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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
1	SETL	Route & Stations	Charges	HS1 charges remain excessive and, whilst any reduction against December 2023 prices is welcomed, it is somewhat misleading given the catch-up for costs under-recovered that are included within today's prices. The draft 5YAMS proposal still results in an increase in costs compared to CP3 for route and stations. HS1 (and NRHS) need to be more ambitious in seeking efficiencies and ways to reduce costs further.	HS1's proposals result in a reduction of 4.4% in route OMRC and 12% in stations LTC costs. This results in route charges that are broadly similar to PR19 which is a good outcome given the lower volume of trains operating in the system relative to PR19 forecasts. We do not agree that comparison to current charges is misleading; this is a relevant reference as this is what operators are currently paying.
2	SETL	Route	NR(HS) costs	SETL is disappointed in not seeing more of the specific savings in areas outlined in the Rebel report.	The NR(HS) Route 5YAMS outlines NR(HS)'s approach to efficiencies (Section 8.3.1) and its response to the Rebel OMR Effectiveness Study (Section 8.4). It shows that NR(HS) is delivering a repeatable gross efficiency ambition of £5.2m by CP4 exit which is within the range of efficiency opportunity identified by Rebel for end of CP4 (£3.4-£6.3m). It also sets out the reasons why NR(HS) cannot find efficiency in some of the areas in the Rebel report. It should be noted that some of the Rebel benchmarking did not include sufficient evidence and workings to demonstrate each of the proposed efficiency areas being a viable prospect to pursue on HS1.
3	SETL	Route	Renewals costs	SETL requests more information to understand the criticality of the timelines for large renewals due towards the end of the 40-year period and the impact of moving a large piece of work scheduled for year 39 to year 41 for example.	Our approach for planning and prioritising renewals is set out in the Specific Asset Strategies. There is a greater level of uncertainty around the delivery date for renewals that are 40 years in the future. As we learn more about our assets and how they degrade we will continue to refine our renewals plans. There are a number of significant renewals planned for years 35-39 which could be moved out of the 40-year renewal period, but equally there are a similar number of significant renewals identified for years 41-45 (such as OLE replacement) that could be required earlier and fall within the 40 years.

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4	SETL	Route	Renewals costs	<p>SETL requests more information on the proposed ballast works. Specifically</p> <ol style="list-style-type: none"> <li>1. Steps HS1 is taking to obtain sight of the NR(HS) industry comparison work and to ensure a fair cost per km</li> <li>2. If HS1 ballast is unique and this is driving costs, need to see supporting evidence</li> <li>3. To what degree has recycling unusable ballast been considered</li> <li>4. Further information on what has driven the increase in ballast and associated works during CP3.</li> </ol>	<p>1. HS1 has undertaken initial assurance of the NR(HS) work and, since the Draft 5YAMS, has commenced market engagement with the supply chain via RIA to seek more certainty on approach and unit rates (see 5YAMS Section 13.3.2). We will meet with ORR to understand how its benchmarking data can support this work. The RIA work will be complete in Autumn 2024.</p> <p>Since the Draft 5YAMS, NR(HS) has prepared a Summary of Ballast Unit Rate Development which is included as a supporting document for the ORR's review.</p> <p>2. The ballast used for Highspeed infrastructure is unique compared to mainline infrastructure where speeds are lower. However this is a small proportion that contributes to the overall unit rate cost increase. Norwegian Green ballast is of harder quality and less prone to attrition, ballast life is high and the frequency of maintenance visits to correct geometry faults is reduced. Ballast selection will be finalised in detailed design and we will seek system engagement for any significant trade offs.</p> <p>3. Recycling of unusable ballast will be clarified once ballast surveys and development work commences in year 5 of CP3.</p> <p>4. The main driver of the CP4 increase in unit rate is the assumption on the volume that can be delivered in a shift. The PR19 unit rate assumed 1km of ballast delivery in an 8 hour shift which is not realistic. This has been corrected to 300-400m per shift. The optimum production will be determined during the development works. We will continue to keep stakeholders involved as the project develops through the quarterly Renewals Board to ensure the latest information is shared. If a specific working group is required for ballast cleaning this can be discussed as the renewal progresses.</p>

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5	SETL	Route	Renewals costs	HS1 reviewed and challenged 85% of the route renewals work bank. SETL requests detail on the level of scrutiny applied to the remaining 15% and why this was not treated in the same way. Cost saving on the remaining 15% may have been missed.	HS1's initial focus was on the largest renewals (which made up ~85% of the CP4 route renewals workbank) where there was greater scope for challenge. We subsequently reviewed the remainder of the CP4 route renewals workbank, the majority of which was routine renewals such as component replacement.
6	SETL	Route	Train path forecasts	SETL is content with CP4 forecasts, but states that it has not knowingly contributed nor been sighted on the assumptions used for the 40-year forecast and considers that they may be too conservative. SETL would like further engagement.	HS1 went through several iterative consultations with stakeholders on the train path forecasts and underlying assumptions since 2022. In the latest engagement (November 2023) SETL noted they don't expect domestic train volume to go above Underpin in the next control with no further comments on the outer years, so we retained our conservative assumptions. We followed up with SETL in May 2024 on their comments about the outer year forecasts; they did not have a view on what the volume forecasts should be or any evidence to support changing the forecasts. We therefore consider our train path forecasts remain appropriate. [x]
7	SETL	Route	Capacity Reservation Charge	If HS1 believes a new operator will commence service in CP4, please explain why this is not factored this into all costs and regimes? If the intention is to exclude a new operator from all other costs, then CRC should be revisited as part of any Interim Review.	The activation of a CRC would help ensure appropriate capacity reservations and discourage the holdings of excess capacity. Therefore, it is not necessarily the same decision as including "costs and regimes". For the purposes of the 5YAMS, HS1 is basing its assumption for a second operator on a balanced assessment influenced by both our current understanding of the operators and the potential implications of making an alternative assumption on the rest of the 5YAMS. At this stage, entry of a new operator remains uncertain, so there is not sufficient justification to include a second international operator in the HS1 costs and regimes. We will keep this under review as new entry materialises. Following stakeholder feedback we have decided to not reactivate the CRC at this time. We will keep this under review and continue to reserve the right to activate the CRC at our discretion.

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8	SETL	Route & Stations	Escrow	There are significant balances in the escrow accounts paid by operators and not used as planned, earning poor returns. This is unnecessary and unacceptable. What assurances are there that the same will not occur in CP4?	Sections 13.2-13.3 of the 5YAMS set out the HS1 challenge and assurance of NR(HS)'s renewals volumes and deliverability. The ORR will also challenge and validate these proposals as part of the Periodic Review process. The CP3 route renewals workbank was reviewed and revised in 2022/23 and agreed by ORR. Renewals volume delivery in 2023/24 was ahead of this revised plan.
9	SETL	Route & Stations	Escrow	SETL is supportive of HS1 and the DfT proposing amendments to the Concession Agreement to expand the scope of Authorised Investments. SETL believes these amendments should be possible before the start of CP4 and therefore a higher return should be used in the model. SETL requests confirmation of the intended levels of operator involvement in this process.	Support for HS1's proposals is noted. HS1 is ready to support DfT in making these changes. The second step to expand the Authorised Investments to help improve return may take some time to implement as DfT will need to carefully consider any changes. We have no clear timeframe from DfT for this work yet. Therefore, it is prudent to use the proposed rate of return which is based on the market yield curves. Operators will receive details of the proposed investment product changes and the DfT will consult with the TOCs on the changes.

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10	SETL	Route	Charging model	<p>Table 52 of the 5YAMS details an amendment to the Sectional Appendix with a small impact on the allocation of costs. SETL requests further changes to align with the Sectional Appendix (as below) and recalculation of the associated costs.</p> <ul style="list-style-type: none"> <li>- Ashford – St Pancras 90.5km</li> <li>- Ebbsfleet – St Pancras 36.7km</li> <li>- Springhead Jn – St Pancras 37.3km (up) 37.5km (down)</li> </ul>	<p>We have considered the proposed amendments to the intermediate Train kilometrages in Table 52. As explained in the “HS1 Charging Model – PR24 Route Kilometre Change” supporting document to the draft 5YAMS, the track lengths used in the charging model were set in preparation for Control Period 1 and handed to HS1 as part of the sale process.</p> <p>The International (all services) Train-km length was changed following a full analysis of HS1 route, which was confirmed to be consistent with the Sectional Appendix.</p> <p>For the Intermediate lengths, the locations at Ashford International and Ebbsfleet International/Springhead Junction are interface areas between HS1 and NRIL that contain assets which are maintained by NRIL under the OMA on our behalf. It is not clear from the documents handed to us as part of the concession sale process which of these assets were used for generating the lengths in the original CP1 Charging Model.</p> <p>We will promptly ask DfT to confirm the methodology for generating lengths for Ashford International, Ebbsfleet International and Springhead Junction, recognising that any change in outcome may affect cost allocation and per operator charges.</p>
11	SETL	Route & Stations	PR process	<p>Cost comparisons throughout the 5YAMS document appear inconsistent (referring to CP3 budget or actual). SETL requests that a consistent approach is applied to the final document.</p>	<p>The cost comparison is consistent; for all cost categories we compare the CP4 forecast with the CP3 budget set by the PR19 determination.</p> <p>In some cases, we also refer to CP3 actual costs to explain how our CP4 forecasts were developed (e.g. our forecast for BTP costs in CP4 assumes that costs will continue at the CP3 exit level).</p>

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12	SETL	Route & Stations	Inflation	<p>Whilst SETL acknowledge that RPI is incorporated into many of HS1's contracts, it is important to note that the rail industry amended their contracts to align with ONS recommendations as part of PR18. The apparent reluctance to amend contracts is therefore difficult to justify.</p>	<p>While NRIL is regulated on CPI, its actual cost base has historically risen with RPI (or other indices like the Construction Price Index). The NRIL CP6 and CP7 plans assume this as well and there is a separate 'input prices' line to account for inflation being higher than CPI. NRIL uses RPI in its BAU target and budget-setting. As noted in Section 7.2.1 of the 5YAMS, RPI will become aligned with CPIH methodology (the ONS preferred headline inflation measure) from 2030. As RPI is used in many of HS1 and NRHS's contracts, there would not be any material benefit from changing all the contracts to CPI for CP4.</p>
13	SETL	Route	R&D	<p>The cost of appointing both a Head of High-Speed Engineering (R&amp;D) as well as a Project Manager appears disproportionately expensive when the funds themselves are only £4M. SETL requests that HS1 demonstrate that this will deliver value for money over CP4</p>	<p>The Change Project Manager (R&amp;D) role is being funded through the R&amp;D fund. (This is the R&amp;D Portfolio Manager described in the Joint R&amp;D Strategy, Section 3.3.1, item 2).</p> <p>The Head of Innovation role (previously termed R&amp;D) is funded as an enabler under the NR(HS) Annual Fixed Price. This role will deliver the wider NR(HS) innovation strategy, enabling the NR(HS) evolution programme as well as having oversight of the R&amp;D programme, implementation and benefits realisation of innovation and R&amp;D schemes, and management and oversight of asset management maturity and engineering matters. R&amp;D portfolio management is a small percentage of the role accountabilities (see the Joint R&amp;D strategy, Sections 9.6 and 9.7).</p>
14	SETL	Route	R&D	<p>Operator involvement in R&amp;D spend and governance remains key and SETL support is contingent on this, therefore SETL is supportive of the continuation of the panel into CP4. SETL would like to see a robust process implemented for the management of R&amp;D spend and the implementation of a refund process for any budget underspend.</p>	<p>We welcome the support for the R&amp;D panel. This governance is proposed to continue with enhancements to garner full system attendance as well as to simplify the processes that apply for infrastructure renewals to more suitable for agile R&amp;D to expediate delivery and achieve greater value for money. R&amp;D funds are expected to be fully allocated to projects in CP4 as NR(HS) will maintain a live forward pipeline of R&amp;D initiatives. However, if there is any underspend, this will be rolled over to the R&amp;D fund for CP5 as outlined in Section 10.3.2 of the 5YAMS.</p>

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15	SETL	Route	REACT	SETL agrees that the removal of the annual limit seems sensible but feels that a process needs to be put in place for approvals. SETL requests that new schemes are presented in a business case format that supports SETL's internal approval process, and would like to work with HS1 to establish a process.	Agreed. HS1 will work with operators to establish an updated approvals process to align with operator requirements.
16	SETL	Route	NR(HS) costs	SETL notes the reference to Infrastructure Evolution programme which aims to save [x] by CP4. SETL is disappointed to see that this significant saving is not delivered in advance of the start of CP4 and requests that this workstream is accelerated and SETL is kept informed of progress. SETL requests that the OMR cost reduction proposed by HS1 in response to the Rebel report is revisited in order to reduce costs.	The IE programme will involve significant technological and people / process change. So it is not possible to achieve the benefits by the start of CP4. There are elements of the programme that NR(HS) are accelerating where possible (e.g. shared SST/S&T response teams) or which was already planned to be inflight by CP3 exit to inform CP4 evolution (e.g. commencement of EAMS2, some RBM and asset management maturity through track deterioration modelling). The IE programme is proposed as a continuation of continuous improvement to drive efficiency. The NR(HS) Route 5YAMS Section 8.4 shows a direct comparison table to the OMR benchmarking study, which demonstrates that the gross efficiency ambition is higher than that identified by Rebel (see Response #2).

