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Office of Rail and Road,
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Transport for London
Rail and Underground

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16th October 2015

Dear Sir/Madam,

System operation – a consultation on making better use of the railway network

This letter sets out TfL's responses to the questions posed in the ORR's consultation on system operation. TfL is content for its responses to be published and shared with third parties.

Question 1

As discussed in section 2, to deliver good system operation, we think system operation involves these functions:

- ***Developing proposals for changes to the network;***
- ***Choosing projects for changes to the network;***
- ***Determining capacity from the physical network;***
- ***Allocating capacity (including to possessions) and performance;***
and
- ***Operating the system (including at the route level) enabling services to run.***

What are your views on the functions we have mapped out, and their ability to facilitate delivery of the system operation outcomes? Do you think we have missed any key functions of system operation?

The functions described cover the key functions associated with system operation. The diagram shown in figure seven does not explicitly recognise the key role that Third Party Infrastructure Managers play in developing and allocating capacity on the network, as well as day to day management of performance. This forms a key part of system operation so needs to be explicitly recognised and facilitated within the regulatory framework governing the industry.

Question 2

As discussed in section 3, through our work on system operation we want to improve how the railway meets the current and future needs of passengers, freight customers and funders. We think a greater focus on system operation can improve outcomes in six areas:

- ***Continued safe operation;***
- ***Choosing the right investment;***
- ***Making the right trade-offs;***
- ***The right services using the network;***
- ***Helping train operators to deliver.***

What are your views on the outcomes of good system operation that we have set out in this consultation?

TfL agrees that the outcomes of good system operation as set out in the consultation are appropriate.

Question 3

Can you give us any examples, based on your experience, where these functions improve outcomes?

This could include examples of when system operation has helped you in running your business and delivering for your customers. Please also feel free to highlight any areas where you think system operation could help you in the future.

Choosing the right investment has certainly helped TfL to improve the effectiveness of rail operations and the quality of service it delivers to its customers. This can be evidenced through the success of London Overground where TfL has worked with Network Rail to deliver an upgrade programme on the North and West London Lines that has led to major increases in usage as well as improvements to performance and customer satisfaction. This joint activity has spanned all aspects of system operation from the early planning stages through to implementation and day to day performance management. TfL's joint investment in the Crossrail network with national government promises to deliver an even greater magnitude of positive change by providing a major new rail route through central London, linking previously separate National Rail routes. Again, this has and continues to involve TfL working with a variety of delivery partners within the rail industry across all aspects of system operation.

Question 4

To regulate and incentivise Network Rail, we use a range of tools, such as regulating and monitoring Network Rail against certain outcomes and providing for a charging regime that should encourage economic and efficient behaviour by all users.

Do you have any views on what the desired outcomes and functions associated with system operation might mean for the regulation and incentivisation of network system operation?

Please highlight any particular areas where you think a different approach to regulation or incentivisation of system operation could help you better run your business in the future, and why.

It is important that change is not implemented for the sake of it. The current system has evolved over time and has been refined to meet the challenges of system operation over a number of Control Periods. For example, the existing Capacity Charge is intended to compensate Network Rail for the performance risk entailed by the delivery of additional services. TfL does not therefore agree with the assertion that the industry currently has no incentive to consider the impact of different levels of network utilisation on performance.

It is particularly important that any changes to the regulatory structure do not reduce the incentive of operators and funders to deliver the additional services and expanded capacity that the growing demand for the railway requires. The important role paid by funders such as Transport for London needs to be recognised in the system operation process through the full and effective integration of planning and management processes covering the National Rail and other networks, for example London Underground, the East London Line Core and Crossrail's Central Operating Section.

It is important that the key contribution of rail to the economic viability and success of urban areas is recognised within the regulatory structure. This should include explicit recognition of the need for urban services to operate at regular intervals and high frequencies which enable them to deliver the consistent, high capacity services that large cities need to function effectively. Recent proposals including the Access Rights Policy consultation from Network Rail appear to run counter this objective, proposing a much looser definition of access rights that could result in urban services being much less effective at meeting the needs of the user.

Proposals that increase the proportion of cost that is variable according to the mileage operated could create a perverse incentive to reduce service volume at a time of continued growth and crowding. TfL would not support such a change.

Any consideration of the value of paths should fully reflect their socio economic value to society, rather than the financial value to the operator alone.

Effective system operation can often be adversely affected by a lack of information across the industry about key factors of critical importance to the planning and management of the network. These factors include:

- Customer demand flows by time of day at stations and on train;
- Rolling stock design characteristics and capacities;
- Unit costs for infrastructure and rolling stock.

The industry should be incentivised to develop better, more transparent and freely available data sources in these areas. The industry should also be incentivised to ensure that the data required to facilitate good system operation is kept up to date, for example the planning data that underlies the timetable.

Yours sincerely,

Alan Smart,
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