



OFFICE OF RAIL REGULATION

2014 High Speed 1 Periodic Review

First consultation

February 2013



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Acronyms and abbreviations

5YAMS – 5 Year Asset Management Statement

The Act – The Railways Act 1993

CP2 – Control Period 2

DfT – Department for Transport

FOC – Freight Operating Company

the HS1 network – the physical HS1 infrastructure

HS1 Ltd – HS1 Limited

IM – Infrastructure Manager

IRC – Investment Recovery Charge

NRIL – Network Rail Infrastructure Limited

NR(HS) – Network Rail (High Speed) Limited

OA – Operator Agreement (between HS1 and NR(HS))

OMRC – Operation, Maintenance and Renewal Charge

ORR – Office of Rail Regulation

PR13 – The 2013 Periodic Review of NRIL

PR14 – The 2014 Periodic Review of HS1

The Regulations – The Railways Infrastructure (Access and Management) Regulations 2005

SoS – British Secretary of State for Transport

TOC – Train Operating Company

Executive summary

This document is our first consultation on the 2014 Periodic Review of HS1 Ltd (“PR14”).

The [Concession Agreement](#) between HS1 Ltd and the Secretary of State (“SoS”) is the means through which we regulate HS1 Ltd and the HS1 infrastructure network within the legislative framework. The Concession Agreement sets out the framework for the process of conducting the Periodic Review, including its purpose, the timescales and the role of relevant parties (including ORR). The purpose of this document is to undertake a full public consultation with interested persons on the process for PR14. The Concession Agreement sets out that this consultation should take place no later than 24 months before the end of the Control Period. The second Control Period for HS1 runs between 1 April 2015 and 31 March 2020 (“CP2”).

The Concession Agreement specifies that this initial consultation must include consideration of:

- (a) the timescales for the preparation of the Five Year Asset Management Statement (“5YAMS”) (the equivalent of NRIL’s Strategic Business Plan) - which is acknowledged and agreed as the main input to a Periodic Review - and associated consultation;
- (b) what, if any, other inputs ORR considers may be required and its reasons for considering that this is the case; and
- (c) the longstop date by which we must determine the Operating, Maintenance and Renewals Charge (“OMRC”) and the process for making any such determination.

The Concession Agreement sets out what HS1 Ltd needs to include in its 5YAMS. We intend to work with HS1 Ltd to develop the format and content of the 5YAMS and a guidance document that will shape its production. The 5YAMS must be determined by us by no later than 60 Business Days before the start of CP2.

This document sets out the respective roles and objectives of the relevant parties, as well as the legal and contractual basis for our Periodic Review of HS1 Ltd (including as set out in [The Railways Infrastructure \(Access and Management\) Regulations 2005](#) (“the Regulations”) and our 2009 [Regulatory Statement](#) on ORR’s approach to our economic regulatory functions). It also sets out the key inputs to, and expected outcomes and outputs from, PR14. This document also contains information on the constituent elements of the 5YAMS, and HS1’s progress in these areas, as well as a proposed timetable for PR14.

The deadline for responses to the questions in this document is 16 April 2013. We will hold an industry workshop during the consultation period in our offices in London. This workshop will cover both the content of this consultation document and the workstreams on which HS1 is working as part of PR14. For more details about the workshop, please see paragraph 1.22.

OFFICE OF RAIL REGULATION
FEBRUARY 2013

1. Introduction

Introduction

1.1 This chapter sets out background information on HS1 Limited (“HS1 Ltd”) and the HS1 network. It describes our role in regulating HS1 Ltd and the HS1 network, and the background to this 2014 Periodic Review of HS1 (“PR14”). This chapter describes the purpose and structure of this consultation document, sets out the process for responding to the consultation questions which it identifies and describes next steps.

Background and context

Overview of the HS1 network and HS1 Ltd

1.2 HS1 Ltd holds a concession (until 2047) to operate, maintain and renew the 109km high speed rail line between London St. Pancras and the Channel Tunnel. This is the UK’s only high speed rail line serving four stations (St. Pancras, Stratford, Ebbsfleet and Ashford) along the route. The primary business of HS1 Ltd is to provide high speed rail access to domestic and international passenger rail and international rail freight services.

1.3 The [Concession Agreement](#) sets out the terms of the agreement between HS1 Ltd and the Secretary of State for Transport (“SoS”), who owns the HS1 railway infrastructure. This includes the charging framework, minimal operational standards including proper asset stewardship, protections against termination and protection from material adverse change.

1.4 Many of the functions which HS1 Ltd must perform as infrastructure manager (such as track operation and maintenance, signalling and timetabling) are contracted out to Network Rail (High Speed) (“NR(HS)”), a wholly-owned subsidiary of Network Rail Infrastructure Limited (“NRIL”). The relationship between HS1 Ltd and NR(HS) is governed by an Operator Agreement (“the OA”). The OA is a commercial agreement which is not subject to any regulatory approval or scrutiny. Further information on HS1 Ltd, and on the contracts which underpin its operations, can be found at Annex A.

Our role in regulating HS1 Ltd

1.5 The Concession Agreement between HS1 Ltd and SoS is the means through which we regulate HS1 Ltd and the HS1 network. Our role includes the monitoring of operational performance (and the ability to implement enforcement procedures in the case of failure to comply), the monitoring of asset stewardship obligations (which must be delivered as if HS1 Ltd were responsible for the stewardship of the infrastructure for a period of 40 years from the date such activities are planned or carried out), and, of most relevance to this document, the carrying out of a five yearly Periodic Review of Access Charges (as well as any interim reviews if required). In addition, ORR monitors competition and acts as an appeal body. The

Concession Agreement sets out the purpose, and in general terms, the process for conducting Periodic Reviews.

1.6 In addition to regulating HS1 under the Concession Agreement, we have responsibilities concerning the economic regulation of HS1 under [The Regulations](#). These include pre-approving new and amended access agreements, ensuring the charges for use of the infrastructure comply with the requirements in Part 4 and Schedule 3 of the Regulations and ensuring that HS1 is provided with incentives to reduce the costs of provision of infrastructure and access charges in accordance with Regulation 13. We have entered into a Memorandum of Understanding with SoS in respect of the performance of our role. Our approach to our economic regulatory functions in respect of the HS1 network is outlined in our 2009 [Regulatory Statement](#).

Periodic Review of Network Rail

1.7 Given the concurrent Periodic Review of Network Rail, it is helpful to point out the significant differences between the two periodic reviews to avoid confusion and to remind the reader of the differences in scope and roles. These differences reflect the purpose of the HS1 network and the commercial arrangements governing its operation.

1.8 PR14 is, in a number of ways, different from the Periodic Review of NRIL ("PR13"). Primarily, this is because the Concession Agreement is a limited-scope document which does not give us the same powers or remit in the regulation of HS1 Ltd as we have through NRIL's licence in the regulation of the national network.

1.9 PR14 will not be conducted under the auspices of [The Railways Act 1993](#) ("the Act") as is the case for NRIL Periodic Reviews. Instead, as we have described above, the regulation of PR14 is governed by the [Concession Agreement](#) and, in terms of charging arrangements and other ORR functions, by the Regulations. By virtue of Regulation 28(1) of the Regulations, our duties under Section 4 of the Act apply.

