

PR23 draft determination:

Settlement document for the Wales & Western region

15 June 2023



About this document

This is one of six settlement documents of our draft determination for the 2023 periodic review (PR23).

PR23 will determine what the infrastructure manager for the national rail network, Network Rail, is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during control period 7 (CP7), which will run from 1 April 2024 to 31 March 2029, and how the available funding should be best used to support this.

This strongly influences:

- the service that passengers and freight customers receive and, together with taxpayers, ultimately pay for; and
- the charges that Network Rail's passenger, freight and charter train operator customers pay to access its track and stations during CP7.

Our draft determination sets out:

- our review of Network Rail's strategic business plan (SBP); and
- decisions on its proposed outcome delivery and its planned expenditure to secure the condition and reliability of the network;
- changes to access charges and the incentives framework; and
- relevant policies on managing change and the financial framework.

In addition to **this document**, we have also published as part of our draft determination:

Document type	Details
Executive summaries of our determination	Our key proposals from our draft determination for: <ul style="list-style-type: none">• England & Wales• Scotland

Overviews of our determinations	What Network Rail will need to deliver and how funding will be allocated in: <ul style="list-style-type: none">• England & Wales• Scotland
Consolidated decisions	A summary of our draft decisions across Great Britain
Introduction	An overview of PR23 and background to our draft determination
Settlement documents	Detailed draft decisions for each of: <ul style="list-style-type: none">• Scotland• Eastern region• North West & Central region• Southern region• <u>Wales & Western region</u>• System Operator
Supporting documents	Technical assessments of: <ul style="list-style-type: none">• Health and safety• Outcomes• Sustainable and efficient costs• National Functions• Other income
Policy positions	How we intend to regulate Network Rail during CP7 in relation to: <ul style="list-style-type: none">• Financial framework• Access charges• Schedules 4 & 8 incentives regimes• Managing change

Responding to the consultation on our draft determination

We are consulting on our draft determination and welcome comments from stakeholders on any of our documents which form the draft determination on or before 31 August 2023.

Responses should be submitted in electronic form to our inbox: PR23@ORR.gov.uk. We request stakeholders provide their response using [this proforma](#).

We intend to publish all responses on our website alongside our final determination in October 2023. Annex A to our proforma document sets out how we will treat any information provided to us, including that which is marked confidential.

Next steps

After taking account of stakeholder responses, we expect to issue our final determination on Network Rail's delivery and funding for CP7 by 31 October 2023.

We expect to issue our Review Notice by December 2023 and, subject to Network Rail's acceptance, issue Notices of Agreement and Review Implementation Notices. These will give effect to the decisions made during PR23 in time for CP7 to commence from 1 April 2024 and for Network Rail to develop its plans for delivery.

Executive summary

Our determination includes separate settlements for each region and the System Operator in Network Rail. Settlements set out our expectations about the funding that will be allocated to each region and the System Operator and the outputs that will be delivered by them.

This regional settlement document provides a summary of the key proposals in the Wales & Western region's strategic plan for Control Period 7 (CP7) and our review of this, as part of our 2023 periodic review (PR23). For our more detailed assessment of Network Rail's CP7 plans, please see our PR23 draft determination: supporting document on [Health and Safety](#); [Outcomes](#); [Sustainable and Efficient costs](#); [National Functions](#); and [Other income](#).

Network Rail is funded by the UK and Scottish Governments for its activities in England & Wales and Scotland respectively. Each respective government also sets out a High-Level Output Specification (HLOS) detailing what it expects the available funding to deliver.

Expenditure on operations, support, maintenance and renewals (OSMR) for England & Wales in the [UK Government's SoFA](#) is proposed to be £40 billion for CP7 (excluding charges for electricity traction), which compares to approximately £38 billion in CP6. Planned expenditure on OSMR (excluding charges for electricity traction) for Wales & Western is £6.5 billion, an increase of £244 million when compared to CP6.

