



Summary of responses to ORR's consultation on route requirements and scorecards

January 2018

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1. Introduction

- 1.1 This document provides a summary of the stakeholder responses to ORR's July 2017 consultation for route requirements and scorecards¹, which was published alongside our Overall Framework consultation². We sought views regarding the use of scorecards in control period 6 (CP6) for Network Rail's geographic routes and freight and national passenger operator (FNPO) route. A further consultation addressed how the performance of the System Operator (SO) should be assessed³.
- 1.2 We proposed several measures for inclusion on route scorecards and set out two areas – network/train performance and network sustainability – where we proposed to set a regulatory minimum floor in relation to Network Rail's performance.
- 1.3 We received 40 responses across all three consultations. Fourteen responses related specifically to the consultation on route requirements and scorecards. Responses came from a range of organisations including train and freight operating companies (TOCs/FOCs), industry bodies and Government. The full responses can be found on our website⁴.
- 1.4 In general, stakeholders welcomed our approach to the use of scorecards in CP6. They were supportive both of the areas for which we proposed to include measures and (with one exception) of the measures we proposed.
- 1.5 There was broad support for our proposals to set regulatory minimum floors for network/train performance and sustainability, although some concerns were raised about this approach.
- 1.6 Responses to the Overall Framework consultation proposed around 40 additional measures for scorecards. It is impractical for all stakeholders' issues to be reflected on a scorecard. Some stakeholders suggested that there should be more formal governance arrangements in place for CP6 and that without this, scorecards would be used to fill gaps in governance. However, these proposals were clearly reflecting issues that are important for Network Rail's stakeholders. We believe that Network Rail should consider the proposals made in the context of how it manages its

¹ Consultation on the overall framework for regulating Network Rail, Office of Rail and Road, July 2017. This may be accessed at <http://orr.gov.uk/rail/economic-regulation/regulation-of-network-rail/price-controls/periodic-review-2018/pr18-consultations/consultation-on-the-overall-framework-for-regulating-network-rail>.

² See footnote 1

³ Consultation on possible measures of the System Operator's performance, Office of Rail and Road, July 2017. This may be accessed at <http://orr.gov.uk/rail/economic-regulation/regulation-of-network-rail/price-controls/periodic-review-2018/pr18-consultations/system-operation-consultation>

⁴ Responses to the consultation on route requirements and scorecards, Office of Rail and Road, January 2018. This may be accessed at http://www.orr.gov.uk/_data/assets/pdf_file/0007/26494/responses-to-the-consultation-on-route-requirements-and-scorecards-january-2018.pdf

relationship with the relevant stakeholders, and what assurance and information it provides about its progress to those stakeholders.

- 1.7 Since our consultation in July, Network Rail has provided its initial Strategic Business Plan (SBP), including route scorecards. It will provide us with an updated SBP in February. We welcome inclusion in the SBP of the three measures for which we intend to set targets on the route scorecards. Network Rail has also proposed to create a 'comparability scorecard' which would be 'page 2' to each route scorecard, and that this would be reviewed at key meetings within Network Rail's governance structure. Network Rail has suggested that the comparison measures we proposed (for which we do not expect to set targets) would be included on this comparability scorecard. We are considering this proposal and await more information about it from Network Rail in its updated SBP.
- 1.8 We also included a number of draft impact assessments alongside our consultation. These did not attract much comment, but we intend to update them to reflect our draft determination.
- 1.9 In terms of next steps, we have indicated our emerging conclusions in this document. We will set out for consultation in our draft determination (June 2018) the measures we expect to see on Network Rail's scorecards, and any associated targets or regulatory minimum floors and any other decisions we make in relation to Network Rail's outputs in CP6.

2. Responses to our consultation

2.1 This document follows the structure of our route requirements and scorecards consultation document. For each area covered in the consultation, we briefly recap on what we said in the consultation, summarise key points made by stakeholders and set out our response and any updates since the consultation.

Health and safety

What we said in our consultation

- 2.2 Network Rail is required to comply with all relevant health and safety legislation. In our July consultation, we recognised that the inclusion of health and safety measures on scorecards alone would not provide sufficient information for us to assess Network Rail's performance in relation to health and safety. However, we reflected that for a scorecard to achieve 'balance' (a key requirement we made in our Overall Framework consultation) it should include measures for health and safety.
- 2.3 Our current regulatory approach promotes and measures the management of health and safety risk through a management maturity index known as RM3. We use RM3 to assess the effectiveness of Network Rail's risk management systems and we expect route scorecards to feed into such assessments as part of a suite of other measures and inputs.

