

Breakout groups

Group A	Group B
Facilitator: Chris Hemsley (ORR)	Facilitator: Elise Weeder (ORR)
Peter Swattridge (Network Rail)	Ben Worley (Network Rail)
Matthew Nobbs (Welsh Government)	Andrew Hillin (DfT)
Richard Evans (Go-Ahead Group)	Chris MacRae (FTA)
Angus Johnston (Freightliner)	Russell Evans (FirstGroup)
Jonathan Chatfield (RDG)	Jonathan Hulme (RDG)
Paget Fulcher (CEPA)	Lee Armstrong/Ian Kapur (GB Railfreight)
Rishi Mandavia (ORR)	Alexandra Bobocica (ORR)
Group C	Group D
Facilitator: Alan Scarlett (ORR)	Facilitator: Emma Bentley (ORR)
Hannah Deveson (Network Rail)	Phil Dawson (VTEC)
Gareth Evans (Welsh Government)	Lindsay Durham (Freightliner)
Nigel Jones (DBS)	Maggie Simpson (RFG)
Richard McClean (Grand Central)	Andy Wylie (FirstGroup)
Pedro Abrantes (PTEG)	Michele Granatstein (Oxera)
Vlada Kolosyuk (ORR)	Raminta Brazinskaite (ORR)



Reviewing the Structure of Charges

A discussion with the industry

14 July 2015



Welcome

Joanna Whittington

Director, Railway Markets & Economics

Purpose of today's discussion

1. Bringing you up to speed

On the work which we've been doing since we published our December 2014 letter

2. Asking for your advice and input

On our view of the opportunity and our proposed approach to moving towards a solution

3. Setting out our next steps

What we plan to do between now and the publication of our initial industry consultation

How we'll structure this afternoon

PART 1 – THE OPPORTUNITY	
1.30	<input type="checkbox"/> ORR: setting the scene
2.00	<input type="checkbox"/> RDG's review of charges
2.15	<input type="checkbox"/> A freight perspective
2.30	Breakout session 1: <i>Does the group recognise the opportunity? Are we starting from the right point in developing solutions?</i>
3.00	Refreshments and break
PART 2 – MOVING TOWARDS SOLUTIONS	
3.15	<input type="checkbox"/> Cost analysis
3.30	<input type="checkbox"/> Possible broad charging options
3.45	<input type="checkbox"/> Assessing the options [assessment criteria]
4.00	Breakout session 2: <i>Does the group recognise the broad packages? Have we created a sensible framework for assessing and narrowing the options?</i>
PART 3 – NEXT STEPS	
4.45	<input type="checkbox"/> Our plan between now and December and any question



PART 1:

The opportunity

Chris Hemsley

Deputy Director, Competition & Markets

What we'll cover in this section

■ ORR scene setting (30mins)

- Our approach to the review
- Charging aims and objectives and States of the World
- Gaps in the existing charging structure

■ RDG's review of charges (15mins)

- Why charges matter to RDG
- Aims and objectives of the RDG review

■ A freight perspective (15mins)

- The importance of charging to freight

■ Breakout session (30mins)

- Your input and views on the opportunity

Our review and why charges matter

Working with the industry to review the structure of charges paid by train operators to Network Rail for using the network was a key PR13 commitment

■ The structure of charges:

- affects the costs faced by franchise, freight and open-access train operators;
- has the potential to affect how train companies and Network Rail interact;
- affects the prospects for, and impacts of, open-access entry; and
- is one tool available to better align the incentives faced by all parties in the rail sector.

What our review could help with

Our review aims to arrive at a proposal for a future charging structure which is a proportionate improvement on the existing structure in terms of its ability to deliver on its aims and objectives.

Network costs

Supports whole industry efforts to reduce network costs

Network use

Improves operator and funder incentives to use the network efficiently

Network provision

Supports Network Rail handling of cost, capacity and performance trade-offs

Wider decisions

Supports informed decisions e.g. around enhancements, franchising and subsidy

Competition

Creates a more level playing field for different types of passenger train operators

Charging principles

Supports a stable business environment, reduces complexity and improves transparency

Possible 'size of the prize'



1. Rail sector case studies

Case study evidence suggests that rail decisions could be improved through a better understanding of costs (whether or not such improved information is transmitted through charges) to a lower bound value of **c.£200m** per control period (or 2% of Network Rail's charges income).



2. Indicative quantitative analysis

Consultants carried out an indicative analysis of the possible 'welfare losses' associated with having variable charges set at the wrong level. This suggested that the welfare losses could be as high as **c.£500m** per control period. This analysis made a number of assumptions including that franchised operators can respond fully to changes in charges.

- Even a small (1%) additional cost saving would be significant, e.g. per control period 1% opex = **£134m**, 1% renewals = **£121m**.
- For example, recent VTEC franchise involved £140m of supporting investment spend, a 1% saving would represent **£1.4m**.
- If 10% of enhancement spending were (efficiently) delayed by one year, this would be a PV cost saving of **£1.2bn**.



ORR scene setting

Elise Weeder

Head of Regulatory Economics

Our approach to the review

Objectives analysis

Identifying the various aims and objectives for charges, making the case for why the structure of charges should be reviewed and where to focus our efforts.



Options analysis

Identifying, developing and assessing a range of options for a future charging structure and arriving at a short-list of proposed options for consultation.



Cost analysis

Identifying, evaluating and scoping the possible alternative approaches to attributing costs to operators which might be required to underpin any future charging structure.

Impact assessment

Impact analysis will form an explicit part of the objectives and options analysis. The evidence which is built through this impact analysis will form the basis of the full impact assessment. This full impact assessment will be developed to accompany policy recommendations and future consultations on the future charging structure.

Objectives analysis

- Our **objectives analysis** had three key parts:



- **Aims and objectives** informed by:
 - our view of problems changes to charges might help to solve;
 - our statutory duties; and
 - RDG's published 'vision' for the future charging structure.
- **States of the world** developed through RDG led workshops involving a cross-section of industry representatives.
- The **gap analysis** assessed how far the existing charging structure is from meeting aims and objectives including under different states of the world.

Aims and objectives

Improves efficiency and support cost recovery

- Supports efficient use and provision of network capacity
- Supports lower network costs and efficient decision making
- Allows Network Rail to recover its full costs

Achieves better outcomes

- Improved Network Rail accountability
- Improved cost reflectivity
- Aligned industry incentives
- Improved value for money for funders, taxpayers and users

Meets charging principles

- Predictability
- Stability
- Transparency
- Practicality, cost effectiveness, comprehensibility, and objective in operation

Be legally consistent

- With domestic legislation
- With European legislation
- Promoting the objectives of our statutory duties
- Supporting effective competition