Reflecting wider fiscal conditions, Network Rail's funding for CP7 is constrained relative to the needs of the asset renewal cycle. This requires Network Rail to make choices about how expenditure should be prioritised to deliver best value for the railway now and in the future. Decisions pertinent to the Wales & Western region are detailed in this document.

The England & Wales plan includes two scenarios for expenditure. The first assumes that a £0.50 billion centrally managed fund is used to manage risks that emerge during CP7. The second is a 'risk-adjusted' plan which is supported by identifying up to £1.50 billion of expenditure (largely renewals) across the England & Wales regions and National Functions that can be descoped if risk materialises. Our assessment and draft determination considers Network Rail's risk-adjusted plan only. This is because our monitoring during CP6 suggests that more than £0.50 billion will be needed to manage unanticipated risks.

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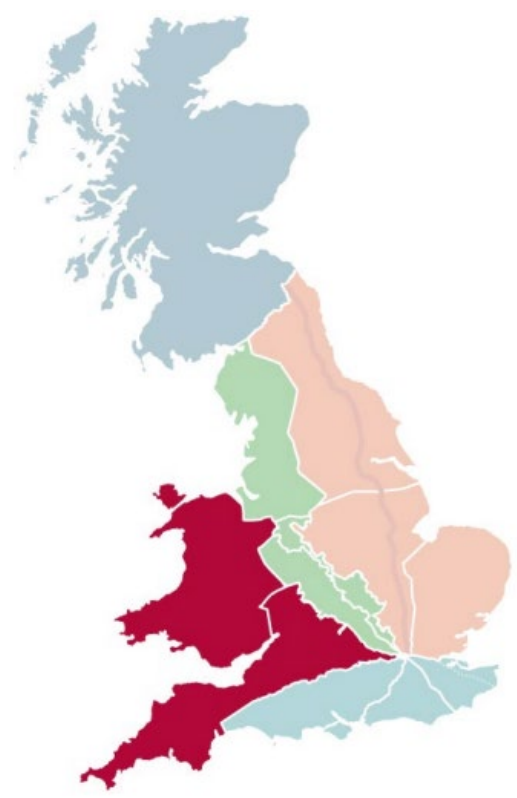
In CP7, the region plans to take a market led approach to renewing its assets, prioritising renewals on higher revenue lines. It plans to spend 10% less on asset renewals than in CP6. Asset sustainability and reliability are forecast to decline. The region commits to no overall decline in safety for customers and staff in CP7. The region expects train service performance to be challenging due to declining asset reliability and the impacts of HS2 construction at Old Oak Common and risks from the introduction of Transport for Wales's new fleet and timetable. The region plans to deliver £569 million of efficiencies, including the region's share of efficiencies in the network wide cost allocation.

We have assessed the region's strategic plan and have identified that it can achieve more in its train performance delivery and we have set ambitious but realistic trajectories for On Time, passenger cancellations and freight cancellations for it to meet. We have also identified that it has planned insufficient expenditure to renew earthworks, track, structures and tunnels. It should increase expenditure on those core asset renewals by around £250 million.

1. Summary of Network Rail's key proposals for the Wales & Western region

Overview

- 1.1 Network Rail's Wales & Western region extends from London Paddington to Penzance via Reading, Swindon, Bristol, Exeter and Plymouth in the Western route and transports commuters to key locations such as Cardiff and Swansea in the Wales route. It represents 17% of Network Rail's railway infrastructure. Network Rail is a key stakeholder in supporting the delivery of Transport for Wales' plans to transform the railway in Wales and Borders.
- 1.2 The region serves popular leisure and tourism destinations in Wales and the South West which have seen increased demand following the Coronavirus (COVID-19) pandemic. Metro frequency services are an increasing focus for the region with the arrival of the Elizabeth line running through the Thames Valley into London. The region provides the rail link to London Heathrow. Rail freight services are also critical, particularly the movement of aggregates.
- 1.3 The location of the region in the west of the United Kingdom makes it particularly susceptible to the impact of storms and the challenges of increasing frequency of extreme weather events as a result of climate change.
- 1.4 In its strategic business plan (SBP), the Wales & Western region set out its '2028 vision' for its railway outlining the following key outcomes for CP7:



- a railway which is always safe and reliable;
- consistently delivering great customer service;
- a diverse team that cares about each other and the communities it serves;
- investing to provide communities with greater opportunities; and
- making the railway the greener way to travel and move goods.

