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By email

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Network Rail's response to ORR's draft determination train performance trajectories for England & Wales

Dear Will

ORR's draft determination set regulatory trajectories as point values at or beyond the most challenging end of our SBP forecast ranges. Following publication of the draft determination, recognising the challenges and uncertainty in forecasting we have previously highlighted, ORR proposed an alternative approach to setting final determination passenger train performance trajectories. The proposed '2+3' approach would set firm targets for the first two years of CP7, and indicative trajectories for years 3-5, subject to a reset in year 2 through consultation. Freight performance final determination trajectories would be firm for all years given the nature of the sector.

While this approach does not mitigate all the challenges and significant uncertainties remain (particularly, the misalignment with publicly specified train operators' performance planning processes and time horizons), we see it as an improvement over the draft determination approach. Our draft determination response committed to provide additional information on train performance forecasts following our main response on 31 August to inform ORR's final determination decisions. We understand that ORR's board has now endorsed the '2+3' approach, so I am writing to summarise the information provided to ORR throughout September. The additional information we provided, summarised in this letter, includes:

- Updated train performance trajectories, being point values for years 1 and 2 and ranges for years 3-5 (see annex A).
- Information on the key drivers of train performance for years 1 & 2 (see annex B).

We challenged and stretched our plans to provide ambitious yet realistic train performance trajectories. We have included Network Rail stretch where appropriate, but have not assumed any stretch for train operator contributions beyond the schemes they have committed to.

Passenger On Time

We share the ambition for improved performance during CP7, building on the recent high levels of On Time in 2023, which, nationally, are amongst highest recorded levels (excluding years impacted by the pandemic). We have carefully considered ORR's position that there should be no dips in performance through CP7. While we have found this to be unrealistic to commit to for all future years, based on evidence from multiple previous scenarios (in particular due to the impact of major enhancement schemes and material changes in demand or services), we have sought to mitigate risks to performance through Network Rail stretch where appropriate and provided analysis to ORR to demonstrate this.

Passenger cancellations

On average over the last year, Network Rail has been responsible for around 44% of cancellations, with Network Rail cancellations tracking close to pre-pandemic levels in most regions. Recent high levels are predominantly driven by factors beyond Network Rail's direct control, including systemic changes to the operating context (such as service recovery strategies for different operators) and operator challenges around train crew and fleet.

ORR's draft determination set a proposed trajectory of 2.3% cancellations for every region in every year. This has not been achieved in any region (excluding years impacted by the pandemic) since 2017/18 in NW&C, and the CP7 operating context is fundamentally different to when this was achieved. Additionally, indicative operator targets from DfT for year 1 are totally misaligned with ORR's draft determination assumptions for most operators, which would lead to misaligned incentives for Network Rail and operators for this whole industry measure. We have provided analysis to ORR demonstrating this.

We have considered the realistic likelihood of cancellations risks being resolved for CP7 and factored this, as well as Network Rail stretch where appropriate, into our draft determination response trajectories. Additionally, the recent conclusions from ORR on P-coded cancellations must be factored in to assessment of realistic cancellations trajectories.

Freight cancellations

We have raised previously that freight cancellations are highly variable based on traffic volumes and time/location of significant events, which requires a flexible approach to monitoring. Our ambition, reflected in our draft determination response trajectories, is to maintain CP6 exit forecasts for freight cancellations through CP7, in the face of additional risk from weather events and asset condition.

Next steps

Following publication of ORR's final determination we will produce our detailed delivery plan and joint performance strategies, aligned with operators' annual business plans once their targets for 2024/25 are agreed with the funder. We are seeking greater alignment with the annual business planning process for 2025/26 and beyond. If any assumptions materially change in this period, we will discuss this with ORR and seek to use the managing change policy as necessary. We will

continue to engage with ORR on the development of our delivery plan, and, in due course, with wider industry on the reset of trajectories for years 3 to 5 of CP7.