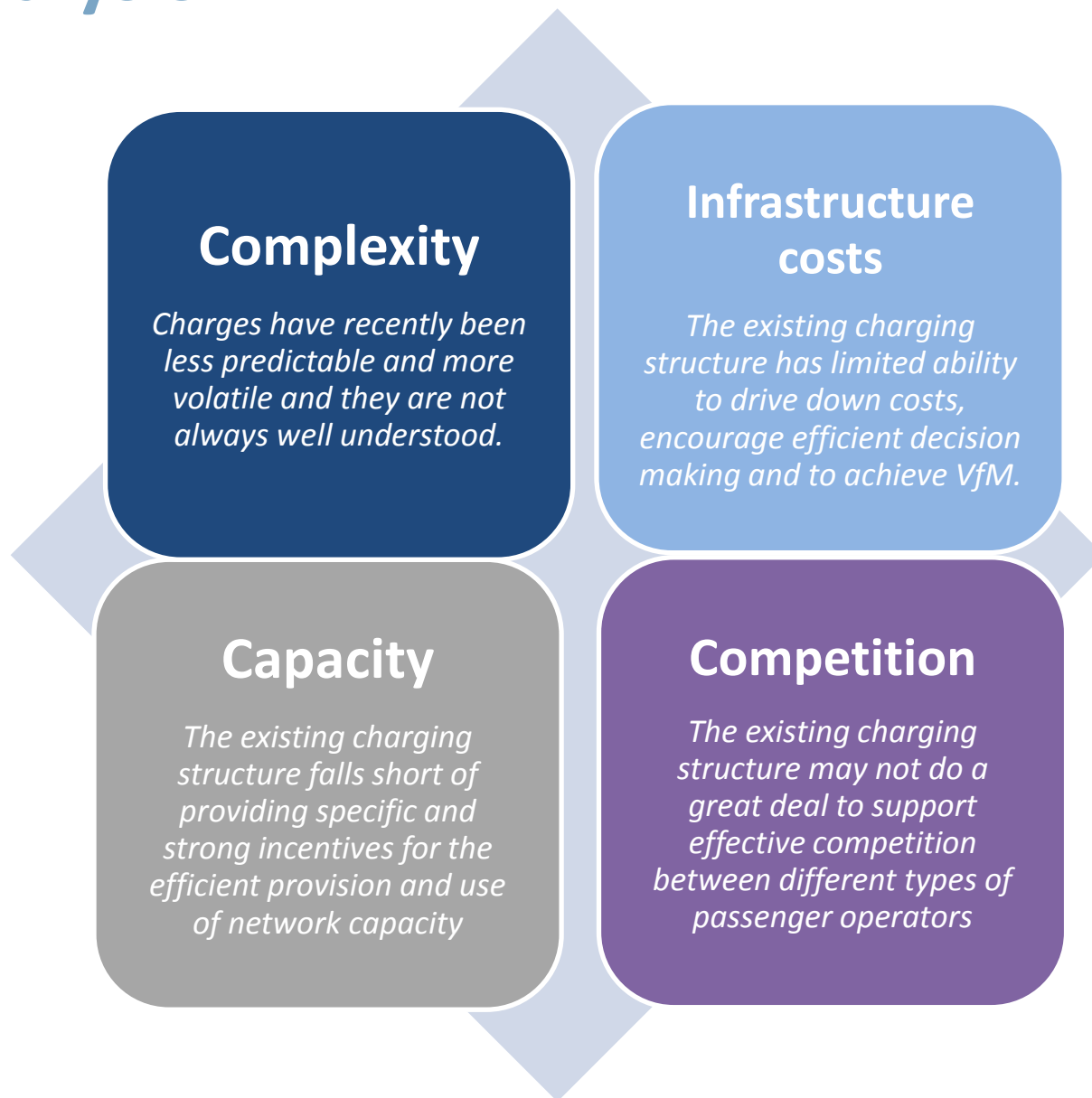
States of the world

Feature	Summary of current state	How will the current feature change?	Alternative states of the world (see Annex 3 for more detailed descriptions)						
			1. More on-rail comp., low protection / spec	2. On-rail comp. via flexible franchising	3. More highly specified franchises	4. Freight protection / subsidy	5. Beneficiary pays for capability	6. Change in approach to capacity allocation	7. More regional decision making
On-rail competition	Limited on-rail passenger competition – some on intercity services	More on-rail competition	✓	✓					
Franchise protection	Significant protection from changes to access charges	More / less protection	✓ (less)		✓ (more)				
Franchise flexibility	Limited flexibility – highly specified requirements for core services	More / less flexibility	✓ (more)	✓ (more)	✓ (less)				
Freight protection	Limited protection from changes in access charges but indirect subsidies	More protection / direct subsidy for freight				✓			
Capacity, e.g. HS2, digital railway	Some capacity issues across network but surplus capacity elsewhere	Increased capacity, HS2 or tech. driven						[✓]	
Approach to funding	Governments provide 'lump sum' grants via Network Rail	Beneficiary pays for capability	✓				✓		✓
Approach to allocating network capacity	Allocation often reflects historic rights – not based on overall benefits of use or reactive to demand	More analytical approach to allocation	✓					✓	
Regional decision-making	Two main funders / specifiers, one infrastructure and safety regulator	Greater regional decision making							✓

Please note: the symbol [✓] reflects that we will consider state of the world 6 with, and without, increased network capacity

Source: Rail Delivery Group (2014)

Gap analysis





RDG's review of charges

Jonathan Hulme

Charges Project Manager, RDG

Rail Delivery Group

Overview of RDG's Review of Charges

Jonathan Hulme, Review of Charges Project Manager

July 2015

Purpose

- The purpose of this presentation is to explain:
 - The scope of RDG's Review of Charges
 - Why RDG is carrying out this work
 - RDG's approach to this review
 - Outputs of the review so far

What is the Rail Delivery Group?

- The **Rail Delivery Group** (RDG) seeks to improve services for rail users and deliver better value for money for taxpayers
- Set up in 2011 to bring together the owners of Britain's passenger train operating companies, freight operators and Network Rail to provide leadership to Britain's rail industry
- RDG's current work programme spans 14 different areas, one of which is contractual and regulatory reform
- RDG's Review of Charges is one element of RDG's contractual and regulatory reform workstream

RDG's mission is to promote greater co-operation between train operators and Network Rail through leadership in the industry and by working together with governments, the supply chain and stakeholders

Background: What is the RDG Review of Charges

- It considers how the charges and incentives regime, for use of Network Rail's infrastructure, should operate under several alternative 'states of the world' (or scenarios) for the industry
- Began in spring 2014 and is expected to be completed by the end of 2015
- Should allow the industry to inform the ORR's next periodic review process and future reviews
- Presents the industry's own conclusions on the charges and incentives regime
- The aim is to provide clarity on areas where the industry has shared views and where there are legitimate differences so that PR18 can focus on areas where there is genuine differences of opinion

ORR is supportive of RDG's work in this area

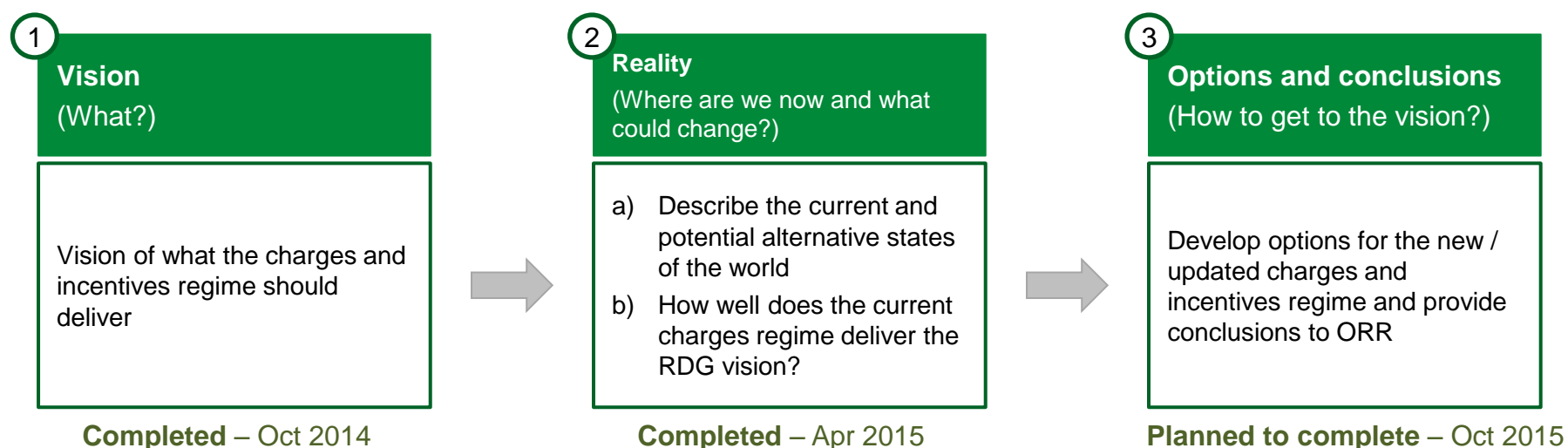
Background: Why are we doing the review?