1.5 The main features of Wales & Western's CP7 SBP are set out below.

Safety

1.6 The region commits to no overall decline in safety for customers and staff in CP7. It forecasts that it will maintain its Train Accident Risk Reduction score at a steady level, while improving Fatalities and Weighted Injuries. The region will continue to focus on track worker safety with a further £26 million of investment. It is also allocating £7 million to network security, including suicide prevention and site protection.

Performance

1.7 The region expects train service performance delivery to be challenging due to declining reliability from aging assets, compounded by increasingly adverse weather, the impacts of HS2 construction at Old Oak Common and risks from the introduction of Transport for Wales's new fleet and timetable. The region is targeting asset renewals to address key risks to passenger and freight train performance.

Freight growth

1.8 The region is targeting 6.9% freight growth. It intends to work with its partners to support freight growth, seeking to understand how changes to engineering access can support customers and how asset renewals can help remove gauge constraints. The SBP identifies key renewal interventions planned for route sections with the highest forecast freight growth, along with structures renewals to address heavy axle weight restrictions. The region is also engaged in work to bring express freight to its network.

Asset sustainability

- 1.9 The region does not expect to be able to maintain the network at a steady state. It plans to spend 10% less on asset renewals than it did in CP6 leading to a decline in asset sustainability and reliability. As a result, the region proposes to take a 'market led' approach to renewals, prioritising those on higher revenue lines, but deferring renewals, including re-signalling, on rural routes. Key renewals include the Severn Tunnel's overhead line equipment, the re-wiring of Paddington station and the replacement of overhead line headspans between Paddington and Airport Junction to improve public safety and reliability. Track expenditure has been reduced to release spending for other renewals. The region does not plan to undertake any high output ballast cleaning and track renewals in CP7.
- 1.10 The region forecasts that because of reduced renewals expenditure, Service Affecting Failures will increase by 8.5% and asset sustainability as measured by the Composite Sustainability Index (CSI) will decline by 3.1 percentage points during the control period under its risk-adjusted plan. The region is spending £40 million less on maintenance than in CP6 and is planning enhanced maintenance regimes to meet the need to rely on shorter-term refurbishment. The region plans to continue to pursue environmental sustainability, investing £73 million. This total includes £27 million on weather resilience and climate adaptation, and £40 million on decarbonisation, including moving to an electric vehicle road fleet.

Accessibility

- 1.11 The region plans to address accessibility through its renewals programme including the installation or renewal of tactile paving at six stations, crossfall compliance (the slope of a platform away or towards the track) at eight stations, 29 lift renewals at ten stations, 18 station footbridge refurbishments and platform lighting improvement at 58 stations. The region plans to modernise customer information systems at Paddington and Reading stations and improve wayfinding at Paddington.

Efficiency

- 1.12 Wales & Western is planning to deliver £569 million of efficiency in CP7 under its risk-adjusted plan (including the region's share of efficiencies in the network wide cost allocation). This represents 15% capex and 10% opex efficiencies on a CP6 exit to CP7 exit basis. Key efficiency initiatives include: a new contracting strategy; changes to technical standards, engineering, and research development and

innovation; engineering access optimisation to the rail network; regional industry reform; and workforce reform.

- 1.13 The region has identified £77 million of headwinds at a high level (£44 million opex and £33 million capex) and will provide more detailed analysis in future planning rounds.