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17	SETL	Route	NR(HS) Management Fee	<p>SETL requests that the lower of the range between 3-5% as per the Rebel report is used as the management fee.</p> <p>Whilst SETL acknowledges that the Operator Agreement allows for a 1.1% increase above RPI of the Annual Fixed Price such an increase, on top of the 8% management fee, is not reasonable.</p>	<p>Section 8.4 of the NR(HS) Route 5YAMS explains their response to the Rebel benchmarking report, noting that the Rebel report does not contain comparable data to substantiate their proposed efficiency opportunity and many of the IM's included within the Rebel study have non-relatable contractual arrangements.</p> <p>Supporting evidence on the management fee has been shared with ORR as part of its assessment of HS1's proposals for the Draft Determination. NRHS and HS1 are aware that the ORR is progressing its 'Risk and Uncertainty' review through the PR24 process to understand all areas of system risk management to ensure it is efficient and effective. The system should remain open to discussions to consider improving incentives for all parties to drive efficiency, but this cannot be done in isolation without understanding the contractual landscape, which would require a consensus on changes to the current asymmetric risk profile that exist for HS1 which NRHS holds accountability for.</p> <p>The increase of RPI+1.1% on NR(HS)'s AFP reflects: [x]</p>
18	SETL	Route	HS1 costs	<p>SETL notes HS1 Ltd headcount is down from the 2022/23 peak yet there is a £1.1m increase in staff costs. Can more information be provided as to the make-up of this amount and assurance offered as to the levels of governance applied to wage increases. SETL requests to be part of this governance going forward.</p> <p>Headcount forecast is 1.8 above the CP3 budget.</p> <p>The decrease in spot bids and process automation/familiarisation should mean that no additional resource is needed compared to pre covid levels. SETL requests that headcount is maintained at pre covid level.</p>	<p>There is a £1.4m increase in staff costs between the CP3 <u>budget</u> and the CP4 budget (in Feb-23 prices).</p> <p>Overall salaries (incl. NI, Pensions, Bonuses) have reduced by 2%, despite the increase in headcount. [x]</p> <p>Medical insurance has increased by £0.3m since the CP3 budget, this is aligned to market prices.</p> <p>The £1.4m increase is driven by a PR19 efficiency target included in our regulatory budget. We were unable to fully achieve this target as the business has become significantly more complex.</p>



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19	SETL	Route	NR(HS) costs	<p>In some areas key information from NR(HS) appears to have been insufficient or redacted. SETL requests confirmation of steps being taken to source the information required for HS1 to fully assure the NR(HS) 5YAMS.</p> <p>SETL expects HS1 to provide reassurance to operators that both parties are collaborating with the best interests of the operators and passengers in mind.</p>	<p>HS1 and NR(HS) have worked in joint partnership with iterative challenge and assurance throughout PR24 to deliver proposals that meet our asset stewardship obligations at efficient costs to the benefit of operators. Since the Draft 5YAMS, HS1 has undertaken an assurance deep dive of NR(HS) O&amp;M costs as summarised in Section 12.3.2 of the 5YAMS. There is some confidential NR(HS) information that has not been shared with HS1. This is being shared directly with the ORR which will challenge and validate this evidence in its assurance role through the next stage of the PR24 process. This is the process as followed in previous Periodic Reviews. We understand the ORR is committed to providing maximum transparency for stakeholders on its assurance and assessment of the PR24 proposals and all stakeholders will have the opportunity to respond to this as part of the Draft Determination consultation.</p>
20	SETL	Route	Performance regime recalibration	<p>SETL considers that all parties should be liable for costs associated with a mid-control period recalibration as it is not just operators who may benefit from such an exercise.</p> <p>The introduction of a new operator will also require a recalibration prior to services commencing on HS1. Any costs associated with this should not be borne by existing operators.</p> <p>SETL notes that the NRHS Annual Fixed Price will need to be adjusted post recalibration which will result in an adjusted OMRC charge. Will the ORR be required to redetermine any changes to this charge?</p>	<p>Performance regime recalibration is a contractual mechanism that is triggered when conditions outlined in the PAT are met. Its purpose is not to benefit any party but to keep the system in balance.</p> <p>Making several parties liable for the costs associated with performance regime recalibration would make it more difficult to trigger a mid-period recalibration, as you would need agreement from all paying parties. In our Final 5YAMS we included an amendment to the PAT that would require that the external cost of additional recalibration exercises (i.e. the consultancy costs) be borne by party that requests the recalibration.</p> <p>The NR(HS) Annual Fixed Price will need to be adjusted post recalibration which will result in an adjusted OMRC charge. We have proposed an amendment to the PAT that would facilitate this.</p>

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21	SETL	Route	Concession Performance Floors	Whilst SETL appreciates that the performance floors do not represent a target level of performance, it struggles to understand how they achieve their aim to drive better performance when they bear no relation to reality. SETL requests these to be higher and would expect penalties to be imposed much earlier than suggested here.	The Concession Agreement performance floors are triggers for enforcement procedures, their purpose is not to drive day-to-day performance. Day-to-day performance is incentivised through the HS1 Performance Regime (which is not related to the Concession Agreement performance floors); penalties are imposed for performance worse than the thresholds in the performance regime.
22	SETL	Route	Outperformance	The Rebel report identifies the potential to reduce costs and encourage a more collaborative approach with better incentives. SETL requests an explanation of why this opportunity has not been considered and requests that it is incorporated it into the next iteration. Historically, outperformance has been skewed towards the years in which NRHS retains 100%. The sharing of Outperformance should apply to all years of the Control Period to allow for an even level of incentive throughout a control period. SETL requests that this be urgently addressed in the Final 5YAMS.	The detail on NR(HS) outperformance in CP3 has been discussed previously with stakeholders at the time. More information is provided in the confidential version. [x] Stakeholders' views on outperformance years and benefits is an unfortunate and unintended consequence of Covid-19 and not a realistic view of NR(HS)'s intent to deliver efficiency - the model typically allows for upfront investment in years 1 and 2 of each control period to drive efficiency in years 3, 4 and 5. As explained in Section 18.8 of the 5YAMS, there is no clear evidence that making changes to the Outperformance Regime would deliver material benefits to the system and the Outperformance Regime is not within scope of PR24. HS1 is not making any changes at this time.

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23	SETL	Route	Pass through costs	There is little to no motivation for HS1 to minimise these costs. SETL requests that HS1, in its present capacity outlines these costs, however, there needs to be a clear incentive on HS1 introduced to ensure that the best value is achieved.	Pass-through costs are those cost items that are subject to significant external forces and hence not directly predictable by HS1 for a Control Period. HS1 is required under paragraph 10A.1 of Schedule 10 of the Concession Agreement to ensure that these costs are efficiently incurred. HS1 also recognises the impact of these costs on the efficient and profitable operation of our customers and therefore invests considerable effort and resource in minimising these charges. Examples include the reduction in Rateable Value from 1 April 2023. The original valuation was £44m; we are still challenging this figure and expect a reduction to £25m. This will lead to a to very large savings for TOCs versus the original charge. We have also invested significant effort in managing electricity and assessing TOC appetite for savings versus certainty. For our insurance charges we commissioned novel blast modelling work that allowed the reduction in maximum loss and led to reduced insurance premia. Although this work was at St Pancras this was also "pass-through" under Qx and highlights our continuous effort to drive down costs.
24	SETL	Stations	Renewals costs	The Pell Frischmann On Cost Review provided as supporting evidence for the Indirect Cost percentages is out of date and the level of detail in the report does not justify the percentages applied. A comparison of actual expenditure for indirect costs in CP3 would better demonstrate if these charges are accurate and justified. SETL questions the application of the same percentages for all three stations. Each station should be considered individually, for example, heritage requirements (which can have a large financial impact) apply only to St Pancras.	While the Pell Frischmann report is now five years old, the rationale applied in the report is not out of date; HS1 reviewed the approach and believe that it is still valid. We considered whether there have been any significant changes in the external environment that would mean that this approach is not valid and believe that there has been very little change. There are no heritage related on-costs applied at any of the stations. Where a specific project at St Pancras is likely to be affected by English Heritage requirements, this has been reflected in the base cost of the project. Other on-cost percentages are the same for St Pancras, Stratford and Ebbsfleet as the delivery of projects will be similar at each location.

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25	SETL	Route	Renewals costs	<p>Rebel identifies that indirect costs constitute 44% of HS1 total route costs where for comparators this is only 15% -18%. SETL requests that HS1 change its indirect cost percentages as per the Rebel report. SETL also requests that HS1 confirm what the 23% profit element identified as part of the indirect cost (p34 of Rebel report) consists of, is this a duplication of profit as it is SETL's understanding that this is accounted for in the 8% management fee?</p>	<p>There are specific differences between HS1 and comparators that drive higher indirect staff levels, such as the Concession Agreement arrangement with a separate management company (HS1 Ltd) and the long term infrastructure supplier (NR(HS)) and that HS1 is subject to 5-yearly regulatory review cycles with comparators are not. This is set out on page 42 of Rebel's OMR Effectiveness Study. NRHS has already optimised its indirect staffing; this was undertaken as per the target operating model review which drove a cost reduction in Yr 3 of CP3; in parallel to Rebel concluding their OMR Effectiveness Study. This is documented within section 8.4 of the NRHS Route 5YAMS and within the June 23 Stakeholder Engagement Session.</p> <p>The profit elements as noted by Rebel include the share of NRHS management fee and outperformance that would be indirect elements. We have confirmed with Rebel that there is no double counting.</p>
26	SETL	Route	Possessions	<p>Longer more frequent possessions will import costs into SETL's business and affect its ability to collect revenue. SETL requests that HS1 establish a mechanism to recoup these costs as presently this can only be done when the allowance is exceeded. This will be considered and reviewed by SETL when it receives proposed amendments to the regime.</p>	<p>The purpose of the Possessions Regime to ensure NR(HS) is able to deliver necessary works to maintain and renew the asset in line with our Asset Stewardship obligations, while minimising costs and service impact for operators. The CP4 renewals deliverability assessment provided indicative access need for renewals, which was then optimised using findings from the ORR Possessions Efficiency Independent Report 2021. The Engineering Access Strategy makes assumptions for multi-worksite possessions to ensure efficiency in renewals access estimates - this was developed with collaborative input from the operators as early mitigation to reduce unnecessary timetable impact. There has been iterative engagement with operators throughout this process, including recently in February and March 2024. This information is summarised in the supporting document 'CP4 Possessions Allowance'.</p>

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27	SETL	Route & Stations	Safety	The safety strategy does not appear to contain any specific reference to crowd management. SETL see large crowds at Stratford attending London Stadium and request NRHS consult with SETL's Head of Resilience and Security to review the approach to automatic default to open gate lines.	NR(HS) is currently unaware of specific issues at Stratford International and will engage with SETL's Head of Resilience & Security.
28	SETL	Route	Contract Risk	What specific incidents will 'trigger' use of contract risk funds?	Contract risk will be 'triggered' by those incident types which are captured in the breakdown table in the 'CP4 Contract Risk' supporting document.
29	SETL	Route	Contract Risk	We expect to see costs linked to any risk identified to be accounted for and do not expect to receive any requests for additional funds.	HS1 and the ORR receive a high-level breakdown of actual Contract risk spend each year as part of its outturn statement against the AFP. NR(HS)'s drawdown on these costs will be capped at the Contract risk value. It is not possible to account for every potential eventuality and the risks identified reflect those to the best of NRHS's knowledge that may occur that are outside of its control.
30	SETL	Route	Contract Risk	Trespass and Vandalism (Cost Risk): SETL are not aware there had been any large-scale trespass incidents in CP3 so request further information as to what has been used to derive levels of risk in this area.	The cost risk allowance for trespass and vandalism is there to rectify damage to the infrastructure from such incidents. Most CP3 incidents of trespass have not involved more than minor damage, but looking back into CP2 and earlier there were a number of incidents with cost impacts. [x] As a result of the reduced frequency of such events, the cost risk allowance has been reduced significantly against CP3 - but there is still a residual risk should such an event occur.

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31	SETL	Route	Contract Risk	The Supplier Capacity element should be removed from contract risk. It resides outside of the control of normal contract risk therefore should not be borne by operators. It should be managed by NRHS directly with their suppliers through robust supplier selection, contract management and contingency planning. Any additional financial risk premium disincentivises NRHS in their supplier selection, contractual negotiations, ongoing supplier management and delivering the optimum output from their contracts.	This risk is related to supplier capacity, not performance/insolvency (which is separate). A level of risk is covered by NR(HS)'s BAU supplier management, but levels above this caused by e.g. suppliers being more interested in larger contracts like HS2 / Southern Region, European market, etc, is not within NR(HS) control, and as such this risk has been provisioned for in Contract risk.
32	SETL	Route	Contract Risk	To assess the Dewirement cost risk, SETL request details of all occurrences of these incidents in CP2 and CP3 and the underlying cause, and associated repair costs and any performance risk payments made for each incident. SETL assume the cost of repair of OHL would already be included in the repair and maintenance budget so this risk cost should be removed.	Reinstating the overheads wires following a dewirement is not part of NR(HS)'s baseline O&M activities undertaken by the maintenance team. As such, it is not included in the O&M base cost. Historic instances have been coded to Contract risk; HS1 and the ORR receives a high-level breakdown of actual Contract risk spend each year as part of its outturn statement against the AFP.
33	SETL	Route	Contract Risk	Bridge strike / Vehicle Incursion: HS1/NRHS note there's not been a serious bridge strike on HS1 infrastructure therefore it is difficult to understand what the cost risk amount is based upon. SETL request details of any such events in CP2 and CP3 including associated rectification costs and performance payments. Please also explain which bridges on the network are at risk for bridge strike.	Bridge strikes / incursions are a common occurrence on the wider NRIL network, which NR(HS) has learned from and considered its applicability to the HS1 network. Taking into account the measures in place on the HS1 network NR(HS) assessed this as low likelihood but high impact should a bridge strike occur.