Summary of stakeholder views

- 2.4 All respondents welcomed the inclusion of health and safety measures on route scorecards to enable appropriate comparisons and ensure alignment between Network Rail's activities and customer priorities.
- 2.5 Network Rail supported health and safety measures being included on route scorecards and considered they will play an important role in maintaining consistency across routes throughout the control period. It supported our position of not specifying measures or targets in this area, and recognised that we will continue to use a range of information to assess Network Rail's management of health and safety risks.
- 2.6 Transport for London (TfL) felt that opportunities to improve health and safety performance might be missed if ORR did not set specific targets for Network Rail which appeared on scorecards. The Institution of Occupational Safety and Health (IOSH) commented in its response to the Overall Framework consultation that opportunities to achieve improvement in health and safety performance might not be realised through our current policy approach. IOSH was concerned that the interconnected nature of health and safety, operational performance and efficiency was not fully accounted for by the proposals.

Our response and updates since our consultation

- 2.7 We would be concerned that scorecards would not be balanced if they did not contain some health and safety measures and we welcome Network Rail's confirmation that it will continue to include consistent safety measures on its scorecards. We recognise that whilst there are no explicit measures of health included on the scorecard, lost time due to ill health is captured under the lost time injury frequency rate measure. Network Rail's decision to include consistent measures of safety contributes to ensuring that its route scorecards are balanced. ORR wants to see duty holders improve the health of their workers by striving for excellence in health risk management. In line with our policy we would not specify scorecard targets or measures in this area, however we consider that inclusion of a health-related measure would help support this objective.
- 2.8 Overall, we remain of the view that it would be inappropriate for us to start to set specific health and safety related targets and measures for Network Rail in this control period. We will review Network Rail's performance against its scorecard measures and targets as one part of our wider monitoring and assessment of Network Rail's compliance with requirements under health and safety legislation and the effectiveness of its risk management systems

Financial performance

What we said in our consultation

- 2.9 In our consultation, we set out our current monitoring position regarding Network Rail's financial performance, which includes the use of measures for financial performance and efficiency. We report our findings twice a year in our Network Rail monitors and in our annual efficiency and finance assessments.

Summary of stakeholder views

- 2.10 Most respondents recognised that financial performance is an important factor to consider when reviewing how Network Rail is delivering for the benefit of its customers and end-users. Some stakeholders questioned whether financial performance measures needed to be included on route scorecards, questioning what relatively high level financial performance measures would be capable of achieving in the context of scorecards.
- 2.11 There were different views about what should be included in a measure for financial performance. Some respondents suggested the inclusion of alternative measures such as a measure of unit costs for renewals activities, and measures of efficiency. Most respondents supported the continued use of the current Financial Performance Metric (FPM) on scorecards. Network Rail considers that the inclusion of FPM on route scorecards is essential to its approach for CP6 and represents a similar

approach to that already in use in control period 5 (CP5). It also recommended the use of this measure as it is already embedded within scorecards and is therefore widely recognised in the industry with stakeholders.

- 2.12 Several respondents were keen to understand what weighting a measure of financial performance would carry on route scorecards. It was felt that this could influence Network Rail behaviours in supporting or deferring the renewals and enhancements programme in CP6.
- 2.13 In our consultation we did not propose to set a target for financial performance. There were different opinions on whether this was the correct approach. Many respondents commented on the need for financial performance measures to be included on the FNPO scorecard as well as geographic route scorecards. They also recognised that these would be different in nature to measures on geographic route scorecards because the FNPO does not directly own or manage assets.

Our response and updates since our consultation

- 2.14 We note that Network Rail intends to include a Financial Performance Measure as a consistent route measure on its scorecards. We support this, and would expect this to remain on the scorecard during CP6. If this is the case, it reduces the need for us to specify additional consistent financial measures. The question remains whether we should specify a financial target beyond the decisions we would normally make in our Final Determination of Network Rail's outputs and funding.
- 2.15 We are consulting more generally in early 2018 about how we should assess Network Rail's financial performance during CP6. The output of this future consultation will be important in determining how many measures (if any) should be included on scorecards for CP6.