1.10 Additionally, as HS1 Ltd is not funded directly by government, there is no High Level Output Specification ("HLOS") as there is for the national network, in which government specifies the outputs to be delivered over the next Control Period. Neither is there a Statement of Funds Available ("SoFA") issued in which government specifies the funds available to NRIL to deliver the HLOS.

1.11 Further exemptions from the scope of PR14 are detailed at paragraph 2.5-2.6.

The HS1 network stations review

1.12 The Department for Transport ("DfT") is conducting its own review of the four stations on the HS1 network. DfT is required to undertake this separate review under the terms of the station leases (whereby the SoS is the lessor and HS1 Ltd is the lessee). In terms of timescales, this review is broadly concurrent with the Periodic Review of railway infrastructure, as the implementation date is aligned with the start of CP2 (1 April 2015).

1.13 HS1 Ltd is required to submit life cycle reports for each of the four stations based on asset management strategies over the life of the next Control Period. DfT will then determine any necessary changes to the stations long term charge figure paid by operators to use the stations over the Control Period.

1.14 ORR has no oversight or approval role in DfT's stations review. However, we are in regular contact with DfT to discuss their approach to the review and to identify the need for commonality of assumptions and points of potential overlap.

Purpose and structure of this document

1.15 The [Concession Agreement](#) sets out the framework for the process of conducting the Periodic Review. It requires that, no later than 24 months before the end of each Control Period, we undertake a public consultation with interested persons on the process for the forthcoming Periodic Review. The purpose of this document is to fulfil this requirement for PR14.

1.16 The Concession Agreement specifies that this consultation must take into account any analysis and consultation on relevant issues that has already been undertaken or is being undertaken by HS1 Ltd. It specifies that the consultation document must include consideration of:

- (a) the timescales for the preparation of the Five Year Asset Management Statement (“5YAMS”) - which is acknowledged and agreed as the main input to a Periodic Review - and associated consultation;
- (b) what, if any, other inputs ORR considers may be required and its reasons for considering that this is the case; and
- (c) the longstop date by which we must determine the OMRC and the process for making any such determination.

1.17 We are required by the [Concession Agreement](#) (paragraph 7.5 of Schedule 10) to notify HS1 Ltd, and to publish our conclusions, on the process that we intend to adopt for the conduct of the next Periodic Review within 60 business days of the close of this consultation (or such longer period as we may reasonably specify).

1.18 This document is structured as follows:

- (a) Chapter 2 sets out our role in the Periodic Review and our proposed approach to carrying out our role (this chapter includes a number of consultation questions);
- (b) Chapter 3 contains a high-level timetable and key milestones for PR14, as well as background on progress to date;
- (c) Chapter 4 contains a summary of the questions asked in this document;
- (d) Annex A contains a diagram outlining background information and the contractual relationships between HS1 Ltd and its stakeholders; and
- (e) Annex B contains the required contents of the 5YAMS, as prescribed by the Concession Agreement.

Consultation responses and industry workshop

1.19 We welcome your views on any aspect of this document, in addition to the specific consultation questions. Please send your responses in electronic (or if not possible, in hard copy) format by 16 April 2013 to:

Paul Stone
Office of Rail Regulation
1 Kemble Street
London
WC2B 4AN
Email: paul.stone@orr.gsi.gov.uk
Tel: 0207 282 0112

1.20 Please note, when sending documents to us in electronic format that will be published on our website, we would prefer that you email us your correspondence in Microsoft Word format. This is so that we are able to apply web standards to content on our website. If you do email us a PDF document, where possible please:

- (a) create it from the electronic Microsoft Word file (preferably using Adobe Acrobat), as opposed to an image scan; and
- (b) ensure that the PDF's security method is set to no security in the document properties.

1.21 If you send a written response, you should indicate clearly if you wish all or part of your response to remain confidential to ORR. Otherwise, we would expect to make it available in full on our website, and potentially to quote from it. Where your response is made in confidence, please provide a statement summarising it, excluding the confidential information, that can be treated as a non-confidential response. We may also publish the names of respondents in future documents or on our website, unless you indicate that you wish your name to be withheld.

1.22 We will be holding an industry workshop during the consultation period at our London office. This workshop will take place on 13 March 2013. If you wish to attend this workshop, you should inform Paul Stone, using the contact details in paragraph 1.19 above, before 7 March 2013.

1.23 This workshop will be used to:

- (a) discuss this consultation document and the questions it contains;
- (b) give attendees the opportunity to clarify with ORR any areas of this document which it feels are unclear, or where further information is required; and
- (c) discuss ideas in an 'open forum' environment, using these discussions to inform any formal consultation response.

1.24 This workshop will also give HS1 an opportunity to update attendees on the progress made on the workstreams which make up PR14; namely:

- (a) asset management information;
- (b) benchmarking;
- (c) finance; and
- (d) the regulatory framework (incentives).

1.25 For those unable to attend, a note of the workshop will be published on our website, on the dedicated [PR14 webpage](#) of our website.

2. Our role and approach

Introduction

2.1 This chapter sets out our role in the Periodic Review, the key inputs and our proposed approach to carrying out our role. It suggests a possible governance structure for the PR14 and poses a number of consultation questions on which views are invited.

Our role in a Periodic Review

2.2 There are three key reference points which are relevant to establishing our role in a Periodic Review. The first of these is the [Concession Agreement](#). The second is the [the Regulations](#) (and, given the timing of PR14, we will also need to undertake the Periodic Review in the context of Directive 2012/34 EU – which is expected to come into effect in June 2015). Finally, the third reference point is our own [2009 Regulatory Statement](#) which describes our proposed overall approach to executing our regulatory role in relation to the HS1 network including during a Periodic Review.

2.3 Paragraph 7.1 of Section 2 of Schedule 10 to the Concession Agreement sets out the basis for us to conduct Periodic Reviews. Our role is to approve or determine matters such as the level of operations, maintenance and renewals charge (“OMRC”) for the next Control Period. The OMRC comprises of charges in respect of fixed and common costs and charges in respect of costs directly incurred. Our Regulatory Statement agrees that the Periodic Review will focus on the OMRC. Nevertheless, as set out in the next paragraph, we do have a general duty to ensure that charges are compliant with legal requirements. Our determination will also identify separately the costs for NR(HS) and the remaining costs of HS1 Ltd. Other exclusions from the scope of PR14 are set out below.

2.4 Regulation 28(2) of the Regulations states that we must ensure that charges for the use of railway infrastructure imposed by the infrastructure manager (HS1 Ltd) comply with the requirements of the Regulations. Regulation 13(2) states that an infrastructure manager must be provided with incentives to reduce the costs of provision of infrastructure and the level of access charges. We have a responsibility under Regulation 13(3) to exercise our rights and responsibilities under the Concession Agreement in order to ensure compliance with Regulation 13(2). Regulation 14 requires the infrastructure manager to establish a performance scheme, ensuring that the basic principles apply in a non-discriminatory manner throughout the network to which that scheme relates. We consider that this allows us to review the performance regime at Periodic Review to ensure consistency with these principles.