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34	SETL	Route	Contract Risk	Insurance claims: SETL request details of how the cost risk amounts has been determined and what the level of excess is applicable. We note that the cost risk amount is the same as that used for bridge strikes - is this intentional?	NR(HS) has determined the value of this cost risk by looking at actual costs incurred on small claims, which have been coded as falling below the deductible excess [x]. It is only a coincidence that the value for this cost risk is the same as the bridge strike value.
35	SETL	Route	Contract Risk	The Supplier Risk (poor performance/insolvency) should not sit with operators and should be removed. Management of poor contractor performance and supplier contingency should form part of NRHS's day to day good contract and supplier management.	A level of risk is covered by NR(HS) BAU supplier management. However levels above this caused by e.g. geopolitical instability, economic downturns, supplier parent company insolvency, etc) is not considered within NR(HS) control, and as such this risk has been provisioned for in Contract risk.
36	SETL	Route	Contract Risk	Third party / external: Vegetation on the line of route is predominantly set back from lineside so it is difficult to understand the level of risk this cost represents, we request further information so we can assess this risk effectively. Also housing along the line of route (Ebbsfleet in particular) has been planned even before the opening of HS1 (although temporarily halted during the financial crash) so please can an explanation of how the risk profile differs from PR19 be provided?	This risk was revised as part of reviewing the risks for PR24. The risk is a combination of two previous risks from PR19, to make this single risk more specific and relevant, with an overall reduction across both of the previous risks combined. The risk description is: " <i>Due to wilful acts, negligence or accidents caused by weather and/or lineside neighbour activity there is a risk of infrastructure damage caused by objects or materials entering the infrastructure from third party properties resulting in unplanned financial exposure</i> ". [x]

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
37	SETL	Route	Contract Risk	<p>The Pandemic cost risk should be removed as there should be no requirement for funds in this area. [x]</p> <p>NRHS operate on a fixed price contract and so receive a consistent income even if train services are affected. Also, please provide an explanation of what is meant by 'based on emerging industry risk knowledge' and how this translates into a [x] cost risk that operators are being asked to bear.</p>	<p>We refer stakeholders back to the discussion on Contract Risk in September 2023. [x]</p>
38	SETL	Route	Contract Risk	<p>Further information is requested for the Interface risk category to explain what specific interface risk has been considered.</p>	<p>Due to changes made to infrastructure or processes by adjacent infrastructure managers, there is a risk that NR(HS) may need to carry out additional maintenance, resulting in unplanned financial exposure.</p>
39	SETL	Route	Contract Risk	<p>For Performance risk, SETL request data showing incidents of trespass in CP3 compared to CP3 and the associated delay minutes as we were not aware there had been any large scale trespass incidents in CP3. Smaller incidents are less likely to lead to Performance Regime payments to Operators.</p>	<p>Trespass is the single biggest category of HS1 delay over CP3. Whilst it is outside of NR(HS) direct control, it seeks to mitigate this through use of security, etc. NR(HS)'s modelling undertaken to inform the performance risk value is based on a bottom-up analysis of performance events - both the methodology and associated modelling has been shared with the ORR as part of the Draft Determination assessment. Note also that the performance risk model takes into account the effect of the periodic performance regime threshold and as such excludes minor incidents which do not go over the threshold resulting in payments.</p>



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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
40	SETL	Route	Contract Risk	SETL request to see the data for incidents of fatalities including delay minutes and associated performance payments made along with the recovery times as we note that recovery times from major incidents tend to be longer on HS1 (NRHS maintained) than the classic UK rail network (NRIL maintained). We need to understand if the slower recovery times have an impact on quantifying risk.	NR(HS) experiences a lower occurrence of fatality incidents compared to NRIL and therefore has less response capacity than the classic network which can rely on adjacent routes and teams (NR(HS) is not able to do this due to variances in competencies compared to NRIL). The nature of fatalities on the high speed line means that the time to return the line to 'open' can also be higher compared to the lower speed classic network.
41	SETL	Route	Contract Risk	The commentary for weather related and third-party events states that the risk has increased. Costs have decreased so can further information be provided as this is misleading.	The respondent has misread the documents. The Contract Risk supporting document (slide 5) states clearly that the risk value for both these two elements has decreased since PR19.
42	SETL	Route	New operator	Any costs arising from an Interim Review because of the introduction of a new international operator should be borne by the new party and/or HS1. We request confirmation that we are not directly or indirectly funding any tasks to attract new operators.	It is assumed that the mobilisation activity needed for a new operator to start operations is paid for by the new operator using cost recovery agreements. There are, however, some activities that is appropriate for the Infrastructure Manager to fund to fulfil its duties, such as coordinating with neighbouring Infrastructure Managers and capacity planning.
43	SETL	Route & Stations	Cost Policy	While SETL are supportive of the application of the Cost Policy to both route and station base costs, we request assurances that the correct level of stretch have been applied given the opportunity exists to reset the cost base frequently within the 40-year period.	Support for the approach is noted. We do not think the stretch range should be used in certain areas; we set out our high level justification for the appropriate ranges in Section 13.5.2 of the 5YAMS and further detail is provided in a new addendum to the Cost Levers Scoring Report. This will go through challenge and validation with the ORR.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
44	SETL	Route	Specified Upgrades - WACC	Financing costs should be minimised across all projects. The blanket application of HS1's WACC is unlikely to be the most cost-effective solution for all CP4 projects and we recommend financing arrangements for each 'significant' project is considered on a case-by-case basis. Is there a way to utilise some of the significant escrow monies to finance these projects?	HS1's WACC is an audited annual rate which reflects the business's cost of capital and unique financing structure. We are proposing this as the appropriate rate only for small scale upgrade projects. We are in agreement that significant upgrade projects will be considered on a case-by-case basis and specific financing arrangements will be required. There are clearly defined criteria for which projects fall within escrow/renewals.
45	SETL	Route & Stations	HS1 costs	SETL supports the use of steady state assumptions as the Interim Review exists to address any such scenario.	Noted
46	SETL	Route	Annuity	Supportive of the weighting of the annuity however need assurances that the forecasts used correctly reflect changes that may occur over the 40-year period.	The forecast volumes are accurately reflected in the model. The overall forecasts align to those used to build the overall route renewals profile. The forecasts used have been agreed with input and consultation from stakeholders throughout the PR24 process. Any 40-year forecast will always be subject to changes over the long term and will be revisited in PR29.
47	SETL	Stations	NR(HS) costs	There is a 10% mark-up added to direct costs in addition to the indirect cost percentages. An 8% management fee is then added to total costs. What is contained within the 10% mark up (which can be charged as per the Operator Agreement) and seek assurances that there is no duplication of profit/risk within these heavily inflated numbers.	The 8% addition referred to is an allowance for the costs of the project management services provided by NR(HS) staff, it is not a management fee. The 10% mark up is NR(HS)'s profit for delivering the station renewals. Risk is a separate cost line in the Stations Totex model. These are three separate and distinct allowances for different purposes (i.e. project management, profit and risk respectively).

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
48	SETL	Stations	Cost allocation	St Pancras station plans need to be updated to reflect the removal of the conference room and the driver managers office from SETL's lease area. This should result in a reallocation of percentage for the domestic operator. Details of the required amendments were sent to HS1 in February 24.	HS1 has updated the St Pancras floor plan for these changes and shared these with stakeholders. These changes were to areas under SETL lease and not part of the Domestic / International / Common Zones that are used to calculate the percentage allocation for LTC. Therefore these changes have no impact on the percentage allocations for LTC across the zones. The station plans and allocations will go through consultation and approval with the operators in accordance with the Station Access Conditions change procedures.
49	SETL	Stations	Cost allocation	Retailers are benefiting from the use of Common Zone areas and assets such as walkways, lifts, escalators along with large scale renewals (e.g. St Pancras roof) therefore should be contributing to these LTC costs. Despite stating that the primary purpose of the station is to provide passengers access to trains, retail space takes up a large part of the station footprint (especially at St Pancras) and we would like to understand HS1 decision making further, in terms of allocating space to retailers versus creating passenger capacity at stations. We would like to see retailer contributions to running costs of HS1 stations and urge consideration to fair apportionment of these costs to be considered.	We acknowledge the operators' views on cost allocation at HS1 stations. HS1 is, however, applying the cost allocation in line with the contractual framework – see Response #154. The Concession Agreement (Schedule 3 Minimum Operational Standards) requires that HS1 provide approx. 60 retailers at St Pancras. Retailers pay all costs directly incurred because of their retail units.
50	SETL	Stations	Cost allocation	Please advise when the outcome of ORR's consideration of the allocation of station costs to GTR is expected and if it'll be shared with operators.	We understand the ORR will share information with the operators in its Draft Determination or earlier if possible.

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
51	SETL	Stations	Asset Management	<p>SETL refers to the note about low spend due to long asset life on page 10 of the Civil SAS. Lack of spend has been to the detriment of SETL's passengers and stations, e.g. platform totems out of use for 4 years, several LETs becoming life expired when less than 15 years old. Operators bearing large costs for rectification. Expenditure on assets has been moved to subsequent control periods. We need reassurance that O&amp;M and renewals will be consistent with the requirements of individual assets and with end user kept always in mind.</p>	<p>Asset performance and availability is always the priority for HS1 and NR(HS). The strategies developed for stations assets consider the overall performance and life of the asset to bridge the link between renewal and maintenance, similarly to the route. Changes in deterioration to assets such as LETs has also been factored in resulting in more renewals for these assets taking place in CP4 than initially set out in the PR19 forecast for CP4. Renewal interventions are taking a balanced view between cost, risk and impact on end users.</p> <p>We note that the SETL platform CIS suffered from non-availability due to the lack of maintenance provided by SETL who were responsible for the assets as the time (the assets were not in the HS1 asset list). HS1 agreed to take over the CIS as they did for EMR and proceeded to design and manufacture a solution which is now being delivered. There are no LET assets that are less than 15 years old across all stations - all these assets were commissioned and came into effect in 2007. The LET asset life cycle design is 15 years and have been in service for 18 presently.</p>
52	SETL	Stations	Asset Management	<p>SETL doesn't agree with the stated design life of certain assets noted on page 11 of Civil SAS:</p> <ul style="list-style-type: none"> <li>- Floor finishes: SETL said its had continued issues with the terrazzo flooring with slippages due to coating, cracks and defective expansion joints.</li> <li>- Internal and External Doors: SETL continue to experience issues with the lava doors at Ebbsfleet, the Bothy and kitchen doors at St Pancras and many internal doors at both Ebbsfleet and Stratford which were all replaced around two years ago.</li> <li>- There have been significant flooding issues from the roof and walking route at St Pancras, yet page 11 of the SAS suggests that this asset has failed well before the average life design.</li> </ul>	<p>We do not agree with SETL's statements. In civils, component parts of assets or areas of an asset type have indeed failed but there has not been a complete failure for a significant area or a full asset type. E.g. the entire concourse floor finish is made of predominantly of terrazzo. We hold a significant spares holding to respond to individual tile failures via maintenance, rather than renew wide areas of terrazzo when the average condition is good. This demonstrates a balance of risk vs cost and value for money. Many of the powered doors at the stations are scheduled for an intervention in CP4 as is the transition part of the roof at St Pancras. The Platform Totems were an SETL asset until very recently when HS1 took them onto the stations asset register (these are also not a civils asset). The Internal doors do suffer from misuse which cause deterioration of these assets. The water falling from the roof onto the SETL area at St Pancras was an issue with a joint between two different roof structures and not the failure of the roof asset. We will follow up with SETL on issues with station assets through our usual regular engagements.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
53	SETL	Stations	Asset Management	SETL challenge the integrity and use of the engineering inspections (set out on page 15 of the Civil SAS) due to the significant failures SETL have had on assets in 2024 alone. It is hard to accept that this activity it acted on diligently when SETL are required to raise concerns on failing assets sometimes daily.	HS1 and NR(HS) are not aware of any civils assets that fail regularly or on a daily basis; we will follow up with SETL in our usual regular engagement. The standard associated with the inspection type and frequency for civil assets is under review, with a bespoke approach to these station assets currently in development. This review is documented in the Stations Civils SAS under capability improvement (figure 8).
54	SETL	Stations	Asset Management	SETL request that the monthly Planned General Inspections conducted by the Station Safety Manager (set out on page 16 of the Civil SAS) are undertaken alongside the SETL Area Manager or Station Manager. Failing this, outputs of these inspections should be shared with SETL station teams and safety team.	NR(HS) will engage with SETL's station management team to arrange this.
55	SETL	Stations	Asset Management	P20 of Civil SAS states that most assets and components are bespoke. Is bespoke design necessary for assets that exist not only in this industry but many others? Has consideration been given to stepping away from solely bespoke design to limited supply chain, lead time and considerable cost risk? SETL request that HS1 provide further analysis as to how much bespoke assets and components are affecting costs.	When considering the heritage of St Pancras, component parts of assets were built for this station alone and to higher specifications than general off-the-shelf products and therefore difficult to step away from easily (although this could be explored during future renewal scope development). During any renewal or replacement activity, the aim is to procure market available open source projects and different materials/components but this cannot always be delivered.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
56	SETL	Stations	Asset Management	Please share the Fast Facts Process and outputs mentioned on page 20 of the Civils SAS. Our teams on the ground play a huge role in reporting faults so complete transparency would be beneficial for all to ensure that reoccurring faults are actioned, and measures are put into place to prevent reoccurrence. The teams dealing with these issues daily are likely to be able to offer insight and solutions that could be missed elsewhere.	The Fast Facts process relates to service affecting incidents on the route, rather than incidents specifically in stations. There is a defined process for fault reporting within stations, which is through the NRHS FM Helpdesk. If and when a specific fault or trend emerges that impacts the train operators at HS1 stations, any lessons learnt is shared at the level 2 meetings, supported by collaborative engagement between NRHS and TOC station colleagues.
57	SETL	Stations	Asset Management	There have been high levels of asset failures in CP3. So SETL request to be part of the HS1/NRHS Periodic Renewals Board to ensure sight of upcoming works and renewals delivery performance.	The asset failures in CP3 have in LETs with other assets performing to target (as explained in Section 4.2 of the 5YAMS). Operators are invited to the quarterly project review meetings where project progress and future work is reported on and operators receive Gate 4 funding papers sent to the ORR for review and approval. Furthermore, periodic renewals review meeting have been put in place with all the TOC's to improve the quality of communication. Some standalone sessions have also been held as and when needed.
58	SETL	Stations	Asset Management	SETL note the introduction of Remote Condition Monitoring (RCM) in CP3 with further to be installed in CP4 and that assets will have this capability as and when they are renewed. However, only two assets that have undergone renewal recently have had this technology installed. To our knowledge, eight of our assets in total are capable of RCM and each of these have experienced significant failure. HS1 needs to demonstrate how effective RCM technology is and how it is providing value for money.	We plan to introduce RCM technology on assets as they are renewed. RCM technology has been installed on the renewed L&E assets allowing us to monitor asset data and identify performance trends. It will take time for the data trends to provide the ability to pre-empt failures. Benefits from RCM technology on L&E assets are widely accepted as beneficial by the L&E industry.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
59	DB Cargo	Route	Freight	While recognising the reduction in costs and decline in freight volumes, the 34% increase in per train charges will place the remaining HS1 freight flow at very real risk and is unlikely to be able to bear this magnitude of cost increase. There is a strong likelihood that implementing these charges would mean the remaining freight volumes cease, with HS1 incurring mothballing costs and a transfer to road freight.	HS1's structure of charges and proposals provide as much support as possible to freight within the regulatory and contractual framework. We are not able to make further changes that could reduce the cost burden on freight. This will need to be a policy decision by the DfT and ORR. Because of the risk that freight may cease operating, HS1 has analysed a scenario where there is zero freight in the system (see Section 15.6 of the 5YAMS).
60	DB Cargo	Ripple Lane	Freight	More than half the freight specific costs in CP3 were NRIL Ripple Lane. There is a large increase in access charges per train for domestic freight (non-HS1) services due to a significant anticipated reduction in train volumes. So far as Ripple Lane Exchange Sidings are concerned, there does at least appear to be a strong correlation between train volumes and costs.	The CP4 cost estimated by NRIL for operating, maintaining and renewing Ripple Lane exchange sidings was not sensitive to the reduction in freight volumes between CP3 and CP4. Costs mostly depend on our requirement to keep the asset maintained and functional with actual freight volumes having limited impact. These costs are shared between HS1 freight and domestic freight (non-HS1) after mothballing costs have been subtracted.
61	DB Cargo	Route	Possessions	DBC will continue to engage with HS1 concerning the Engineering Access Statement (EAS) discussions, recognising there is an increase in works to be delivered relative to previous control periods.	Noted. NR(HS) will continue to engage with DBC through the EAS process where all access is submitted for consultation and agreement.
62	EMR	Stations	General	No comments on the Draft 5YAMS.	Noted
63	EIL	Route	Contract Risk	EIL is supportive of the significant reduction in the number of cost risk but have specific questions on the remaining cost risk.	Noted