Yours sincerely

Paul McMahon
Director, Planning & Regulation

Annex A: Network Rail response to ORR's Draft Determination (DD) trajectories

Passenger On Time

| Region | CP6 exit forecast | CP7 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|----------|-------------------|-----------------------|---------|---------|--------------|--------------|--------------|
| Eastern | 70.6% | ORR DD | 70.6% | 70.6% | 70.7% | 70.7% | 70.8% |
| | | Network Rail response | 70.4% | 70.4% | 68.2 – 70.9% | 68.1 – 70.9% | 68.0 – 70.8% |
| NW&C | 63.1% | ORR DD | 63.2% | 63.2% | 63.2% | 63.8% | 63.9% |
| | | Network Rail response | 62.9% | 62.9% | 61.5 – 64.6% | 61.6 – 64.7% | 61.7 – 64.9% |
| Southern | 68.1% | ORR DD | 68.9% | 68.9% | 68.9% | 68.9% | 68.9% |
| | | Network Rail response | 68.2% | 68.3% | 66.2 – 68.8% | 66.2 – 68.9% | 66.0 – 68.9% |
| W&W | 58.7% | ORR DD | 64.8% | 64.8% | 64.8% | 64.8% | 64.8% |
| | | Network Rail response | 60.4% | 60.4% | 58.9 – 65.3% | 58.5 – 64.9% | 58.6 – 65.0% |

Passenger Cancellations

| Region | CP6 exit forecast | CP7 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|----------|-------------------|-----------------------|---------|---------|------------|------------|------------|
| Eastern | 3.4% | ORR DD | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% |
| | | Network Rail response | 3.4% | 3.3% | 3.2 – 3.8% | 3.0 – 3.6% | 2.7 – 3.3% |
| NW&C | 3.9% | ORR DD | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% |
| | | Network Rail response | 3.7% | 3.5% | 3.0 – 4.5% | 3.0 – 4.5% | 3.0 – 4.5% |
| Southern | 3.6% | ORR DD | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% |
| | | Network Rail response | 3.5% | 3.5% | 3.1 – 4.3% | 3.1 – 4.3% | 3.1 – 4.3% |
| W&W | 4.2% | ORR DD | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% |
| | | Network Rail response | 3.8% | 3.8% | 3.3 – 4.3% | 3.3 – 4.3% | 3.3 – 4.3% |

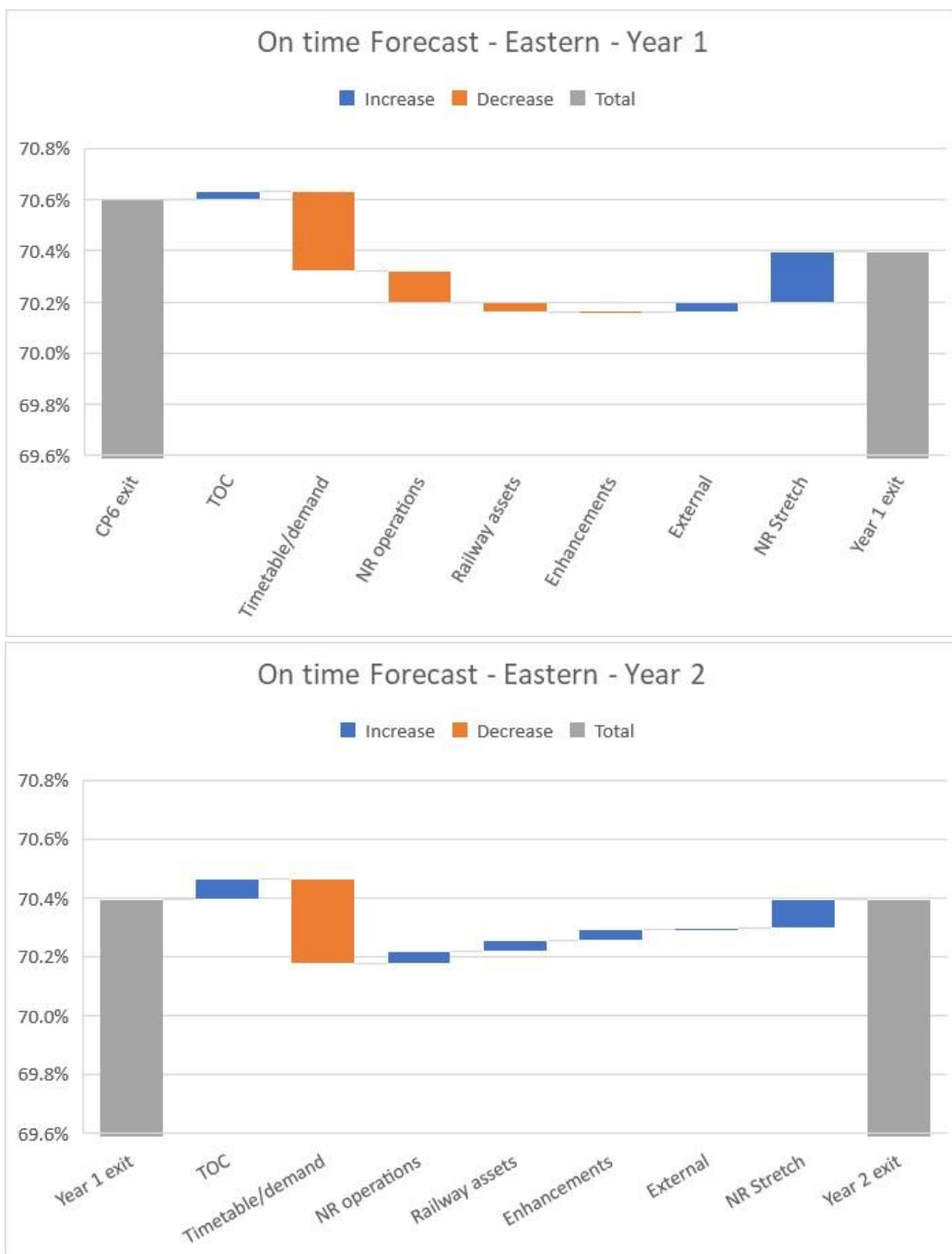
Freight Cancellations (updated methodology for CP6 exit and Network Rail response)