Asset management and network sustainability

What we said in our consultation

- 2.16 We proposed to require a consistent measure of network sustainability on geographic route scorecards based on a residual life or asset condition score for each principle asset group (including stations). We proposed to set a regulatory minimum floor for this measure. We proposed that this should only be included on geographic route scorecards in CP6 as the FNPO route does not own or manage any assets.

Summary of stakeholder views

- 2.17 Respondents were largely supportive of our approach to setting a measure for network sustainability. Many respondents supported our policy approach to measuring asset remaining life, which includes assessing the value of the residual

life or an asset condition score for each principal asset group (including stations and light maintenance depots) and for each geographical route.

- 2.18 Several respondents were supportive of us working with Network Rail to set appropriate targets and indeed felt this process was essential in order to realise potential improvements in CP6 and ensure appropriate regulatory oversight.
- 2.19 Abellio UK, whilst supporting our broad approach, did not feel that setting a measure for asset remaining life alone was sufficient. It proposed additional measures such as monitoring the maintenance of assets and a measure for the quality of possessions.
- 2.20 Cross Country Trains Limited would like to see a measure on the FNPO scorecard that focuses on key lines of route it uses, rather than relying on a route-wide measure. Cross Country Trains Limited questioned whether the latter approach might mask the performance of assets that are core to freight and national passenger operators. Transport Focus similarly suggested disaggregating the measures to a more local geographic level and pointed to a need to consider the impact of 99 year leases on the station stewardship measure (SSM).
- 2.21 There was broad support for the use of the proposed regulatory minimum floor for sustainability. Network Rail highlighted the need for quantitative definitions of what level of performance the regulatory minimum floor would be set at. Rail Delivery Group (RDG) took the view that any regulatory minimum floor value should be set by ORR based on the funding available.
- 2.22 Network Rail commented that by its nature, any sustainability metric would be slow moving and as such questioned whether such a measure was appropriate to include on route scorecards. It also had concerns regarding scorecard complexity if a large number of measures were to be specified by ORR.
- 2.23 Respondents also raised a number of other issues, although these were more focused on operational and maintenance delivery than the sustainability of the network.
- 2.24 Rail Freight Group (RFG) suggested that the proposed measure would have a limited immediate benefit to customers. However, it accepted the importance of a sustainability measure in the context of the comparatively limited time horizons of franchised operators.

Our response and updates since our consultation

- 2.25 We intend to continue with our proposal to require a consistent sustainability measure, and to set a regulatory minimum floor for this measure.

- 2.26 Late in 2017, Network Rail outlined a potential alternative sustainability measure methodology to us. We think this latest proposal may have merit, but we understand that it will take some time for Network Rail to develop and trial meaning it may not be reflected in our PR18 determination. We are working with Network Rail to understand its proposal for an alternative sustainability measure.
- 2.27 We have asked Network Rail to prepare its February 2018 SBP using the consistent route measure for network sustainability (CRM-S) as per our consultation. We will however also consider Network Rail's alternative measure during our PR18 decision-making process.
- 2.28 We consider that the sustainability measure for geographic route scorecards should include asset information that Network Rail currently reports on in its annual return, which includes stations. For the scorecards, we propose that a form of RAG scoring should be included as a single line on each geographic route scorecard, which will reflect the assessed performance against the asset categories. The calculation and presentation of this measure must be consistent across all geographic routes. We have asked Network Rail to include a regulatory minimum floor and PR18 baseline for each asset category in its February 2018 SBP update based on the funding available.
- 2.29 Where stations and depots are maintained under a franchise or lease arrangements within a geographic route, Network Rail will need to take this into consideration when setting the regulatory minimum floor and baseline.
- 2.30 By its nature this measure will be relatively slow moving and for the most part only updated on an annual basis. It will however give an indication of the overall effectiveness of Network Rail's asset management and its impact on network sustainability in the medium to longer term.
- 2.31 Regarding proposals for detailed measures of Network Rail's operational, maintenance and renewals activity, we do not consider it is appropriate for us to set targets for these 'input' areas. We will continue to require sight of Network Rail's management data to an agreed schedule via the data protocol for CP6. We will continue to monitor Network Rail's delivery in these areas against the plans it sets for itself, using Network Rail's own route level management data.