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
64	EIL	Route	Contract Risk	NRHS has put in place additional plans to address points failures and trespass incidents. To the extent that these have previously driven contract risk premia, EIL expect that any additional direct funding for these matters will be offset against reducing any contract risk premia for these issues.	With regards to Points failures, these are not factored into the Performance Risk as they are deemed to be 'within NRHS control'. The performance risk does not include for any infrastructure / signalling caused incidents. The Trespass strategy has been implemented, and whilst it is showing an improvement in this type of incident, we do not know the long-term impact over the next five years. The AFP has not been increased to allow for costs associated with the trespass strategy - and as such there is no double-counting.
65	EIL	Route	Contract Risk	EIL seek clarity on any insurance arrangements that may exist to cover the specified areas of risk. If policies exist for these areas, this may negate to hold additional contingency.	HS1 and NR(HS) reviewed insurances in place to check there is no additional risk included, that risk amounts align with policy excesses and to assess where there could be gaps in cover and the associated residual risk. As a result, the value of this risk as decreased from PR19.
66	EIL	Route	Contract Risk	EIL seek clarity on what steps have been taken to ensure that events are not being considered in more than one category and therefore costs duplicated.	HS1 has undertaken iterative assurance of NR(HS)'s proposals and what each risk category captures, and ORR will also be reviewing and assuring NR(HS)'s proposed contract risk as part of its Draft Determination assessment. We also noted that HS1 and the ORR receives a high-level breakdown of actual Contract risk spend each year as part of its outturn statement against the AFP to cross check.
67	EIL	Route	Contract Risk	EIL raised the same comments and challenges on Contract Risk as SETL raised in #30 to #41.	See responses #30 to #41.
68	EIL	Route & Stations	PR Process	Welcomed early and enhanced communication with stakeholders on PR process across route and stations. Significantly more advanced for route. EIL expect HS1 addresses this by enhancing stations engagement process going forward.	HS1 will be arranging a stakeholder workshop to go through the outcomes of the stations renewals costs review and application of the Cost Policy.



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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
69 EIL		Route & Stations	PR Process	<p>Some supporting evidence has not been provided, so impossible for operators to provide fully informed feedback on costly proposals. In particular (i) the Totex models for route and station assets (central to proposals), evidence supporting chosen assumptions and cost input data for those models, and trade-offs in different asset management choices; and (ii) transparency of NRHS's and HS1's own costs in more detail and for NRHS how these are allocated between different business functions. This should be made available to all stakeholders to be subjected to correct levels of scrutiny and to ensure no double counting, or ORR should direct the provision of this information.</p>	<p>This detailed information is being shared with the ORR, which is the usual process under the Periodic Review. The ORR will be reviewing, challenging and validating these as part of its assurance role in the next stage of the process. The totex models may change as a result. We understand the ORR is committed to providing maximum transparency for stakeholders on its assurance and assessment of the totex models, and all stakeholders will have the opportunity to respond to this as part of the Draft Determination consultation.</p>
70 EIL		Route	PR Process	<p>There is certain information NRHS does not share with HS1 which prevents HS1 from fully scrutinising and challenging NRHS's proposals. Operators, who bear the costs, are unable to assess the underlying assumptions, which is unacceptable. NRHS costs must be disallowed if NRHS refuses to share supporting evidence with HS1.</p>	<p>There is some confidential NRHS information that has not been shared with HS1. This detailed information is being shared with the ORR, which is the usual process under the Periodic Review. The ORR will be reviewing, challenging and validating these as part of its assurance role in the next stage of the process. The totex models may change as a result. We understand the ORR is committed to providing maximum transparency for stakeholders on its assurance and assessment of the totex models, and all stakeholders will have the opportunity to respond to this as part of the Draft Determination consultation.</p>

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
71	EIL	Route	Charges	<p>Welcome steps to reduce costs back to charges at start of CP3 in real terms, but this not enough and there are further opportunities to go further in a range of areas. HS1 needs to carefully review HS1 costs and NRHS' O&amp;M proposals. (Specific areas outlined below)</p>	<p>Our approach to identifying efficient costs for CP4 is set out in Section 12.1 of the 5YAMS.</p> <p>HS1 costs have been examined line by line and have been subject to a robust process of internal review and challenge. Where appropriate, costs have been benchmarked.</p> <p>HS1 has assured elements of NR(HS)'s O&amp;M costs. ORR will have the opportunity to review NR(HS)'s full cost base as part of its assurance and review process.</p>
72	EIL	Route	NR(HS) costs	<p>Contractual arrangements between HS1 and NRHS must not impose inefficient costs on train operators. Specifically the annual cost indexation by RPI + 1.1%, 8% management fee for O&amp;M and 10% for renewals; no correlation of variable costs to traffic volumes under AFP; and the outperformance regime. Benchmarks indicate that these are not in line with efficient cost levels in comparative sectors and should therefore be disallowed. As a matter of principle, no contract can overrule regulatory obligations on HS1 to set charges based on efficiently incurred costs, and the ORR is obliged to adjust costs accordingly.</p> <p>EIL is not aware of any tangible efficiencies or improvements due to waving right to market test the Operator Agreement. HS1 should clarify these.</p>	<p>HS1 and NR(HS) are confident that our PR24 proposals deliver on the asset management obligations at an efficient price to the benefit of the operators. We have responded to these specific challenges through the 5YAMS and in other responses. Specifically:</p> <ul style="list-style-type: none"> <li>- RPI + 1.1% - see response #93;</li> <li>- NR(HS) management fee - see Section 12.3.3 of the 5YAMS;</li> <li>- Mark up on renewals - see response #47 and #90,</li> <li>- Cost/volume correlation - see response #83</li> <li>- Outperformance regime - see response #75</li> <li>- Rebel benchmarking against comparators - see Section 12.2 of the 5YAMS.</li> </ul> <p>The ORR will be reviewing, challenging and validating our PR24 proposals as part of its Draft Determination assessment.</p> <p>Regarding the benefits from waiving the right to market test in CP3, these included [x] NRHS implementing structural changes through its Target Operating Model which has delivered efficiencies, and strategic joint partnership working between HS1 and NR(HS). The benefits of the latter have been demonstrated in the agile, proactive approach to identifying efficiencies upfront in the PR24 process compared with PR19. The ORR was consulted on our decision on the market test (as noted in our 5YAMS).</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
73	EIL	Route	NR(HS) costs	HS1 has not yet fully endorsed NRHS's proposed maintenance budget and management fee. HS1 should continue to challenge NRHS strongly on these and others where robust evidence not provided.	Since the Draft 5YAMS, HS1 has undertaken an assurance deep dive of NR(HS) O&M costs which is summarised in Section 12.3.2 of the 5YAMS. HS1 and NR(HS) have worked in joint partnership with iterative challenge and assurance throughout PR24 to deliver proposals that meet our asset stewardship obligations at efficient costs which is to the benefit of operators. There is some confidential NR(HS) information that has not been shared with HS1. As is the process, this information is being shared directly with the ORR which will challenge and validate this evidence in its assurance role through the next stage of the PR24 process.
74	EIL	Route	NR(HS) costs	NRHS has outperformed the CP3 regulated budget in the first three years, by nearly 7% on average. Measured against its actual performance to date (taking outperformance in CP3 into account), its CP4 proposed budget represents a real term cost increase, not reduction. The 7% efficiency target set by NRHS should be taken from CP3 outturn, not CP3 budget. What additional initiatives is NRHS planning, if any, for CP4 to generate additional efficiencies? NRHS should provide details of reinvestments of outperformance in 20/21 to 22/23 along with confirmation of cost savings delivered, and whether any outperformance contributed to state profits in first three years of CP3 or not.	The details of NR(HS)'s outperformance are set out in response to EIL at #75. [x] As such, NR(HS) has taken the PR19 5YAMS baseline to further challenge themselves on efficiency. Figure 33 in the HS1 5YAMS summarises NR(HS)'s efficiency enables and these are set out in detail in Section 6.2 of the NR(HS) 5YAMS. These centre around efficient asset interventions enabled through maturing asset data and creating capacity for renewal delivery. The evidence and justification for this approach will be covered in detail with ORR who will challenge and assure this ahead of its Draft Determination.
75	EIL	Route	Outperformance	NRHS should provide clarity over its use of the outperformance generated over the last three years. One such possible use could be the funding of the upfront investment costs proposed by NRHS for years one and two of CP4 to unlock future efficiencies, to the extent that NRHS can fully justify these.	See Response #22.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
76	EIL	Route	NR(HS) costs	<p>All the efficiency opportunities identified in the OMR effectiveness study should be incorporated by NRHS, e.g. the changes to the signalling maintenance organisation could save £4.5m per annum. Efficiencies should be measured against NRHS's outturn not budget (given outperformance achieved).</p> <p>NRHS outperformance and continued efficiencies identified by Rebel suggest efficiency opportunities are being ignored.</p> <p>In the absence of the ability to market test the OA, more weight must be placed on benchmarks like this report.</p>	<p>The Rebel OMR effectiveness study showed a potential range of S&amp;T and associated OMR support reductions of £2.3m-4.5m by the end of CP5, not CP4 (see p36-37 of the report). In response to the opportunities identified by Rebel, the NR(HS) Route 5YAMS section 8.4 shows a direct comparison table to the OMR benchmarking study, which demonstrates that the gross efficiency ambition is within range of that identified by Rebel for CP4 (£3.4m-6.3m). A response on how CP4 efficiencies are measured is provided in Response to #74.</p>
77	EIL	Route	NR(HS) costs	<p>The cost increase in the first two years of CP4 proposed by NRHS to cover investment costs to unlock future efficiency savings is not sufficiently supported by evidence and, until such time as it is, cannot be included. Given the existing Outperformance Regime, this incentivises NRHS to frontload costs in its budget but delay works to later years.</p>	<p>Section 6.2 of the NR(HS) 5YAMS sets out detail on the Infrastructure Evolution Programme which aims to deliver a step-change in the way NR(HS) delivers it works, which requires investment in technology and business change. The ORR will be reviewing, challenging and validating NR(HS)'s O&amp;M cost proposals, including enabling investment and efficiencies as part of its Draft Determination assessment.</p>
78	EIL	Route	HS1 costs	<p>EIL welcome the reduction in HS1 costs although EIL note HS1 expects staff and other concession cost budgets to increase, partially offsetting reductions achieved in HS1 sub-contracts.</p>	<p>Noted</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
79	EIL	Route	New operator	<p>HS1 states it will need to start incurring additional costs in preparation for the arrival of a new operator. EIL request further evidence of these additional costs and from HS1 how it will ensure any additional costs it starts incurring in CP4 to prepare for potential entry of a new operators is not allocated to current CP4 users.</p>	See response to #42
80	EIL	Route	Cost policy	<p>EIL support the new cost policy, appears to be effective way of addressing the risk of overstating renewals annuity for CP4 while ensuring sufficient funding for nearer term renewals. Further cost reductions should be explored, e.g. for track where significant range in cost policy estimates.</p>	<p>Support for the approach is noted. We explored all cost estimates when developing our proposals. We believe these are appropriate to meet our asset stewardship obligations.</p>