Financial risk

- 1.14 The region's plan for managing financial risk is to hold back around 5% of its planned expenditure (largely renewals) that could be deprioritised. If this funding were used for risk, the region forecasts that asset reliability, asset sustainability and train service performance would decline.

Stakeholder engagement

- 1.15 The region has sought to develop its CP7 outcomes and align its business based on multi-channel stakeholder engagement. It has carried out four rounds of engagement, totalling 30 stakeholder workshops, which have included operators and freight end-users. It has carried out ongoing engagement with stakeholders to take account of evolving stakeholder needs. The region also developed the independent stakeholder challenge panels chaired by Transport Focus. At the time of the SBP's submission, seven such meetings had taken place. It has complemented direct engagement with stakeholders with regional independent passenger research.
- 1.16 The key message that the region took from its stakeholders and passengers was to 'focus on the fundamentals'. Punctuality, reliability and capacity continue to define good service for passengers. Punctuality was rated as one of the highest priorities by stakeholders. Another consistent message from stakeholders was to address weather resilience and adapt to climate change.
- 1.17 The region has summarised stakeholder and passenger priorities for CP7 as:
- weather resilience and climate change adaptation;
 - maintaining a good level of service punctuality;
 - making improvements to the accessibility of the network;
 - net zero emissions for Network Rail's activity;

- reducing the age of assets through renewals;
- improving passenger experience of stations; and
- maintenance of existing assets.

Delivery of funder requirements

1.18 In December 2022, the Secretary of State for Transport published his [High Level Output Specification](#) (HLOS) for England and Wales. This set out what the government wants the railway to achieve during CP7. The region's plan includes an explanation of how it has sought to meet the requirements of the HLOS in its SBP. Specific examples provided by the region include:

- Overall approach – An asset management strategy that supports key revenue-generative flows through a market led and whole industry approach. An effective stakeholder engagement process and including Transport for Wales in its business planning process.
- Safety and security – Investing £7 million in improvements in network security, including suicide prevention. Provision for passive level crossing improvements. Continued investment in track worker safety.
- Efficiency and financial sustainability – Commitment to deliver up to £569 million in efficiencies (including the region's share of efficiencies in the network wide cost allocation).
- Performance, reliability and use of the network – Developing performance improvement plans that respond to key causes of delay and key risks, including building resilience by replacing overhead line headspans between Paddington and Airport Junction. A target for freight growth which is aligned with network traffic forecasts.
- Resilience and reducing environmental impacts – A plan to invest £27 million in weather resilience and climate adaptation.
- Supporting growth, levelling up and deployment of technology – A new approach to delivering capital works through an 'intelligent client' model of engagement with the supply chain.

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- Financial management and risk – Contingent risk expenditure identified to mitigate risks that materialise during CP7.

2. Our findings and draft decisions on Wales & Western's strategic business plan

- 2.1 We have assessed Network Rail's plan against [guidance](#) which we issued to it in July 2022. We provide a detailed assessment of key elements of Wales & Western's strategic plan in our PR23 draft determination: supporting documents on health and safety, outcomes, and sustainable and efficient costs.
- 2.2 The main issues from our assessment and corresponding draft decisions for Wales & Western are set out below. Our assessment has focused on the delivery of four key objectives, including:
- (a) **safety**: the rail network must be maintained in a safe condition for all of its users, workers and the public;
 - (b) **performance**: the railway must be customer focused, making effective use of its capacity to deliver passenger and freight services that are punctual and reliable;
 - (c) **asset sustainability**: assets must be planned and managed to deliver their greatest value over the course of their operational lives; and
 - (d) **efficiency**: Network Rail must be subject to stretching but realistic efficiency targets.