- In the past, work on determining the appropriate structure of Network Rail's charges and incentives has been squeezed during periodic reviews
- For CP6, the industry is taking an early opportunity to work together to clearly set out its own views on the appropriate structure of charges and incentives
- This is being done in advance of the start of PR18 so that RDG can provide ORR with information that can help inform its decisions
- ORR considers that it is essential for its review to incorporate industry views, including the outputs of RDG's Review of Charges, and where possible work together with RDG
- ORR is also carrying out work in this area, along similar timescales to RDG's review

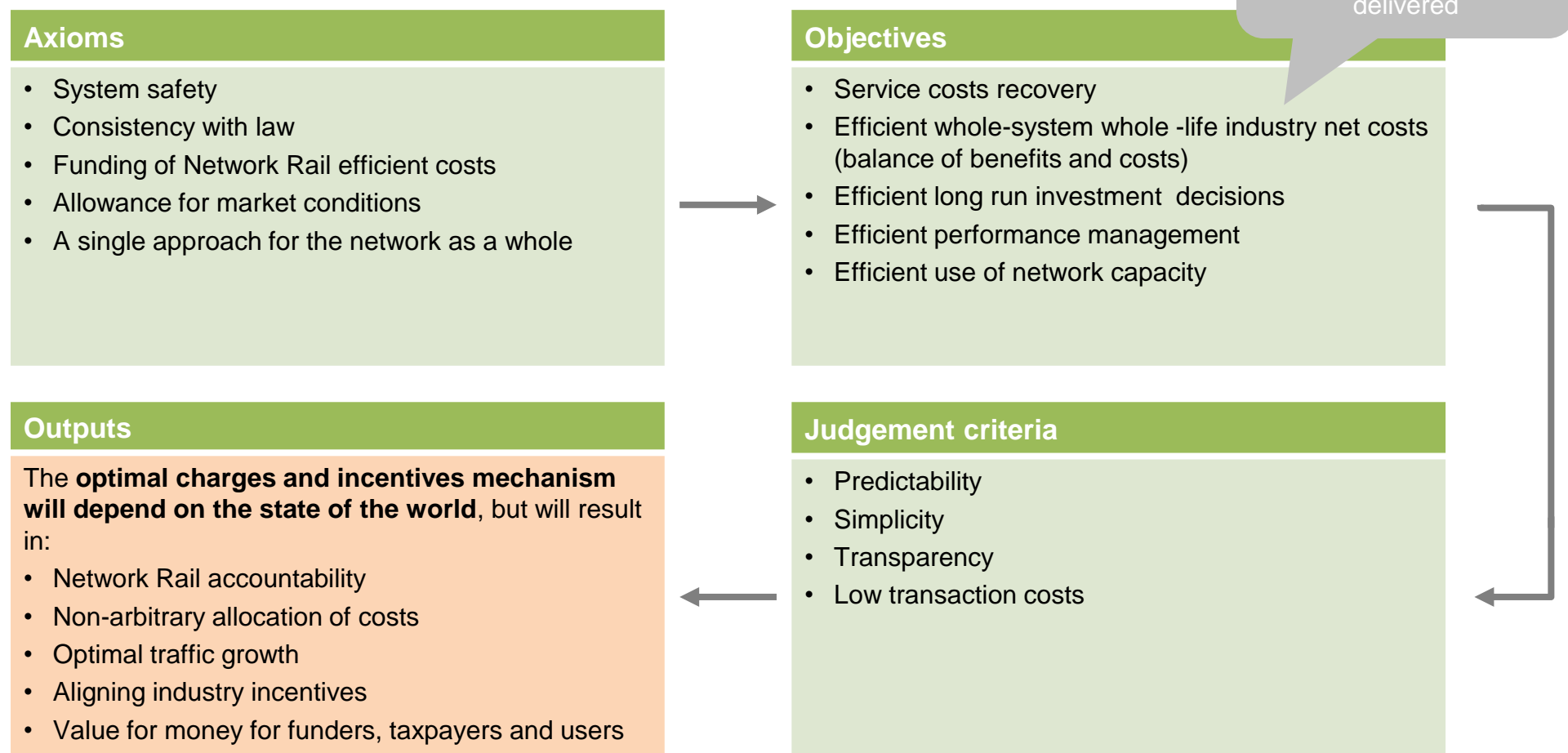
ORR's structure of charges review follows a similar approach to RDG and uses some of the same information and analysis

Background: How are we doing the review?

- The analysis and conclusions that are produced as part of this review should reflect the views of RDG members
- RDG's work draws on expertise from across RDG's membership
- Our approach makes use of workshops and one-to-one meetings with representatives from across RDG to gather the information we require to develop our conclusions
- The Review of Charges has three phases:



We have completed Phase 1 - RDG vision for charges and incentives



We have completed Phase 2 – assessment of current regime

- Phase 2 of RDG's Review of Charges built on the RDG vision
- It is a stepping stone to developing options for a new and/or updated charges and incentives regime in later stages of the review
- There were two parts to Phase 2:

Phase 2a

Current and potential alternative states of the world

- **Main features of the current 'state of the world'** in which the charges and incentives regime operates
- **Purpose** of the current state of the world
- Externally-influenced **features that could change** in the future, drivers of **those changes**, and the **likely impact** on the charges and incentives regime
- **Alternative states of the world** against which we could test options for the charges and incentives regime

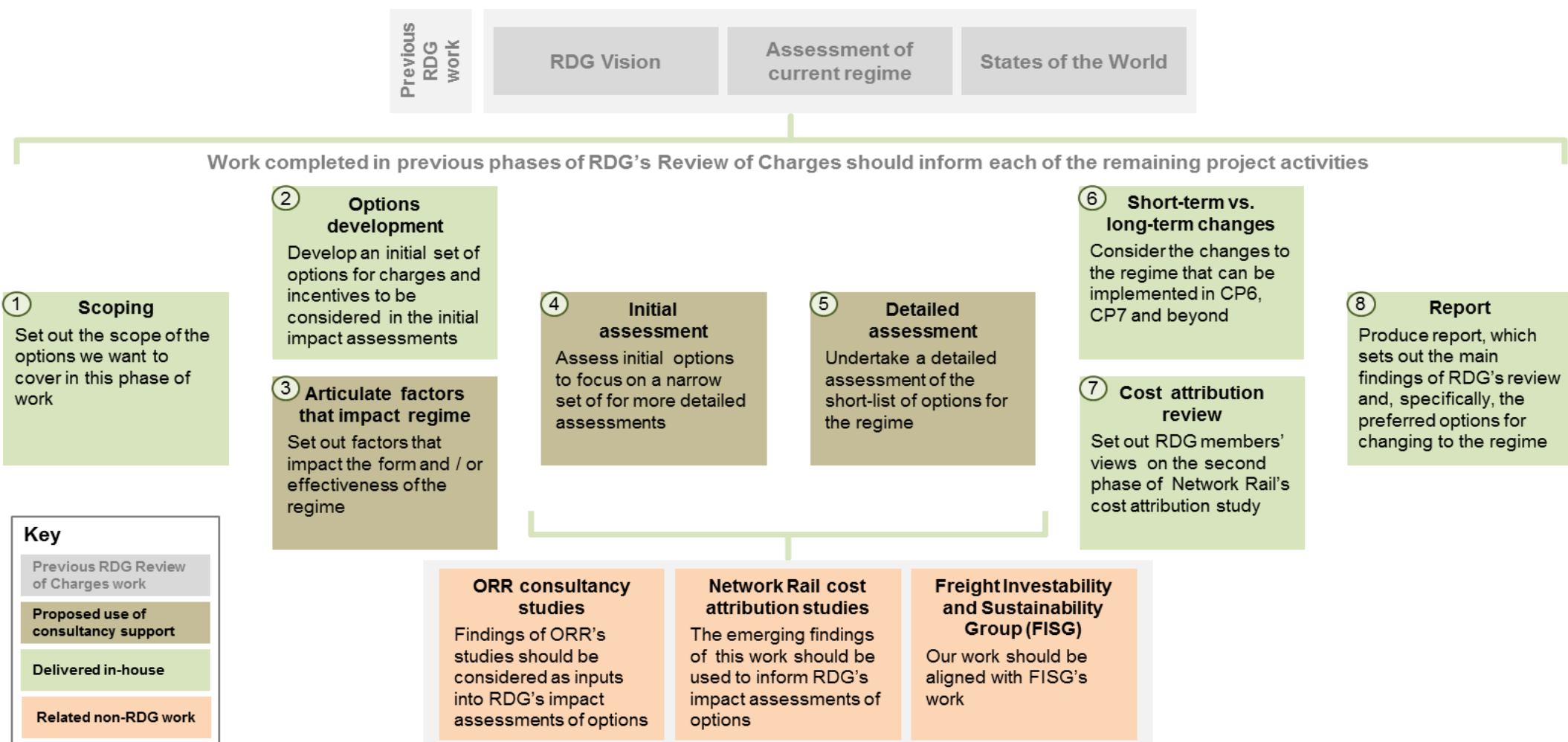


Phase 2b

How well does the current charges and incentives regime deliver the RDG vision?