| Region | CP6 exit forecast | CP7 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|----------|-------------------|-----------------------|---------|---------|---------|---------|---------|
| Eastern | 1.3% | ORR DD | 1.3% | 1.3% | 1.3% | 1.3% | 1.3% |
| | | Network Rail response | 1.3% | 1.3% | 1.3% | 1.3% | 1.3% |
| NW&C | 1.3% | ORR DD | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| | | Network Rail response | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% |
| Southern | 2.5% | ORR DD | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| | | Network Rail response | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| W&W | 1.9% | ORR DD | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| | | Network Rail response | 1.9% | 1.9% | 1.9% | 1.9% | 1.9% |

Annex B: The key drivers of CP7 train performance trajectories

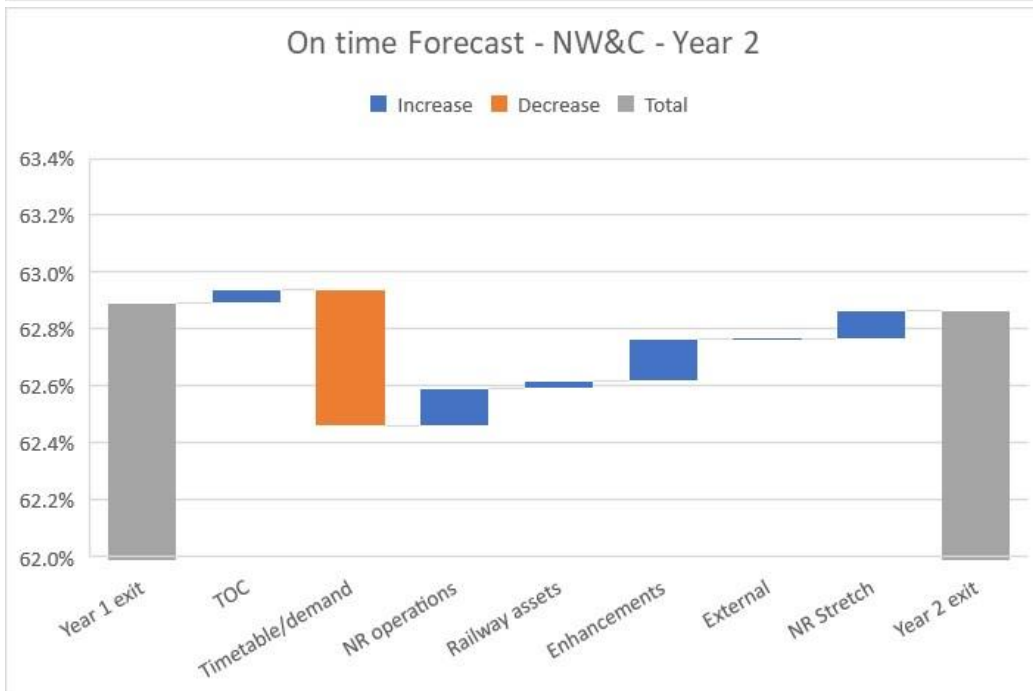
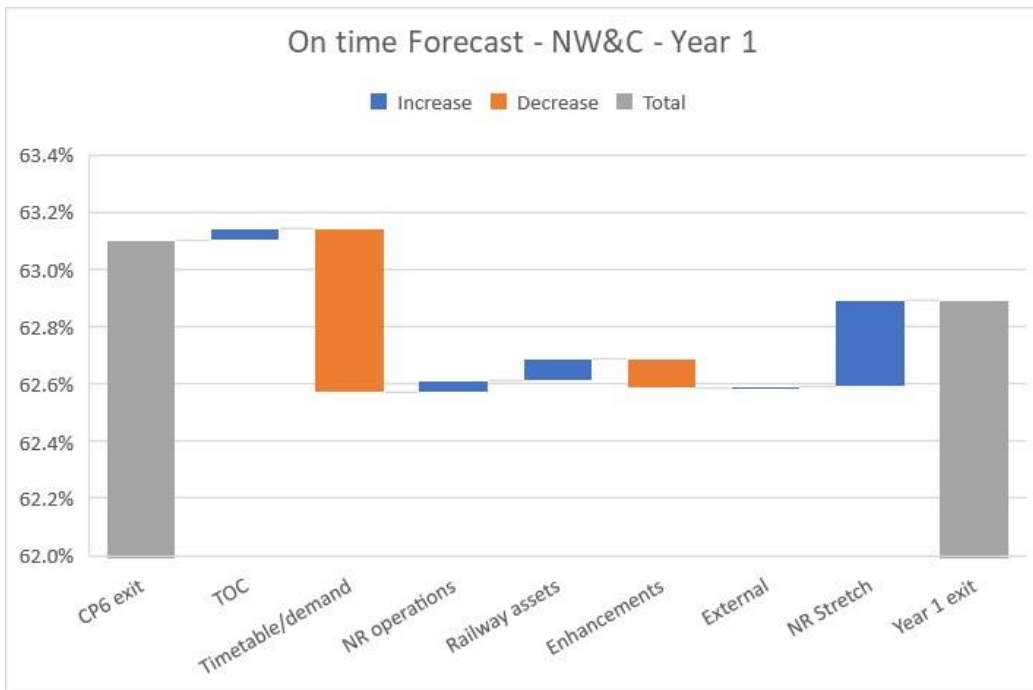
Eastern

