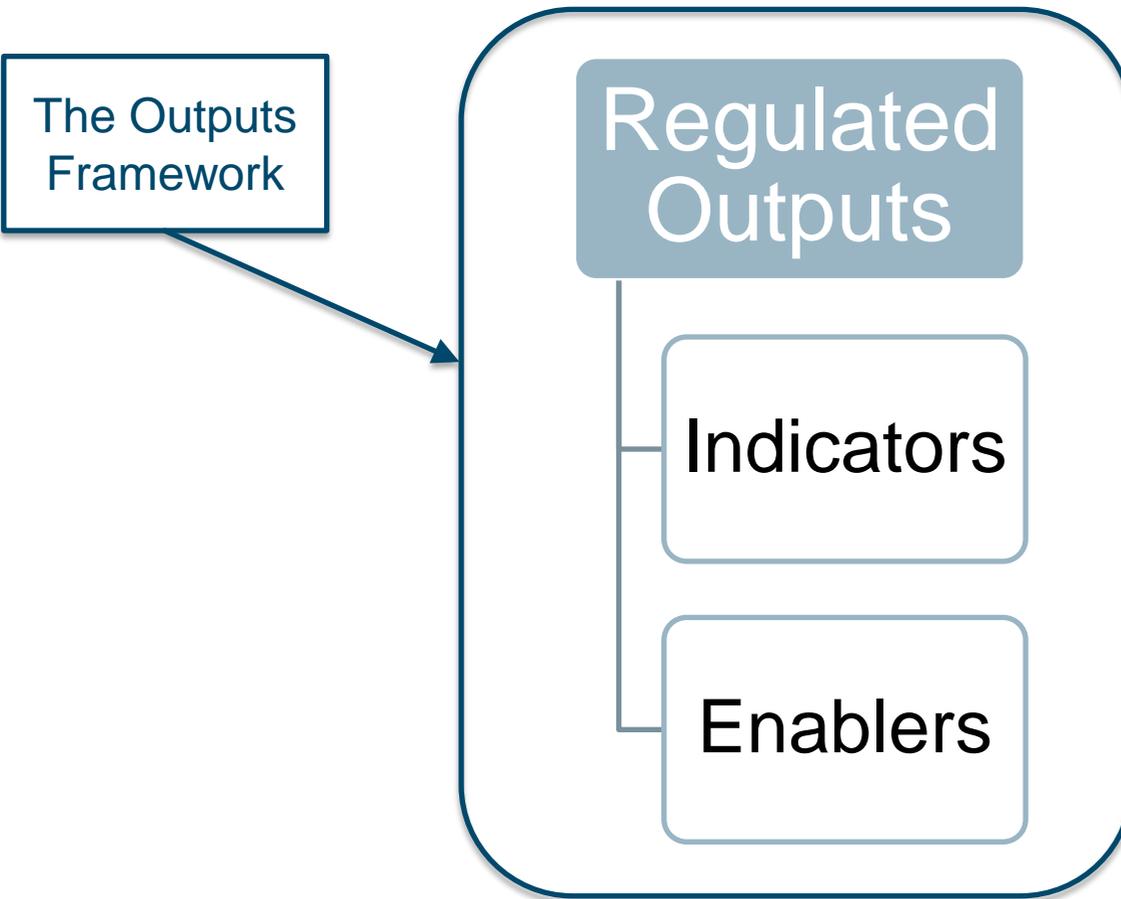
# Structure for today

09:30 to 10:00	<p style="text-align: center;"><b>Introduction</b>  Welcome – Chris Hemsley, ORR  Regulated Outputs – Nigel Fisher, ORR  Review of Charges – Johnathan Hulme, RDG</p>	
10:00 to 13:00	<p style="text-align: center;"><b>Passenger Schedule 8</b> Room 2</p>	<p style="text-align: center;"><b>Freight Schedule 4</b> Room 1</p>
13:00 to 13:30	<p style="text-align: center;"><b>Lunch</b></p>	
13:30 to 16:30	<p style="text-align: center;"><b>Passenger Schedule 4</b> Room 2</p>	<p style="text-align: center;"><b>Freight and charter Schedule 8</b> Room 1</p>