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
81	EIL	Route	Renewals costs	<p>The renewals base cost levels remain of concern. These have increased significantly since CP3 and drivers not fully explained, e.g. Ballast cleaning, civils and signalling areas. Overlays for risk (of up to 60% mark up on some assets), overheads, overheads, project management and profit add substantial costs and no explanation to justify them.</p>	<p>NR(HS) developed the CP4 renewals cost estimate using the standard industry Rail Method of Measurement (RRM1) methodology to split out direct construction from overlays for prelims, design, project management, risk and markup. Direct construction allows for only direct labour/plant/materials used on-site. All other costs are treated as markups and the estimators have used standard cost advice from NRIL which has been developed over years of actual project delivery on how costs materialise in the rail construction market.</p> <p>The markup for risk in particular includes for the likelihood on complex and novel schemes for base costs through the development lifecycle as the scheme is better understood (estimating uncertainty).</p> <p>NR(HS) undertook due diligence, assurance and scrutiny of the costs and volumes in the renewals workbank. In addition, HS1 has assured the renewals volumes and costs.</p> <p>HS1 developed the CP5 to CP11 renewals costs (see Section 13.5 of the 5YAMS). The base costs were priced on the agreed volumes and CP4 unit rates. Four intermediate steps were applied to the base costs to reduce indirect costs while still delivering on our Asset Stewardship Purpose. The final step was the application of the Cost Policy to adjust the costs based on time horizons.</p> <p>The renewals cost estimates will be challenged and validated by ORR as part of the PR24 process.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
82	EIL	Route	Cost allocation	A greater share of renewals costs are deemed to be variable (recoverable through OMRCA1 as directly incurred costs) than in CP3. Underlying factors informing the renewals cost allocation (between directly incurred and fixed) appear to be high-level assumptions than based on quantifiable evidence. Given there is a risk of cost over/under recovery when fixed costs are wrongly categories as variable (since OMRCA1 is not subject to VROs) great care must be taken not to overstate the share of directly incurred costs. EIL invites HS1 to provide any further evidence to support its chosen allocation metrics.	HS1 has undergone iterative assurance with NRHS of the allocation of renewals costs. The approach has been done at a more granular level than in PR19 which allows for more accurate allocation across asset types. The ORR will be reviewing, challenging and validating our cost allocation as part of the PR24 process.
83	EIL	Route	Cost allocation	Covid was a test in the relationship between costs and traffic volumes, this seemed to show little cost variability. With more renewals allocated to direct costs, this seems counter to evidence observed in pandemic.	HS1 and NR(HS) discussed the sensitivity of costs to train volumes during Covid-19 at the time and in our PR24 stakeholder engagement (September 2023). NRHS's costs didn't reduce due to running less traffic during C-19 because maintenance interventions are set to manage safety at line speed, and that a significant reduction in traffic for a prolonged period. There was not a significant impact on track route renewals - the significant decline in traffic would need to be for a more prolonged period to have an impact on tonnage dependent renewals towards the end of the 40-year workbank. Volume related renewals planned for CP3 were driven by wear and tear that had already occurred and therefore no cost differential was attained.
84	EIL	Route	PAT amendments	The PAT consultation is an important exercise, certain provisions would benefit from revision. EIL has shared its own change proposals with HS1 and expect these to be addressed in its consultation.	HS1 has outlined in the 5YAMS ( Section 18.9) the PAT amendments we are proposing to the ORR, along with a summary of the operators views on these and other amendments, noting that some of these are outside the scope of ORR' s determination.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
85	EIL	Route	CP3 Outturn	<p>NRHS has not satisfactorily explained the impact of the pandemic on its O&amp;M outturn. It says the pandemic both drove additional costs (social distancing and other health protection) and provided no opportunities to reduce O&amp;M works schedule. Yet, outperformance during 20/21 and 21/22 was a result of the pandemic. NRHS needs to provide more detailed year by year account of drivers of outperformance for CP3 to date.</p>	<p>The impact of Covid-19 pandemic on NR(HS) costs have been covered in detail with operators at the time and during PR24 (see bilateral and workshop slides from September 2023 provided as supporting documents). [x] Explanation of the drivers of outperformance in CP3 is covered in the response to #75.</p>
86	EIL	Route	NR(HS) costs	<p>Table 32 of the Draft 5YAMS states that the NRHS efficiency proposals were benchmarked against NRIL and other UK regulated infrastructure. Please provide the benchmark and how efficiency was measured in each case.</p>	<p>The comparison to NRIL is in relation to the Southern Region's CP7 Strategic Business Plan as submitted to the ORR for PR23. [x]</p>
87	EIL	Route	R&D	<p>Please specify what efficiencies, if any, has already been factored into CP4 that arose from the CP3 R&amp;D activity. If none has yet been included, please explain why not.</p>	<p>HS1 and NRHS held an R&amp;D showcase in May 2024 to demonstrate to stakeholders the benefits, outputs, and value for money of the projects delivered in CP3 (see Section 3.8 of the 5YAMS). This coming year will be focused around the close out of the existing CP3 R&amp;D portfolio and how successful projects are introduced into BAU, which will include business cases with the expected efficiencies that could be delivered.</p> <p>In terms of CP3 R&amp;D feeding into efficiencies for PR24 proposals, for O&amp;M, as trials are ongoing at the time of PR24 submission, estimated efficiencies have largely not been included. Efficiencies have been incorporated into renewals costs via the Cost Policy assumptions (as explained in the Cost Policy supporting documents).</p>



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88	EIL	Route	NR(HS) costs	<p>The AFP budget increase in the first two years of CP4 is not sufficiently justified and leaves scope for NRHS to benefit under the current outperformance regime. Further details on NRHS's upfront investments (including costs) and efficiency savings is needed. In particular, eAMS systems upgrade and Infrastructure Evolution programme.</p> <p>Why can't outperformance be used to finance these upfront investments? To the extent that upfront investments unlock efficiencies beyond CP4, the costs for these upfront investments should be recovered over a longer time period than CP4.</p>	<p>As set out in the NR(HS) 5YAMS Section 6.2, the aim of the Infrastructure Evolution Programme is to deliver a step-change in the way NR(HS) delivers its day-job. It will not be possible to deliver this without investing in technology and business change. The evidence and justification for this approach will be covered in detail with ORR who will challenge and assure this ahead of its Draft Determination. Since the investments are opex costs (e.g. business change, new IT systems) NR(HS) does not have the opportunity to spread the costs over multiple years or Control Periods. NR(HS) considers this would be one of the benefits of a 10YAMS+ which was one of the PR24 sprint initiatives discussed with stakeholders. Changing the outperformance regime needs careful consideration, as using this to finance upfront investment for the system may have an adverse effect on incentives.</p>
89	EIL	Route	<p>Renewals to maintenance / Routine Renewals</p>	<p>EIL welcomes the associated reductions in overheads and management fees. Please clarify the funding and governance mechanisms for the smaller scale renewals work reclassified as O&amp;M in CP3.</p> <p>EIL understand for CP4 a range of work activity previously defined as renewals has been reclassified as O&amp;M and is accordingly in the O&amp;M budget.</p>	<p>No renewals works were reclassified as O&amp;M in CP3 and there are no plans to reclassify renewals works as O&amp;M in CP4. For CP4, we have identified a number of renewals where the full projects governance process is not required due to the low risk and certainty of delivery. We are proposing a streamlined governance process for these projects as set out in Section 13.3.4 of the 5YAMS. The work is still defined as renewals and paid for from the renewals escrow. Following stakeholder engagement, and for clarity, this work is now referred to as Routine Renewals.</p>

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90	EIL	Route	Renewals costs	The draft 5YAMS provides some breakdown of the revised CP3 work bank cost but requires further clarification. For example, the increase in PMO costs (from a target of 10% of direct costs to 15%) is not sufficiently justified, seems driven by significant overspend in years 1 and 2 of CP3. If these are funded from escrow, NRHS should only be paid the target 10% unless a higher cost is fully justified.	The PR19 budget was a target. The actual costs (direct and indirect) for any renewals project are confirmed through the renewals gate process with the ORR and DfT. The numbers in Table 14 for the revised workbank were approved by the ORR and presented in 2022/23 AMAS (circulated to operators). Renewals delivery against this new baseline is reported annually in the AMAS.
91	EIL	Route	NR(HS) Management Fee	All information relevant to assessing the appropriateness of NRHS' management fee must be shared if it is to be relied upon for determining charges to operators.	The confidential information is being shared directly with the ORR which will challenge and validate this evidence in its assurance role through the next stage of the PR24 process. This is the process as followed in previous Periodic Reviews. We understand the ORR is committed to providing maximum transparency for stakeholders on its assurance and assessment of the PR24 proposals and all stakeholders will have the opportunity to respond to this as part of the Draft Determination consultation.

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
92	EIL	Route	NR(HS) Management Fee	NRHS Management fee is too high, inefficient, and should be reduced. It is high compared to a comparable benchmark [X]. EIL request detail on whether the recharge from NRIL also include any NRIL overhead and profit margins. These comments also apply to the 10% NRHS management fee on route and station renewals.	Supporting evidence on the management fee has been shared with ORR as part of its assessment of HS1's proposals for the Draft Determination. NRHS and HS1 are aware that the ORR is progressing its 'Risk and Uncertainty' review through the PR24 process to understand all areas of system risk management to ensure it is efficient and effective. The system should remain open to discussions to consider improving incentives for all parties to drive efficiency, but this cannot be done in isolation without understanding the contractual landscape, which would require a consensus on changes to the current asymmetric risk profile that exist for HS1 which NRHS holds accountability for. [x]
93	EIL	Route	Inflation	Application of RPI+1.1% leads to inefficient cost uplift levels and should be replaced by CPI. RPI is not appropriate - NRIL uses CPI and NRHS draws on many NRIL services, [x], this should be passed on by applying CPI not RPI+1.1% to NRHS O&M budget. RPI+1.1% is less defensible when RPI overstates actual inflation. Even though the OA incorporates these terms, this is a private agreement and not justification for efficient level of costs.	While NRIL is regulated on CPI, its actual cost base has historically risen with RPI (or other indices like the Construction Price Index). [x] EIL will also be aware that (i) the ORR "understands that HS1 Ltd is tied to indexing by the [RPI] by its contractual arrangements with suppliers", as noted in its PR24 Approach Document; and (ii) that RPI methodology becomes aligned with CPIH from 2030. The RPI+1.1% provisions reflects NR(HS)'s exposure to supply chain risk which is more complex than organisations benchmarked through the Oxera management fee analysis. This is as a result of: [x] Whilst upside as a result of these factors would result in out-performance share across the system, any downside would have to be taken to NR(HS) bottom-line. As such, an uplift to the indexation clause in the OA reflects this.

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94	EIL	Route	NR(HS) costs	Some of NRHS's line items in the AFP are not clearly relatable to route activities, and some indirect costs are not clearly defined and possible double counting. EIL request further information on specific line items and costs that can't be justified should be removed.	NR(HS) has provided responses to these challenges in the confidential version of this document. The ORR will be reviewing and assuring these costs as part of the its Draft Determination assessment.
95	EIL	Route	NR(HS) costs	[x]	[x]
95 (cont)	EIL	Route	NR(HS) costs	[x]	[x]
96	EIL	Route	HS1 costs	HS1 proposes cost increases for its staff and other concession costs, and EIL question whether these are efficient, and whether these are correctly included in the CP4 regulated budget. Average payroll cost per employee do not appear efficient when benchmarked and seem at elevated payroll costs. [x]	See Response #18 on HS1 staff costs. Other concession costs have been driven up by environmental initiatives, which is a commitment from HS1 in this submission. The CP4 budget has a 20% efficiency saving vs the CP3 outturn costs for these initiatives.
97	EIL	Route	HS1 costs	HS1 should provide more detail on the allocation of HS1's costs across functions (route, stations and unregulated) for: 1. The 'other' cost category 2. Costs on line-by-line basis made more transparent 3. Further distinction between O&M and renewals, and in the station between nonregulated rail activities (Qx, station enhancements) and regulated LTC, and costs supporting other nonregulated income streams (e.g. retail and car parking).	1. Other railway costs are made up of £0.22m PR and Marketing costs (over 5 years), this cost is for our PR agency who offer press, media and public affairs specialist support (note this is separate to our retail event/press/media cost). There is also £0.23m for the Ashford IECC contract which is a fixed price. 2. Line-by-line detail will be provided to the ORR, who have agreed to a transparent and detailed review. 3. Our 5YAMS gives detail on the regulated O&M costs, the nonregulated activities have separate cost bases and are not relevant for this review

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98	EIL	Route	NR(HS) costs	Where the chosen operating model drives duplication and double marginalisation such costs must be excluded. Savings could be achieved from consolidation in areas such as operations monitoring, customer engagement, invoicing and project management functions (e.g. if NRHS is given the R&D budget and recruits a head of innovation for that, this may obviate the need for dedicated HS1 R&D resource.)	There is no duplication of HS1 roles or responsibilities with those in NR(HS). There is a clear distinction between operational delivery and strategic oversight. The NR(HS) SAMP includes a RACI for the Asset management system which has been agreed with HS1. HS1 has several contracts to manage to discharge, including UKPNS and ABM - NR(HS) is not the sole focus.
99	EIL	Route	HS1 costs	HS1 states that 100% of its office costs are allocated to the route O&M budget. Could HS1 please confirm that all office costs related to its retail operations are not recovered from or funded via OMRC? If they are indeed funded 100% via OMRC, can HS1 provide the contractual basis on which it allocates its office costs in this way?	100% of office costs are allocated to the route O&M budget. The cost allocation has remained consistent with previous control periods and covers the core costs to run the HS1 business, this is aligned to CP1 where the route was the infrastructure managed by HS1.
100	EIL	Route	HS1 costs	For CP3 HS1 notes £1.2m spend on route specific PR and marketing. Can HS1 confirm what this related to. If this was connected to new entrants, such expenditure must not be included in the regulated budget for CP4.	The majority of this cost is for our PR agency who offer press, media and public affairs specialist support (note this is separate to our retail event/press/media cost).

