

RDG PR18 working group

Note of meeting held on 27 October 2016 at RDG's offices

Attendees: Bill Davidson (RDG); James Mackay (RDG); Steve Price (RDG); Richard McClean (Grand Central); Nigel Jones (DB Cargo); Russell Evans (FirstGroup); Angus Johnston (Freightliner - items 1-4 only); Denise Wetton (Network Rail – item 1 only); Caitlin Scarlett (Network Rail); Jon Haskins (Network Rail); Peter Swattridge (Network Rail); Chantal Pagram (Go-Ahead Group); Dan Moore (DfT); Rob Whittleston (DfT); Emily Bulman (ORR); David Dingwall (ORR); Paul Darby (ORR – item 5); James Tricker (ORR – item 5).

Apologies/not present:

Update from Network Rail on its transformation programme

1. Network Rail updated the group on proposed changes to its governance structure, which was to be discussed by the Network Rail board on Friday 28 October. Due to the sensitive nature of this discussion, no note has been produced for this item.

Draft ORR guidelines on the SBP requirements

2. ORR will be publishing its draft SBP guidance to Network Rail in November 2016 ahead of the final version of the guidance being published in February 2017. The main focus will be producing strategic plans for the routes and system operator.
3. The involvement of stakeholders contributing to and scrutinising route SBPs and route scorecards would need to be considered.
4. ORR is engaging with Network Rail in the development of the SBPs. ORR is still open to what effective engagement would look like. Customer engagement models used by other regulators such as Ofwat and Ofgem had been examined. Other regulatory tools are also being used to develop the guidance.
5. The group raised several points for ORR to consider for the draft SBP guidance.
 - There was a concern around the level of engagement and its effectiveness between the different routes and its customers. The general feeling was that whilst there was potential for stakeholders to have input in discussions with the routes, that level of engagement hadn't yet been achieved.
 - There would be different priorities and expectations between routes and their customers and different customer needs. This could potentially affect ORR's ability to scrutinise each route's strategic plan coherently to the same criteria.

- The group reflected that there is a long way to go to having effective outputs and that ORR should think about how SBP guidance to routes can support this.
- Assessing the routes' strategic plans, ORR would be keen to establish how well each route had engaged with its stakeholders and taken their views into account; this includes in ORR's grading of the strategic plans, for which stakeholder engagement would be an important criterion.

Schedule 4 & 8 and capacity charge update from subgroup discussions

6. Network Rail presented on updates following discussions at the RDG Schedules 4&8 sub-group.
7. The sub-group is investigating further the option for replacing the capacity charge with an adjustment to the schedule 8 benchmarks. Network Rail is considering what would be involved in resetting the benchmarks on an annual basis.
8. The sub-group are considering the case for modifying an aspect of the TOC-on-TOC Schedule 8 regime, in particular that the regime switches from being based on own-delay to delay on others.
9. The group asked the schedule 4&8 sub-group to consider the implications of changes to the regime, in particular on Network Rail's incentives to minimise reactive delay, and the effects it would have on operators.

ORR update on ITT: Research on passengers' awareness of planned disruption

10. ORR is looking to commission market research into passenger awareness of disruption under Schedule 4. ORR will be reviewing the notification discount factor (NDF) and the research into passenger awareness will be a key factor in developing options. ORR is currently open to comments on this proposal and any evidence parties wish to submit. These should be submitted by Friday 4 November.
11. ORR was asked to consider the difference in types of behaviour between customers with advanced purchased tickets and season ticket holders and to consider the fact that there is a loss of revenue for any cancelled journey as these cannot be re-made.

Financial issues update

12. ORR explained its approach ahead of the publication of the PR18 financial framework consultation document in December 2016, covering topics including Network Rail's corporate structure, Network Rail's funding, the financial modelling

approach and financial performance. ORR welcomed feedback on any issues ahead of its publication.

13. ORR set out four possible options for calculating the cost of capital set out. DfT advised that they were engaging with the Secretary of State on the options.
14. ORR's thinking was that the RAB structure would be retained as much as possible but that ideas would be considered in its development for PR18.
15. The group asked to have sight of the consultation document to allow sufficient time for comments ahead of publication in December 2016. This was agreed and it was noted that an RDG group meeting could be arranged to review the consultation document ahead of publication if it was felt necessary.

Future meetings and suggested topics

16. This group was due to meet twice before the end of 2016 on 14 November; and 5 December.