# Regulated Outputs

# The current Outputs Framework

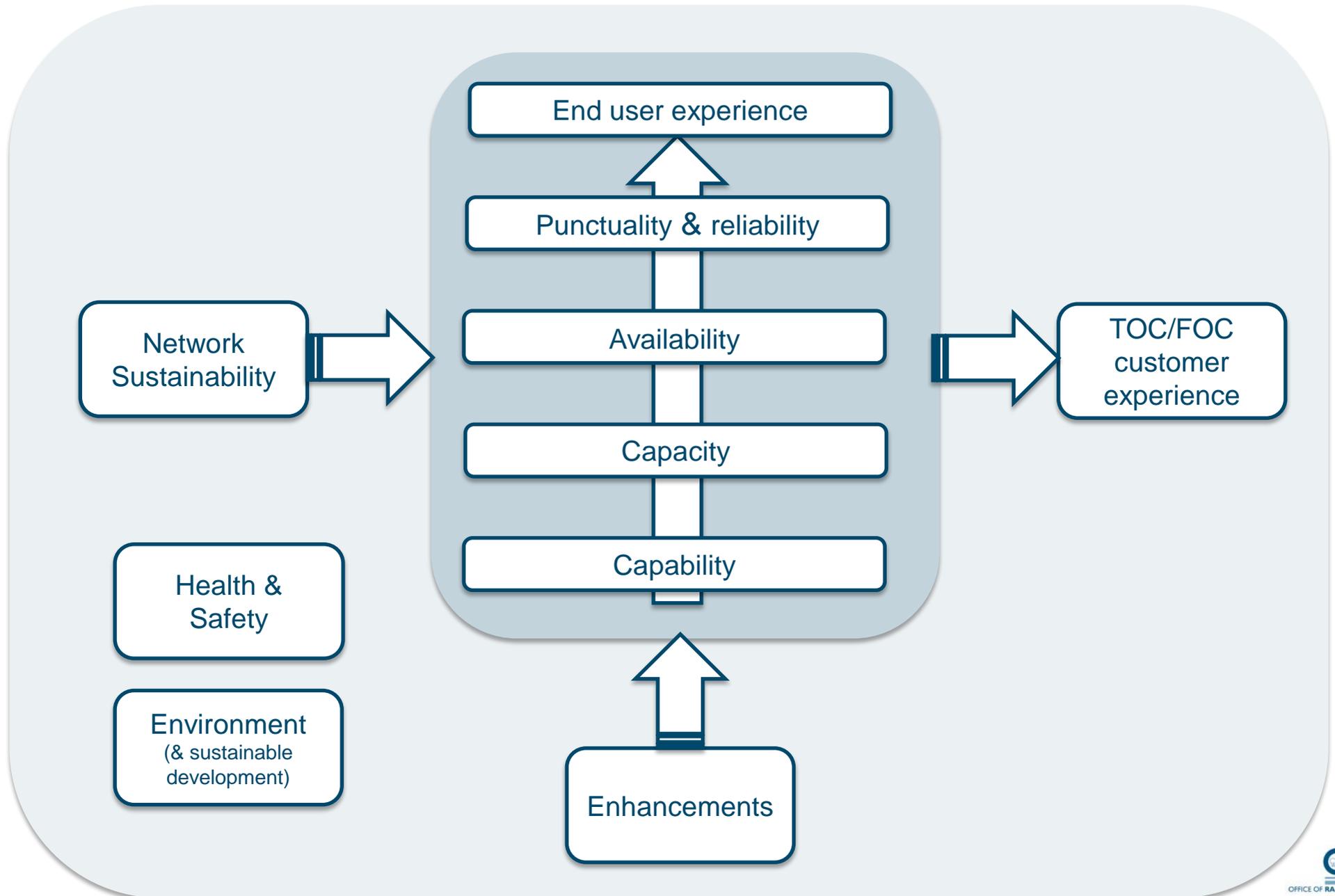


The output framework consists of:

- **outputs** which Network Rail must deliver for the money it receives
- **indicators** which we use for monitoring purposes and
- **enablers** which assess the capability of the company in both the short and long-term

- Outputs should align with the incentive effects of Schedules 4 & 8
- They should **not** pull NR/the industry in the opposite direction

# Core output areas



# CP5 output measures

## Punctuality & reliability

Public Performance Measure (PPM)  
Cancellations & Significant Lateness (CaSL)  
Freight Delivery Metric (FDM)  
**Indicators:** Disaggregated PPM, CaSL and FDM; Delay Minutes; Average Lateness, Scottish KPI package

## Availability of the network

Possession Disruption Index (PDI)  
For passenger – PDI-P  
For freight – PDI-F  
**Indicator:** Cross Border Availability

