



OFFICE OF **RAIL REGULATION**

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Mark Carne  
Chief Executive  
Network Rail Infrastructure Limited  
Kings Place  
90 York Way  
London, N1 9AG

*Dear Mark*

### **CP5 Delivery Plan and Enhancements Delivery Plan**

I am writing to confirm ORR's position regarding Network Rail's CP5 Delivery Plan and Enhancements Delivery Plan (the 'delivery plan').

The delivery plan is an important step as it demonstrates how Network Rail intends to meet its commitments arising from the PR13 determination; it provides clarity for others to plan their own businesses; and it provides a basis from which we will monitor Network Rail's delivery of these obligations.

We published the delivery plan notice on 31 October 2013, and you subsequently published a draft delivery plan for public consultation on 31 December 2013. This was a welcome step and one that was recommended by the lessons we both learnt from the previous review in 2008.

Having reviewed it against both our specification and how you have addressed the consultation responses to your draft, we are pleased to accept the delivery plan as a baseline for CP5. However, there are three areas where further work is required: buildings, incorporating passenger views on enhancements and the innovation fund.

We reviewed Network Rail's asset policies in arriving at our PR13 determination for CP5, and we accept that they satisfy your network licence, except for buildings, where we had concerns the policy may result in overstated renewals volumes and not achieve minimum whole life cost. We also challenged you on buildings unit costs. We decided to reduce funding in our determination



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compared to your Strategic Business Plan. You responded in your delivery plan by proposing a reduced volume of renewal work, with more emphasis on preventative maintenance and refurbishment. You need to justify this better and you have set out your proposals to complete a thorough review of buildings asset information, policy and costs, in time to inform the delivery plan update. We will review your revised proposals.

For all other asset groups, we have reviewed differences in volumes of work compared to our determination. These mainly reflect progress towards having more detailed plans of work, rather than using high-level modelling, and we accept these changes.

We want to see more detail on how you seek passengers' views on enhancement projects. Although you have provided us with some material we have not finished our discussions. We want to see this concluded by the end of May 2014.

We have also not concluded discussions on the governance of the innovation fund and the current delivery plan entry is a draft. Again we want to conclude this by the end of May 2014.

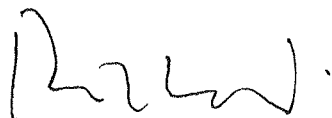
DfT made extensive comments on the enhancements delivery plan, in particular with the scope and timing of some projects. ORR, Network Rail and DfT have agreed a tripartite process which will work to resolve these issues. The outcome of this work will be dealt with through the existing change control mechanism that will formalise any agreed changes.

The new control period is a great opportunity for NR to show what it can achieve as a business. I am sure you will be focusing on the steps you can take to improve punctuality and reliability, serving both your immediate customers and rail users. But I'm also looking forward to seeing the company build on its great success in major projects in CP4, and make sustained progress on asset management and network resilience. Above all, I know you are fully committed to ensuring the railway is safe for its customers, rail workers and the public.

I look forward to working with you in CP5.

I am copying this letter to Clare Moriarty and Nick Bisson at the DfT and Aidan Grisewood at Transport Scotland.

Yours sincerely



**Richard Price**