- **Features of the ideal regime.** Building on the RDG Vision, set out the agreed features of the ideal regime and identify any legitimate differences of views amongst industry representatives
- **Industry's views on the gaps** between the current and ideal regime
- Extent to which the current charges and incentives regime **aligns with the RDG Vision**

We are now undertaking Phase 3 – options for the regime



For more information about RDG's Review of Charges and to view the documents that we have published, so far, as part of the review, please visit: <http://raildeliverygroup.com/what-we-do/our-work-programme/contractual-regulatory-reform/review-of-charges.html>.

Rail Delivery Group

www.raildeliverygroup.com

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A freight perspective

Maggie Simpson

Executive Director, Rail Freight Group

A Freight Perspective

Maggie Simpson
Executive Director – RFG

14 July 2015

'Red lines' for freight at start of review.

No Price Shocks

Pragmatic and proportionate

Respect the competitive market

Holistic assessment of impacts

Maintain user & investor confidence

Clear Guidance from Govt. on freight



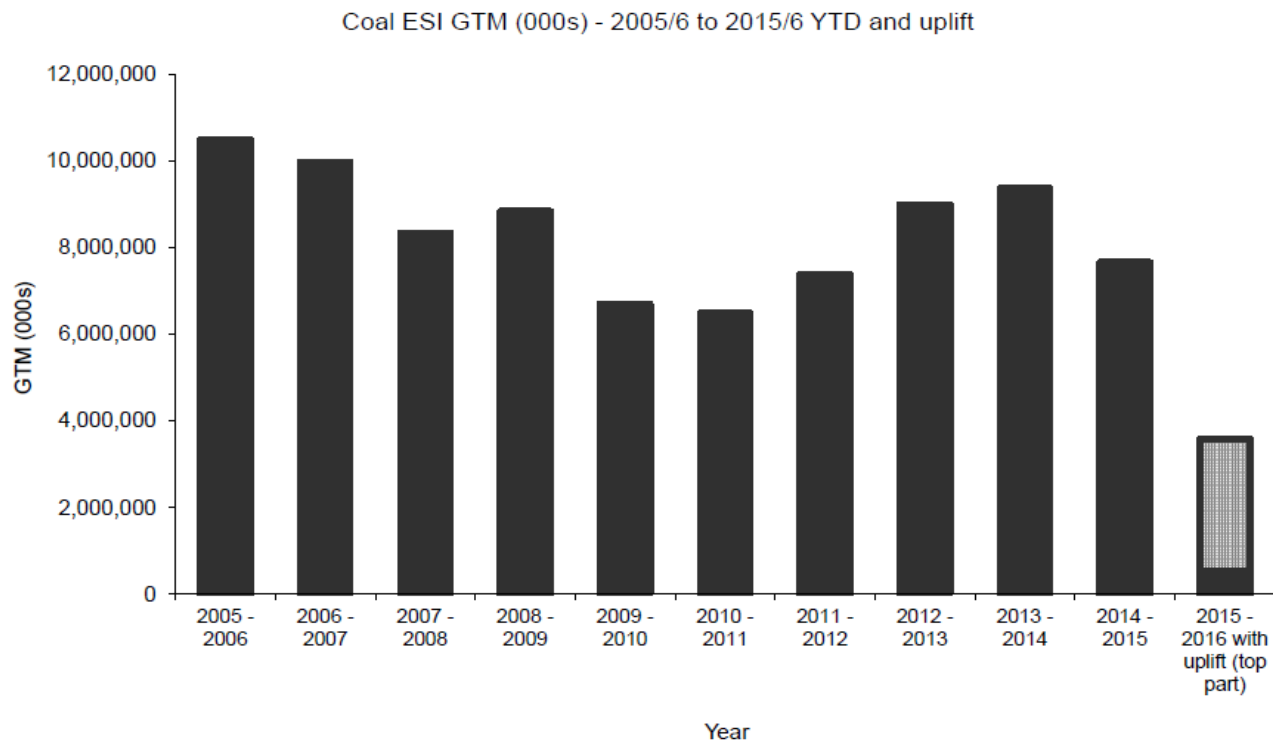
Changes in rail costs directly influence modal share.



- VED
- Fuel Duty

- Variable track access charge
- Freight Specific Charge
- Freight Only Line Charge
- Capacity Charge
- Coal Spillage Charge
- Electricity Asset Charge
- Schedule 4
- Schedule 8
- BTP/RSSB fees
- Connection charges

Freight markets respond to price signals.



Is passenger market able to respond similarly?

- Politics does not always respect data – e.g. pacer replacement.
- VTAC / freight are small part of NR income - will changing structure of these elements really drive behaviour?
- Impact of passing Network Grant via TOCs is significant and untested.
- Will Clause 18.1 remain? Will DfT change franchise specs?

Is this really a Freight and Open Access Review?

What priorities should be incentivised and how?

- Coal spillage charge drove end customer and FOC investment, spillage fell, but charges rose.
- Freight Operators reduced number of trains, increased length in response to network constraints – Capacity Charge increased.
- VTAC structure incentivises wagon design to be track friendly – but VTAC rates soared for bulk traffic. No incentive on NR for freight friendly track.

What does Government want from freight?



A streamlined process for a busy industry



Thank You



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Breakout session 1

Group discussions

All with ORR facilitator

Questions for consideration

Does the group recognise the opportunity? Are we starting from the right point in developing solutions?

Groups A & B

- Do you agree with the ORR/RDG/RFG views of why charges matter and the issues which the charges review could help to solve?
- Are ORR's charging aims and objectives comprehensive? Would you suggest any additions or amendments to these?

Groups C & D

- Are the RDG states of the world a good way for us to understand the likely effectiveness of future charging structures?
- Is there anything missing from the ORR gap analysis/ RDG assessment of existing regime findings? Are ORR's simplified gaps the right starting point for developing solutions?

Refreshments and break
15 mins



PART 2:

Moving towards solutions

Chris Hemsley

Deputy Director, Competition & Markets

What we'll cover in this section

■ Cost analysis (15mins)

- A framework for the cost analysis
- Network Rail cost attribution study

■ Broad charging options (15mins)

- Three main packages of improvements

■ Assessment criteria (15mins)

- Our approach to assessing future options

■ Breakout session (30mins)

- Your input and views on the options and assessment approach

■ Next steps (10 mins)



Cost analysis

Alan Scarlett

Senior Economist

Our approach to the review – recap

Objectives analysis

Identifying the various aims and objectives for charges, making the case for why the structure of charges should be reviewed and where to focus our efforts.



Options analysis

Identifying, developing and assessing a range of options for a future charging structure and arriving at a short-list of proposed options for consultation.