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
101	EIL	Route	Renewals costs	<p>EIL is deeply concerned that the base cost envelope for the full 40-year planning horizon proposed by NR(HS) increased significantly, prior to HS1 challenge, despite a large reduction in projected track renewals volumes compared to CP3. EIL requests that information from HS1 and NR(HS) regarding its Totex model used to model the base costs, the assumed unit cost estimates and risk assessment methodology feeding into the base cost envelope is made available to train operators as a matter of urgency to enable an informed review and debate of the 5YAMS proposals.</p>	<p>NR(HS) did not propose 40 year route renewals costs. As noted in Section 13.1 of the 5YAMS, NR(HS) provides the route renewals costs for CP4 only.</p> <p>HS1 estimates the renewals costs for the remaining 35 years, using the CP4 unit rates provided by NR(HS) and those produced by HS1 (using external cost consultants) for CP5-CP11.</p> <p>NR(HS) and HS1 will be sharing all the bottom-up estimating detail we have with ORR, as well as proposing a deep dive session specifically on renewals unit rates / pricing. We do not believe it would be appropriate to share with TOCs as the ORR will perform this review and assurance. The pricing process, including the risk application methodology has been laid out in the NR(HS) Renewals Strategy (Part 1 Section 5.4 and Part 2 4.4) and summarised in the NR(HS) 5YAMS (section 9.5).</p>
102	EIL	Route	Renewals costs	<p>EIL notes that NR(HS) has withheld information underlying its ballast cost estimates and is deeply concerned that this does not allow HS1 to come to an informed view on NR(HS) price proposals, or permit stakeholders to make an informed judgement.</p> <p>The separate strategy document requested by HS1 from NR(HS) for ballast cleaning will need to be shared with all stakeholders in time to permit analysis and comment prior to ORR Final Determination.</p> <p>Should this information not be provided by NR(HS), HS1 should not permit the full scale of cost increases proposed within the 5YAMS.</p>	<p>NR(HS) provided information to HS1 on the bottom-up cost estimate for the ballast unit rate, with robust challenge from HS1. NR(HS) has also had commercially privileged conversations with a potential supplier (NRIL's Supply Chain Operations team) to sense-check the outputs of the estimation and has undertaken an analysis of NRIL delivered rates in CP6 by that team for the same purpose. The procurement strategy for this work has not been decided, so to not adversely impact any potential market tender process for the work, not all of the detail of the discussion has been shared with HS1. NR(HS) is happy to have fully transparency with ORR on these discussions.</p> <p>Since the Draft 5YAMS, NR(HS) has prepared a Summary of Ballast Unit Rate Development which is included as a supporting document for ORR review. ORR has already identified that they will be taking a keen interest in the ballast unit rate since it makes up a large share of the Route Renewals, and they have recently reviewed NRIL in PR23. We do not believe it would be appropriate to share with TOCs as the ORR will perform this review and assurance of these costs.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
103	EIL	Route	Renewals costs	Significant renewals cost increases and change in projected delivery profile, particularly Civils and Signalling, require full and transparent justification. These do not appear to be explained in any detail in the documentation provided by HS1 to train operators to date.	The renewals workbank is based on the robust asset management plans and objectives that have been developed and presented to stakeholders during the PR24 process to date. The industry standard RMM1 methodology was used to price renewals. A key part of the Cost Policy is to address the issues with the uncertainty around forecasting long term renewal costs. The renewals cost profile will be challenged and validated by the ORR.
104	EIL	Route	Renewals volumes	EIL requests that HS1 and NR(HS) share further information about how the future adoption of ERTMS affected renewals planning, and whether the 40 year work bank includes only future renewals related to ERTMS or also the initial investment costs.	The workbank does not allow for the installation of ERTMS, this will be treated as a Specified Upgrade. Initial development costs are also excluded as these will be recovered as AIRC, as noted in Section 3.7 of the 5YAMS. There are a number of Signalling and Control System sub-assets that have renewals identified in the 40-year workbank after introduction of ERTMS (see Section 13.2 of the 5YAMS). As the ERTMS scope is developed and better understood some of these renewals may be removed from the workbank.
105	EIL	Route	Renewals costs	In "Route Renewals 40 Year Work bank Costing_TOC.xlsx: 1. Applied risk factors range from [x] of direct costs. Can NR(HS) explain why certain projects planned to be delivered by or before 2030 require risk margins as high as [x]? 2. Can NR(HS) specify what type of costs are included in the indirect costs overlay, and what type of costs are included in the Project Partner/PMO/NR(HS) Renewals Management overlay? It is unclear whether these are calculated bottom up or as a percentage of the underlying direct cost estimates.	[x]

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
106	EIL	Route	Renewals costs	In Table 14 of the Draft 5YAMS the application of an efficiency overlay after the application of risk, PMO and contingency mark ups would suggest an overcompensation of NR(HS) and overstating of risk premia. Can HS1 explain the logic behind this approach?	Table 14 compares the outputs of the review of the CP3 renewals workbank to the CP3 renewals costs determined by the ORR as set out in Table 4.12 of the PR19 Final Determination. It applies markup, risk, PMO and efficiency in the same order as applied by the ORR.
107	EIL	Route	Renewals volumes	The CP4 renewals work bank must be checked for deliverability, based on historical performance. Performance in CP2 and in CP3 to date suggests there may be a planning bias to budget for more work than can be realistically required or delivered. Has HS1 taken this into account as a possible bias when reviewing and challenging NR(HS)'s renewals plans for CP4, and what, if any, reductions resulted from such a challenge?	HS1 went through several iterative rounds of challenge with NR(HS) on renewals volumes, costs and deliverability culminating in a reduction in CP4 renewals costs of £109m (see Section 13.3 of the 5YAMS). The ORR will review the proposals as part of the Draft Determination.  In terms of CP3 renewals planning and delivery, the CP3 route renewals workbank was reviewed and revised in 2022/23 and agreed by ORR. Renewals volume delivery in 2023/24 was ahead of this revised plan.
108	EIL	Route & stations	Cost Policy	EIL supports the cost policy. EIL notes that for ballast and track renewals there is a considerable spread between the bottom and top cost estimates and invites HS1 to consider further the robustness of their chosen P values for these categories and whether lower P values may represent equally likely outcomes.  It is important that HS1 also implements the Cost Policy for Stations for CP4.	Support for the approach is noted. HS1 considers the ranges selected are appropriate. An addendum to the Cost Levers Scoring Report explains our assumptions. This will go through challenge and validation with the ORR.  Since the Draft 5YAMS, HS1 has also applied the Cost Policy to stations (see Section 16.1.2 of the 5YAMS).



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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
109	EIL	Route	Annuity	<p>EIL supports the changes to the annuity calculation methodology.</p> <p>EIL has no specific reasons to contradict the long-term traffic forecasts applied by HS1 to calculate the renewals annuity.</p> <p>EIL supports the switch to CPI, which is in line with its view that the entire charging regime should be amended to use CPI, in line with other regulatory regimes.</p>	<p>Support for the annuity approach is noted. HS1 does not support changing the charging regime to CPI. RPI will align with the CPIH methodology (the ONS's preferred measure for inflation) from 2030 and there would be no material benefit from amending HS1's contracts to CPI for the 5 years of CP4 before this. For clarity, the use of CPI for inflation forecasts is used as a proxy for CPIH currently there are no longer term CPIH forecasts.</p>
110	EIL	Route	R&D	<p>Before the R&amp;D budget is increased, a cost benefit analysis of CP3 R&amp;D expenditure and projects should be undertaken.</p> <p>It appears to EIL that the governance processes envisaged for CP3 R&amp;D failed in the following areas - business cases, approvals process, transparency and mechanism for treatment of unused funding at the end of CP3.</p>	<p>For CP3, approval for business cases and application of funding for R&amp;D schemes has taken place through the multi-stakeholder R&amp;D Panel. Whilst there was good attendance in general to the R&amp;D panel from most stakeholders, some stakeholders have not fully engaged and are therefore less sighted on the benefits yielded from R&amp;D in CP3. We have also not been able to benefit from their input and engagement and therefore could potentially be excluding relevant insights and system opportunities. It is vitally important that we garner full system attendance in CP4 to fully engage in all system R&amp;D opportunities. There are of course improvements and lessons learnt identified through CP3 which have been outlined within the R&amp;D Strategy - see sections 3, 6 and 8 specifically. The funding for CP3 R&amp;D has been fully allocated and we've established the mechanism for any unplanned underfunding in the CP4 proposals.</p>
111	EIL	Route	R&D	<p>Project OpenSpace should not have been funded from the CP3 route R&amp;D budget as it relates wholly to stations and benefits a wider range of stakeholders. The project is expected to go into BAU and be funded through Qx despite explicit lack of support from EIL. EIL requests HS1 reconsider its position on this project.</p>	<p>As noted in section 10.3.2 of the 5YAMS, there is no defined funding mechanism for stations R&amp;D and innovation. HS1 proceeded with the OpenSpace project through the R&amp;D fund given the benefits to operators of improved customer satisfaction and efficiencies in stations operations. It's necessary to fund OpenSpace from Station QX in its 'BAU' form as it is most likely to contribute towards efficiencies within station QX budgets and customer satisfaction in the longer term.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
112	EIL	Route	R&D	Governance must be tightened and value for money evidenced before approving the CP4 budget, including a thorough analysis of R&D to date, tightening of governance structures for CP4 and a justification of any overhead cost increases related to R&D.	See responses to #13, #14, #86 & #110.
113	EIL	Route	Pass through costs	Involvement of stakeholders in letting of new electricity supply and electricity risk management contracts was helpful and collaborative. However, HS1's failure to manage electricity procurement correctly in 2022 led to customers paying traction electricity charges in 2023/24 and 2024/25 significantly higher than prevailing market prices.	This area was discussed extensively at the time. In agreement with TOCs, HS1 had intended to lock in a significant amount of green energy through a 10 year Corporate Power Purchase Agreement (CPPA). When electricity markets spiked, the cost of the 10 year CPPA also spiked. It was sensible to not lock in a high price CPPA, but this meant we had to lock in for a 6 month "season" at prices that were significantly higher than the average price we had previously secured.