Exclusions from the scope of PR14

2.5 The functions, responsibilities, rights and obligations of ORR under the Concession Agreement are set out at Clause 4.2. Certain elements which make up HS1 Ltd's charges are not included in the scope of PR14 by virtue of the terms of the Concession Agreement. Elements which ORR has no role in reviewing include:

- (a) the Investment Recovery Charge (“IRC”). This charge is levied on each passenger train service (freight services do not currently pay the IRC) on the network on a ‘per minute’ basis. This charge will be levied for the duration of the current concession (until 2047) with the purpose of recovering the construction costs of the HS1 network;
- (b) the Performance Cap (as defined in Schedule 8 of the [Passenger](#) and [Freight](#) Access Terms), relating to a cap on performance payments made under Schedule 8;
- (c) other unregulated income. HS1 Ltd operates a ‘dual till’ model whereby the Concession Agreement does not permit us to take the actual or expected unregulated income into account (such as the IRC, or income from property, retail, media and car parking at stations); and
- (d) areas covered by the DfT’s stations review (further information is contained in paragraph 1.12-1.14).

2.6 Notwithstanding that these elements are not included within the scope of PR14, we note that they are all matters on which we potentially have a role under the Regulations.

Key inputs to a Periodic Review

Five Year Asset Management Statement

2.7 The [Concession Agreement](#) (Paragraph 7.3 of Section 2 of Schedule 10) indicates that the 5YAMS produced by HS1 Ltd is the principal input to a Periodic Review. This must be submitted to us by no later than 15 months prior to the end of CP1 (or such shorter period as we may notify). The Concession Agreement sets out what HS1 Ltd needs to include in the 5YAMS. This is set out in full in Annex B but its broad composition is around CP2 outputs, elements of the regulatory framework including OMRC and the contractual performance and possessions regimes, the asset management strategy and a cost efficiency plan.

2.8 Since the 5YAMS will form the key input when carrying out our role in a Periodic Review, we are keen that the exact interpretation of the requirements, as set out in the Concession Agreement, are agreed with HS1 Ltd as early as possible. We are also keen that the form in which this information is provided is agreed between us and HS1 Ltd. It is therefore our intention for us to work with HS1 Ltd to develop the format and content of the 5YAMS and a guidance document that will shape its production. As well as agreeing precise definitions, and the form and structure of the information to be provided in the 5YAMS, this guidance document may include:

- (a) agreed appropriate cost-base for route to form the basis of the separate DfT-led stations review. In terms of PR14, the cost allocation to facilitate the stations review is an important by-product, rather than the main focus;
- (b) agreed definitions for the provision of cost information such as the definition of fixed and common costs;
- (c) guidance on assumptions – for example, in relation to the forecasts upon which the plan is predicated (such as inflation and traffic growth);
- (d) guidance on the treatment of risk and contingency within cost estimates, particularly in relation to renewals;
- (e) details of any additional information which we consider will need to be provided by HS1 Ltd in order to facilitate our role in a Periodic Review; and

(f) more detailed guidance on the types of supporting evidence that we expect HS1 Ltd to provide as part of the 5YAMS.

2.9 The 5YAMS must be approved by us and in the event that we consider it to be deficient we will explain our reasons to HS1 Ltd. HS1 Ltd must then submit an amended 5YAMS to us within the prescribed timescales. The 5YAMS (and therefore the specific CP2 OMRC figure contained within it) must be determined by us by no later than 60 Business Days before the start of CP2.

Asset Management Strategy

2.10 HS1 Ltd has developed its Asset Management Strategy ("AMS") in accordance with Paragraph 5 of Schedule 10 to the Concession Agreement. In July 2010, we informed HS1 Ltd that we had reviewed and agreed HS1 Ltd's AMS and the Initial Asset Management Statement in accordance with the Concession Agreement. The plan is a live document and we set an expectation that it would continue to evolve and that we would be informed of developments. HS1 Ltd is required also to prepare an annual statement which covers OMR, any upgrades in the previous year and any planned for the current year.

2.11 Under paragraph 5.3 of Section 1 of Schedule 10 of the [Concession Agreement](#), HS1 Ltd has an on-going obligation to update the AMS from time to time and when so directed by us. If we are not content that the 2010 plan is sufficiently complete to form the backdrop to our review of the 5YAMS, we may so direct HS1 Ltd to update it. The current version of the document indicates that further work is to be undertaken in the areas of asset criticality, asset improvement in particular in relation to whole life cost analysis, and the development, in 2013, of a long term renewals plan. HS1 Ltd has engaged fully and transparently with ORR in these areas, and we expect that HS1 Ltd will continue to make significant progress in them during PR14. These aspects of the plan are important to the evaluation of costs and for confirming the amounts of money to be added to the Escrow Account (see paragraphs 2.32-2.35 for further information on the Escrow Account).

Our proposed approach to a Periodic Review

General principle

2.12 Our general principle for performing our role during a Periodic Review is that the onus of demonstrating that its plans are robust and underpinned by sound analysis rests with HS1 Ltd. Our role is to approve and provide challenge where necessary before we determine the outcome. HS1 Ltd's principal tool for meeting this expectation is the information which it provides in its 5YAMS, plus any other additional, relevant information which we require it to, or agree that it should, provide. This might include its own business plan setting out its vision for the network, and its approach to subcontracting and risk management. However, we plan to engage with HS1 Ltd throughout the production of its 5YAMS and any supporting documents and to identify areas which require further consideration on an emerging basis and in advance of HS1 Ltd sending us the draft 5YAMS in accordance with the agreed timescales.

Analytical Approach

2.13 Our proposed analytical approach to performing the review and challenge function in establishing the efficient level of OMRC breaks down to a number of key stages. These are shown in Figure 1 below and described in the following text.

Figure 1: ORR analytical approach to PR14



Stage 1: CP2 outputs

2.14 To review and challenge what HS1 Ltd proposes that the HS1 network will deliver in CP2 in terms of its outputs or outcomes, our starting point will be the performance and infrastructure quality plan included in the 5YAMS. In addition to this, we expect that HS1 Ltd will want to provide its business/commercial strategy setting out its overall vision for the network in CP2 and beyond. In particular, we would expect this to include the commercial strategy covering commercial matters relating to the fixed OMRC, optimisation of renewals and the link to funding the annuity and matters relating to any upgrades.

2.15 In carrying out our review, an important reference point will be the views of stakeholders. We expect that HS1 Ltd will continue to seek views from its customers, and potential customers, (in each case to include both operators and end customers) about what network they would like HS1 Ltd to provide and to share these views with us. This will build on the open and collaborative approach which HS1 has adopted in sessions throughout 2012. This may reflect their preferences in relation to aspects of the HS1 product such as network operation, customer service and asset management. The proposal will also need to be compliant with the Concession Agreement requirements in respect of performance and capacity obligations.

2.16 If we are not content with the proposed plan, we may commission our own research or analysis to help us to establish our own views of what represents a good outcome. We anticipate that this would need to balance HS1 Ltd's vision, contractual requirements and customer views.