Safety

- 2.3 The central safety challenge for Wales & Western, as for other regions, will be to make sure that safety is maintained so far as is reasonably practicable amid reduced asset renewal levels. The region will need to complete its operational delivery risk assessment to enable ORR to understand and assess the risks of reduced renewal levels through CP7.
- 2.4 The region's maintenance function will need to be able to deliver increased levels of maintenance work. The region will also rely on a greater use of operational measures to manage risks from aging assets. The SBP provides limited detail on

these planned measures. Therefore, the region needs to assure ORR that the proposed increase in maintenance and operational controls meet the legal requirement for control so far as is reasonably practicable. It will need to demonstrate that the maintenance function is sufficient to deliver increased maintenance work that is aligned to any shortfall in renewals. The success of which is heavily reliant on implementing the 'Modernising Maintenance' programme with effective implementation and preparedness for CP7. The region will need to demonstrate it can deliver the required efficiencies and sustain capability to maintain the assets.

- 2.5 Changing weather patterns will be a continued challenge for the region. The region has experienced earthworks incidents in CP6 and plans to reduce spend on earthworks renewals by £17 million. As set out below, we are recommending an additional £100 million of renewals on earthworks by the region. As the region expects to deliver a greater volume of earthworks renewals in CP7, it will need to identify earthworks drainage works in its plan, so as to address concerns around changing weather patterns and recent earthworks incidents.
- 2.6 It is positive that the region will continue to fund track worker safety initiatives and an overlay miniature stoplight fitment programme to passive crossings. It intends to improve fencing to reduce animal incursion and is establishing a regional safety improvement fund. However, the number of level crossings identified for improvement in Wales, where passive crossings are prevalent, is lower than we would have expected.
- 2.7 It is of particular concern to ORR that several structural assets have recently failed in the region. Network Rail's Technical Authority has rated the region's structures renewals plans as high risk. We are concerned about the effectiveness of operational controls to manage the risks of structural collapse, including the risk of falling debris. We expect the region to demonstrate how it will resolve the issues addressed by the Technical Authority. Given the nature and age of a number of the bridge assets in the region, additional renewals expenditure for these assets is needed.
- 2.8 Track assets are another area of concern to us, also identified by assurance carried out by the Technical Authority. We expect the region to demonstrate how it will resolve the issues with track assets identified by the Technical Authority prior to our final determination.

2.9 The region has provided limited detail on planned improvements to work-related ill health, in particular managing asbestos in buildings, the delivery of improved engineering controls for welding fumes and diesel engine exhaust emissions in poorly ventilated tunnels, depots and stations. In relation to workforce fatigue management, the region has not provided detail on how it will accommodate potential changes to roster patterns and other fatigue controls arising from the introduction of a new roster tool and update to Network Rail's Fatigue Standard in 2024. The region should provide further information on these points prior to our final determination.

Performance

- 2.10 The region has identified that maintaining consistent levels of train performance will be challenging as a result of declining asset reliability from aging assets, an increasing frequency of adverse weather events, the impacts of HS2 construction at Old Oak Common and the introduction of Transport for Wales's new fleet and timetable.
- 2.11 The region has used ranges rather than point estimates to forecast performance outcomes for passenger On Time, passenger cancellations and freight cancellations metrics.
- 2.12 We consider that the central point of the region's On Time forecast range does not provide sufficient performance stretch. Our baseline trajectory for Wales & Western takes account of:
- (b) levels of performance across CP5 and CP6, considering the negative impact of Great Western Mainline electrification works and the pre-pandemic increase in performance when faster electric trains were running to a timetable developed for diesel trains;
 - (c) performance upside from assumed lower passenger numbers and service levels;
 - (d) performance upside from central performance initiatives such as timetable improvements;
 - (e) the region's targeted CP6 performance improvement;

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- (f) an initial Independent Reporter review which identified that Network Rail's forecasts were not supported by an appropriate level of detail; and
- (g) making sure that On Time is set at current levels or CP6 exit levels (whichever is higher) and that there is no decline from one year to the next.

