

14 March 2019

Company Secretary  
Network Rail Infrastructure Limited  
1 Eversholt Street  
London  
NW1 2DN

**Network Rail's network licence, financial ring-fence condition: Euston Station Development Agreement**

1. In a notice to Network Rail dated 15 January 2018, the Office of Rail and Road ("ORR") gave its consent, under the financial ring-fence condition of Network Rail's network licence<sup>1</sup>, to the company entering into a development agreement with other parties to allow the development of parts of the Euston estate for commercial and residential purposes<sup>2</sup>.
2. Paragraph 10 of that notice provided that the consent was valid from 15 January 2018 to 31 March 2019, or such longer period as ORR may specify in a notice given to Network Rail.
3. On 23 January 2019, Network Rail wrote to us requesting an extension to the duration of the consent. The letter is attached at Annex A.
4. Network Rail has confirmed to us that the terms of the development agreement are unchanged materially: that it would not be contributing towards costs of the development – all further costs are to be met by the master development partner – and Network Rail is not liable for any costs.
5. ORR hereby gives notice, for the purposes of paragraph 10 of our consent dated 15 January 2018, that the consent shall remain valid until 31 March 2024, or such longer period as we may specify in any further notice given in writing to Network Rail.
6. All other terms and conditions set out in the notice of 15 January 2018 remain unchanged.

**Carl Hetherington**  
**Duly authorised by the Office of Rail and Road**

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<sup>1</sup> From 1 April 2019, this will be Condition 16 in Network Rail's network licence.

<sup>2</sup> The notice is at [https://orr.gov.uk/\\_data/assets/pdf\\_file/0017/26432/euston-station-development-consent-letter.pdf](https://orr.gov.uk/_data/assets/pdf_file/0017/26432/euston-station-development-consent-letter.pdf)



Les Waters  
Licensing Manager  
Office of Rail and Road  
One Kemble Street  
London  
WC2B 4AN

23 January 2019

Dear Les

### **Euston Station Development Agreement**

In a notice dated 15 January 2018, ORR consented under condition 4 of the Network Licence to Network Rail entering into a development agreement with Department for Transport (DfT) and a master development partner to allow the development of parts of the Euston estate for commercial and residential purposes. This consent is valid until 31 March 2019 or such longer period as ORR may specify in writing.

Pursuant to ORR's consent, Lendlease Europe Holdings Limited (the master development partner) signed the development agreement and associated documents with the Secretary of State for Transport and Network Rail on 15 March 2018. The Development Agreement was novated to Lendlease Euston Development LLP on 5 December 2018.

Given that the development agreement has a duration of at least twenty five years, we request that ORR grants further consent under condition 4.1(c) of the Network Licence to enable activity to continue.

It should be noted that:

- There have been no material changes to the terms of the Development Agreement as outlined in our letter dated 9 October 2017.
- The activities required of Network Rail in fulfilling its obligations under the contract will not cause any significant management distraction nor have an adverse impact on Network Rail's ability to undertake its permitted business
- The letter from DfT dated 27 November 2017 (attached) is not time limited and remains in force. It both contemplates and applies to CP6 and should therefore be taken to support this letter.
- It is not expected that land will be drawn down for development for at least five to ten years therefore no consent under condition 7 is being sought at this time.

If you have any questions regarding this matter, please do not hesitate to contact me.

I am copying this letter to Chris Paxman, Development Manager at Network Rail and to Simon Devney, Euston Station Redevelopment Commercial Project Lead at DfT.

Yours Sincerely

A handwritten signature in blue ink, appearing to read "Kara".

Kara Chester  
Senior Regulatory Specialist  
Network Rail



# Department for Transport

Nathan Harlatt  
Euston OSD Sponsor  
High Speed Rail Group  
Department for Transport

Web Site: [www.dft.gov.uk](http://www.dft.gov.uk)  
27 November 2017

Carl Hetherington  
Deputy Director Economic Regulation and Regulatory Finance  
ORR

Dear Carl,

As discussed on our call of 23 October I am writing to you to confirm the terms of the proposed contract for a Master Development Partner (MDP) for the Euston area and its impact on Network Rail's (NR) regulated funding settlement. I apologise for the delay in providing this note.

Both the Secretary of State (SoS) and NR will be signatories to this contract and will have rights, obligations and liabilities in relation to it. Chris Paxman, Development Manager at Network Rail, has previously given you assurances regarding the resourcing implications for NR and in particular of the NR Property Team's ability to absorb this work.

In relation to financial liabilities, the principle upfront payments due under the contract are capped at £20m and these will be met in their entirety by DfT. Any further financial liabilities will either be netted off any income generated by the development or incurred as a result of MDP services called upon at the discretion of the commissioning party (NR or DfT). NR will therefore not be obliged to incur liabilities that will not be met through income from the development.

There will be ongoing work regarding the business case for a potential redevelopment of NR station at Euston that is likely to require some element of development funding. This is an independent piece of work however and no additional liabilities will be incurred during CP6 as a result of the MDP contract.

In parallel to this contract DfT and NR will enter into a Collaboration Agreement to govern how we as land owners manage the contract between us. It sets out principles for the pooling of land, sharing of revenue, obligations and decision making.

If you wish to discuss any of this in more detail please let me know.

Yours sincerely,

Nathan Harlatt  
Department for Transport

A handwritten signature in black ink, appearing to read 'Nathan Harlatt', is written over a faint, light-colored rectangular stamp or watermark.