# Punctuality & Reliability

- National Task Force (NTF) is sponsoring a workstream to investigate potential new passenger punctuality and reliability measures
  - Follows concerns levied at PPM including
    - Reflects train delay, not passenger impact
    - Pass/fail measure per train
    - Diffuse responsibility
  - CaSL has many similar issues, and is in scope of review
- NTF is trialling a number of measures (period 8 to period 13)
  - Metro services...?
  - Recommendation to NTF in March 2016
- NTF also discussed freight measures
  - Freight Delivery Metric is a new measure and appears to be working well

# Trial measures

## Public Performance Measure (PPM)

- Train based “delay” measure with all trains of equal value; 5 and 10 minute thresholds for being “on time”
- In place since 2000-01
- CP5 HLOS targets and regulated outputs expressed in PPM (and CaSL)

## Cancellations & Significant Lateness (CaSL)

- Train based measure of cancellations and significant lateness
- In place since 2008-09
- A CP5 HLOS target and regulated output

## Passenger Weighted Route Delay minutes

- A “comparative regulation” and “delay” measure
- Focus on NR delay minutes
- Train based delay minutes but weighted by modelled passenger volumes

## Average Passenger Lateness

- A “passenger experience” and “economic value” measure
- Currently used in Schedule 8 calculation (AML) and as an indicator

## All Station PPM

- A train based measure which seeks to reflect better the experience of more passengers

## All Station Right Time

- An “on time” measure
- Current Right Time measure exists (an indicator) but this would be measured at all stations

## “Bad Days” measures

- A preferred option is yet to be finalised but options include:
  - Cancellations (separating cancellations from significant lateness)
  - Time to 15 (trains over 15 minutes late)
  - % cancellations by key route
  - Scottish-style severe days KPI

# Availability of the network

- Possession Disruption Index for Passenger and Freight (PDI-P and PDI-F) introduced for CP4
- Again, some concerns raised with these measures
  - Lack of understanding of what the targets mean (e.g. 0.58 and 0.73)
  - Complex calculation
  - Lack of clarity about management action needed to influence it
- Network Rail has established an industry working group to review options
- Early work on this so far

# Rail Delivery Group

## **Overview of RDG's Review of Charges**

Jonathan Hulme, Review of Charges Project Manager

27<sup>th</sup> November 2015

## Purpose

- The purpose of this presentation is to explain:
  - Background to RDG's Review of Charges
  - RDG's work on possessions and performance regimes

## What is the Rail Delivery Group?

- The **Rail Delivery Group** (RDG) seeks to improve services for rail users and deliver better value for money for taxpayers
- Set up in 2011 to bring together the owners of Britain's passenger train operating companies, freight operators and Network Rail to provide leadership to Britain's rail industry
- RDG's current work programme spans 14 different areas, one of which is contractual and regulatory reform

**RDG's mission is to promote greater co-operation between train operators and Network Rail through leadership in the industry and by working together with governments, the supply chain and stakeholders**

## What is RDG's Review of Charges?

- Began in spring 2014 and has now concluded
- It is the first attempt by the industry to set out its own views on key elements of the regulatory framework, ahead of a periodic review
- Considers how the charges and incentives regime, for use of Network Rail's infrastructure, should operate under several alternative 'States of the World' (or scenarios) for the industry
- Forms part of RDG's Contractual and Regulatory Reform Working Group (CRRWG)