2.13 These factors evidence that a more ambitious On Time trajectory is appropriate, near the top of Wales & Western's range.

- **Draft decision:** We have set a point (not range) trajectory for On Time. The On Time trajectory is set at 64.8% for each year of CP7. This trajectory sits at the top of the region's SBP forecasted range but with no decline from any one year to the next.

2.14 We have assessed that the region's passenger cancellation forecast range provides insufficient stretch compared to historical levels. We have reviewed passenger cancellations since 2014-15, excluding 2020-21 (COVID-19) and 2022-23 (industrial action) and have set a trajectory based on what has been achieved by the best performing region using an historical average.

- **Draft decision:** We have set a point (not range) trajectory for passenger cancellations. The passenger cancellations trajectory will be set at 2.3% for each year of CP7.

2.15 We have assessed the region's freight cancellations forecast range. We consider that the low end of the region's SBP forecast provides an appropriate balance of ambition and deliverability. Our trajectory removes a methodology change Network Rail was planning in CP7 to include some significantly retimed freight services which are not counted in the existing measure. We have made this adjustment to Network Rail's planned changes following engagement with freight operators who did not support retimed services being counted as cancellations.

- **Draft decision:** We have set a point (not range) trajectory for freight cancellations. The freight cancellations trajectory is set at 1.5% for each year of CP7.

Freight growth

2.16 We have reviewed the evidence and methodologies relied on by Network Rail to determine its freight growth forecasts and we are satisfied that they provide a robust basis for us to set freight growth targets.

- **Draft decision:** We have set the region's freight growth trajectory at 6.9% for the end of CP7.

Asset sustainability

2.17 We consider that there is insufficient expenditure identified for earthworks, track, and structures and tunnels renewals. Additional expenditure is required.

- **Draft decision:** The region should increase expenditure on core asset renewals by around £250 million to address areas identified as high risk by Network Rail's Technical Authority and of concern to ORR. We consider that the following increased renewals expenditure is required: £100 million for earthworks, £50 million for track, and £100 million for structures and tunnels. The region needs to provide assurance around the improved level of asset sustainability this will deliver and demonstrate that it has resolved the issues identified by the Technical Authority.

2.18 Even with a 37% increase in expenditure for drainage assets, the region has the smallest amount of funding allocated to this asset. The region must provide assurance that it is not underfunding drainage through evidence of a cross-discipline approach to drainage.

2.19 Network Rail was unable to submit its maintenance plans in time for our review for this draft determination. We therefore do not have sufficient information to form a full and robust opinion on maintenance, a view shared by Network Rail's Technical Authority. We will review the details of the region's maintenance plans following the draft determination. These maintenance plans must align with plans for core asset renewals and include how staff competencies will be addressed.

2.20 The region has not allocated direct funding to compensate for coastal squeeze in Wales as part of its asset renewals plans. Coastal squeeze is where seaward natural habitats are lost or deteriorate due to human structures or actions. Network

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Rail must provide us with clear plans to address how it will compensate or offset for coastal squeeze in its delivery plan.

- 2.21 We are concerned that the region may miss opportunities to design weather resilience into its renewals as it has not categorised condition driven renewals in its Weather Resilience and Climate Change Adaptation (WRCCA) plan. We expect the region to categorise condition driven renewals with weather resilience benefits in its final WRCCA plan.
- 2.22 Wales & Western's forecast Service Affecting Failures (SAF) are too high (8.5%), contributing to a forecast asset reliability score (Composite Reliability Index) which is too low (-7.9%). The forecast SAF is the highest of any region. Network Rail's Technical Authority has assessed that it overestimates the impact of lower renewal volumes. The region should review and update its SAF and CRI forecasts prior to ORR's final determination.
- **Draft decision:** We have set a higher (i.e. improved) Composite Sustainability Index target (-2.5 percentage points change in CP7) than proposed by the region (-3.1 percentage points). This reflects the impact of our recommendation for the region to increase renewals expenditure. Due to the complex modelling involved in forecasting CSI, Network Rail should also generate its own calculations in advance of our final determination to reflect the impact of updated renewals plans.
 - **Draft decision:** We agree with the success measure trajectories proposed by the region for carbon emissions scope 1 & 2 (-20 percentage points by end of CP7) and biodiversity (4 percentage points by the end of CP7).