Q1 Do you agree that CP2 outputs should balance HS1 Ltd's vision, contractual requirements and customer views? Are there any other relevant considerations?

Stage 2: Regulatory framework

Performance and possessions regimes

2.17 Our starting point to review and challenge the contractual incentives framework is the information in the 5YAMS on any proposed changes to the possessions and performance regimes or related access terms. Our understanding is that there is little appetite amongst HS1 Ltd and its stakeholders to undertake a wholesale review of the structure and format of the incentive mechanisms contained within the standard access terms.

2.18 In respect of the performance regime, we understand that HS1 Ltd intends to review the payment thresholds (the point at which performance is sufficiently good or bad to trigger payments from operators to HS1 Ltd, or from HS1 Ltd to operators) and payment rates (the amount, per minute delay, that one organisation pays another as a result of its below-threshold performance). We acknowledge HS1 Ltd's intention to recalibrate the incentives regime to take account of the future entry of another operator (or operators) on to the HS1 network, and the effect that this might have on payment rates and thresholds. We also recognise that HS1 Ltd's approach is consistent with the requirement of the Regulations, namely to keep delays and cancellations on the HS1 network to a minimum.

2.19 Although a role for the Delay Attribution Board, rather than an item for PR14, we also acknowledge HS1 Ltd's intention to look at ways to improve processes for allocating delay. We agree that this is a sensible approach for HS1 Ltd to take in light of the probability of new traffic on the HS1 Ltd network in CP2.

2.20 In respect of the possessions regime, we note that HS1 Ltd intends to review whether it is fit for purpose and whether the relevant costs, direct costs and compensation cap are set at an appropriate level,

and whether the regime incentivises the correct behaviour when an engineering possession is taken. We recognise that there is no real appetite amongst stakeholders to change the current possessions regime.

2.21 Whilst we accept, in principle, that a wholesale review of the incentive mechanisms may not be appropriate, we must satisfy ourselves that the approach adopted is reasonable and complies with legal requirements. We expect to review the results of HS1 Ltd's recalibration of the performance regime to ensure that it is fair, reasonable and structured in such a way that good levels of performance and swift recovery from any perturbation are incentivised. We will also need to consider whether the existing performance regime and possessions regime are doing what they should (although there is no indication currently that they are not).

Q2 Do you agree that a wholesale review of the contractual incentives mechanisms is not necessary? In your experience, are the existing performance regime and possessions regimes working well?

Outperformance sharing

2.22 HS1 Ltd has re-negotiated the OA to include a mechanism by which NR(HS) is offering to share out-performance against its operations and maintenance costs for the remainder of the current Control Period and the last three years of the next two Control Periods. The benefits will be split 50% NR(HS), 30% to be shared between operators and 20% to HS1 Ltd. The Concession Agreement does not contain any outperformance sharing requirements in respect of operations and maintenance costs. However, the Concession Agreement does contain a separate outperformance sharing mechanism, which sets out how renewals efficiencies are treated.

2.23 HS1 Ltd will be considering how best to secure interaction between NR(HS) and the operators to identify ways of driving out-performance in CP2, building on a number of initiatives HS1 Ltd already has in place. We also expect that HS1 Ltd will formalise outperformance benefit sharing mechanisms in its framework agreements with operators in CP2, if it has not already done so by the end of CP1. To review and challenge the outperformance mechanism as part of our overall review of incentives, our starting point will be the relevant information on this mechanism included in the 5YAMS and the views of stakeholders.

Q3 Do you have further thoughts and ideas on the ways in which parties can work with HS1 Ltd to improve efficiency, including comments related to the outperformance mechanism?

Charging structure

2.24 The components of HS1 Ltd's track access charges include the IRC, OMRC, any performance and possession regime costs and a capacity reservation charge. HS1 Ltd's charges recover avoidable costs (costs for specific services), variable costs, fixed allocated costs and other common costs. Different elements are allocated in different ways:

- (a) Avoidable costs are allocated to the relevant operator (for example, the costs relating to track between Ashford and the Channel Tunnel are allocated to international operators). Where there is more than one, allocation is on the basis of a share of the timetabled minutes.
- (b) Variable costs of shared infrastructure are allocated using an engineering model of 'equivalent gross tonne miles' basis (i.e. heavier trains running faster tend to get a higher share).
- (c) Costs that vary with the length of track but not with the level of traffic (e.g. signalling, electrification, plant) are allocated using the share of timetabled minutes.
- (d) Other common costs are split by the share of timetabled minutes.

(e) Charges are set on a 'per-minute of timetabled journey' basis. This does not include time spent at intermediate stations so as to avoid any disincentive to the use of those stations.

(f) Freight operators pay only incremental costs.

2.25 The structure of charges both determines how these costs are recovered from different operators and works to incentivise the most efficient use of the network over time. We will expect HS1 Ltd to provide evidence that its charging structure is consistent with the charging requirements in Part 4 and Schedule 3 of the Regulations and that it is creating the correct incentives. We understand that HS1 Ltd intends to commence work on the structure and level of charges in mid-2013 and that its conclusions in this area will inform the relevant sections of the 5YAMS.

Q4 Do you consider that the existing structure of charges is consistent with the Regulations? Do you consider that the existing structure of charges creates efficiency incentives?

Freight avoidable costs

2.26 We understand that HS1 Ltd will undertake a review of its freight avoidable costs for CP2. As part of our initial review of the level of HS1 Ltd's access charges (see the [2009 Regulatory Statement](#)) we did not undertake a detailed examination of HS1 Ltd's estimates of the freight avoidable costs that underpin the charges that will be incurred by freight. In 2011, HS1 Ltd carried out a review of the level of freight avoidable costs and we agreed with HS1 Ltd's proposals but said that we expected these costs to be reviewed by HS1 Ltd again as part of its review of freight charges for CP2. HS1 Ltd currently proposes that the contribution of freight services will be limited to the recovery of the cost directly incurred, although it proposes to retain the right to recover a contribution to common costs if changes in the market increase freight operators' ability to pay or the ability of market segments to bear such costs. This may be relevant, for example, in relation to high-speed freight services.

Stage 3: Asset Management Strategy

2.27 Approval and challenge of the 5YAMS is expected to be the single largest part of PR14 and the starting point of our analysis. The context of the review is that the infrastructure assets are relatively new and in good condition and therefore the focus of PR14 will be mainly on HS1 Ltd's maintenance programme for CP2 and evaluating the robustness and sustainability of HS1 Ltd's forward programme of renewals particularly in later Control Periods. In carrying out PR14, we are likely to focus on compliance of HS1 Ltd's proposed strategy with contractual requirements such as the need to carry out activities in accordance with best practice in a manner that is efficient and economic and which delivers hand back condition requirements. A number of elements will inform HS1 Ltd's asset management approach. These comprise:

- (a) asset management strategies;
- (b) asset policies (including whole-life costs, rates of degradation and maintenance and renewals which we will assess for robustness, sustainability and efficiency);
- (c) demand forecasts; and
- (d) provision in the Escrow Account for capital renewals.