Overall position for Year 1 & 2: There is a small reduction in On Time from CP6 exit of 70.6% to Year 2 exit of 70.4% which is driven by increasing passenger demand. The continued increase in passenger demand with increasing station ‘overtime’ is forecast to contribute to more sub-threshold and reactionary delays. We expect to see this across all routes, but there is uncertainty about where the additional demand may develop. We have added Network Rail stretch for mitigation of risks from asset condition and operations. There is a material risk to performance from future timetable impacts from MTR and ECML for which decisions are not yet confirmed.



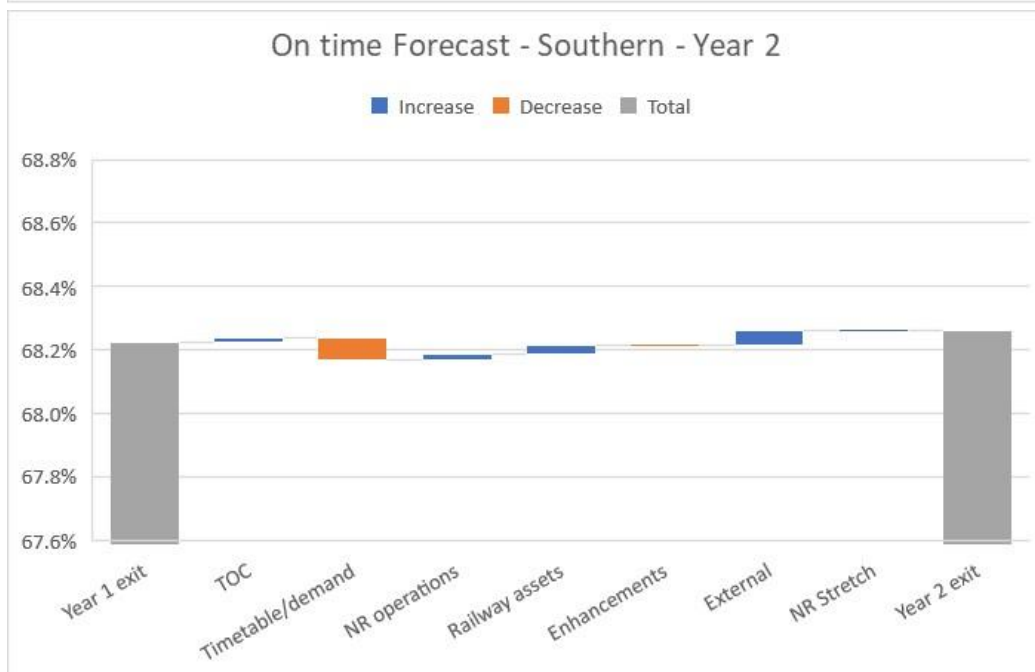
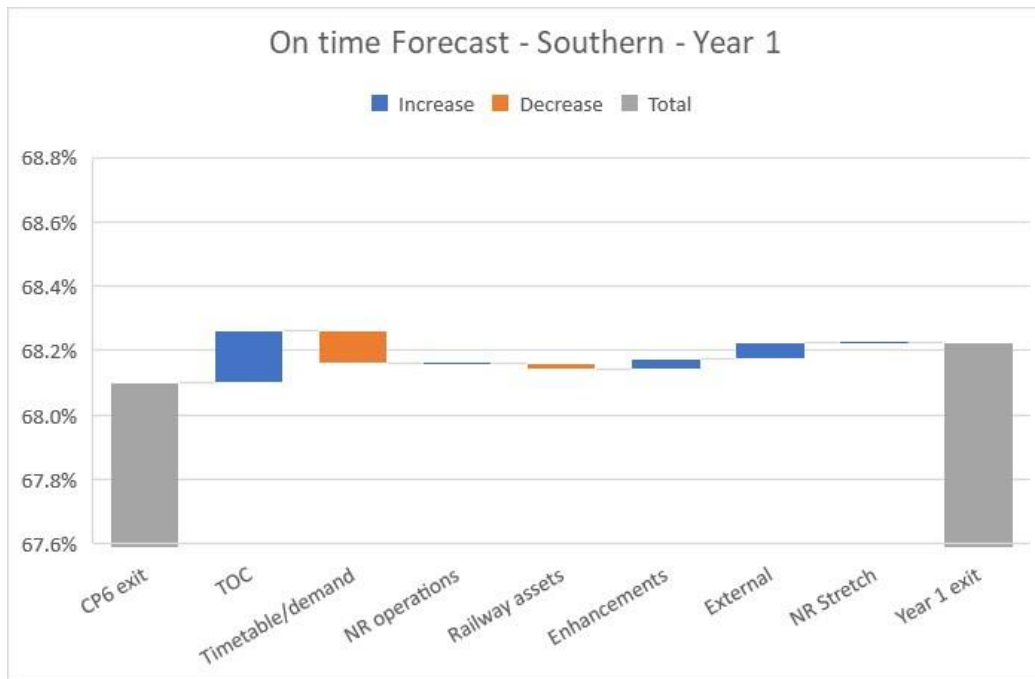
North West & Central

Overall position for Year 1 & 2: There is a small drop forecast from the CP6 exit, largely driven by increases in timetabled services. A timetable increase in June 2024 will increase overall service levels from 92% of the ‘pre-pandemic’ timetable to 95%, leading to increased congestion and reactionary delay. Some disruption is also assumed associated with the major HS2-related works. We have added a Network Rail stretch challenge to the forecast to address the risk in year 1. This reflects Network Rail’s ‘share’ of closing the gap to the CP6 exit for a whole industry output. The remainder would need to be met by operator actions.



Southern

Overall position for Year 1 & 2: Higher passenger demand is expected to increase dwell times and sub-threshold delay, although this is more than offset by incremental improvements identified in our plans across the other categories. Benefits are expected in reduced asset failures from the completion of major resignalling schemes and from reduction of trespass and fatality incidents through the increase in welfare patrols at stations and lineside. New train fleet being introduced this year is expected to deliver reliability improvements in year 1, following a typical bath-tub curve improvement for new fleets.



Wales & Western

Overall position for Year 1 & 2: Our analytical forecast for the CP6 exit reflects the change in operations with the Elizabeth Line. We have adjusted this to remove the impact of a number of major unusual one-off incidents and added stretch to improve the operation of the new timetable in CP6. This avoids ‘baking in’ performance issues from this year in CP7 trajectories. Our On Time forecast reflects an expected increase in asset service affecting failures and HS2 related works at Old Oak Common which are a substantial risk to performance. We have added a Network Rail stretch for mitigations of the forecast decline in asset performance.

