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OFFICE of
RAIL REGULATION

Ms Hazel Walker
Group Company Secretary
Network Rail Infrastructure Limited
40 Melton Street
London
NW1 2EE

23 May 2005

Dear Ms Walker

Regulatory Accounting Guidelines

1. Network Rail Infrastructure Limited (described below as "Network Rail") has been granted a network licence under section 8 of the Railways Act 1993 subject to the conditions contained in that licence.
2. In accordance with paragraph 8 of Condition 22 of Network Rail's Network Licence (Condition 22), ORR may from time to time issue to Network Rail, Regulatory Accounting Guidelines. The attached Guidelines are issued under paragraph 8 of Condition 22 such that they take effect from 24 May 2005.
3. Under paragraph 2 of Condition 22, Network Rail is required to prepare the regulatory financial statements in accordance with any Regulatory Accounting Guidelines from time to time issued by ORR under Condition 22, as well as in accordance with Condition 22 generally.
4. Having regard to the processes followed in previous years for submission of the regulatory accounts and as previously discussed with Network Rail, under paragraph 12 of Condition 22 I approve, on behalf of ORR, an extension of the timescale for delivery of the regulatory accounts until 15 July 2005.
5. Over the next few months we intend to discuss with Paul Plummer and Peter Duff's teams (in consultation as appropriate with other industry parties) the material changes likely to be required to the Regulatory Accounting Guidelines in advance of your submission of regulatory accounts for the year ending 31 March 2006 in order to:
 - take account of the disaggregation of Network Rail's revenues between Scotland, and England and Wales; and
 - ensure more detailed reporting of financial outperformance.

John Thomas, Director of Regulatory Economics

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6. I have copied this letter to Paul Plummer and Peter Duff at Network Rail.

Yours sincerely,

John Thomas

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