2.28 HS1 Ltd has also produced an asset management "roadmap" which sets out a series of tasks in the lead up to CP2. The initial set of asset specific policies were produced on time and delivered in October 2011. Lloyds Register were commissioned to review the asset specific policies on our behalf and found no material issues. However, Lloyds Register recommended that the renewals assumptions for track in particular should be explored further. HS1 Ltd has also produced an asset management "roadmap" which

sets out a series of tasks in the lead up to CP2. Two key deliverables will be the 2013 asset specific policies and the 40 year renewals plan. Both of these documents are due to be produced in 2013.

2.29 The asset management strategy work is being supported by the development of appropriate measures to monitor asset condition.

General duties

2.30 An important part of our review will be to consider where HS1 Ltd's proposals reflect best practice. Clause 7.1 of the [Concession Agreement](#) requires HS1 Ltd to 'operate, repair and maintain or procure the operation, repair and maintenance of (by applying the principles of preventative maintenance in so far as they apply to those assets in accordance with Best Practice) and keep or procure the keeping of the HS1 network assets (excluding the HS1 Railway Infrastructure, the HS1 Stations and Temple Mills Depot) and the Ashford Assets (excluding Ashford International Station) in good order and condition and so as to meet all relevant safety requirements and so that, to the greatest extent possible and practical' it is able to perform its obligations under the Concession Agreement.

2.31 Schedule 10 of the agreement reinforces this obligation indicating that in relation to operations, maintenance, renewal, replacement and upgrades HS1 Ltd should deliver at a level that is consistent with best practice and in a timely, efficient and economic manner. The Concession Agreement defines best practice as 'the exercise of that degree of skill, diligence, prudence, foresight and practice which would reasonably be expected from a skilled and experienced infrastructure manager engaged in the provision of high speed railway infrastructure'.

Escrow Account (route element)

2.32 This section (and other instances of the term in this document) refers to the 'route' Escrow Account only, and not those related to stations on the route. The [Concession Agreement](#) states that funding for track renewals is to be placed in an Escrow Account operated jointly by the SoS and HS1 Ltd. The Escrow Account arrangements are intended to guard against the build up of a potentially unfundable back-log of underinvestment in the assets. As part of the Periodic Review process, ORR has a key role in determining the value of deposits into the Escrow Account. ORR has the power to direct that HS1 Ltd review and revise its Asset Management Strategy (including details of renewal or replacement of assets) as necessary in order to ensure that it is sufficient to comply with HS1 Ltd's General Duty.

2.33 The Concession Agreement is silent on the level of funds which should be held in the Escrow Account. The Concession Agreement anticipates that it will contain sufficient funds to enable HS1 Ltd to undertake the renewal and replacement work. We consider that this is an area where further discussion with HS1 Ltd is necessary, particularly in relation to the level of funding to be recovered through charges in CP2 and deposited in the Escrow Account and the composition of such funding e.g. should the renewals forecast make allowance for risk and/or contingency given there will inevitably be some uncertainty about the renewals programme and cost. The Concession Agreement does not state how renewal and replacement work is funded in the event of a shortfall in the Escrow Account. We note however that the HS1 Network Statement (at paragraph 6.1.1(b)) acknowledges that it is at risk for any shortfall and so we consider that it is important that both ORR and HS1 Ltd ensure that the account is adequately funded.

2.34 We also note that the Escrow Account allows some flexibility in that HS1 Ltd can apply for withdrawals during a Control Period for additional work which is not specified in the 5YAMS. However, in the event that ORR does not approve such a withdrawal or there are insufficient funds to make a withdrawal, the agreement is silent about funding the shortfall. Again we consider that further discussion about how HS1 Ltd might approach these provisions would be helpful.

2.35 Whilst ORR does have a role in approving withdrawals from the Escrow Account, ORR is not involved in the withdrawal process itself. The procedure for withdrawals is set out in paragraph 2.2. of Appendix 1 to Schedule 10 of the Concession Agreement.

Q5 Are there other issues that we should take into account as we consider the operation of the escrow arrangements?

Stage 4: Efficient costs

2.36 Our starting point for the approval and challenge will be the cost efficiency plan included in the 5YAMS. A key input to assessing the efficiency of costs will be the use of benchmarking. We have previously indicated to HS1 Ltd our expectation that it will take an approach to benchmarking consistent with that which we adopted in our 2008 Periodic Review of NRIL. In 2008 we carried out a combination of top down econometric benchmarking, which drew upon an established European panel dataset, and bottom up benchmarking of process, engineering approaches and unit costs.

2.37 In our [2009 Regulatory Statement](#), we said that HS1 Ltd’s international benchmarking analysis was not yet at a level of robustness which allowed unambiguous conclusions to be drawn about its efficiency against comparable railways, and as a result were of the view that there may be opportunities for further efficiency improvement beyond CP1. As HS1 Ltd’s benchmarking develops it will allow us (and HS1 Ltd’s other stakeholders) to see how HS1 Ltd’s OMRC compare with similar infrastructure managers across Europe, and potentially more widely, and to quantify the efficiency gap. Our expectation is that this work will be supplemented by:

- (a) Analysis within the asset management work stream including life-cycle costing information;
- (b) Out-turn information around efficiency initiatives in CP1; and
- (c) Other efficiency initiatives that will be developed for the purpose of the review.

Benchmarking programme

2.38 HS1 Ltd has prepared a programme of work which contains both top down and bottom up components. The programme will focus on three key elements of HS1 Ltd’s cost base – OMRC, pass-through costs (costs such as insurance and non-traction power which are passed on to operators by HS1 Ltd without the addition of a mark-up) and HS1 Ltd overheads. The main components of the work programme are described below but detailed scopes are not yet available.

Figure 2: HS1 Ltd proposed benchmarking programme

Category	Top down	Bottom up	Other
OMRC			
Renewals	Limited work anticipated	Work relating to Asset Specific Policies used to review current annuity	
Opex		Capture data to investigate how HS1 Ltd performance influences cost	Capture efficiency opportunities/ plans

Category	Top down	Bottom up	Other
Maintenance	Conduct second round of top down analysis – further work commissioned in Feb/March 2013	3-5 case studies to understand drivers of cost	
NRIL Track costs	Compare with benchmarks for HS1 Ltd and elsewhere on NRIL network		
Pass through			
Insurance			Set out basis of competitive tender
UK power networks (OMR element)			As per lease and detail ways in which quality assured
Non traction power			Part of SoC but some review of consumption modelling
Rates			Detail approach to setting value and HS1 Ltd approach
HS1 Ltd			
Staff	Comparisons with similar companies	Demonstration of roles and responsibilities and rationale for existing arrangements	Details of recent relocation decision
Office Running costs	Comparison against standard London rates	Breakdown and compares to others' costs where possible	

2.39 We are pleased to see that HS1 Ltd has established a benchmarking programme, and is working to make international comparisons more robust. We note however that recent discussions with HS1 Ltd indicating that its international benchmarking is not as progressed as it had anticipated it would be by now and that further work is in the process of being procured. We expect the international benchmarking to include a sufficiently high number of comparator organisations for us and stakeholders to gain a clear and accurate picture of HS1 Ltd's costs and efficiency.

