



OFFICE OF RAIL REGULATION

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Mr Paul Plummer
Group Strategy Director
Network Rail Infrastructure Limited
1 Eversholt Street
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31 March 2015

Dear Paul,

Investigation into Network Rail's overall planning, management and delivery of its enhancements programme

As you are aware, we have raised concerns about Network Rail's (NR) delivery of its enhancement programme over the past few months. We have concerns that NR is not on the right trajectory to meet its CP5 regulatory targets therefore we are taking action in response to this. We wrote to you on the 11 November 2014 and raised concerns about the lack of a sufficiently finalised improvement plan setting out how NR intends to address many of the enhancements-related weaknesses we had raised. We met on 18th November to discuss the letter, and followed up with another letter on 26th November outlining what we saw as essential elements that should be included in the improvement plan.

We understand that Network Rail has a number of initiatives underway. However, our most recent letter of 2 March expressed concern that it was taking too long to establish an overall improvement plan to give us confidence that the company is tackling all the issues as best it could. We said we needed further assurance on how and when the plan will be sufficiently finalised.

The enhancement programme is a significant deliverable for CP5 and it is essential that NR does everything reasonable practicable to meet the necessary milestones to deliver within its timescales. The demands of the programme in years 3, 4 and 5 mean that effective planning and delivery of milestones in the early years of the control period are key to the overall delivery of the programme in the long term.

We remain concerned about a broad range of NR's enhancement delivery performance, from early stage development to project completion. In particular, there are common project failings where we have refused authorisation and served improvement notices, both stemming from a lack of sufficient safety risk assessment at early design stages and poor requirements capture. These common failings seem to be happening because each project is starting from a 'blank piece of paper' with little central guidance.



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We therefore consider it is necessary to investigate whether NR is doing everything reasonably practicable to meet its licence obligations and is on the right trajectory for meeting CP5 regulatory targets in relation to enhancements.

Our investigation will focus on 4 key areas of concern that we have previously raised in our letters:

- (a) Project development including managing and estimating costs
- (b) Project delivery
- (c) Managing major complex programmes such as Great Western Route Modernisation
- (d) Management of the CP5 Investment Portfolio

Our investigation will:

- identify whether there are systemic weaknesses relating to NR's overall planning, management and delivery of enhancements, and
- assess whether NR is doing everything reasonably practicable to achieve its regulated outputs (milestones).

This investigation will help inform any recommendation that is made to the ORR Board in relation to whether NR has breached its licence. At this stage we are only talking to NR and DfT but we are likely to want to seek others' views at a later stage: we will let you know what we intend to do before doing so.

We recognise that Network Rail is itself undertaking internal reviews of enhancement planning and delivery – for example through a subcommittee of Network Rail's Board chaired by Malcolm Brinded, and we will want to make sure that wherever possible we draw on these and do not duplicate them. We have accepted the offer to attend, and feed in, to the work of the subcommittee. I would like to discuss with you how we can best achieve that, drawing on existing information where possible, and generating additional information only where we need to. We recognise the DfT, as the funder of enhancement projects, is also looking at certain aspects of them. Again, our aim will be to use any relevant information generated for those purposes not duplicate it.

We welcome NR's continued co-operation and engagement on this matter and any information you would like us to consider as part of this investigation.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'A. Price', is located below the 'Yours sincerely,' text.

Alan Price
Director, Railway Planning and Performance