Train performance

What we said in our consultation

- 2.32 In our consultation, we discussed our expectations for how train performance could be managed during CP6 and proposed measures for train performance for both passenger and freight markets.
- 2.33 We noted that Network Rail currently includes train performance measures on its CP5 scorecards and that these measures should reflect customer requirements and aspirations. We noted that in CP6 Network Rail and its customers will continue to agree and set measures for train performance.
- 2.34 We set out how train performance should be reflected on scorecards as follows:
- measures of train performance that Network Rail and its customer agree;
 - consistent route performance measure reflecting the passenger market calculated in delay minutes; and
 - consistent route performance measure reflecting the freight market, to be included on either the geographic route level scorecards or on the FNPO scorecard.
- 2.35 We also proposed the introduction of a regulatory minimum floor for passenger performance, which we expect, would ‘underpin’ the measures and targets agreed by Network Rail and its customers.
- 2.36 We sought stakeholders’ views on our proposals for both the passenger and freight performance measures. We asked, for example; which elements of delay should be included in the consistent route measure, how delay should be normalised to enable comparison across geographic routes and which scorecards (geographic route/FNPO/combination) the measures should be presented on.

Summary of stakeholder views

- 2.37 All respondents welcomed our approach to using a consistent route measure for both the passenger and freight markets. There was recognition of the importance of these measures providing the basis for accurate and transparent comparisons of train performance across all routes during CP6.
- 2.38 Both Arriva Plc and Cross Country Trains Limited supported the introduction of consistent route performance measures but also wanted to ensure that geographic route scorecards reflected delivery to all operators who use the route and not just ‘lead’ operators.

- 2.39 Transport Focus welcomed our intention to introduce a consistent route measure across all geographic routes but questioned whether using delay minutes to calculate this was the most appropriate metric. Instead, Transport Focus proposed an alternative metric, On Time⁵. The Department for Transport (DfT) was supportive of the need for a consistent way of measuring a route's contribution to train performance and agreed with our proposal for a consistent route measure using delay minutes.
- 2.40 Abellio UK and Cross Country Trains Limited questioned whether the number of cancellations should also be included in the consistent route measure alongside delay minutes. There was a concern from respondents that excluding cancellations in the measure may create perverse incentives. Network Rail recommended the inclusion of cancellations to provide transparency in its decisions at times of service recovery.
- 2.41 There was widespread support for our approach to introducing a regulatory minimum floor. Arriva Plc recognised the benefits that a regulatory minimum floor could provide by communicating clearly to the industry when and how we might intervene if certain performance levels are not achieved. GB Railfreight also supported the general policy approach to setting a regulatory minimum floor, but wanted further clarity on what action ORR would take if the minimum performance levels were not achieved. We also received some comments regarding the level at which the regulatory minimum floor should be set with the RDG believing the regulatory minimum floor should be set at a level which indicates systemic failure and TfL suggesting it should be set with reference to recent performance levels. Network Rail accepted the principle of us setting a regulatory minimum floor but wanted it set in circumstances where they had (i) sole accountability for the measure, (ii) a breach of that regulatory minimum floor would be indicative of systemic failures and (iii) is set at a level that would represent unacceptable outcome performance for end users.
- 2.42 Our consultation proposed the inclusion of all elements of delay within the consistent route measure as our view is that Network Rail has overall responsibility for managing the recovery of services when incidents occur. There were different views from across the industry regarding what elements of delay the consistent route measure should include. Train operators and the DfT predominantly favoured the inclusion of all Network Rail and TOC reactionary delay in the measure, noting Network Rail's responsibility for the management of all delay irrespective of the cause. In contrast, Network Rail suggested the measure should only include delay for which it was solely responsible.

⁵ Transport Focus is referring to the measure as Right Time, All Stations but the accepted industry terminology is 'On Time.'

- 2.43 In our consultation, we asked the industry if there was agreement to our approach to use train kilometres as the normalisation factor for the consistent route measure. The responses varied across different industry groups but most respondents supported using train kilometres as the normalisation factor. Network Rail recognised its simplicity and considered that the use of train kilometres was preferable to service intensity. GB Railfreight also supported the use of train kilometres as it felt that normalisation by service intensity may result in data that excuses poor performance. Abellio UK commented that normalisation through train kilometres ignores the impact on customers of delays. One respondent suggested that train kilometres was too simplistic as a normalisation factor.
- 2.44 There were strong views from nearly all respondents that the proposed freight performance measure should be included on both the FNPO scorecard and the geographic route scorecards.
- 2.45 All respondents agreed that a regulatory minimum floor for the freight performance measure would be valuable/beneficial for the same reasons as the consistent route measure for the passenger market.
- 2.46 We asked if a measure of FDM-R should be included on scorecards or used as background monitoring data. Around half of the respondents felt this should be included on scorecards. Network Rail agreed with using FDM-R to continue to monitor route delivery of freight performance but wanted to retain the flexibility to determine the most appropriate way to monitor routes.