2.40 A list of those organisations which ORR would deem to be comparable has been provided to HS1 Ltd well in advance of undertaking its benchmarking work, but we acknowledge that HS1 Ltd has experienced difficulty in convincing these comparators to participate in the exercise, given their concerns over how the information is used. We also acknowledge that there is no existing database for high speed rail (i.e. there is no equivalent of the Lasting Infrastructure Costs Benchmarking database in use for conventional rail). We have also discussed with HS1 Ltd the likely timetable for the work and, given the delay, the implications for

its internal Periodic Review work programme. Mindful of the difficulties in undertaking top-down benchmarking for high speed rail, we remain of the view that HS1 Ltd should provide both top down and bottom up benchmarking data to support the costs put forward in the 5YAMS. We are advised by HS1 Ltd that it is making more substantive progress on its bottom up work and that an update on this will be available in late February 2013. We look forward to receiving this and expect that HS1 Ltd will make its reports available to its stakeholders.

2.41 As we have previously agreed with HS1 Ltd, depending on the extent to which we are satisfied by the robustness and completeness of HS1 Ltd's approach, and the way in which it uses its benchmarking analysis to inform the 5YAMS, we may wish to undertake either our own benchmarking analysis, or a review of HS1 Ltd's benchmarking analysis. Our emerging view is that it may be necessary for HS1 to bring more resource to the programme and that significant acceleration may be necessary if HS1 Ltd is to deliver a package of benchmarking inputs to the review process that is both robust and consistent with the approach that we took in 2008. We acknowledge that this situation has largely been addressed through the adoption of an agreed revised top-down benchmarking specification, with a programme of work ending in August 2013. We intend to closely monitor the delivery of the benchmarking programme throughout 2013.

Q6 Do you consider that there are gaps in the benchmarking programme put forward by HS1 Ltd?

Determining OMRC level

2.42 This is the calculation of the actual OMRC payable. HS1 Ltd will provide its initial view as part of the 5YAMS. This view, together with the conclusions of the four stages of our review and challenge exercise, as described above, will form the basis of our calculation and assessment. The Concession Agreement specifies that the 5YAMS, including the level of OMRC proposed, must be approved by us. In the event that we consider the 5YAMS to be deficient, we will explain our reasons why to HS1 Ltd and HS1 Ltd must then submit an amended 5YAMS to us within the prescribed timescales. More details on timescales are included in the final chapter of this document.

Q7 Do you agree that this document comprehensively covers those areas which should be considered as part of PR14? Are there any other areas which you consider we should be exploring?

3. Timetable

Introduction

3.1 This chapter sets out the PR14 timetable and the key milestones. This timetable is driven largely by the requirements of the [Concession Agreement](#) and is intended to inform stakeholders and to give them an opportunity to plan their resources accordingly.

Progress to date and proposed ways of working

3.2 Work has been underway, in one form or another, on PR14 for a number of months. Regular workshops and meetings have been held between key stakeholders to gather opinions and share views on a number of key issues such as the benchmarking programme. We are pleased with the proactive and collaborative approach which HS1 Ltd has adopted so far for the PR14 process, and expect it to continue for the duration of the review. We are also pleased with HS1 Ltd's continuing commitment to openness and transparency both with ORR and its stakeholders.

3.3 As described in chapter 2, it is our expectation that HS1 Ltd will lead the vast majority of gathering and assembling evidence to support its 5YAMS submission with ORR's role to approve through review and challenge as we see necessary. As we have said, if we consider that anything in HS1 Ltd's approach is deficient, whether in terms of its stakeholder engagement, the quality and robustness of its analysis, or in some other area, we will take steps to address this.

3.4 We recognise that HS1 Ltd has had continuing strong engagement with its stakeholders during the review process so far, and we strongly encourage both HS1 Ltd and stakeholders to continue engaging in PR14 in this manner. With that said, if any stakeholder does have concerns regarding PR14, we would be available to listen to these. Stakeholders should, of course, attempt to address any concerns with HS1 Ltd in the first instance.

3.5 For our part, we consider that an effective demonstration of the conduct of PR14 will be the issue of our determination. A determination which contains either no, or only minor, changes from HS1 Ltd's 5YAMS submission will demonstrate the efficiency of HS1 Ltd's approach and its overall engagement with stakeholders, including ORR, throughout the PR14 process. Such a determination will also demonstrate the robustness of the work which HS1 Ltd has undertaken, and we encourage all parties to aim for this outcome.

Timetable

3.6 There will be three main stages of work:

(a) **The consultation and development stage:** from now until October 2013. During this phase, work will be progressed on the benchmarking and efficient costs exercise, including the production of a cost efficiency plan. Work will also be carried out on the structure and level of charges on HS1 Ltd, including the proposal by HS1 Ltd of a level of OMRC. Consideration and any recalibration of incentives (such as the performance regime contained in framework agreements) will also be carried out in this period. Finally, HS1 Ltd will develop its asset management strategy and asset-specific policies and consult on these in the form of the 5YAMS.

(b) **The 5YAMS consideration stage:** from October 2013 until the implementation of our determination and the start of CP2 on 1 April 2015. During this phase, HS1 Ltd will consult on the 5YAMS. The 5YAMS will then be submitted for ORR’s approval and may, depending on the information it contains, proceed through a number of iterations before it is approved, as set out in the Concession Agreement

(c) **The implementation stage:** The process for implementing our decisions in respect of the level of OMRC is set out in Clause 5 of Part 3 of HS1 Ltd’s passenger and freight access terms. We must consult the parties and any other interested persons on any decision we make to approve the 5YAMS or any determination we make in respect of the OMRC and on our draft conclusions, taking into account any objections or representations that may have been made. We will set out further details in due course.

3.7 Following the implementation of PR14, we expect to undertake an evaluation to learn lessons for the next Periodic Review; not least because this is the first full Periodic Review of HS1 Ltd. This may be supplemented by independent analysis if it is appropriate to do so.

3.8 Figure 3 below summarises the main milestones. Stakeholders should familiarise themselves with the key milestones, whom they should be contacting at specific stages in the process, and the point at which decisions will be made. Schedule 10 of the Concession Agreement stipulates specific timescales and deadlines for many of the phases of a Periodic Review. Where this is the case, this is highlighted in the table that is Figure 3. Throughout the process set out below, HS1 will continue with its ongoing stakeholder engagement plan, including monthly meetings and the stakeholder workshop planned for 13 March 2013 (see paragraph 1.22).