Accessibility

- 2.23 It is positive that the region plans to carry out major accessibility-related works at its managed stations and that these improvements are forecast to improve passenger satisfaction with those stations. The region has committed to achieving a passenger lift reliability target of 99% throughout CP7 in its asset management strategy. However, based on the identified accessibility schemes, accessibility improvements could be uneven or very localised.

Efficiency

- 2.24 10% Like most other regions, Wales & Western has set itself an efficiency target of 10% in operating expenditure (operations, support and maintenance) and 15% in capital (renewals) expenditure in CP7. In its plan, Wales & Western commits to deliver £569 million of efficiencies, including the region's share of efficiencies in the network wide cost allocation.
- 2.25 We have set the efficiency requirements at the same level as Network Rail proposed in its SBP for the risk-adjusted plan for each England & Wales region.
- 2.26 We expect Network Rail to include regional efficiency forecasts in its CP7 delivery plan, which are aligned with our baseline trajectories. We will monitor Network Rail's regions' delivery of efficiencies against these baselines in its CP7 delivery plan.

Financial risk

- 2.27 Network Rail produced two scenarios for its Strategic Business Plan; 'the full plan' and the 'risk-adjusted plan'. Network Rail's 'risk-adjusted plan' reduces renewals spend in the regions by identifying renewals that can be deprioritised to increase the CP7 cash risk fund.
- 2.28 The England & Wales 'full plan' has a cash risk fund of £0.50 billion which is held centrally. We have considered this fund in the context of the current fiscal environment and experience from CP6. As we set out in our PR23 draft determination: supporting document on sustainable and efficient costs, we do not consider a cash risk fund of £0.50 billion is sufficient to manage the risks to Network Rail's plan over the full five-year period, e.g. to manage unexpected events and inflation. So, we have based our determination on the risk-adjusted plan and treated the deprioritised renewals as cash risk funding in the regions. This gives a cash risk fund of £1.50 billion in total and £258 million in Wales & Western. We will review for our final determination whether the level of risk funding in each region is appropriate.

Stakeholder engagement

- 2.29 We have assessed Wales & Western's stakeholder engagement. The region has demonstrated that it has followed a well-embedded, multi-channel engagement process during the development of its plans. It has led the way by becoming the

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first region to set up an independent stakeholder challenge panel, with the rest of the engagement tailored to different needs and groups. This approach helped to identify clear prioritisation across outcome areas in a timely manner. One area for improvement is that the region's stakeholders could have benefitted from more transparency on the findings and feedback resulting from their engagement.

- 2.30 To complement our assessment, as part of our 2023 annual stakeholder engagement survey (an online survey of Network Rail's stakeholders) we asked stakeholders what they thought of Network Rail's engagement with them on its CP7 Strategic Business Planning. For Wales & Western, 57 stakeholders participated in the survey. Their responses revealed that 60% thought that the region had engaged either well or very well, however 9% thought that the region's engagement was poor or very poor. 32% did not have a view.
- 2.31 It is vital that Wales & Western continues to engage with its stakeholders in refining its plans – which extends to the annual updates that Network Rail will make to its delivery plan throughout CP7. In doing so, we expect Network Rail's engagement to meet the four overarching principles of good stakeholder engagement – which are inclusive, transparent, well-governed and effective

Table 2.1 Draft ORR success measure baseline trajectories for the Wales & Western region

