

Deren Olgun  
**Principal Economist**

01 June 2018

Caitlin Scarlett  
Schedule 8 recalibration lead  
Rail Delivery Group

Dear Caitlin,

**Schedule 8 Recalibration: Approval of Phase 1 parameters**

1. Thank you for your letter of 5 February 2018 requesting approval of the Phase 1 parameters (i.e. Monitoring Point Weightings and Cancellation Minutes) of the passenger Schedule 8 regime for CP6. Thank you also for your responses to our follow up questions. This letter supersedes my letter of 5 March 2018 and confirms that we are content for you to proceed with the recalibration using the Phase 1 parameters.
2. In my letter of 5 March 2018 I noted our outstanding concerns with the Caledonian Sleeper proposals. Since then these concerns have been resolved in correspondence with you, therefore the part of my original letter pertaining to that has been removed from this letter.
3. Further, on 3 May 2018 you sent a request to vary the Cancellation Minutes proposed for Hull Trains services. Our approval of the Phase 1 parameters for use in the recalibration includes this subsequent variation to the information supplied with your 5 February 2018 letter.
4. We note that operators and Network Rail routes have had ample opportunity to scrutinise and challenge this work. In particular, we note that the overall approach to recalibrating these parameters has been agreed by both operators and Network Rail routes, and that all parties have had the chance to audit the models used to calculate the parameters.
5. Furthermore, we note that the models were independently audited by Steer Davies Gleave, and that (as they have confirmed in correspondence with you on 12 January 2018) they are happy that all of their concerns have been addressed.

6. Following our review of PwC's report (attached to your letter), we have some reservations about the approach used, as set out below. Although we do not require you to act on these issues for the CP6 recalibration, they should be taken into consideration in future recalibrations.
- a) Cancellation minutes methodology – Station pairs: There is still a lack of clarity on the approach and rationale for pairing all forward Monitoring Points to all possible reverse Monitoring Points in a service code.
  - b) Cancellation minutes methodology – 'n' versus '(n-1)' approach: A good justification is lacking for why the same approach cannot be used consistently for all services.
  - c) Cancellation Minutes methodology – Exclusion of services with average frequencies >120 minutes: Whilst we understand the reasons why services with high average frequencies were excluded, we think that excluding them was not the best approach. Excluding these services means that the impact of a cancellation on passengers on these services is not reflected in the service group's Cancellation Minutes.
  - d) Bespoke changes to Monitoring Point Weightings and Cancellation Minutes: The rationale for most of the bespoke changes is not made clear in the information provided (although we note that these changes have all been agreed between the relevant parties).
7. Despite the above reservations, in light of industry's significant involvement in the recalibration and the independent quality assurance of PwC's work, we confirm that the Monitoring Point Weightings and Cancellation Minutes estimated by the Phase 1 work can be used for CP6.

Yours sincerely,

Deren Olgun