Figure 3: PR14 timetable

Timetable – PR14		
Consultation and development stage		Concession Agreement stipulations
19 February 2013	ORR publishes its first PR14 consultation (this document).	<i>This must occur at least 24 months prior to the end of CP1 (The latest date for which is 31 March 2013).</i>

16 April 2013	Consultation period on ORR's first consultation document closes.	
May 2013	Completion of bottom-up benchmarking workstream. Initial findings shared with stakeholders at March workshop.	
May 2013	Proposals on regulatory framework issued.	
By end June 2013	ORR issues its conclusions on the initial consultation, thus notifying HS1 Ltd and stakeholders of the process it intends to adopt for the conduct of the next Periodic Review.	<i>This is a fixed date and must occur no more than 60 business days after the close of consultation</i>
July 2013	Development of an asset management suite. Draft material shared with stakeholders on a progressive basis up until this date.	
August 2013	Completion of the top-down benchmarking programme.	
Submission of Five Year Asset Management Statement		
<i>In line with the process set out in the Concession Agreement, HS1 Ltd must consult on its 5YAMS. ORR will take into account consultees' responses when considering the 5YAMS.</i>		
5YAMS submission		Concession Agreement stipulations
August 2013	HS1 Ltd gathers informal consultee views on key elements of the 5YAMS.	
October 2013	HS1 Ltd launches its consultation on the draft 5YAMS.	<i>This must be timed to permit adequate time to submit the 5YAMS to ORR – see below.</i>

December 2013	HS1 Ltd shall produce and submit to the ORR a Five Year Asset Management Statement (5YAMS).	<i>This must occur at least 15 months prior to the end of CP1. (Latest date 31 December 2013).</i>
April 2014	ORR approves the HS1 Ltd 5YAMS. OR ORR advises HS1 Ltd that the 5YAMS is not consistent with HS1's general asset stewardship duty.	<i>This is a fixed date and must occur no more than 90 business days from HS1 Ltd's submission.</i>
<i>If we determine the 5YAMS is not consistent with HS1's general asset stewardship duty:</i>		
May 2014	HS1 Ltd shall produce and submit an amended or new (as appropriate) 5YAMS.	<i>This is a fixed date (but which can be negotiated). It must be 20 business days from the stage above (or longer, if agreed).</i>
June 2014	ORR approves the HS1 Ltd 5YAMS OR ORR will determine which elements of the 5YAMS are still inconsistent.	<i>This is a fixed date and must occur no later than 60 business days prior to the expiry of the current Control Period. (Latest date 06/01/2015).</i>
July 2014	If the 5YAMS is determined as inconsistent, HS1 Ltd will produce and submit a revised 5YAMS.	<i>This is a fixed date and must occur within 20 business days of the above determination.</i>
August 2014	ORR approves the 5YAMS OR ORR will notify HS1 Ltd of the ways in which it considers it to be deficient. If no notice is served then it shall be deemed approved.	<i>This is a fixed date and must occur within 20 business days of ORR receiving the revised 5YAMS.</i>
September 2014	HS1 Ltd will produce a further revised 5YAMS and ORR can implement an enforcement procedure if it is still determined to be deficient.	<i>This is a fixed date and must occur within 15 business days of our notice.</i>
1 April 2015	Implementation of PR14 determination and start of CP2.	

Risks to delivery of milestones

3.9 We are mindful of the resource implications imposed by a Periodic Review; particularly on an organisation the size of HS1 Ltd. Other factors, such as DfT's stations review, ORR's ongoing Periodic Review of NRIL, and the necessity of completing 'day-to-day' functions will also have an appreciable impact on PR14 resourcing. It is therefore important that HS1 Ltd take steps to ensure that resourcing for the review is adequate for its duration, and that potential barriers to delivery caused by a lack of resourcing are addressed early on. We are conscious too, of the other priorities held by stakeholders and potential respondents, and the publication of a timetable of milestones in this document, as well as HS1 Ltd's extensive stakeholder engagement programme, is intended to give stakeholders an opportunity to plan their involvement and resourcing accordingly.

3.10 Linked to the issue of resourcing is that of the timescales set out in the Concession Agreement itself. In some areas, these timescales are likely to prove quite demanding; but, again, with appropriate resource planning, the impact of these deadlines can be mitigated to a large extent.

3.11 There is also a risk that a lack of industry engagement, whether through consultations, workshops or other deliverables, has an impact on the ability to reach deadlines due to incomplete or missing information or submissions. We therefore encourage all consultees, stakeholders and other interested parties to engage fully with the PR14 process, to be open and honest in their views, and to work collaboratively with HS1 Ltd and other stakeholders (which may include ORR should we require further information to back up an assertion or evidence provided).

3.12 A significant risk also lies in the receipt of poor quality, incomplete or late submissions. This document has previously covered ORR's expectation that we would procure independent analysis of a submission as we consider necessary; but the onus is on stakeholders, particularly HS1 Ltd, to avoid this situation by submitting complete, accurate and independently-sourced information in the first instance. This is particularly crucial given the time constraints in the Concession Agreement, as mentioned above.

Q8 Do you have any comments on the timescales set out in this chapter?

Q9 Do you have any further comments on any aspect of PR14, including any subjects not explicitly discussed in this document?