Our response and updates since our consultation

- 2.47 The responses highlighted to us a need to provide greater clarity on our position in relation to the measures and targets agreed between Network Rail and its customers and when we might expect to take action, if performance is falling short of expectations. We expect Network Rail to engage with its passenger and freight operating customers, and for both parties to work together to agree 'stretching yet realistic' targets. If, after proactive and constructive engagement by both parties, Network Rail and an operator were unable to reach agreement on targets, we would consider on a case-by-case basis whether it was appropriate for us to set the target. We would expect to take into account evidence of the level of engagement between the parties and the relative importance of the measure concerned when deciding whether to intervene. If a failure to agree targets occurred as part of setting five year trajectories in the context of the periodic review, we may address this in our draft and final determinations. We are considering how this process might work during the control period, and will provide further detail in the draft determination.
- 2.48 On the technical matter relating to the consistent route measure (i.e. whether to include all delay minutes or just Network Rail delay minutes) we see merits in both

viewpoints. We also considered a related issue set out in our consultation on charges and incentives⁶ concerning metrics included within the Schedule 8 regime. In our conclusions to that consultation⁷, we decided not to amend the metrics in Schedule 8. Instead we said we would be adding a programme of work to our forward plan to ensure that the system for delay attribution is improved and that reforms can start as soon as PR18 decisions are taken. In particular, we said we would be looking to ensure that delay is more reliably attributed to the party that causes it, whether through a specific delay incident or through mismanagement of the resulting delay.

2.49 Having considered these factors we have decided to progress a consistent route measure on the geographic route scorecard that will be based on Network Rail delay where it is caused. This will;

- enable a sharper focus on Network Rail's direct contribution;
- enable a clearer and more precise comparison between routes;
- align with aspects of Schedule 8; and
- align with our views on any potential changes to delay attribution.

2.50 However, this approach will not cover reactionary delay caused by TOC incidents that Network Rail ultimately has responsibility for managing. This could lead to a reduced focus on Network Rail's management of reactionary delay if not addressed by other elements of the framework. While the consistent route measure will provide comparability between routes in ORR's public reporting this measure will not be the sole focus of that reporting or of potential licence enforcement. Should evidence emerge at any time that Network Rail is mismanaging TOC caused reactionary delay then ORR may consider regulatory action. Therefore, in the draft determination we intend to set out how the management of TOC caused reactionary delay fits into the regulatory framework alongside the consistent route measure.

2.51 We do not intend the number of cancellations to be reflected in the consistent route measure. We expect Network Rail and train operating companies to continue to effectively manage these and we will continue to monitor the number of cancellations throughout CP6.

⁶ Improving incentives on Network Rail and train operators: A consultation on changes to charges and contractual incentives, Office of Rail and Road, December 2016. This may be accessed at http://orr.gov.uk/_data/assets/pdf_file/0019/23482/charges-and-incentives-consultation-document.pdf

⁷ Charges and contractual incentives – consultation conclusion, Office of Rail and Road, June 2017. This may be accessed at http://orr.gov.uk/_data/assets/pdf_file/0008/24992/conclusions-on-consultation-on-charges-and-contractual-incentives-june-2017.pdf

- 2.52 Having considered the responses regarding the unit of measurement for the consistent route measure, we propose to use delay minutes. This is consistent with our regulatory approach protecting the interests of passengers and ensuring attention is focused on where most delay occurs impacting the largest number of passengers.
- 2.53 We have considered the options regarding the normalisation factor, and believe train kilometres should be used, reflecting the broad agreement to the proposal in our July consultation.
- 2.54 We have concluded that the consistent freight performance measures should be the Freight Delivery Metric (FDM) on the Freight and National Passenger Operator (FNPO) scorecard and route level FDM-R on the geographic routes, as set out in our consultation.
- 2.55 A regulatory minimum floor should be set for both FDM and FDM-R in order to protect the interests of freight operators both nationally and in the geographic routes.
- 2.56 We are continuing working level discussions with Network Rail on developing a methodology for the regulatory minimum floors.

