

## RDG PR18 system operation working group

### Note of meeting held on 20 December 2016 at RDG's offices

**Attendees:** Garry White, Chair (Network Rail), Alexandra Bobocica (ORR), Raminta Brazinskaite (ORR), Siobhan Carty (ORR), Peter Graham (Freightliner), Nigel Jones (DBS), Richard McClean (Arriva), Chantal Pagram (Go-Ahead), Steve Price (ATOC), Denise Rose (DfT), Andy Wylie (First Group).

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### Introduction

1. This note summarises the main points of discussion at the meeting. It is not intended to represent the position of RDG or other attendees of the working group. Its purpose is to record key points to inform ORR's policy development and to provide transparency to interested stakeholders not present at the meeting.
2. The purpose of the meeting was to discuss:
  - a. Operators' views on the proposed financial treatment of the National System Operator (the NSO), as discussed by ORR in its November consultation on the regulatory settlement for the NSO in CP6;
  - b. RDG's response to ORR's November consultation; and
  - c. ORR-commissioned work on developing options for capacity measures/metrics.

### Operators' views on the proposed financial treatment of the NSO

3. On whether there was a need for additional mechanisms regarding the NSO's capital budget (to ensure it is properly incentivised to undertake capital expenditure), attendees made the following comments:
  - a. The option of providing for some form of change control regarding any changes to the NSO's capital budget is likely to be consistent with what will be required of the routes' approach;
  - b. If the NSO is "beholden" to the Network Rail routes for funding, there is a risk that it is insufficiently funded; and

- c. There is considerable risk associated with having no protections on the NSO's capital budget (e.g. the NSO may be unable to make necessary investments in improving its capability).
4. On whether the NSO should be subject to financial incentives that reflect the effectiveness of its success, attendees made the following comments:
  - a. It may be difficult to identify the impact the NSO has played and, in turn, to quantify this in the form of a financial incentive;
  - b. It may be preferable to focus on the role of management incentives;
  - c. Any financial incentives should be up-side only to ensure the NSO has adequate resources to undertake its activities. Similarly, it is important for the NSO to have certainty over its budget; and
  - d. Information on OPEX and CAPEX spending could be included in the NSO scorecard. This would increase transparency for stakeholders regarding OPEX and CAPEX decisions.

### **RDG's response to ORR's November consultation**

5. The group discussed a draft response prepared by RDG, and made the following comments:
  - a. Greater clarity on routes and the NSO's responsibilities – and how they interact with each other – is necessary;
  - b. It is very important that the NSO engages with its customers. To help it do this, there may be merit in a cross-operator forum to engage on strategic issues. The role of non-operators was also discussed, including how local funders and the NSO could best engage with each other;
  - c. It is helpful to make reference to the NSO scorecard, and RDG's support for this;
  - d. NSO measures of its performance should reflect its role in improving the quality of its service provision;
  - e. While disaggregation of measures would be important, it may be preferable to make them available outside of any scorecard so that it focuses on system-wide performance; and
  - f. The NSO will need to support industry in any wider move to using 'right time' to measure industry performance. A move to 'right time' could

also have implications for TPRs and the corresponding programme to improve the TPRs (TRIP).

6. The group also discussed the role it could play in considering the NSO's strategic plan.

### **ORR-commissioned work on developing options for capacity measures/metrics**

7. ORR presented the main messages of the work it commissioned from TRL consultants on options for capacity measures/metrics. The group made the following comments:
  - a. Some of TRL's findings are less relevant from the perspective of freight services, given that freight services use capacity in response to specific demand. As such, a possible measure of capacity relevant to freight services could include train metres per hour;
  - b. It may be helpful to reflect that some trains are longer than others (e.g. some freight services take up around 1.5 of that of a 'standard path'), particularly because of the interaction between standard paths and fixed block timings;
  - c. A national metrics would not give useful information. It may be more helpful to express capacity in map-form, showing available capacity by route;
  - d. In terms of the NSO's impact on capacity production / use, the metric should look at whether the NSO has been providing information and advice to funders / specifiers;
  - e. While this work is helpful, there should be focus on the NSO's role in systematically reviewing Train Planning Rules (e.g. a metric indicating the proportion of rules reviewed, over time). Actual dwell times should also be considered; and
  - f. The NSO needs to continue investing in its capability to measure capacity. This would significantly improve the quality of decision-making process and strengthen business cases for additional capacity.

### **Future meetings**

8. The date for the next system operation working group meeting is Wednesday 25 January 2017.