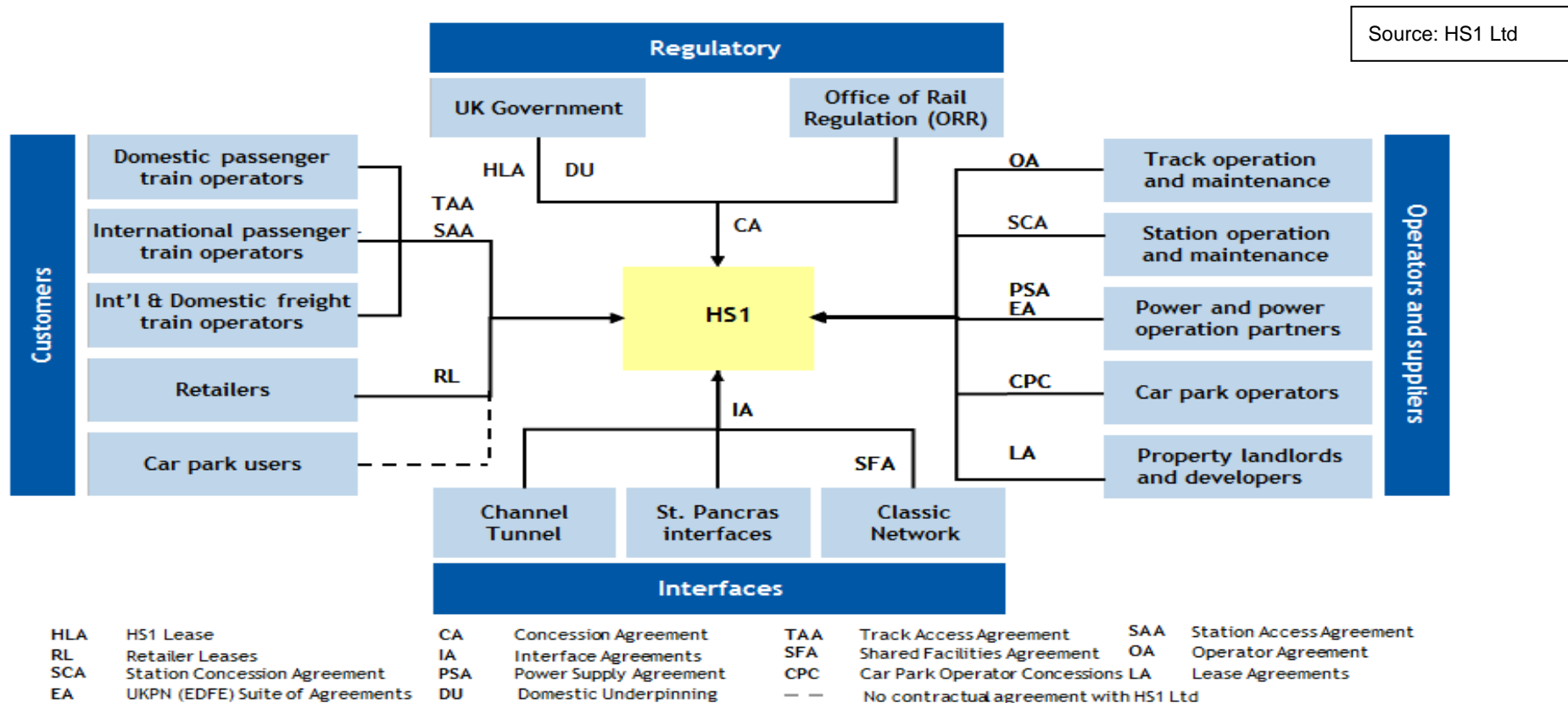
4. Summary of consultation questions

4.1 This section summarises the questions asked in this document.

Para.	Question
2.16	Do you agree that CP2 outputs should balance HS1 Ltd's vision, contractual requirements and customer views? Are there any other relevant considerations?
2.21	Do you agree that a wholesale review of the contractual incentives mechanisms is not necessary? In your experience, are the existing performance regime and possessions regimes working well?
2.23	Do you have further thoughts and ideas on the ways in which parties can work with HS1 Ltd to improve efficiency, including comments related to the outperformance mechanism?
2.25	Do you consider that the existing structure of charges is consistent with the Railways Infrastructure (Access and Management) Regulations 2005? Do you consider that the existing structure of charges creates efficiency incentives?
2.35	Are there other issues that we should take into account as we consider the operation of the escrow arrangements?
2.41	Do you consider that there are gaps in the benchmarking programme put forward by HS1 Ltd?
2.42	Do you agree that this document comprehensively covers those areas which should be considered as part of PR14? Are there any other areas which you consider we should be exploring?
3.12	Do you have any comments on the timescales set out in this chapter?
3.12	Do you have any further comments that you wish to make with respect to this document, its content, or any other aspect of PR14?

Annex A: HS1 Ltd company information

Regulatory & Contractual Framework



Annex B: 5YAMS requirements

Source: The [Concession Agreement](#) (Schedule 10, Section 1). Readers should refer to that section of the Concession Agreement for further information on the definitions and terms in this section.

The Five Year Asset Management statement must include:

A performance and infrastructure quality plan, which sets out the condition, capability and capacity of the assets comprising the HS1 Railway Infrastructure, for the following Control Period;

Details of any proposed changes to:

- a. the possessions regimes (other than the cap on liability) set out in the HS1 Passenger Access Terms or the HS1 Freight Access Terms; and
- b. any related provisions of the HS1 Passenger Access Terms or the HS1 Freight Access Terms; or
- c. in so far as it is different to the provisions referred to in sub-paragraphs (a) and (b) above, the possessions regime (other than the cap on liability) contained in and any related provisions of the EUKL Track Access Agreement, the LSER Track Access Agreement or any other track access agreement from time to time between HS 1 Co and a train operator for access to HS1 to provide Train Services, (sub-paragraphs (a) to (c) together being the "Track Access Possessions Regime")

Details of forecast demand and traffic levels (with supporting evidence) for the following Control Period;

A proposal with respect to the level of OMRC for the following Control Period;

Details of any other proposed changes to:

- a. the provisions of the HS1 Passenger Access Terms or the HS1 Freight Access Terms relating to OMRC, its apportionment as between train operators and the freight supplement charge payable by franchised train operators;
- b. in so far as it is different to the provisions referred to in sub-paragraphs (a) above, the provisions of the EUKL Track Access Agreement, the LSER Track Access Agreement or any other track access agreement from time to time between HS1 Co and a train operator for access to HS1 to provide Train Services relating to OMRC, its apportionment as between train operators and the freight supplement charge payable by franchised train operators, (sub-paragraphs (a) and (b) together being the "**Track Access OMRC Charging Provisions**");

Any proposed changes to the Asset Management Strategy and details of the OMR that HS1 Co proposes to carry out in order to comply with HS1 Co's General Duty for the following Control Period;

A detailed record of the cost of OMR for the current Control Period and plans for the remainder of the current Control Period;

Details of any additional OMRC that the ORR has determined is required by HS1 Co in any subsequent Control Period pursuant to paragraph 10.4 of this Schedule;

Details of any Specified Upgrades or other upgrades that have been implemented in the current Control Period and evidence that such Specified Upgrades or other upgrades have been implemented in accordance with Implementation Information, the revised Implementation Information or the further revised Implementation Information pursuant to paragraphs 11.2 to 11.7 and any changes to the information specified in that Implementation Information;

Details of any Specified Upgrades or other upgrades which HS 1 Co proposes to implement pursuant to paragraph 11.2 in the following Control Period or which the Secretary of State has requested that HS1 Co implement pursuant to paragraph 11.1.1 and the relevant Implementation Information;

Details of any amount that has been withdrawn from the Escrow Account to make an Authorised Investment and a report of actual and estimated additional Investment Proceeds or Income arising from that Authorised Investment and whether those amounts have been paid into the Escrow Account;

A Costs Efficiency Plan for the following Control Period;

Details of amounts withdrawn from the Escrow Account pursuant to paragraph 6.5 of this Schedule and any proposal submitted pursuant to paragraph 6.5.3 of this Schedule;

Details of any Costs Savings and any Performance Incentive Share to which HS 1 Co believes it is entitled together with evidence that satisfies the condition set out in paragraph 9.3.2;

Details of any Performance Incentive Share relating to the previous Control Period to which the ORR determined HS 1 Co to be entitled in the previous Periodic Review together with evidence that satisfies the conditions set out in paragraphs 9.3.1 to 9.3.3;

Details of any Additional Share to which HS 1 Co believes it is entitled together with evidence that satisfies the conditions set out in paragraph 9.4;

Details of any Additional Share relating to the previous Control Period to which the ORR determined HS1 Co to be entitled in the previous Periodic Review together with evidence that satisfies the conditions set out in paragraphs 9.6.1 to 9.6.3;

Details of any proposed changes to:

- a. the performance regimes (other than the cap on liability) set out in the HS1 Passenger Access Terms or the HS1 Freight Access Terms; and
- b. any related provisions of the HSI Passenger Access Terms or the HS1 Freight Access Terms; or
- c. in so far as it is different to the provisions referred to in subparagraphs (a) and (b) above, the performance regime (other than the cap on liability) contained in and any related provisions of the EUKL Track Access Agreement, the LSER Track Access Agreement or any other track access agreement from time to time between HS 1 Co and a train operator for access to HS1 to provide Train Services, (subparagraphs (a) to (c) together being the "Track Access Performance Regime"); and
- d. any other information that the ORR may reasonably require for the purposes of carrying out the Periodic Review.

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