**ORR has been supportive of RDG's work**

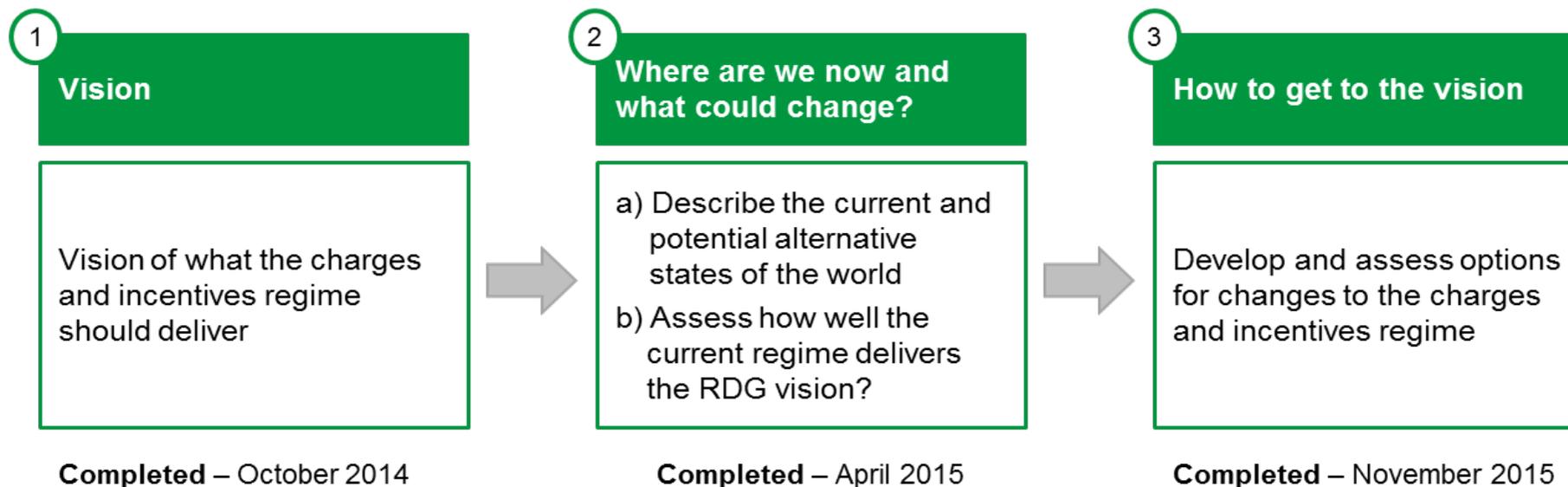
## Why did we do the review?

- Charges and incentives are important
- RDG wanted to inform ORR's PR18 policy development
- Allow ORR to focus its resources on those areas where the industry has identified the most significant issues
- To give sufficient time to these issues before the formal start of PR18.
- Support a more collaborative approach for PR18

**ORR has already used some of RDG's analysis to inform its preparatory work for PR18**

## How did we do the review?

- Nearly two years of engagement with around 100 industry stakeholders
- Analysis and conclusions should reflect the views of RDG members
- Sought to capture where industry agrees on issues and also to set out the diversity of views, where there is not a shared position
- Took a step back – didn't jump straight into the detail



## Key points on performance and possessions regime

- The possessions and performance regimes are **really important** – they are huge interface points between train operators and Network Rail
- We need to **take a step back** and think about what these regimes are for – don't worry about the detail just yet
- Any review of the performance regime needs to consider the **links to the Capacity Charge**
- Need to consider the interactions between **other industry arrangements**
- During our assessment of the current regime, we identified **good things** about the performance and possessions regimes – we do not want to lose these. But there were also **opportunities to make improvements**

**We should be clear about the purpose of these regimes before getting into the detail**

## Performance regime

The regime should:	The regime does not:
Be coherent and aligned at every stage from end-users to funders	Align with other industry metrics used to measure performance
Reflect end-user needs	Measure the full impact of delay on a passenger's end-to-end journey (e.g., which may include an interchange), since the performance regime uses the impact of delays and cancellations on specific services to measure lateness, and not on end-user journeys
Encourage joint industry working to optimise whole-industry performance	Encourage joint working due to the set-up of delay attribution mechanisms
Facilitate trade-offs between performance, traffic volumes, and cost	Enable sufficient industry understanding of the trade-offs between performance, traffic volumes, and costs
Facilitate accurate and efficient attribution of the root causes of delays and cancellations	
Be the sole remedy	
Take account of the increased likelihood of delay of running an additional train on the network	
Be effective at all levels of performance	
Be a liquidated sums compensation regime	

## Possessions regime

The regime should:	The regime does not:
Compensate operators for the financial impacts of planned possessions	Compensate operators fully, through Schedule 4 payments, for the costs they incur when Network Rail takes a possession
Be a liquidated sums regime, except for long possessions	
Be financially neutral if possession activity is carried out efficiently	
Incentivise the industry to minimise the impact of possessions on end-users	Place sufficient incentives on Network Rail to consider the costs of other industry parties when undertaking possessions
Facilitate the efficient use of possessions by all parties	Enable the industry to understand the impact of one possession strategy over another, in terms of costs and the impact on end-users. In addition, this impact is not considered at a sufficiently early stage of planning projects
Incentivise operators to provide Network Rail with the access it requires to deliver engineering works	
Take account of the financial impact on all industry parties in taking possessions	
Be sufficiently flexible to respond to unexpected end-user demand	

**Thanks for listening**

For more information about RDG's review of Charges, please visit:

<http://raildeliverygroup.com/what-we-do/our-work-programme/contractual-regulatory-reform/review-of-charges.html>

# **Rail Delivery Group**

**[www.raildeliverygroup.com](http://www.raildeliverygroup.com)**

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