Cost analysis

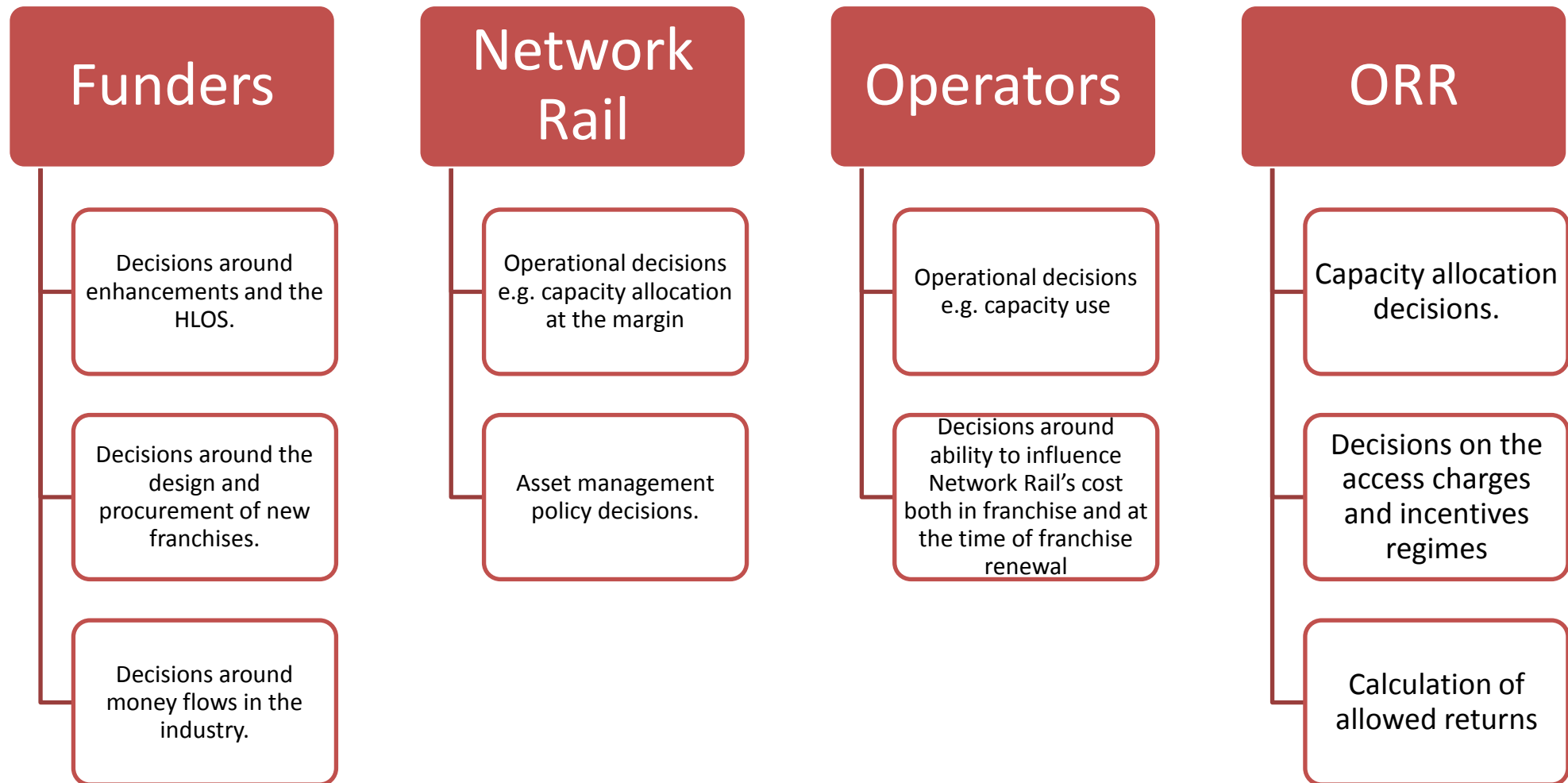
Identifying, evaluating and scoping the possible alternative approaches to attributing costs to operators which might be required to underpin any future charging structure.

Impact assessment

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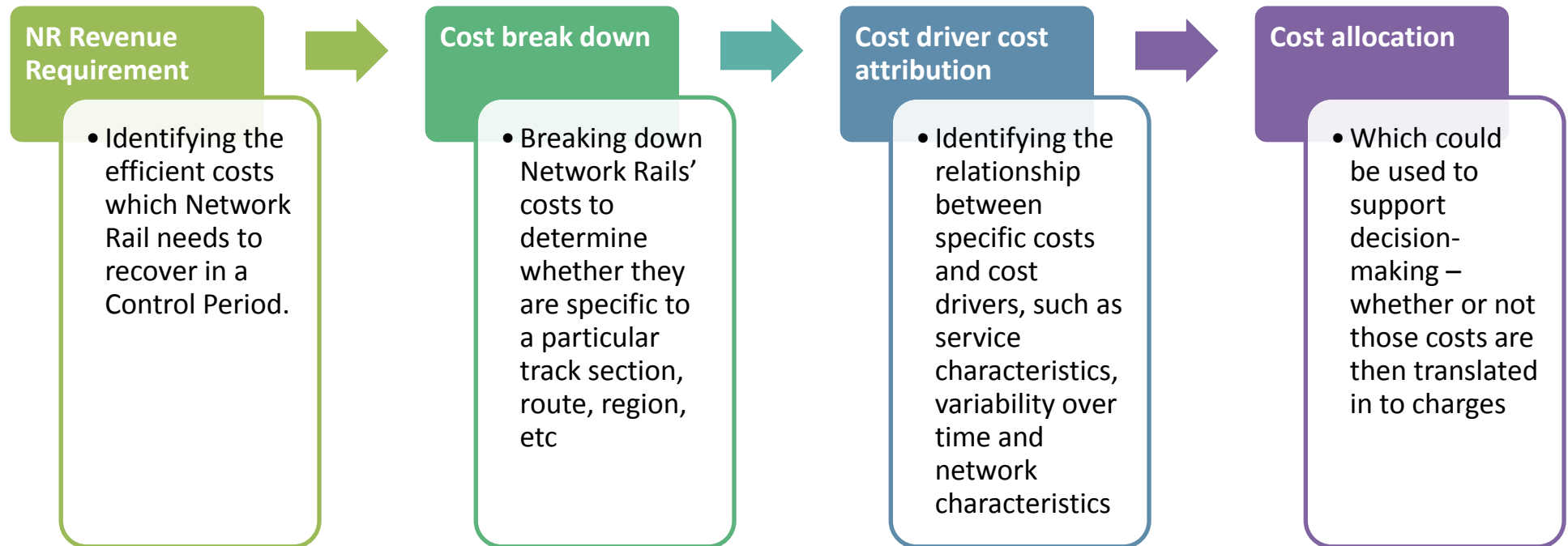
Better attribution and allocation of costs could be a highly valuable exercise whether or not it flows through to charges

- Simply by improving cost attribution and allocation we could obtain a better understanding of costs – which could be used to support decision-making – **whether or not those costs are then translated in to charges**



Improving our cost understanding

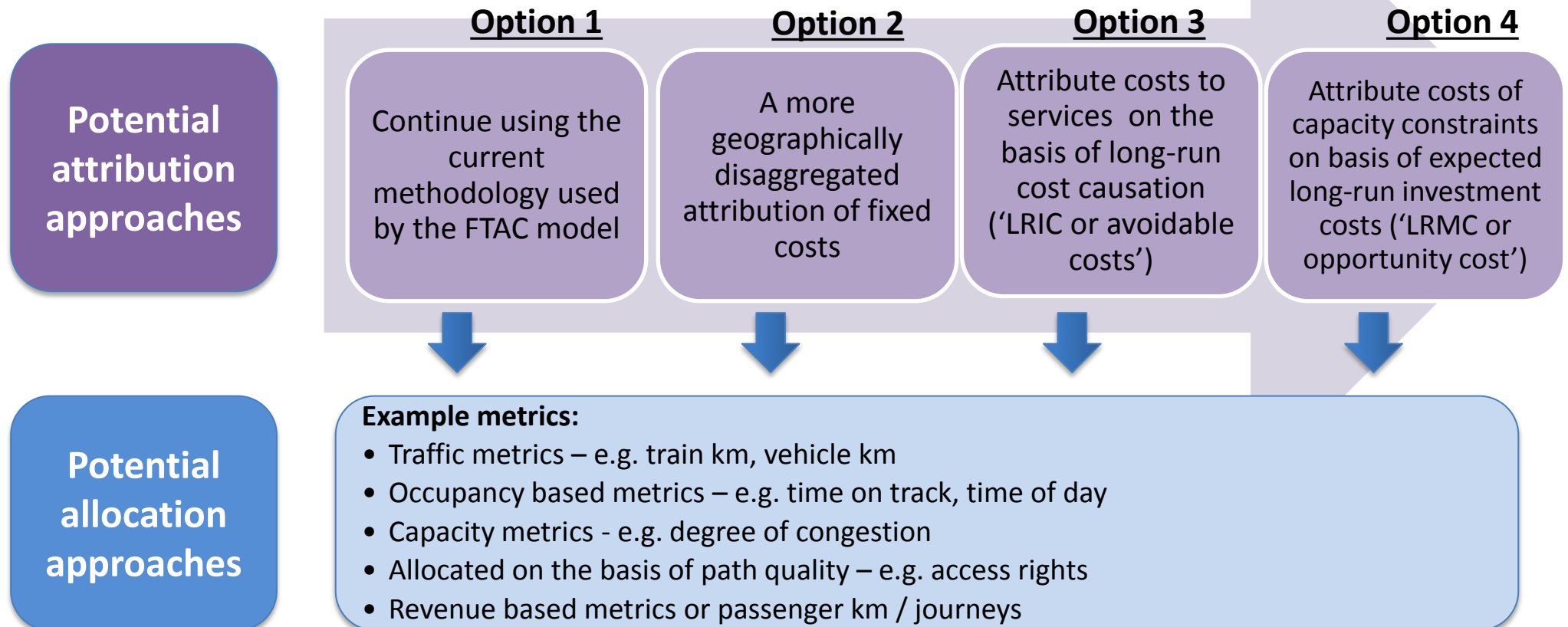
- Any future charging structure will require a sophisticated understanding of Network Rail's underlying costs
- It is an essential piece of information for translating Network Rail's costs in to charges



Cost attribution and allocation approaches

- There are various different methods of cost attribution and allocation which entail different levels of complexity and which have different benefits.