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
114	EIL	Route	Pass through costs	<p>Dispute resolution costs should not be included in pass-through costs.</p> <p>Where HS1 proposes to expand definitions of some pass-through categories, EIL would like to understand how HS1 has recovered such costs to date.</p> <p>HS1 should have strong incentives to manage pass through costs efficiently. The greatest cost control is usually achieved if cost ownership is allocated to the party best placed to control it. HS1 appears to have control over many, if not all, of the proposed additions to the existing pass-through cost definitions.</p>	<p>Dispute Resolution is an existing item in the Passenger Access Terms. The element that is in pass through is "any sums payable by HS1 Ltd in connection with the provision of dispute resolution services in respect of HS1 (<b><i>other than the Costs</i></b> )" (emphasis added).</p> <p>The items proposed to be added and how they have been recovered to date:</p> <ol style="list-style-type: none"> <li>1. REACT - was agreed by TOCs for CP3 and has been recovered through OMRCC although the PAT changes were missed.</li> <li>2. N-1 costs - separate agreement for recovery in CP3 was signed off by TOCs. The agreement envisaged and allowed for this to be added to pass-through from CP4.</li> <li>3. Success fees for Business Rates fees - this has never been necessary in the past. This would only be payable if there was a successful challenge and TOCs made savings on business rates in a "Check Challenge Appeal" situation</li> <li>4. Insurance revaluations and broking fees. The current item is "Insurance" we take this to mean costs necessarily incurred as required by the industry. The cost of broking and surveying may or may not be wrapped up in insurance premia depending on the particular underwriter so we have included the proposed wording to increase transparency.</li> <li>5. Energy management and bill checking. Energy management was previously included as part of the npower contract and has not previously been incurred, but we see this as an improvement in service delivery and separated the contract. Bill checking has also not previously been instigated but is being investigated as passing this to a dedicated third party may lead to cost savings that would flow through to TOCs.</li> </ol>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
115	EIL	Route	Charging model	<p>An AIRC is included in the charges model at the same level as CP3, which was funding the GSMR project. Please provide an update on GSMR project cost recovery, confirm it will not be included in CP4 and adjust the model.</p> <p>EIL expects further updates on the ERTMS early design study for ERTMS and how this may be funded through a new AIRC.</p>	<p>The AIRC is only included in the charging model as a memorandum item so that stakeholders can see overall charges, it is not used to set any charges for CP4.</p> <p>There has been no change to the existing AIRC for GSM-R and overall recovery will be measured and adjusted against the current contractual terms. The AIRC for GSM-R has been removed from the charging model for clarity and the cost recovery summary for GSM-R will be provided shortly.</p> <p>HS1's revised approach to ERTMS Early Works is outlined in Section 3.7.1 of the 5YAMS; operators will be kept informed.</p>
116	EIL	Route	Charging model	<p>EIL agrees with HS1's proposal made in the Structure of Charges Review in 2021/22 to remove the PV calculation of the O&amp;M costs for the 5 years of the control period.</p>	<p>HS1 has not made this change. The increase in interest rates since the Structure of Charges Review means discounting future costs has become more important.</p>
117	EIL	Route & Stations	Escrow	<p>The escrow account contributes to additional costs for operators, by restrictive investment rules generating very low returns, while RPI reached historic highs. EIL conservative estimation is that £30m of value was lost over two years when inflation at its highest, which the operators must replace. It is imperative that action is taken on the funding rules in the Concession Agreement to permit HS1 to improve investment options.</p> <p>EIL is supportive of HS1's proposals for HS1 and DfT to amend the Concession Agreement terms to permit more efficient investment.</p>	<p>It is because of this cost impact on operators that HS1 is supporting these changes. Support for HS1's proposals is noted.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
118	EIL	Route	Performance regime	EIL does not see a need to change the current regime wholesale, but is open to considering improvements where appropriate in the HS1-specific context. A clear disassociation must be maintained between the domestic NRIL Performance Regime and the bespoke HS1 Performance Regime, designed for the HS1 operating profile. The price elasticities in the Passenger Demand Forecasting Handbook are not relevant for international high speed services.	Noted. We will engage operators on further work in this area.
119	EIL	Route	Performance regime	EIL is concerned about the speed of recovery from disruptions (particularly major trespass incidents and OLE-related incidents). NR(HS) must be given strong incentives to improve, in terms of performance benchmarks or Schedule 8 financial cap values. EIL stands ready to continue to work with HS1, NR(HS) and the ORR on this.	NR(HS) is also ready to work on this topic with stakeholders. NR(HS) has already started improvements in incident recovery by seeking to introduce Service Delivery Managers in the Ashford Control Centres to manage incidents when they occur. It has also delivered Rail Incident Commander/Tactical Incident Commander (RIC/TIC) training to those on-call.
120	EIL	Route	Performance regime	Where procedures have been agreed with train operators for disruption outside NR(HS) control (e.g. severe weather), there must be a corresponding reduction in the NR(HS) risk premium to recognise the elimination of their financial exposure. EIL requests NR(HS) confirm where this has been factored into its performance risk premia.	This is correct and can be seen in the corresponding reduction in the contract risk price, where procedures for reducing the risk exposure (e.g. weather 365) have been taken into account. These were described in the narrative shared with TOCs on 5/9/23.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
121	EIL	Route	Performance regime recalibration	EIL supports HS1's proposal to not recalibrate the performance regime for the start of CP4 and to consider a recalibration in CP4 when a stable reference period can be identified and agreed.	Support for HS1 proposal noted
122	EIL	Route	Performance regime	EIL continues to work with HS1 and NR(HS) on amendments to the HS1 PAT to introduce specific drafting for CP4 to cover reactionary delays.	Noted. We will continue to engage stakeholders on this.
123	EIL	Route	Capacity Reservation Charge	EIL does not think there is a strong case to justify the reintroduction of the Capacity Reservation Charge in CP4. Since it currently provides no incentive for efficiency, EIL does not consider that it fulfils the requirements under the section 17 of the Railway Regulations.	Following stakeholder feedback we decided to not reactivate the CRC. We will keep this under review and continue to reserve the right to activate the CRC at our discretion.
124	EIL	Route	Possessions	EIL has not seen any detail on trade-offs between different possessions regime scenarios in terms of costs and train schedule impacts. EIL requires further detail to be assured that the extended possessions windows are required to deliver the renewals in a timely and efficient manner.	The Operations and Engineering Access Strategies both detail the work which was completed on the access model. This was conducted with collaborative input from EIL, SETL and DB Cargo as early mitigation to reduce unnecessary timetable impact. Productivity, and therefore cost, has been considered for high disruptive works. However further detail on cost-based trade-offs will come through scheme-specific development. The CP4 renewals deliverability assessment provided an indicative access need for renewals, which was then optimised using findings from the ORR Possessions Efficiency Independent Report 2021. The Engineering Access Strategy makes assumptions for multi-worksite possessions to ensure efficiency in renewals access estimates.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
125	EIL	Route	Performance	<p>HS1's operational performance when there is no major disruption on the infrastructure is excellent. However, management of major operational incidents and implementation of actions for future incidents of the same nature needs to improve. EIL will seek to reestablish a more formalised and regular process with NR(HS) and HS1 to measure and monitor performance in a manner relevant to TOC operations.</p>	<p>NR(HS) is ready to engage with EIL on management of major incidents; it has invited EIL to attend some of the NR(HS) system incident planning exercises but EIL has been unavailable to attend. It is important for EIL to engage with NR(HS) regarding incident contingency plans, in order to manage incidents, and recovery from incidents, in the most efficient manner.</p>
126	EIL	Route	Safety	<p>The presentation of NR(HS) safety data in the 5YAMS seems more inwardly focussed (i.e. NR(HS) staff and contractors) than outwardly focussed (other station staff and passengers). EIL would welcome greater collaboration and transparency from NR(HS) on safety issues.</p> <p>Workforce FWI data presented in the 5YAMS does not differentiate between NR(HS) staff and contractors. EIL would welcome clarity on actions NR(HS) is taking with its contractors to mitigate contractor FWI.</p> <p>During disruptions, particularly where train sets are stranded, EIL would welcome NR(HS) taking greater consideration of passenger safety and wellbeing in their strategy for managing each incident.</p>	<p>NR(HS) approaches the safety of both its staff and supply chain in a similar way. As per industry reporting, FWI reported data does not differentiate between staff and supply chain. However, breakdowns of contractor vs staff safety statistics are provided in the periodic reporting to HS1. In reducing FWI specifically for contractors, NR(HS) hosts a series of supplier safety days which seek to share best practice across the supply chain and provide a mechanism to review supplier safety plans. Supplier safety plans are also reviewed periodically to ensure that action is taken to improve safety for suppliers and passengers.</p> <p>NR(HS) is currently reviewing disruption management when actively dealing with stranded trains. A stranded trains risk assessment which considers passenger welfare has been introduced. Stranded trains table top exercises are also planned to be completed to enable a better response to these types of incidents.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
127	EIL	Route	Sustainability strategy	EIL supports HS1's sustainability strategy and is encouraged by the collaborative nature of the work in this area. EIL requests that HS1: <ol style="list-style-type: none"> <li>1. shares detailed plans for the heat pumps to be installed in HS1 stations</li> <li>2. explains how it decides which projects to fund via LTC, and which via REACT and the Stations EAG</li> <li>3. commits to provide accurate, timely and transparent environmental and energy data to TOCs for stations and traction.</li> </ol>	<ol style="list-style-type: none"> <li>1. HS1 is happy to provide a summary of heat pump installation plans.</li> <li>2. LTC funds renewals of station assets e.g. boiler renewal with heat pumps. REACT projects are focused on lineside energy saving schemes. Stations EAG projects are focused on energy saving initiatives within stations. The purpose of these two energy reduction groups is to deliver small scale energy reduction schemes, with short payback periods.</li> <li>3. HS1 is happy to provide this data where it is available</li> </ol>
128	EIL	Route	Train path forecasts	EIL has no evidence to suggest that the proposed train path forecast is unreasonable.	Noted
129	EIL	Route	New operator	EIL supports HS1's approach and agrees that any entry should be considered as and when it takes place, through an Interim Review.	Support for HS1 approach noted
130	EIL	Route	Specified Upgrades - WACC	EIL disagrees with the use of the nominal HS1 WACC as the default discount rate for small scale specified upgrades during CP4. The discount rate should be determined for each individual project. EIL would welcome clarity on how many projects (other than the ERTMS design study) may be subject to this treatment.	HS1's WACC is an audited annual rate which reflects the business's cost of capital and unique financing structure. We are proposing this as the appropriate rate only for small scale upgrade projects. There are no upgrade projects outside of the ERTMS design study included in the CP4 proposal, but we would welcome ORRs determination on this rate should small scale upgrade projects arise.
131	EIL	Route	REACT	EIL supports the proposed REACT budget (£250k over CP4) and anticipates it delivering similar incentives and savings to those delivered to date.	Support for the CP4 REACT budget noted



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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
132	EIL	Route & Stations	HS1 costs	HS1's cost base for CP4 is built assuming a steady-state HS1 asset. EIL agrees that it is not necessary or efficient to build in provisions for unknown shocks or new operators and considers it more appropriate to deal with significant unplannable shocks through Interim Reviews.	Support for HS1 position noted
133	EIL	Route & Stations	Annuity	EIL supports the HS1 approach to weighting the route renewals annuity by long term train path forecasts.	Support for HS1's approach is noted.
134	EIL	Stations	Cost allocation	EIL has not identified any issues with the updated floor plans at St Pancras and Ebbsfleet as they are currently described and consequently supports an updating of the station allocation calculations for current floor allocations, subject to receiving the final update incorporating EES kiosk locations.	Noted. The station plans and allocations will go through consultation and approval with the operators in accordance with the Station Access Conditions change procedures.
135	EIL	Route	Capacity Reservation Charge	Included in EIL main response. EIL does not consider it necessary to reactivate the CRC.	Following stakeholder feedback we decided to not reactivate the CRC. We will keep this under review and continue to reserve the right to activate the CRC at our discretion.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
136	EIL	Stations	Charges	<p>It is of concern that HS1 would propose to base a 40% real terms charge increase for the Stations Long Term Charge (“LTC”) on information that it has not yet fully understood. HS1 found itself in a similar position in PR19, suggesting little progress in its understanding of its stations assets has been made in the meantime, 15 years into the concession. If such lack of understanding led to inefficient asset management in the past and upward cost pressures going forward, it is not appropriate to pass these costs on to train operators.</p>	<p>In our Draft 5YAMS we noted that we were planning to undertake a further review of station renewals costs and to explore the application of the Cost Policy to stations. We have now completed the review and applied the Cost Policy. This has led to a significant reduction in costs and LTC. Total LTC is now 12% lower than in PR19. We are unclear what the comment about inefficient asset management in the past is referring to. Section 4 in the 5YAMS sets out the CP3 outturn for stations and notes that HS1 and NRHS have delivered on the station renewals plans and asset management, as was it monitored regularly by the ORR through CP3</p>
137	EIL	Stations	Renewals costs	<p>EIL understand that HS1’s proposals on stations are not yet finalised and that further work is currently being carried out to: (a.) fully understand the underlying drivers of the cost increases proposed by NRHS and challenge them where necessary; and (b.) apply the same methodology to stations LTC has been applied to route renewals work bank, namely HS1’s new (and effective) cost policy. EIL expect that this further work will drive significant reductions of the current LTC proposals.</p>	<p>Noted. We have completed both elements of this work and set out the updated proposals for stations renewals costs in Section 16.1 of the 5YAMS. This has driven significant reductions in the LTC proposal since the Draft 5YAMS.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
138	EIL	Stations	Renewals costs	<p>EIL are very concerned about the LTC amounts proposed in the draft. They:</p> <ul style="list-style-type: none"> <li>a. are based on a significantly higher 40-year cost envelope compared to CP3 (a 50% real terms increase over the full 40 years, and a 43% increase in real terms for the comparable forecasting period of CP4-CP 10) without sufficient justification for this proposed change;</li> <li>b. are not fully understood by HS1, the regulated Infrastructure Manager that is responsible for levying them;</li> <li>c. did not include input from train operators regarding their own priorities and operations; and</li> <li>d. have been developed using a different methodology to that utilised for route renewals.</li> </ul> <p>Until HS1 is entirely comfortable with the assumptions and figures provided by NRHS for the CP4 renewals underpinning their 40-year work bank estimate, it cannot propose any cost increase to the station LTC, let alone a total increase of 34% across all operators (and 23% for EIL).</p>	<p>In our Draft 5YAMS we noted that we were planning to undertake a further review of station renewals costs and to explore the application of the Cost Policy to stations. We have now completed the review and applied the Cost Policy. This has led to a significant reduction in costs and LTC. Total LTC is now 12% lower than in PR19. We regularly engage with train operators in Qx review meetings and the quarterly renewals review and therefore have a very good understanding of priorities. However, if the train operators think that the proposed renewals do not address areas of concern, we encourage them to discuss this with us. There are some differences between the approach to developing costs for route and stations, but now we have applied the Cost Policy to stations, these differences are marginal.</p>
139	EIL	Stations	Performance	<p>Re. LETs performance - EIL has been asking for some time to have access to NRHS's asset register to be able to understand the specific assets' history over time, but to date this has not been forthcoming. EIL would welcome assistance from HS1 to allow us to access this register to understand these specific assets that EIL fund, and which are vital to the on-going operation of our services.</p>	<p>NR(HS) provides information to other operators, so it can also provide this information to EIL. It would be helpful to clarify with EIL the type and level of information it is requesting before responding.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
140	EIL	Stations	Performance	<p>EIL do not believe that the current LET-related KPIs provide the full picture of performance of key assets in this class throughout the station, and EIL would like this to be changed. The current approach reports figures which (i) do not reflect the individual sensitivity of the respective pieces of equipment, especially in the International Zone where customers and our teams are wholly reliant on the dedicated assets; (ii) do not appear to us to take into account the duration of periods of unavailability of these critical assets; and (iii) immediately exclude any unavailable asset from the KPI measurement when the operator is forced to, for legitimate operational reasons, request a delay or pause to repair works.</p>	<p>The change request can be reviewed if formally requested. It will require details of the changes to be made and any changes to KPIs and performance the changes will affect. Note that the change will need to be agreed with all stakeholders unless EIL wants to negotiate a specific performance regime for its specific assets which potentially may affect the cost of the current contract.</p>