	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Passenger On Time	64.8%	64.8%	64.8%	64.8%	64.8%
Passenger Cancellations	2.3%	2.3%	2.3%	2.3%	2.3%
Freight Cancellations	1.5%	1.5%	1.5%	1.5%	1.5%
Composite Sustainability Index (CSI)	Measured only at CP7 exit. Difference in CSI from CP6 exit to CP7 exit.				-2.5pp
Financial Performance Measure (FPM)	£0	£0	£0	£0	£0
Efficiency (£ million, 2023-24 prices)	71	88	129	135	146
Biodiversity Units	0.0pp	1.0pp	2.0pp	3.0pp	4.0pp
Carbon emissions scope 1 and 2	-4.0pp	-8.0pp	-12.0pp	-16.0pp	-20.0pp
Freight growth (Freight net tonne kilometres moved)	1.4%	2.8%	4.1%	5.5%	6.9%

Table 2.2 Summary of success measure forecasts proposed by the Wales & Western region

	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Passenger On Time	62.3% to 64.0%	62.2% to 63.8%	63.2% to 64.8%	63.2% to 64.8%	63.2% to 64.7%
Passenger Cancellations	2.8% to 3.8%	2.8% to 3.8%	2.8% to 3.8%	2.8% to 3.8%	2.8% to 3.8%
Freight Cancellations	1.6% to 3.3%	1.6% to 3.3%	1.6% to 3.3%	1.6% to 3.3%	1.6% to 3.3%
Composite Sustainability Index (CSI)	Measured only at CP7 exit. Difference in CSI from CP6 exit to CP7 exit.				-3.1pp
Financial Performance Measure (FPM)	£0	£0	£0	£0	£0
Efficiency (£ million, 2023-24 prices)	71	88	129	135	146
Biodiversity Units	0.0pp	1.0pp	2.0pp	3.0pp	4.0pp
Carbon emissions scope 1 and 2	-4.0pp	-8.0pp	-12.0pp	-16.0pp	-20.0pp
Freight growth (Freight net tonne kilometres moved)	1.4%	2.8%	4.1%	5.5%	6.9%

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Table 2.3 Wales & Western region financial summary as proposed by region prior to ORR adjustments

£m (2023-24 prices)	CP6		CP7						% vs CP6
	2023-24	CP6 Total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 Total	
Operations	124	560	136	134	132	131	131	664	19%
Support	170	756	137	139	141	141	139	696	- 8%
Maintenance	280	1,531	326	321	313	309	310	1,578	3%
Renewals	661	3,238	594	604	658	608	516	2,981	- 8%
Industry costs, rates, & traction electricity	103	464	127	125	116	104	103	576	24%
Risk provisions	-	-	75	67	93	42	88	365	n/a
Gross Revenue requirement	1,337	6,548	1,396	1,390	1,452	1,335	1,286	6,860	5%
Other income	(168)	(1,330)	(178)	(180)	(181)	(183)	(184)	(907)	- 32%
Net revenue requirement	1,169	5,218	1,218	1,210	1,271	1,152	1,103	5,953	14%
Fixed Track Access Charge income	(145)	(800)	(144)	(144)	(144)	(144)	(144)	(719)	- 10%
Variable Charges	(89)	(500)	(96)	(96)	(97)	(97)	(97)	(483)	- 3%
Electricity for Traction (EC4T) income	(67)	(290)	(87)	(84)	(71)	(59)	(58)	(358)	23%
Schedule 4 and 8	79	326	51	49	54	45	40	238	- 27%
Schedule 4 access charge supplement	(27)	(167)	(48)	(47)	(52)	(42)	(38)	(227)	36%
Network grant	(919)	(3,786)	(894)	(888)	(962)	(854)	(807)	(4,404)	16%

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Total SoFA related income	(1,169)	(5,218)	(1,218)	(1,210)	(1,271)	(1,152)	(1,103)	(5,953)	14%
Gross revenue requirement less EC4T	1,270	6,258	1,310	1,306	1,382	1,276	1,229	6,502	4%



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