Example approaches for recovery of Network Rail's medium to long-run costs



Network Rail's review of the existing approach to cost attribution and cost allocation for the GB rail network

Peter Swatridge, Head of Regulatory Economics

What are we doing, how are we doing it and why?

What are we doing?

- Reviewing the existing approach to attributing (where there is a direct causal link) and allocating (where there is not a direct causal link) infrastructure costs to train services
- This is not about charging – how costs are recovered is a separate policy decision
- Employing a costing expert to review the existing approach and see if it can be improved

How are we doing it?

- Considering approaches in other network industries and regulatory precedent
- Identifying a small number of candidate approaches
- Conducting a pilot study on part of the network to test the feasibility of these approaches
- Adopting a workshop-based approach involving Network Rail and industry experts
- Working collaboratively with industry colleagues in a transparent way

Why are we doing it?

- To create a body of evidence in advance of PR18 to inform policy discussions
- To improve our understanding of what drives infrastructure costs
- ORR has been clear that better information should enable better decision making

What have we found so far?

'Variable costs'

- The existing approach to attributing Network Rail's short-run marginal 'wear and tear' costs is broadly fit for purpose

'Fixed costs'

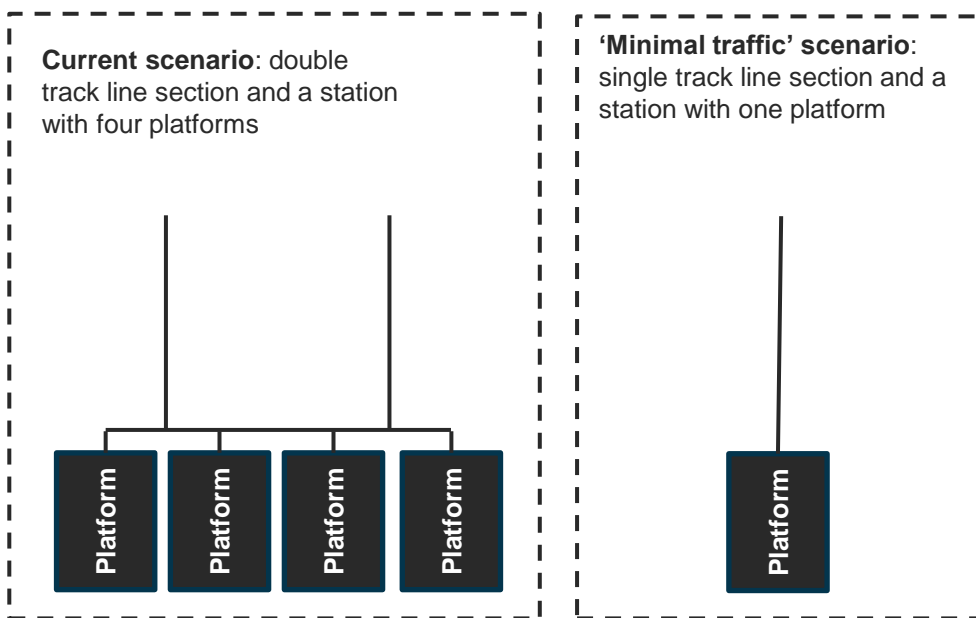
- The current approach to allocating Network Rail's 'fixed costs' is very simplistic and conflates costs with charging:
 - Based heavily on traffic metrics which do not necessarily reflect cost drivers
 - Costs typically allocated at Operating Route level
 - We do not understand well enough the costs associated with different types of operators
 - Scotland is treated differently to Operating Routes in England & Wales

'Scarcity costs'

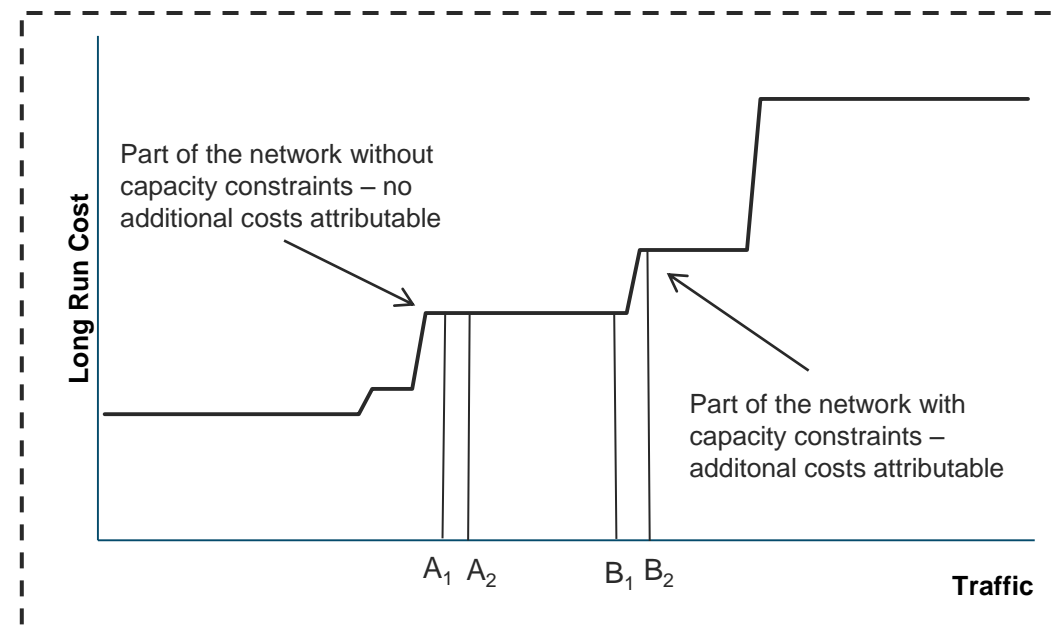
- The existing approach does not reflect 'scarcity' or capacity constraints across the network

How might we potentially improve the existing approach?

- Move closer toward a LRIC / avoidable cost approach to attributing 'fixed costs' by:
 - Attributing avoided costs to train services in a 'minimal traffic' scenario (e.g. one train per day); or
 - Attributing avoided costs to train services when an individual operators traffic is removed
- The diagram below provides a high-level illustrative example of the 'minimal traffic' approach



- Attribute costs to train services where there are capacity constraints by:
 - Quantifying enhancement costs to Network Rail resulting from a small traffic increase (long-run approach); or
 - Quantifying lost financial/societal benefits because operators can't access the network (short-run approach)
- The diagram below provides a high-level illustrative example of the long-run approach





Broad charging options

Elise Weeder

Head of Regulatory Economics

Our approach to the review – recap

Objectives analysis

Identifying the various aims and objectives for charges, making the case for why the structure of charges should be reviewed and where to focus our efforts.



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Three broad charging options



1. Infrastructure costs package

This broad option would allow for a more cost reflective charging structure. The main effort would be around developing a more accurate attribution of costs which vary in the medium to long-run. This better understanding of costs could be used to develop a new charge or charges to replace the existing FTAC.