Other customer measures

End-user experience

What we said in our consultation

- 2.57 We proposed three consistent route level measures of end-user experience, although we did not propose to set targets in relation to these. While Network Rail will agree measures with its customers, having consistent measures would enable us to take a view on key end-user issues across the routes. We proposed the following measures:
- overall passenger satisfaction with their journey by route;
 - rate of change in off-peak passenger journeys by route; and
 - passenger satisfaction with the station.

Summary of stakeholder views

- 2.58 In total, 10 responses commented on our three proposed measures for end-user experience. Overall passenger satisfaction with the journey by route received moderate support from stakeholders. There was generally an acceptance that it was a good indicator of the passenger experience. There was some concern about the

extent to which Network Rail was able to influence this particular passenger outcome compared with other factors. For this reason, there was some doubt as to how effective it could be in incentivising the routes to compete with each other on this measure if the link between their actions and overall passenger satisfaction was too tenuous.

2.59 While Network Rail did not support its inclusion for the reason noted above, it did propose a potential modification that we believe has potential. This involves using the rate of change in passenger journey satisfaction by route as the unit of analysis instead of the absolute survey outturn on satisfaction.

2.60 Feedback received on the proposed measure for annual rate of change in off-peak journeys by route received the least support of the three measures. Several stakeholders suggested that the link between this measure and the inputs from each Network Rail route was even more tenuous than for the other proposed measures. Furthermore, there was some concern that discretionary travel was also heavily influenced by factors outside the rail industry and for this reason it was very difficult to use this measure as a reasonable representation of a route's inputs or performance. One respondent felt that a focus on passenger delays experienced in the peak would be just as, if not more, valuable.

2.61 On our proposal to include a measure for the passenger satisfaction with the station by route we received the most support. There was broad acceptance that this was a clear and robust means for measuring the quality of experience a passenger receives in a route's managed station(s) and had clear linkages to each route's action and inputs on passenger outcomes. Network Rail was also supportive of this measure's inclusion on its scorecards.

Our response and updates since our consultation

2.62 The responses received demonstrate that end user experience was viewed as being a useful measure to include on scorecards that will provide valuable information to the industry. We recognise that there was more support for overall passenger satisfaction with the journey by route and passenger satisfaction with the station by route. We will continue to work with Network Rail to develop these measures for their inclusion on scorecards in CP6. Network Rail has proposed the introduction of a comparability scorecard which these measures will be included on. Network Rail and its customers may also choose to include these measures on its route scorecards.

Use of the network

What we said in our consultation

2.63 We proposed two consistent route measures (one for passenger and one for freight) designed to encourage routes to respond to customers' aspirations to make increased use of the network. We proposed using measures which are used in the CP5 volume incentive but welcomed other views.

Summary of stakeholder views

2.64 Overall respondents supported the inclusion of a scorecard measure which looks at use of the network. Most substantive comments were from freight users.

2.65 Network Rail recognised the potential benefit of the measure but raised a number of concerns with the proposal namely;

- how the measure would interact with the existing use of the volume incentive which already acts as both a regulatory target and an incentive;
- how the measure/ incentive should be balanced against other scorecard measures and also customer needs e.g. performance; and
- whether the measure can be used to make meaningful comparisons between routes given their different characteristics.

2.66 Operators and other stakeholders also responded with a query as to how strong an incentive to maximise capacity but also maintain performance would be. One respondent wanted a regulatory minimum floor for passenger train miles.

2.67 Of those that expressed a preference, passenger operators favoured train miles. Some respondents, especially DfT, were concerned that without a revenue measure it would be harder to assess through this measure alone whether additional capacity was being used efficiently. Freight respondents expressed a preference for freight gross tonne miles as a suitable metric

Our response and updates since our consultation

2.68 We remain of the view that these measures will be useful to compare routes. We are continuing to work with Network Rail in developing the use of the network measures for both the passenger and freight markets. We consider the use of passenger train miles and freight net tonne miles to be the most appropriate metrics. Network Rail is developing its comparability scorecard and it is proposed that these measures will be included on that. Network Rail and its customers can also choose to include these measures on its route scorecards.