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
141	EIL	Stations	CP3 outturn	<p>HS1 explains in the Life Circle Report (“LCR”) for St Pancras International that evidence related to reactive faults (asset failure) for all asset classes other than LET is aggregated in a single graph for all three HS1 managed stations, as no further breakdown is available from NRHS. This is unacceptable and must be remedied immediately. This does not allow train operators to have sufficient insight or proper monitoring of the possible causes of the failures, or to understand where these are occurring. [x]. EIL find it difficult to believe that NRHS does not keep a more precise record of asset failures and EIL do not understand why NRHS would refuse to disclose a more detailed breakdown of this important information.</p>	<p>NRHS do keep these records as raw data, however the system does not currently produce reports in this format. The stations management structure is set up to deliver requirements of the contract. If the requirement on reporting is to change then this needs to be reassessed and more clarity on what further reporting detail, as we need to ensure there is a net benefit of making changes. [x]</p>
142	EIL	Stations	CP3 Outturn	<p>EIL have concerns about whether NRHS will be able to deliver the full planned renewals for CP3 in the time remaining within control period, considering that to date only [x] of the work has been delivered. Visibility of this work is important for us. EIL would welcome any information that would shed light on NRHS’s intended work plan for the remainder of CP3 as well as, of course, for CP4.</p>	<p>The delivery target for the stations portfolio was completed in year 4 and there is no issue for year 5 target at present, as reported annually in the AMAS to operators and the ORR. While there was a delivery lag in the early years of the control period, in large part due to COVID-19, a re-baselining assessment was undertaken and following this delivery targets have been met. The lookback and lookahead are also covered in the quarterly renewals meetings which the operators are involved in.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
143	EIL	Stations	Renewals volumes	<p>EIL were concerned that very late in the process, HS1's understanding was still evolving on some fundamental parameters: in the last stakeholder meeting before the 5YAMS publication, HS1 had indicated that the large cost increase was primarily driven by LET assets. Yet the information in the 5YAMS publication suggested a very different picture, which was that the civils and Mechanical, Electrical and Plumbing ("MEP") asset categories were driving the cost increases. This is most unusual at this stage of the process, and EIL request that HS1 share further information on this, including the plan to ensure that a fully detailed and justified cost proposal will be presented to the ORR for review, as soon as possible.</p>	<p>HS1 identified in the Draft 5YAMS the need to do further review of the large cost variances in station renewals. We've now completed this which has resulted in renewal cost profile HS1 considers appropriate (and lower than proposed in the Draft 5YAMS). This is set out in Section 16 of the 5YAMS and we will hold a workshop to take stakeholders through this in more detail.</p>
144	EIL	Stations	Renewals volumes	<p>EIL welcome the use of a Totex Model but unfortunately, train operators have not been given access to this Totex Model. This makes it impossible to fully understand and comment on the very substantial long-term cost outcomes underpinning its LTC proposals. It is unacceptable that the operators who will be paying the sums driven by the outputs from this model have not been given the opportunity to review the assumptions and calculations within it. NRHS/HS1 need to provide this model in an unredacted format as well as evidence on the inputs and assumptions to the model to all stakeholders as a matter of urgency.</p>	<p>The detailed totex models and underlying assumptions are being shared with the ORR which is the usual process under a Periodic Review. The ORR will be reviewing, challenging and validating these as part of its assurance role in the next stage of the process and the underlying data of the totex models may change as a result. We understand the ORR is committed to providing maximum transparency for stakeholders on its assurance and assessment of the totex models, and all stakeholders will have the opportunity to respond to this as part of the Draft Determination consultation.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
145	EIL	Stations	Renewals volumes	<p>EIL would expect to see some basic information for each forecast renewals intervention regarding scale and purpose. For CP4 EIL expect to see an exact listing of the work to be done, including its timing and estimated cost. This is not only important for validation purposes but also for EIL's operational planning in the station. EIL or other priorities have not been considered; in this context EIL take this opportunity to remind HS1 of our priorities for renewals in the near term and request further engagement to review the longer-term phasing of renewals work for CP4 and beyond, in particular where these affect the international and exclusive zones. [x]</p>	<p>The information on what is to be renewed is included in the Station SASs and as noted in the Draft LCRs (Section 4.2) the delivery approach and plans will be developed over 2024. Operators are invited to attend the quarterly Renewals Boards in which upcoming renewals are discussed. EIL's priorities have been considered and this is reflected in greater spend being focussed on the areas highlighted by EIL. [x]</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
146	EIL	Stations	Renewals volumes	<p>EIL do not recall that HS1's proposal to amend the renewals strategy for LETs to undertake more frequent and smaller scale interventions on the assets has been discussed with the train operators at any great detail, and in any case not with EIL's stations personnel who would be directly affected by this. According to the supporting documents, the decision has been driven mainly by Remote Condition Monitoring (RCM) and the results of the Totex model. Not having seen the Totex model, EIL are unable to assess the accuracy of such a decision. As previously noted, the provision of an unredacted version of the Totex model is important to allow proper scrutiny and should not be unreasonably withheld.</p>	<p>Information on the LET renewals strategy was set out in Renewals Boards papers and discussed at meetings held on quarterly basis that TOCs were invited to. To clarify, information from RCM has informed the approach to LET asset management for CP4, this was not available in PR19/CP3 (see section 4.2.1 of the 5YAMS or 3.1.3 of the LCRs). The station asset management plans and totex models will be challenged and assured by the ORR in the next phase of the PR24 process.</p>



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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
147	EIL	Stations	Renewals volumes	<p>EIL are of course supportive of HS1/NRHS's wish to transition, when possible, to more sustainable modes of heating in the station. However, the requirement for greater funding to transition from chillers and gas fired boilers to heat pumps remains largely unexplained. At the time of writing this response, EIL has received no formal communication from either HS1 or NRHS in respect of the possible installation of heat pumps in stations, which may be occurring as early as 2025/26. HS1 need to provide detailed business cases, project plans and financial details to the operators, as well as detailed assessments of the impact of the installation of heat pumps in respect of CO2 emissions, gas and electricity consumption as a matter of urgency so that the project can be formally assessed and signed off.</p>	<p>We welcome EIL's support for the heat pump project which is a fundamental part of meeting our 2030 sustainability targets and ensuring that HS1 is the green gateway to Europe.</p> <p>The boiler and chiller renewal was part of the CP3 approved list of projects and is now running into CP4. Operators will receive regular updates at the quarterly renewals boards, like with all renewals project. In addition the operators will be able to comment on the Gate 4 paper approval to the ORR on renewal projects, as per the typical process. There has been engagement with EIL on the project as there has been discussion about how similar technologies might be employed in EIL's own facilities.</p> <p>The use of heat pumps is in part informed by the governments approach to phasing out the renewal of gas boilers with gas boilers. The project creates significant savings in CO2 (68% per annum), the opex costs are also lower (a 27% reduction in fuel prices per annum).</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
148	EIL	Stations	Renewals volumes	<p>Toilet renewals are a sizeable portion of the renewals spend in CP4 (24% of the spend). There is no indication in the models if and when toilets located in the International Zone or staff toilets are included in the renewals plans, for CP4 and beyond. Recent renewals works of the toilets in the international departures zone have been invoiced via Qx as part of maintenance works, despite HS1 having agreed, after challenge by EIL, that those works are covered by the LTC. This situation remains unresolved at this point in time, and EIL infer from exchanges with HS1 that the works had not been managed through the usual renewals governance process and therefore funding out of escrow had not been arranged for on time. While highly concerning in its own right, it illustrates a broader and potentially serious question of how clearly and correctly HS1 distinguishes between works funded out of Qx or LTC, creating obvious risk of double payment and cost mis-allocation. EIL request that HS1 resolves the question of the funding of the toilet renewals as a matter of urgency.</p>	<p>The toilets in the international zone are included in the renewals plans. The staff toilets are excluded as these are EILs asset.</p> <p>The recent renewals work will be funded from LTC however the transfer of funds from LTC to Qx is taking a long time to occur as we have to comply with DfT governance to move the funding. HS1 has a clear understanding of the asset responsibilities (which asset HS1 is responsible for and which assets are owned and maintained by individual operators) and Qx/LTC funding relationship. If this is not well understood by the train operators, we can explain the this in our regular BAU engagement.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
149	EIL	Stations	Renewals volumes	<p>EIL do not oppose HS1’s proposal to package, when possible, the works to the roof of SPI by bringing forward some of the works that were scheduled for CP5. EIL recognize the technical constraints of such work. However, EIL are yet to receive detailed plans or any breakdown of the costs that would allow us to have an informed opinion on that choice or to consider any other elements that may be relevant to the proposed works.</p>	<p>At this stage the roof project is at gate 1 in the project process. The price is an estimate. There are no detailed plans to share at this stage however as these develop the train operators will be fully involved and will also have the opportunity (as with other complex projects) to comment back to HS1 and the ORR when the gate 4 funding paper is sent out for approval prior to a contract for the works being let.</p>
150	EIL	Stations	Renewals costs	<p>The [Rebel benchmarking] study fell short of expectations, particularly when compared to the level of detailed findings and robust proposals developed in the route benchmarking study. There is a risk that HS1 will satisfy itself with the report’s conclusion of it being generally “in line” with the other comparators and will not pursue additional station efficiencies for CP4 and beyond.</p>	<p>HS1 held iterative engagement with stakeholders on the stations benchmarking exercise ahead of the Draft 5YAMS. In these sessions and as set out in the report (provided as a supporting document) Rebel explained the range of difficulties with benchmarking asset renewals at the stations. Since the Draft 5YAMS, HS1 has since reviewed the stations costs and applied the Cost Policy approach which considers where efficiencies in long term pricing could be achieved. This has resulted in a lower renewals costs relative to the Draft 5YAMS.</p>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
151	EIL	Stations	Renewals costs	The limitation of the [Rebel] benchmarking exercise to LTC/renewals, whilst excluding Qx/O&M, limited the value of the study considerably. Although Qx is unregulated (EIL would prefer it to be regulated) it is still a significant access charge (higher, in fact, than the LTC) that is borne by all users of SPI, as noted below, and given the increasingly frequent discussions around transfer of cost categorisation between renewals and O&M in both a route and stations context, it would be helpful to have a wider benchmark comparison for HS1 that encompassed the full scope of stations asset and operational management activities.	This was the first stations benchmarking exercise undertaken, and HS1 will apply lessons learned to benchmarking for the next Periodic Review. A key issue is that expanding the benchmarking analysis to O&M as well as renewals will be a much more resource intensive and costly activity. It will also be more onerous on the comparator organisations' participation which may deter some from being involved, reducing the effectiveness of the study. If HS1 is required to undertake a much more extensive benchmarking study, we will need to include additional costs in HS1's internal budget for this.
152	EIL	Stations	Annuity	EIL welcome HS1's willingness to apply similar principles of the route Cost Policy to the long-term renewal pricing of station assets, but still vital HS1 challenge the underlying base cost envelope developed by NRHS.	We agree this is important. The review we have undertaken with NR(HS) since the Draft 5YAMS was to done to make sure the proposed costs were appropriate.

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
153	EIL	Stations	Annuity	<p>HS1 made some specific changes to the calculation methodology for the route renewals annuity. It applied CPI instead of RPI to the forward cost stream and it weighted the annuity by train volumes. There is no a priori reason why these changes should not also be appropriate for the calculation of the stations renewals annuity. HS1 should be able to generate long term train volumes for EMR in the same manner as it did for SET to permit it to generate a train volume weighted annuity. EIL are in favour of adopting the same methodology changes for the stations renewal annuity as for the route renewals annuity, as it allows a fairer repartition of the cost over time.</p>	<p>The stations annuity modelling incorporates the long term forecast assumption for equivalent to CPI (as a proxy for CPIH). HS1 has not proposed to weight the stations annuity by train volumes at this time. We have focused on the route annuity given the relatively larger impact on operators' costs. HS1 is open to exploring this further if the ORR considers it appropriate.</p>

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
154	EIL	Stations	Cost Allocation	<p>EIL have very serious concerns about the allocation of all common costs to train operators as shared previously. HS1's position is not in line with regulations for cost allocation to the railways. It has failed to address those concerns or establish the legal basis by which HS1 allocates all such costs to the regulated till and none to the unregulated till. EIL do not agree HS1's view is supported by the Concession Agreement and no evidence has been provided. HS1 should set the out the specific provisions that it can operate a dual till model at St Pancras station.</p>	<p>We acknowledge the long standing views of the operators on cost allocation at HS1 stations. The basis that under the HS1 Concession retail income is, and would remain, unregulated and that the regulated charges (OMRC and LTC) are not established using the "single till" model, is expressly acknowledged by:</p> <ul style="list-style-type: none"> <li>o The HS1 Concession Agreement where paragraph 7.2 to Schedule 10 provides that "OMRC shall be set at the level that is needed to provide for OMR ... but not taking into account any revenue or capital receipt of whatsoever nature other than [OMRC and certain claims]". Schedule 3 (Minimum Operational Standards) requires that HS1 provide approx. 60 retailers at St Pancras.</li> <li>o The ORR in its regulatory statement dated 30 October 2009 (paragraph 19) that was made during the High Speed 1 sale. "We expect to determine OMR charges by reference to the efficient level of operation, maintenance and renewal costs, and consistent with the concession agreement will not take into account the actual or expected income that HS1 Limited receives from property, ... retail, car parking or other activities, or from the investment recovery charge. Thus the level of OMR charges is not established using the "single till" model adopted for Network Rail. This is because the concession agreement specifies the specific sources of funding that we can take into account when we approve or determine the level of OMR charges" (paragraph 19)</li> <li>o The ORR in its second regulatory statement dated 27 July 2022 (paragraph 15) which states: "The assessment of the level of the long-term charge, set out in the HS1 Stations Leases, only takes into account HS1 Ltd's income from train operators. It does not reflect income from the provision of retail space or car parking facilities."</li> <li>o The DfT in the PR19 determination on station LTC (paragraph 7.33) which states: "The Government's Representatives believe there is no mechanism under the HS1 Station Leases or the Concession Agreement to require LTC charges to be applied to retail outlets at the HS1 Stations, given retail income is unregulated under the HS1 contractual and financial.</li> </ul>

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No	Consultee	Area	Topic	Summary of feedback	HS1 Response
155	EIL	Stations	Cost Allocation	EIL requests that HS1 explain how the HS1 LTC Position i) promotes efficiency and economy on the part of persons providing railway services and ii) protects the interests of service users (both of these being desirable outcomes that EIL anticipate that ORR will consider as part of its review of the Draft 5YAMS). EIL requests that HS1 explain how the calculation of the LTC aligns with the 2016 Regulations.	HS1 pursues efficiency, economy and service users' interests in developing our proposals for the asset management plans and associated costs for the stations, which the ORR challenges and validates through the Periodic Review process. The Concession Agreement sets the framework for how HS1 allocates station costs. The Concession Agreement is not inconsistent with the 2016 Regulations and sets out clearly that as part of the Minimum Operational Standards HS1 is required to provide an approximate number of retail units must be provided at each station.
156	EIL	Stations	Charges	It is not easy for train operators to form a reliable opinion on the evolution of their global future stations costs with Qx set on an annual basis. EIL welcome the 5-year overview on Qx provided as part of the Best Estimate annual forecast (most recently in January 2024) but this doesn't provides us with a sufficient level of information to allow reasonable financial planning as headline figures lack detail. More detailed multi-annual estimates of QX from HS1 should be possible given asset maturity this kind of forecasting.	The biggest drivers of cost variability at stations are: TOCs changing their requirements for staff or agency levels; Electricity charges; Business Rates; Contract price changes at re-tender. The first three items are very hard to predict and the fourth is subject to competition effects. We will continue to engage with operators through the usual Qx process on what more can be reasonably provided.
157	EIL	Stations	EES	EIL are committed to continue to engage with HS1 on this subject bilaterally to agree on a clear, transparent and non-discriminatory set of rules allowing all international operators to access this new asset, whilst bearing their fair share of the costs.	Noted.

No	Consultee	Area	Topic	Summary of feedback	HS1 Response
158	EIL	Stations	Station enhancement	[x]	[x]
159	EIL	Stations	Station enhancement	[x]	[x]
* DfT's responses cannot be included yet because of pre-election guidelines.					