2. Value based capacity package

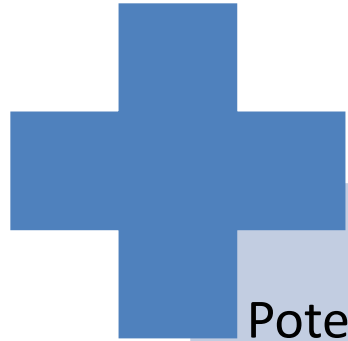
This broad option would allow for the introduction of a new charge or charges which reflect the relative value of the network. These new charges could replace some existing charges (such as the volume incentive) depending on their design.



3. Incremental improvements

This broad option would result in a charging structure which looks very similar to the one which we have today. The main effort would be around developing and applying improvements to address known weaknesses within the existing charging structure.

Infrastructure costs package

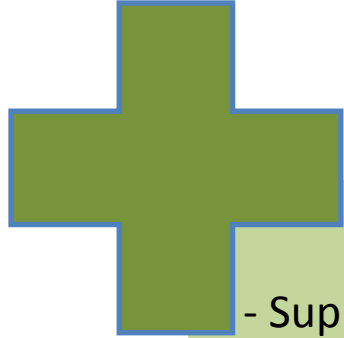


Potential to help support:

- more informed decision making
- more informed trade-offs
- reduced network costs
- more efficient network use
- route-based comparisons

- Would require changes to wider policies to be fully effective
- Subject to a 'market can bear' test for consistency with EU legislation
- Known concerns about the possible implications of this approach by different types of operators

Value based capacity package



- Supports incentives for efficient decisions about the use of network capacity
- Supports incentives for efficient decisions about the provision of network capacity.



- Change to amount of capacity available outside of the franchises needed to be fully effective
- Conceptually more difficult to understand and more difficult to calculate than cost based charges.
- Could lead to unintended incentive which we wouldn't be able to explain
- More difficult to introduce (at this stage) and to gain acceptance from stakeholders.

Incremental improvements package



- Might be considered proportionate and provide continuity to network users and to Network Rail.
- Would allow us to address 'hangovers' from PR13.
- Initial RDG project findings appear to be edging towards more incremental improvements at least to the majority of charges

- Incremental improvements might represent a missed opportunity
- Focused on charges reflecting SR costs (c. 13% of NR charges income) so unlikely to be very effective in addressing gaps

Other broad charging options

- In addition to the 3 broad option packages, there options to more specifically target the competition and complexity gaps



4. Competition options

There are options which involve charging to support a more sustainable framework for open-access. These are being considered as part of a separate workstream being led by the CMA. Work is on-going in this area.



5. Complexity options

There are options to improve the understanding and so credibility of the charging structure, by combining or removing existing charges and/or making charges simpler. One example might involve creating a 'charges calculator' (allowing an operator to quickly and easily calculate total charges for the running of a service).



Assessing the options

Emma Bentley

Senior Economist

Our approach to the review – recap

Objectives analysis

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Options analysis

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Purpose

An assessment criteria helps us:

Measure how successful each option is at meeting our objectives for the structure of charges;



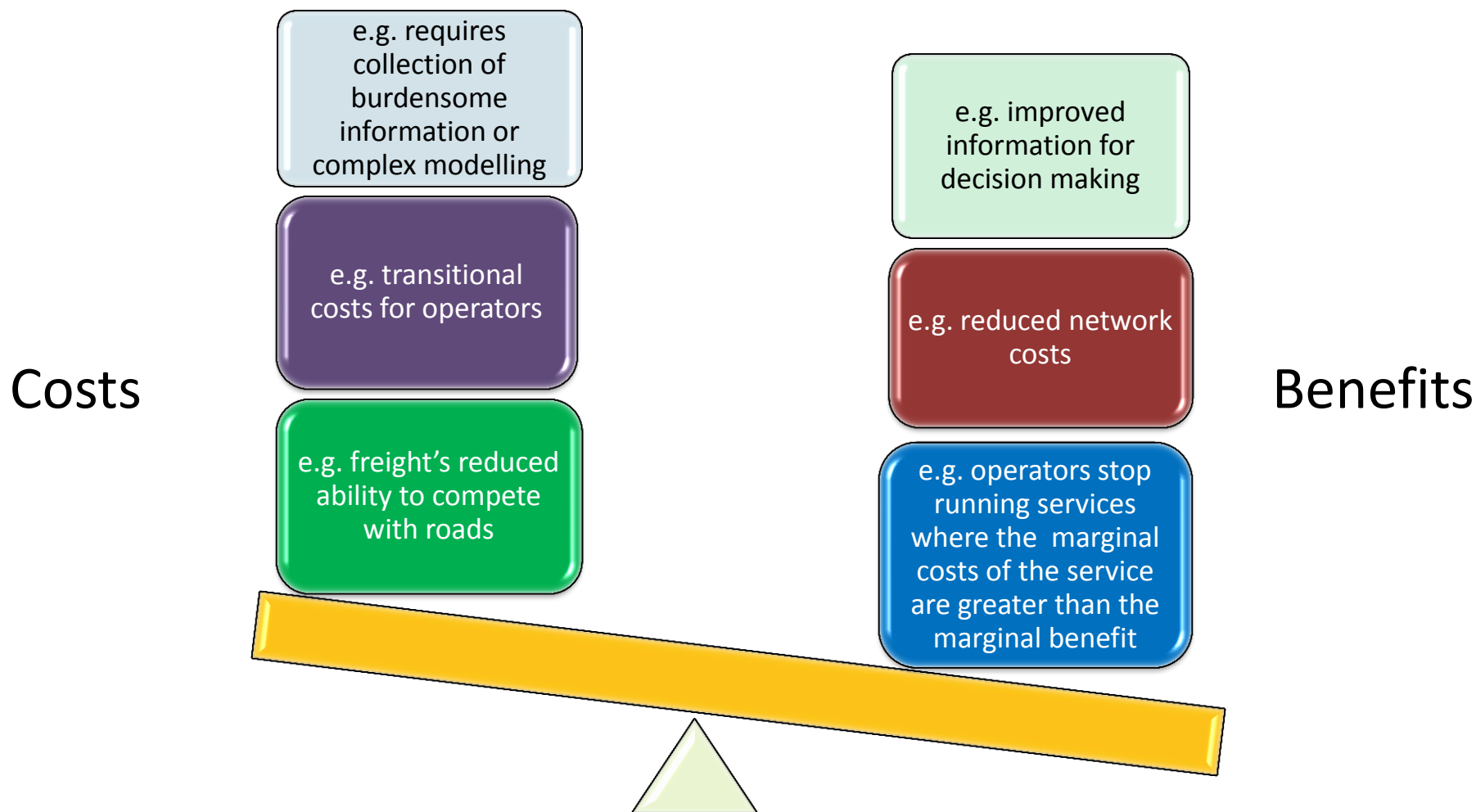
Measure how well it helps to reduce any of the gaps identified; and



Ensures a consistent, objective approach has been followed

Assessing the options

- An explicit assessment criteria should ensure we don't miss any elements of costs and benefits that we should have included.



Sources for the criteria

Legal criteria

- ORR statutory duties - Section 4 of the Railways Act 1993
- Access and management regulations 2005 (and the 2015 amendment once transposed)
- Commission Implementing Regulation on the modalities for the calculation of the cost that is directly incurred as a result of operating the train service
- Further considerations:
 - Regulatory Enforcement and Sanctions Act 2008
 - Equalities duty under Section 149 of the Equality Act 2010

Policy criteria

- Structure of charges objectives
- Gap analysis
- ORR's strategic objectives, vision and values
- States of the world
- The Government's principles of regulation
- Specific impact tests from central Government guidance

Proposed criteria for assessing options



Outcome of the assessment

- The process of assessing options is challenging due to the conflicting nature of some criteria as well as differing characteristics of each option

Criteria	Option 1	Option 2	Option 3	Option 4	Option 5	...
Impact on key charging objectives	✓✓✓✓	✓	✓✓✓	✓✓✓✓✓		
Wider policy impacts	✓	✓		✓✓	✓✓✓✓✓	
Wider external impacts	✓	✓	✓✓	✓	✓	
Legal impacts	✓✓✓✓	✓✓✓✓	✓✓✓✓	✓	✓✓✓✓	



Breakout session 2

Group discussions

All with ORR facilitator

Questions for consideration

Does the group recognise the broad packages? Have we created a sensible framework for assessing and narrowing the options?