Investment

What we said in our consultation

2.69 A key theme of PR18 has been an emphasis on how to encourage and facilitate greater levels of third-party investment in the rail network in CP6 and beyond. In our consultation, we considered options for achieving greater transparency in relation to third party investment, and whether a scorecard measure could be developed in this area.

Summary of stakeholder views

2.70 The majority of the consultation responses, including DfT's, expressly welcomed the inclusion of some form of scorecard metric associated with third-party investment. This was also a theme reflected in the responses to the main overall framework consultation.

2.71 However, there were differences of opinion in how this should be introduced and measured. Responses focused on a range of issues, from challenges with the existing processes governing thirdparty investment, uncertainty over future funding arrangements and baselines in CP6 and the practicalities of introducing a reporting metric that is appropriate for holding Network Rail to account on the issue of third party funding.

2.72 Governance issues around funding and financing investment was a theme in the responses. Arriva Plc suggested that Network Rail's asset protection policies have been a source of friction in delivering new sources of funding. Merseytravel called for greater guidance for third parties seeking to invest in the railway, particularly for small projects, and clarity over how these will be managed and controlled alongside Network Rail's other obligations. The Freight Transport Association suggested that where a third party has contributed to a particular scheme, its access to the new infrastructure should be safeguarded.

2.73 A number of responses addressed the practical implications and incentive arrangements of defining a suitable quantitative scorecard measure associated with third party funding. Arriva in particular commented that without a better understanding of the relative roles of different parts of Network Rail, there was a risk departments may end up owning measures that are effectively delivered by another part of the business, thereby losing the incentive mechanism. Arriva Plc distinguished between the role of the routes, who they see as having a key function in addressing asset policy issues, and the System Operator which they see as playing a greater role in developing investment cases for new sources of funding.

- 2.74 Transport for Greater Manchester and Transport for London noted that measuring funder satisfaction during and after the investment process, including monitoring of follow-up improvement actions would be a method of measuring whether Network Rail is adopting suitable behaviours to maximise new funding sources and treating them fairly. In its own response, Network Rail highlighted that it intends to assess satisfaction of third party funders through their normal assessment of stakeholder satisfaction and is considering including this as a metric within the scorecard. Network Rail suggested that a separate measure for a single selection of stakeholders was therefore not of value.
- 2.75 Network Rail did support the use of a quantitative measure of ‘opportunity assessments’ undertaken by routes, as this would align with its commitment to seek opportunities to secure alternative funding and drive positive behaviours. It noted that our assessment of this area should also, however, contain a qualitative element, and not rely solely on scorecard measures. Peninsula Rail Taskforce also supported the introduction of a qualitative assessment.
- 2.76 GB Railfreight would like to understand to what extent Network Rail takes advantage of the opportunities it has for securing new funding into the industry. It suggested it is most important to measure the various flows of funding, how much has been raised and to what extent it helps to deliver value for money enhancements and upgrades. This is supported by the Peninsula Rail Taskforce’s response, which states that in order to measure whether Network Rail is exploring new sources of funding, establishing a baseline is necessary in order to measure what is new investment and what is pre-existing and committed funding.

Our response and updates since our consultation

- 2.77 We consider that measures of third party investment are highly desirable as part of encouraging routes (and other parts of Network Rail) to secure third party investment, and to manage that investment well when it is underway.
- 2.78 We recognise the various practical issues in developing a quantitative scorecard measure highlighted in the responses. The value of this as a comparison measure may also be limited as the levels of investment in routes is likely to vary, but it is an area that we wish to monitor.
- 2.79 Together with Network Rail, we are jointly commissioning an Independent Reporter study of the Industry Risk Fund and Network Rail Fee Fund. This review will examine whether these funds have been barriers to investment in the past and whether they can be optimised to encourage and facilitate new sources and higher volumes of third party funding in future. This review is a response to feedback from investors, such as Arriva quoted above, and aims to address their concerns.

2.80 We will continue to work with Network Rail to develop an appropriate measure and expect to make this a requirement for CP6.

Other ‘output’ requirements

2.81 In our consultation, we discussed some other output requirements and whilst recognising that these may not be suitable for inclusion in scorecards, we consider that they should play an important role in our ongoing monitoring of Network Rail during CP6.