Groups A & B

- Do the broad future charging options capture the opportunities available to us to improve on the existing charging structure?

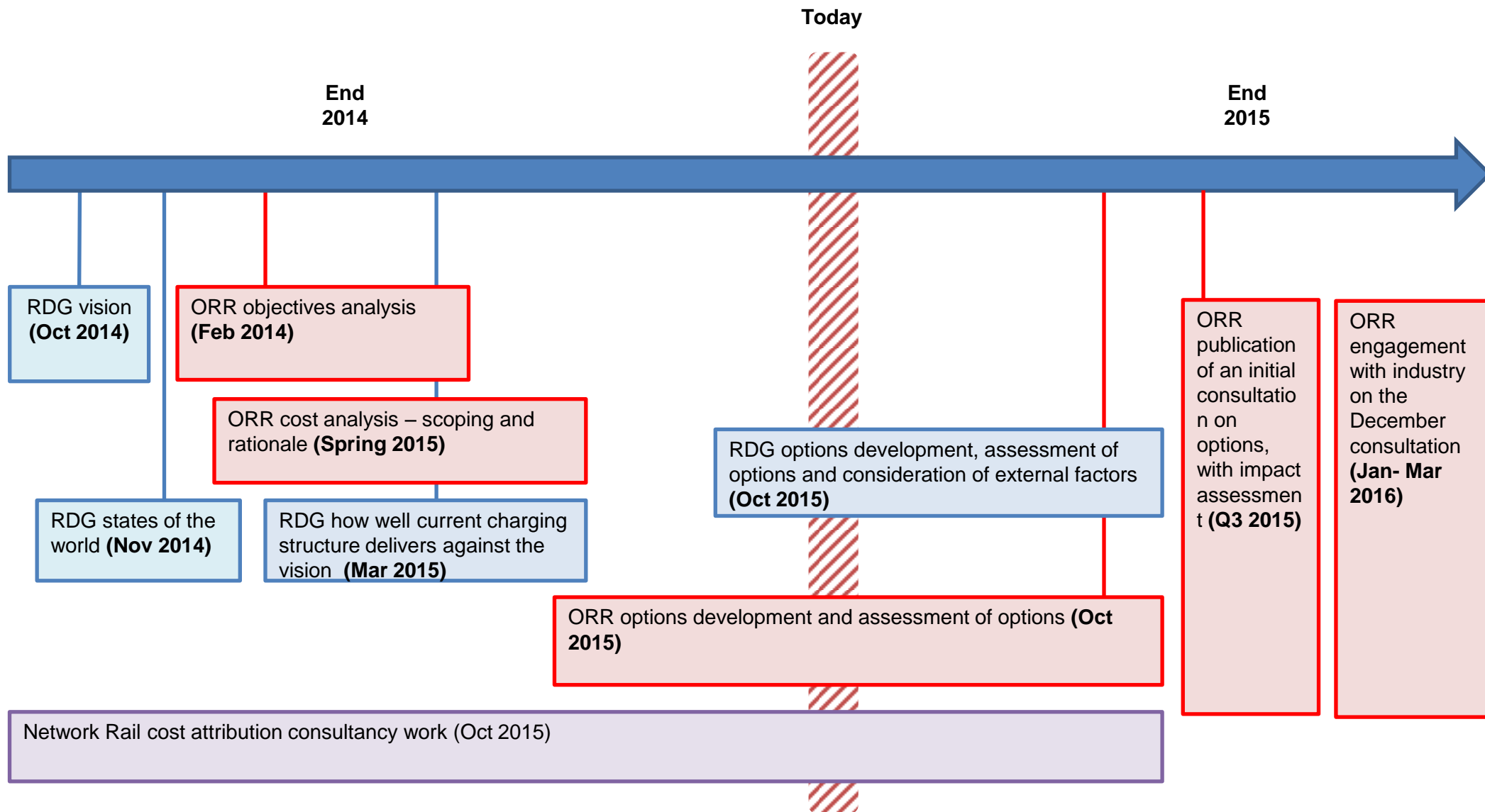
Groups C & D

- Does the assessment criteria accurately reflect all the factors we should consider for assessing the impact of options?



Next Steps

Charges review high-level timetable



Next steps

■ To end of October 2015:

- Full draft impact assessment of broad charging options (ORR)
- Further development of precise options within the costs package (ORR)
- Completion of options development (RDG)
- Completion of phase 2 of cost attribution work (NR)
- Drafting of initial consultation (ORR)

■ Q3 2015 (December 2015):

- Publication of initial consultation on options with draft impact assessments (ORR)

■ January-March 2016:

- Engagement with industry on the December consultation (ORR)



Annex

Proposed criteria for
assessing options

Proposed criteria for assessing options (1)

Criteria	Sources of the criteria	Specific questions to cover
Impact on key charging objectives	<p>Our objectives of charges, specifically to improve efficiency and support cost recovery and to achieve better outcomes</p> <p>Relevant ORR's Statutory duties</p> <p>ORR's strategic objectives, specifically to support a better service for customers and to secure value for money from the railway</p>	<p>For each type of operator:</p> <p>If the operator's behaviour were to stay the same (i.e same trains, same services etc), what is the likely direction and magnitude of the changes impact?</p> <p>Will the option result in a more cost reflective rate?</p> <p>Is this likely to encourage more/less efficient demand/use of the network?</p> <p>Could this better align incentives between operators and Network Rail?</p> <p>Would customers, RoScos, train manufacturers and others in the supply chain be incentivised to optimise whole industry costs?</p> <p>Would there be any impact on passengers or freight customers?</p> <p>Will this result in improved value for money for funders and taxpayers?</p> <p>For Network Rail:</p> <p>Will Network Rail receive more cost reflective rates for permitting a service ?</p> <p>If it continued to supply the same capacity, what would be the impact on its funding from charges?</p> <p>Is this likely to incentivise more/less efficient short-run use of the network?</p> <p>Will Network Rail/funders be informed and/or incentivised to make more efficient long run investment decisions?</p>
Wider policy impacts	<p>Gap analysis, specifically complexity & competition</p> <p>Our objective to meet the charging principles</p> <p>Relevant ORR's statutory duties The Government's principles of regulation</p> <p>ORR's strategic objectives</p> <p>Specific impact tests, specifically the competition and the small and micro business assessment</p>	<p>Are there any constraints that affect the intended incentive impacts feeding through as designed?</p> <p>Does the option impact on the complexity, transparency, predictability and stability of charges?</p> <p>What are the transitional impacts of this option?</p> <p>Does the option cause any practicality or deliverability issues?</p> <p>Are there any linkages and dependencies with other charging options or workstreams?</p> <p>Does the option support effective competition?</p> <p>Are there any impacts on small or micro businesses?</p>

Proposed criteria for assessing options (2)

Criteria	Sources this element of the criteria addresses	Specific questions to cover
Wider external impacts	<p>Relevant ORR's Statutory duties</p> <p>Equalities duty</p> <p>Specific impact tests, specifically the impact on the environment, rural proofing and sustainable development.</p>	<p>Does the option have any impact on the funds available to the Secretary of State?</p> <p>Could there be any impacts on users or potential users of services?</p> <p>Could any danger from the operation of the railways arise for anyone due to the option under consideration?</p> <p>Are there any impacts on the environment , rural proofing or sustainable development?</p> <p>Are there any impacts on the equalities groups as described in the Equality Act 2010?</p>
Legal impacts	<p>Our objectives of charges, specifically to be legally consistent</p> <p>Access and Management Regulations 2005 and the amendments that will be made to these to reflect Directive 2012/34.</p> <p>Commission's Implementing Regulation on the Modalities for the Cost that is Directly Incurred</p>	<p>Are there any other impacts that arise from our Section 4 duties, not already covered elsewhere in the criteria?</p> <p>Does the charge comply with the latest version of the Access and Management Regulations 2005?</p> <p>Does the charge comply with the Commission's Implementing Regulation on the Modalities for the Cost that is Directly Incurred?</p>
Potential for option to address a gap	Gap analysis	Which gap does this option address and to what extent does this option address the gap?
Alternative states of the world	RDG's alternative states of the world	Do any of the impacts differ due to the state of the world or scenario we find ourselves in?