Network availability

What we said in our consultation

2.82 The monitoring of network availability should encourage Network Rail to reduce the level of disruption to passengers and freight customers caused by planned engineering work on the network. In CP4 and CP5, we used the Possession Disruption Index (PDI) for passengers (PDI-P) and freight (PDI-F). In our consultation, we recognised the limitations of these measures and put forward some concerns that had been raised by the industry including that the measures are complex, lagging and inaccurate following franchise changes.

2.83 We asked stakeholders for their views on our monitoring and reporting of network availability and how this could be delivered effectively as an outcome in CP6.

Summary of stakeholder views

2.84 TfL commented on the need to achieve reductions in Schedule 4 payments and the incentives that should be developed in the regulatory framework to aid this objective, noting that both Network Rail and operators should work together to reduce Schedule 4 payments without compromising the volume or quality of work.

2.85 Transport Focus and Network Rail recognised the deficiencies with the current measures for network availability whilst also welcoming our stated intention to continue monitoring network availability during CP6.

2.86 We received several suggestions as to what a measure of network availability might look like. These included:

- monitoring of changes to the base timetable in any given day for the purpose of engineering works;
- monitoring the number of days on which it is not possible to travel by train between key origin and destination stations which would encourage Network Rail to avoid closing parallel routes at the same time;

- introducing two early warning indicators referred to as the 'notification discount factor' and 'levels of access dispute';
- developing a 'Quality Possession Metric' to cover quality of work / efficiency achieved in the possession and / or failure to return worksites from possessions in robust working order; and
- measuring Network Rail's success at planning possessions to allow train companies to bid accurately at T-18 and for the timetable to be in the public domain at T-12.

Our response and updates since our consultation

2.87 The responses clearly demonstrated that availability of the network is important to end users and customers and respondents were clear that it should continue to be monitored during CP6. We are working on how best to monitor this area in CP6, but remain of the view that this is not an issue for route scorecards. However, we consider there may be role for the System Operator in this area.

Network capability

What we said in our consultation

2.88 At the start of CP5, we set a base requirement of network capability in terms of track mileage and layout, line speed, gauge, route availability and electrification type. In our consultation, we proposed to take a similar approach during CP6 as we recognised the importance of setting a baseline against which we and other stakeholders can assess the capability of the network.

2.89 We asked stakeholders for their views on the continued monitoring of network capability and if our approach to this should change during CP6.

Summary of stakeholder views

2.90 Freight operators were particularly interested in gauge capability and wanted measures that allowed for correct measurements in this area to be undertaken consistently across routes. GB Railfreight commented on the accuracy of information which had proved challenging in CP5. It believes that the CP6 baseline may prove to be inaccurate if these issues are not resolved and reiterated that the capability of the network is imperative to its business needs and their delivery to their customers. There was some support for the approach Transport Scotland has taken to gauge in its HLOS.

2.91 Arriva Plc wanted our monitoring of capability to take account of ongoing issues on the network, such as Temporary Speed Restrictions (TSR's) that remain in place for prolonged periods of time.

Our response and updates since our consultation

2.92 Having considered the responses received we want Network Rail to continue to monitor the capability of the network. We propose that capability should be maintained at a minimum level to satisfy all track access rights of passenger and freight operators. We expect Network Rail to protect and maintain the baseline capability of the network and expect all changes to go through the recognised industry processes throughout CP6. We will continue to work with Network Rail to set the baseline for 1 April 2019.

Network capacity

What we said in our consultation

2.93 In our consultation we highlighted two issues related to capacity:

- what capacity is available on the network for physical use; and
- whether capacity is being put to best use in terms of balancing passenger and freight volumes, reliability and engineering access.

2.94 The industry currently has no established way to measure the available capacity on each geographic route and we sought proposals for how capacity issues should be reflected at route level.

2.95 The Freight Transport Association outlined the importance of capturing capacity requirements for freight trains that travel across route boundaries. GB Railfreight wanted the measuring and monitoring of capacity to be at the forefront of each route's plans. It suggested a measure which looked at 'Capacity Utilisation Indexes' and observed that there should be a meaningful way to ensure optimisation of capacity which allows for the timely publishing of data.

Our response and updates since our consultation

2.96 The responses highlighted that capacity is an important area. We note that there were few suggestions as to how to measure this difficult area during CP6. We expect the System Operator to continue to work on improving its understanding and management of capacity in CP6.



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